

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

DATE: Tuesday 16 April 2019

TIME: 7.30 pm

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

MEMBERSHIP (Quorum 3)

Chair: Councillor David Perry

Councillors:

Ghazanfar Ali
Peymana Assad
Maxine Henson

Philip Benjamin
Amir Moshenson
Kanti Rabadia (VC)

Reserve Members:

- | | |
|------------------|------------------|
| 1. Nitin Parekh | 1. Pritesh Patel |
| 2. Niraj Dattani | 2. John Hinkley |
| 3. Antonio Weiss | 3. Chris Mote |
| 4. Chloe Smith | |

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelani@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at:
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An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Monday 8 April 2019

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 7 - 20)

That the minutes of the meetings held on 5 December 2018 and 29 January 2019 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 in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, 11 April 2019. Questions should be sent to 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. INFORMATION REPORT - CAPITAL STRATEGY 2019/20 (Pages 21 - 34)

Report of the Director of Finance.

9. AUDIT COMMITTEE REVIEW (Pages 35 - 54)

Report of the Director of Finance.

10. INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLANS 2019/20 (Pages 55 - 84)

Report of the Director of Finance.

11. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

12. EXCLUSION OF THE PRESS PUBLIC

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

<u>Agenda Item No.</u>	<u>Title</u>	<u>Description of Exempt Information</u>
13.	Information Report: Internal Audit Red Assurance Reports	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
14.	Information Report: 2018/19 Corporate Risk Register Quarter 4	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

AGENDA - PART II

13. INFORMATION REPORT: INTERNAL AUDIT RED ASSURANCE REPORTS (Pages 85 - 120)

Report of the Director of Finance.

14. INFORMATION REPORT: 2018/19 CORPORATE RISK REGISTER QUARTER 4
(Pages 121 - 134)

Report of the Director of Finance.

*** 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.]

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GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

5 DECEMBER 2018

Chair: * Councillor David Perry

Councillors:

* Ghazanfar Ali	* Maxine Henson
* Peymana Assad	* Pritesh Patel (1)
* Philip Benjamin	* Kanti Rabadia

* Denotes Member present

(1) Denotes category of Reserve Member

26. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Councillor Amir Moshenson

Reserve Member

Councillor Pritesh Patel

27. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 12 – Information Report – Internal Audit Red Assurance Reports
Councillor Maxine Henson declared a non-pecuniary interest in that her husband was Chair of the West London Waste Authority which was referred to in one of the reports. She would remain in the room whilst the matter was considered.

28. Minutes

RESOLVED: That the minutes of the meeting held on 4 September 2018, be taken as read and signed as a correct record.

29. Public Questions, Petitions and Deputations

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

30. References from Council and other Committees/Panels

RESOLVED: To note that no references had been received.

RECOMMENDED ITEM

31. Audit Committee Review

The Committee received a report which outlined the draft findings and recommendations of the Internal Audit review of the Audit Committee as agreed as part of the 2018/19 Internal Audit Plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and informed the Committee that the draft Internal Audit report was largely based on the evidence based self-assessment undertaken by the Committee against the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police, the responses to which were contained at Appendix B to the report.

In response to a comment that, as the self-assessment was questionnaire based, there was insufficient background information, the Head of Internal Audit and Corporate Anti-Fraud stated that consideration could be given to a workshop or training session prior to a future questionnaire.

Members indicated that they would wish to add more detailed information into the action plan as it progressed.

In response to questions, the Committee was informed that:

- the final report would include the agreed actions together with the implementation date and the responsible officer. The assurance rating was a professional opinion based on a formula;
- the proposed submission of an annual report to Council would enable the key areas where the Committee should be held to account to be addressed and for its performance to be reviewed on a regular basis.

The Head of Internal Audit and Corporate Anti-Fraud stated that revised terms of reference were submitted as part of the review as the current ones did not

clearly set out the purpose of the committee in accordance with CIPFA's 2018 Position Statement nor clearly reflect the Committee's current role.

Resolved to RECOMMEND: (to Council)

That the revised Terms of Reference as attached be approved.

RESOLVED: That the recommendations in the draft Internal Audit report be agreed.

RESOLVED ITEMS

32. Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2018/19

The Committee received a report on the mid-year review of treasury management activities for 2018/19. The Director of Finance introduced the report and drew particular attention to:

- investment was £100k under budget due to the low rates on offer;
- as there had been no external borrowing due to the use of cash reserves, £600k underspend had been used to help budget performance;
- there had been some temporary borrowing for capital projects due to the relatively low cost of short-term borrowing.. The strategy going forward was being reviewed.

During discussion on the report, the following principal points were noted in response to comments and questions from individual Members:

- the £36.62m principle total investments in table 1 referred to the sum borrowed. The property portfolio was shown separately as an asset on the balance sheet with an income of £700k in the revenue budget;
- the estimate and forecast capital financing requirement for 2018/19 were different because the estimate was based on the information available at the time the budget was set whereas the forecast reflected the position as the year progressed;
- the reference to an additional £85m temporary borrowing when there had been a reduction in capital expenditure was due to this being a projection of the capital financing requirement should all investments be taken. However the Council had under borrowed. Non HRA did not have the same borrowing gap but note was taken of the Prudential code and affordability of borrowing. If cash balances held dipped below a trigger point of required working capital of £30million temporary borrowing would take place to regain that level, primarily through short-term borrowing from other local authorities.

Underspending on capital schemes could be carried forward to the next financial year at which time long-term borrowing could take place;

- as the regeneration programme had been under review the provision had been carried forward resulting in a £65k underspend on the capital budget of £71m. Subsequent to the review, instead of carrying forward this underspend the budget would be reset for 2019/20 to reflect the currently agreed programme. It was hoped that the forecasting for the next financial year would be more in line with activity;
- the loan to West London Waste Authority presented a good return which would be used to maintain investment income;
- a negative impact of Brexit was considered unlikely as the counterparties were British Banks and their capital protection would apply;
- the cash flow was monitored daily.

The Director of Finance undertook to clarify why table 4 indicated an increase in HRA expenditure from £2,339k to £10,379k whilst table 5 showed no increase in the HRA capital financing requirement from estimate to forecast. It was agreed that the clarification would be verbally reported to Cabinet the following evening.

An officer undertook to clarify the reasons for the increase in revenue funding in table 4 from an estimate of £7418k to a forecast of £18,492k.

RESOLVED: That

- (1) the report be noted;
- (2) the Director of Finance verbally report to Cabinet on the reason for the discrepancy between tables 4 and 5 HRA capital expenditure estimate of £2.739k against a forecast of £10380k in table 4.

33. Exclusion of the Press and Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
12	INFORMATION REPORT – Internal Audit Red Assurance reports	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

34. INFORMATION REPORT - Internal Audit Red Assurance Reports

The Committee received a report on two final red or red/amber assurance reports undertaken by Internal Audit as part of the 2017/18 Internal Audit Plan and reported at a high level in the Year End Report presented to CSB and GARMS in July.

The Head of Internal Audit and & Corporate Anti-Fraud advised the Committee that the reports were presented after management had agreed the report and recommendations to provide assurance that appropriate action was planned and a follow-up would be reported to provide further assurance that agreed actions had been implemented.

The Committee scrutinised the review reports and made comments and asked questions which were responded to by the officers.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.35 pm, closed at 10.00 pm).

(Signed) COUNCILLOR DAVID PERRY
Chair

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GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

29 JANUARY 2019

- Chair:** * Councillor David Perry (Chair for part meeting)
- Councillors:**
- | | |
|-------------------|---|
| * Peymana Assad | * Amir Moshenson |
| * Philip Benjamin | * Kanti Rabadia (Chair for part of the meeting) |
| * Maxine Henson | * Chloe Smith (4) |

- * Denotes Member present
(4) Denote category of Reserve Member

35. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Councillor Ghazanfar Ali

Reserve Member

Councillor Chloe Smith

36. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda item 15 – Information Report – Internal Audit Red Assurance Reports
Councillor David Perry declared a non-pecuniary interest in that he had been Leader of the Council during part of the period under discussion. He would vacate the Chair and remain in the room whilst the matter was considered and voted upon.

37. Minutes

RESOLVED: That the minutes of the meeting held on 5 December 2018 be deferred to the next meeting of the Committee.

38. Public Questions, Petitions and Deputations

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

39. References from Council and other Committees/Panels

There were none.

RESOLVED ITEMS

40. Information Report - External Audit Plans 2018/19

The Committee received a report on the External Audit Plans for 2018/19. The report summarised how the external audit of the Council's accounts and Pension Funds for 2018/19 would be conducted and the key aspects of the audit plan.

Lucy Nutley of Mazars, the Council's Auditors, introduced the report with reference to the audit approach, significant risks and areas of key judgement and stated that the lower level of materiality compared to the previous year reflected it being the first year as the Council's Auditors. With regard to the Audit of the Pension Fund it included identified risks and the testing approach to these risks. The Committee was informed that the Director of Finance had been advised that it was highly likely that group accounts would need to be prepared and the Auditor would prepare an updated strategy or a letter to that effect.

In response to queries from Members, the Committee was informed that:

- with regard to the rolling valuation of land and buildings over a five year period, those assets valued in the current year were checked as to materiality including whether consideration had been given to the need for impairment;

- the new leasing standard IFRS 16 was likely to result in significant work to identify all leases to which the Council, including schools, was party to. The adoption of the standard had been deferred by CIPFA and would now form part of the 2020/21 financial year. The Council's financial team had already commenced work on updating its lease register;
- the costs to date associated with the regeneration programme would be reviewed to ensure that they were correctly accounted for and disclosed appropriately in the financial statements;
- the former Auditors had determined that the Council's entities had not been material in the previous year. It was likely that the transfer of properties to the Concilium Group prior to the end of the financial year would result in their becoming material so group accounts would be required. Should this occur the Auditor would prepare a letter to inform the Committee of the change. The Director of Finance noted the request from a Member that a report on the Council's commercial activities be submitted to the Committee for an overview and scrutiny;
- the external review report on the regeneration programme would be considered to ascertain whether a material year end adjustment was required.

The Chair informed the Committee that he had met with the Auditors and that there would be opportunities for them to meet with Members of the Committee at an appropriate time.

RESOLVED: That the report be noted.

41. Information Report - Audit Report on Grants and Returns Certifications 2017/18

The Committee received the annual report on grants and returns 2017/18 which included a summary of the outcome of returns with regard to Teachers' Pension Return, the Pooling of Housing Capital Receipts return, and the Housing benefits Grant claim.

The Director of Finance introduced the report and informed the Committee that it was the final report of the former auditors. It was noted that a qualification letter had been issued in respect of the Housing Benefit subsidy grant claim as audit testing had identified some minor errors of which there was not expected to be any effect on the subsidy granted. It was further noted that the Auditors had to report all finding from the sample as materiality for errors was zero. It was therefore very rare not to report something with the HB subsidy audit. In response to a question it was noted that the Council had amended the Pooling of Housing Capital Receipts return and would address the shortfall in receipts as part of the Quarter 3 return for 2018/19.

RESOLVED: That the Audit report on Grant and Returns Certifications 2017/18 be noted.

42. Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy for 2019/20 and Corporate Strategy.

The Committee received a report which set out the Council's Treasury Management Strategy Statement which included the Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2019/20 and the Annual Capital Strategy. The report had been submitted late due to revisions to the capital programme which impacted on the TMSS indicators and borrowing requirement.

The Director of Finance introduced the report and stated that the information was based on the draft capital programme presented to December 2018 Cabinet and would be revised to reflect the final programme which would be submitted to February Cabinet. The 2018/19 revenue budget, in respect of the capital financing cost of the existing capital programme 2018/19 to 2020/21 was £24.601m. The report included the new requirement for a capital strategy, which was a fluid document. There was as yet no specific guidance and the matter would be discussed at a West London Treasurers meeting the following week. The final Capital Strategy would be submitted to the Committee at its April meeting.

In response to a question the Committee noted that, in accordance with the minimum revenue provision (MRP), assets were recorded in the balance sheet and a portion of revenue was set out for debt repayment on the life of the asset. The entries for the revenue account and the MRP requirement were two separate actions and did not duplicate. The External Auditor stated that the MRP requirement was not used in the calculation of Council Tax.

In response to questions, the Committee was informed that:

- no borrowing from European institutions had taken place as borrowing had been from UK institutions or the Public Works Loan Board (PWLB);
- regular meetings took place with Link Asset Service, the Council's Treasury Management Advisers, who assessed counterparty risks to ascertain whether any changes to the strategy were required. Checks were made to ensure the Treasury Adviser's economic data and forecasts was consistent with the rest of the market;
- debt had to be repaid as possible. For two regeneration schemes requiring borrowing, debt would be repaid when the schemes were sold;
- with regard to an assessment of a no deal Brexit on availability and rates, decisions were based on the best information available including monitoring the PWLB and treasury adviser forecasts. All four commercial investments were UK based, nothing in retail and no fluctuations since purchased. The situation would be reviewed and the exposure was considered to be manageable;

- capital exposures, other than those relating to the regeneration programme, determine whether the value of an asset is best realised through disposal. A report would be submitted to the March Cabinet on whether properties were no longer of use;
- table 4 to the report illustrated changes to gross debt and the next report to the Committee would indicate the net impact;
- CIPFA requirements for commercial investment showed the Council held £17m commercial and received £700k rental income.

RESOLVED: That the report be noted.

43. INFORMATION ITEM - Internal Audit and Corporate Anti-Fraud Mid Year Report and Plan Update 2018-19

The Committee considered a report that set out progress against the 2018/19 Internal Audit and Corporate Anti-fraud plans. The report also covered progress in Quarters 3 and 4 and an update on the Internal Audit annual plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and drew attention to the fact that all internal audit performance indicators had been met, and with 90% exceeding the target. With regard to anti-fraud, four out of five targets had been exceeded. It was noted that the fifth was an annual target which was expected to be met by year end.

The officer outlined the process for the annual drafting of the plan and sought discussion with the Chair as to the form of the Committee involvement in the 2019/20 plan.

In response to a question, an officer outlined the processes in the overall fraud savings attributed to the blue badge fraud work stream and the support provided by the Concessionary Travel Team. It was further noted that £558k savings from tenancy fraud had been realised. Members expressed the view that the CAFT should consider allocating more resources into the areas with the higher expected savings and the Corporate Anti-Fraud Manager confirmed that this was done..

RESOLVED: That the report be noted.

44. Exclusion of the Press Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
14.	Information report – 2018-19 Corporate Risk Register	Information under paragraph 3 (contains information relating to

Quarter 2

the financial or business affairs of any particular person (including the authority holding that information).

15. Information report – Internal Audit Red Assurance Reports

Information under paragraph 1 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

45. INFORMATION REPORT - 2018/19 Corporate Risk Register Quarter 3

The Committee received a confidential report which set out the Council's 2018/19 Corporate Risk Register for quarter 3 of the financial year to enable progress on risk management to be monitored in accordance with the Committee terms of reference.

The Head of External Audit and Corporate Anti-Fraud introduced the report. In response to a question it was noted that the Corporate Risk Register was incorporated into the appropriate Directorate Risk Register and further to each Service Risk register.

RESOLVED: That the report be noted.

46. INFORMATION REPORT - Internal Audit Red Assurance Reports

The Chair vacated the Chair and the Vice-Chair presided for this item.

The Committee considered a red final red assurance report undertaken by Internal Audit as part of the 2018/19 Internal Audit Plan and two follow-ups of red or red/amber reports issued as part of the 2017/18 Internal Audit Plan to help fulfil the Committee's purpose to provide assurance to the Members of the adequacy of the Council's governance, risk management and control framework.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report and drew attention to the appendices which provided an explanation of the assurance ratings and the distinction between compliance and audit.

The Committee scrutinised the review report. Members made comments and asked questions on the circumstances and processes leading to the report being undertaken which were responded to by the officers. Members were informed that all the review's recommendations had been agreed by management and that a follow-up of the implementation of the recommendations would be undertaken by Internal Audit

Councillor Perry expressed reservations about the need for the audit and its scope. He stated that some questions asked were not sufficiently answered and queried the accuracy of the conclusions as some did not mirror his

recollections at the time described. The discussion concluded with the emphasis on moving forward.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.55 pm).

(Signed) COUNCILLOR DAVID PERRY
Chair

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

Date of Meeting: 16 April 2019

Subject: Information Report - Capital Strategy
2019/20

Responsible Officer: Dawn Calvert - Director of Finance

Exempt: No

Enclosures: Appendix A – Capital Strategy Report
2019/20

Summary

This report sets out and a new requirement, the Capital Strategy 2019/20. This document provides a high level view of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services and how the associated risk is managed.

Recommendation:

The Committee is asked to note the report.

Section 2

Introduction and Background

- 1 Under the Local Government Act 2003 the Council should have regard to the CIPFA Prudential Code. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Ministry of Communities and Local Government (MHCLG), Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a Capital Strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.
- 2 The proposed Capital Strategy sets out the Council's principles on how the Capital Programme is put together, how Capital expenditure can be financed and how the Council approaches and manages the risks related to the Capital Programme
3. The capital strategy is being reported separately from the Treasury Management Strategy Statement. (TMSS) This ensures the separation of the core treasury function set under security, liquidity and yield. principles as set out in the TMSS.
- 4 The proposed Capital Strategy is attached at Appendix A. It sets out the Council's principles on how the Capital Programme is put together, how Capital expenditure can be financed and how the Council approaches and manages the risks related to the Capital Programme

Risk management implications

- 5 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its capital financing and treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

Legal Implications

- 6 The purpose of this report is to comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and other relevant guidance referred to in the report.

Financial implications

- 7 Financial matters are integral to the report.

Equalities implications / Public sector equality duty

- 8 Officers have considered possible equalities impact and consider that there is no adverse equalities impact as there is no direct impact on individuals

Council priorities

- 9 The Capital Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Director of Finance

Date: 4 April 2019

Section 4 - Contact Details and Background Papers

Contact: Iain Millar (Treasury and Pensions Manager)
Tel: 020-8424-1432/ Email: iain.millar@harrow.gov.uk

Background Papers: None.

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CAPITAL STRATEGY REPORT 2019/20

Introduction

1. This capital strategy is new for 2019/20, providing a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. The strategy also provides an overview of how associated risk is managed and the implications for future financial sustainability.
2. As part of the amendments implemented in the 2018/19 Treasury Management Code, it is now a requirement that all Local Authorities will need to produce a Capital Strategy each year.
3. This strategy should be considered with other strategies which will provide a holistic view of the Council's financial planning framework; the Medium Term Financial Strategy, Capital Programme, Treasury Management Strategy, Investment Strategy and the Minimum Revenue Provision Statement.

Capital Expenditure and Financing

4. Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used or provide a service for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
5. In 2019/20, the Council is planning capital expenditure of £124.26m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual £m	2018/19 estimate £m	2019/20 budget £m	2020/21 budget £m
General Fund services	82,254	131,496	97,674	39,381
Housing Revenue Account (HRA)	11,877	17,379	26,586	44,462
TOTAL	94,131	148,875	124,260	83,843

6. The Council has spent £17m capital expenditure on commercial investments and plans to spend £25m on commercial investment properties in 2019/20 and 2021/22 in accordance with the Investment Property Strategy approved by Cabinet in 2015.
7. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself be subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes the building of new general needs, shared ownership and supported housing as well as works to stock and major adaptations to existing properties.

Governance of Capital Expenditure

- 7 Specific capital projects are identified primarily through the Council's annual budget setting process which revises the approved capital programme for future years. Service managers submit business cases for new projects, outlining the reasons and benefits for the proposal and the estimated cost and method of financing. The final revised capital programme is submitted first to Cabinet and Council for approval in February each year.
- 8 Implications of existing and new capital investment proposals in terms of the future impact on prudential borrowing levels and capital financing costs are taken into account in setting the revenue budget which is also approved by Council in February each year. The various sources of finance for all existing and new capital projects and programmes are identified and included in the Council's budget.
- 9 Some capital projects arise which require more short-term implementation during the current financial year and these are usually managed through existing programme budgets included in the three year programme where there is anticipated need for that type of investment. These projects would normally be managed within overall borrowing limits approved by Council.

Review of the existing Capital Programme and new Proposals

- 10 The Capital Programme is usually prepared over a three year period, However for 2019/20 a review of the Capital Programme was carried out in order for the Programme to be aligned with principles being developed to help define what Council services in Harrow should look like in the future, given the current significant budget gaps in the Revenue Budget for 2020/21 and 2021/22. The aim of this review being to set a revised affordable Capital Programme. The principles used are as follows:
 - Is this capital needed to meet a statutory obligation? Also, is the amount requested the minimum requirement?

- Is this capital required to operate safely? Also, is the amount requested the minimum requirement?
- Does the capital investment make a net financial contribution to Harrow after accounting for all revenue costs (capital financing costs, implementation costs and any ongoing running costs)?
- Does the capital investment generate additional external funding?
- Is this capital requirement essential to sustain the organisation? Also, is the amount requested the minimum requirement?
- Where a project has already started, can existing contractual arrangements be re-negotiated?

11 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital Financing

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m
External sources	18,765	19,548	21,046	16,838
Own resources	16,890	14,016	7,411	16,496
Debt	58,476	115,311	95,803	50,509
TOTAL	94,131	148,875	124,260	83,843

12 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. MRP is a statutory mechanism for General Fund borrowing and details on how this is calculated is included in the MRP Statement policy. The HRA also provide a regular contribution towards its financing of debt. As an indication of the current cost of the existing capital programme, the proposed Council budget for 2019/20 includes £32.6m for MRP and interest costs.

13 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £73,977m during

2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m
General Fund services	343,209	443,267	504,689	517,571
Council housing (HRA)	151,015	150,046	162,622	178,859
TOTAL CFR	494,224	593,313	667,311	696,430

Asset Management

- 14 The maintenance and improvement of the Council's property assets and wider infrastructure are managed and formally set out in the Council's organisational structure, with specific service teams in place to manage various parts of the Council's asset portfolio.
- 15 In general, assets are managed in accordance with the principles of good estate management. The Council seeks continuous improvement in the quality of assets used to deliver services and wherever possible use its ownership of assets to deliver service improvements.

Asset Disposals

- 16 Assets are continually reviewed, to determine those that may be declared surplus to service requirements, with regular monitoring meetings. Proposals to change the purpose, to redevelop or to sell an asset are reported to Cabinet. Surplus assets may be sold to generate proceeds, known as capital receipts, which can be used to finance capital expenditure on new assets or enhancements to existing assets, or to repay debt. With the approval of Cabinet, surplus assets can also be appropriated between the General Fund and Housing Revenue Account (HRA) to reflect planned changes in use of the land where notional receipts are transferred between the funds.
- 17 Right to Buy Council housing sales, repayments of capital grants, loans and investments also generate capital receipts. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. The Council plans to invest £3.1m of capital receipts on transformational projects in the coming financial year (2019/20).

Treasury Management

18 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

19 As at the 31 March 2019 the Council's total external borrowing was £346m and £26m was held in short term treasury (cash) investments.

Borrowing strategy

20 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance low cost short-term loans (currently available at around 1.10%) and long-term fixed-rate loans where the future cost is known but higher (currently 2.5 to 3.0%).

21 Projected levels of the Council's total current outstanding debt (which comprises borrowing, PFI liabilities, leases) are shown below, compared with the projected capital financing requirement (see details above).

Table 4: Prudential Indicator: Gross Debt & Capital Financing Requirement

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m
Debt (incl. PFI & leases)	341,061	360,860	550,252	600,329
Capital Financing Requirement	494,224	593,313	667,311	696,430

22 Statutory guidance requires that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 4 above, with the existing levels of debt the Council expects to comply with this in the medium term...

23 Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. Further details on borrowing can be found in the Treasury Management Strategy.

Table 5: Prudential Indicators: Authorised Limit and Operational Boundary for external debt

	2017/18 limit £m	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m
Authorised Limit – total external debt	494	593	667	696
Operational Boundary – total external debt	358	550	646	695

Treasury Investment Strategy

24 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

25 The Council’s policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely in funds including in bonds and shares, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

26 The Council will aim to hold a level of short-term investment balances which are not excessive, but will ensure sufficient liquidity to manage the day-to-day activities of the Council. Shorter-term investments are forecast at £30m over the next 5 years.

27 Further details on treasury investments can be found in the Treasury Management Strategy.

- 28 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy. The treasury management strategy statement is agreed by Cabinet in February prior to agreement at full Council before the start of each financial year. Amendments to the treasury management strategy during the year are only done with Cabinet approval.
- 29 Treasury activity is monitored and reported to senior management on a daily and weekly basis. Monthly reports on treasury management activity, including compliance with prudential indicators, are provided to Cabinet as part of the budget monitoring process.

Use of Commercial Investments

- 30 The Council approved its Investment Property Strategy in December 2015. The strategy allowed the acquisition of an investment property portfolio at a total cost not to exceed £20m with no single purchase to exceed £5m. Under this strategy the Council have acquired 4 commercial investments at a cost of £17m. A £700k net income contribution is included in the budget. The Council approved a further £25m capital programme investment in commercial properties on the basis that a revenue stream is provided to support the revenue budget from commercial property rents
- 31 The income target from the commercial portfolio makes up less than 5% of the Council's revenue budget and therefore the risk can be considered to be minimal and proportionate

Liabilities

- 32 In addition to long term debt detailed above, the Council is committed to making future payments to cover its pension fund deficit and has made provisions to cover risks such as insurance claims and non-domestic rates appeal losses. The Council is also at risk of having to pay for claims following legal proceedings but has not put aside any money because the claims are denied and will be defended, and in some instances, counterclaims pursued.

Revenue Budget Implications

33 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 6: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget
Financing costs (£m)	24,321	25,000	32,872	34,008
Proportion of net revenue stream (%)	14.7	14.8	19.5	20.3

Net revenue stream is the general fund budget requirement, which is funded through Council Tax Business Rates and Government Grants.

Sustainability

34 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 35 years into the future. The Director of Finance is satisfied that both the proposed individual schemes and the overall programme are tested for affordability, sustainability and prudence.

35 Projects to be financed from planned borrowing fall into three broad financing strategies, with a fourth category of investment to be financed from future Council Tax revenues. The broad financing strategies are investment projects where specific capital receipts are recognised on completion of the project to cover costs; commercial activity with full funding through dividends, interest and principle repayments; and invest to save projects where borrowing costs are offset by ongoing revenue savings. The fourth category is projects linked to service delivery projects to meet the demands of residents.

Knowledge and Skills

37 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

- 38 The Council adopts a continuous performance and development programme to ensure officers are regularly appraised and any training needs identified. Where appropriate, officers will attend training sessions, seminars and workshops to ensure their knowledge is up to date and relevant. Council Members are provided access to additional training where required.
- 39 Where Council staff does not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

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

Date of Meeting:	16 April 2019
Subject:	Audit Committee Review
Responsible Officer:	Dawn Calvert - Director of Finance
Exempt:	No
Enclosures:	Appendix 1 – The Final Internal Audit report on the Audit Committee Review Appendix 2 – The Committee's proposed Annual Report Template

Section 1 – Summary and Recommendations

This report presents the final Internal audit report on the review of the audit committee undertaken as part of the 2018/19 Internal Audit Plan. The draft report was presented to the Committee at the December 2018 meeting and all the recommendations were agreed however the Members indicated that they would wish to add more detailed information into the action plan as it progressed.

Recommendations:

The Committee is requested to:

- Review the final Internal Audit report;
- Agree the detailed responses to the individual recommendations including implementation dates; and
- Review and agree the proposed Annual Report template as a starting point for drafting an annual report.

Section 2 – Report

Background

- 2.1. As part of the 2017/18 annual governance review it was identified that the audit committee role, undertaken by the GARMS Committee, has not been specifically reviewed against best practice, as contained in CIPFA guidance, for several years. This was identified as a minor governance gap and to address this an Internal Audit review of the audit committee was included in the 2018/19 Internal Audit Plan, and undertaken in Q2/Q3.

Audit Committee Review Report

- 2.2 The draft Internal Audit report outlining the findings of the review was presented to the Committee in December 2018. The report's recommendations were agreed overall at the meeting with members indicating that they would wish to add more detailed information into the action plan as it progressed.
- 2.3 The proposed final report is therefore attached (Appendix 1) with suggested ways to progress the agreed recommendations and proposed implementation dates.
- 2.4 One of the key recommendations in report was for the Committee to produce an Annual Report on its performance for those charged with governance: the Council. Appendix 2 provides a suggested template to be used as a starting point for drafting the report.

Further Information

Further updates will be provided as progress is made on the implementation of the recommendations.

Financial Implications

There are no financial implications to this report.

Equalities implications

None

Corporate Priorities

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Chief Financial Officer

Date: 3 April 2019

Name: David Hodge



on behalf of the
Monitoring Officer

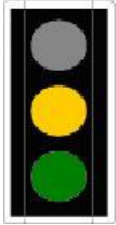
Date: 4 April 2019

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud,
Tel: 0208 424 1420

Background Papers: None

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AMBER/GREEN
ASSURANCE

AUDIT COMMITTEE REVIEW

DATE: 23rd January 2019

CLIENT: GARMS Committee

AUDITOR: Susan Dixon – Head of Internal Audit

MANAGER: Susan Dixon – Head of Internal Audit

DISTRIBUTION LIST: GARMS Committee
Dawn Calvert – Director of Finance

Internal Audit

Executive Summary

1. The review forms part of the 2018/19 Internal Audit annual plan which has been developed from a risk assessment and consultation process. This review provides an independent and objective opinion on the system under review by evaluating its effectiveness in achieving the organisations objectives.
2. **The system objective:**
The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
CIPFA :Audit Committees: Practical Guidance for Local Authorities and Police \ 2018 Edition
3. **The audit objective:**
The objective of this review is to provide assurance that the Council's Audit Committee (Governance, Audit, Risk Management and Standards Committee – GARMS) complies with best practice as outlined in the CIPFA :Audit Committees: Practical Guidance for Local Authorities and Police \ 2018 Edition.
4. **The Scope:**
,
 - Audit committee purpose and governance;
 - Functions of the committee;
 - Membership and support;
 - Effectiveness of the committee;
 - Review and update of the GARMS Committee Terms of Reference.
5. **Methodology**
An evidence based self-assessment was undertaken by the GARMS Committee against the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police \ 2018 Edition facilitated and evidenced by the Head of Internal Audit & Corporate Anti-fraud. In addition the Terms of Reference for the Committee has been reviewed against the guidance.
6. Recommendations made have been rated according to risk:
High Risk: major issues that require action, key objectives will not be met and serious threat of fraud.
Medium Risk: serious threat to the achievement of objectives and potential threat of fraud.
Low Risk: best practice where there is a small effect on objectives.
7. All internal audit reports are given an assurance rating.

Amber/Green reports will indicate medium to low risk in need of attention to prevent them becoming high risk and

Audit Opinion

8. An **Amber/Green** assurance is given to the performance of the Audit Committee (GARMS) against the good practice principles outlined in the CIPFA Guidance indicating that the committee is soundly based and has in place a knowledgeable membership. Overall 71% of

the good practice was found to be in place and operating or substantially operating effectively. 11 recommendations have been made to address the areas identified as only partially or not operating, 8 are rated as medium risk and 3 are rated as low risk.

Agreed Actions

9. All the report's recommendations were agreed by the GARMS Committee at the meeting on 5th December 2018.

DETAILED REPORT

10. An evidence based self-assessment was undertaken by the GARMS Committee against the CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police\2018 Edition, facilitated and evidenced by the Head of Internal Audit & Corporate Anti-fraud. Results are shown in Appendix B. All members of the Committee took part in the self-assessment and were asked to individually assess whether the committee meets the good practice outlined in the guidance. Part 1 is covered in paragraphs 11 – 14 below and good practice was rated Yes (in place), Partially (in place) or No (not in place) with the majority of answers being used as the final rating. For Part 2 covered in paragraph 15 below individual assessments were rated 1-5 (descriptions for each assessment shown in Appendix A) and an average was taken of these to provide the final assessment as there was not a clear majority in very area.

11. Audit Committee Purpose and Governance

The following good practice was identified as being in place:

- the authority has a dedicated audit committee;
- the audit committee report directly to full council;
- the audit committee provide support to the authority in meeting the requirements of good governance.

The following good practice was identified as being partially in place:

- the role and purpose of the audit committee is understood and accepted across the authority;
- the arrangements to hold the committee to account for its performance are operating satisfactorily.

The following good practice was identified as not being in place:

- the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement

12. Functions of the Committee

The following good practice was identified as being in place:

- the committee's terms of reference explicitly address all the following core areas identified in CIPFA's Position Statement:
 - good governance;
 - internal audit:

- external audit;
 - financial reporting;
 - risk management;
 - counter fraud and corruption;
- the audit committee have considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them;
 - the committee has maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose.

The following good practice was identified as being partially in place:

- the committee's terms of reference explicitly address all the following core areas identified in CIPFA's Position Statement:
 - assurance framework, including partnerships and collaboration arrangements;
 - supporting the ethical framework.

The following good practice was identified as not being in place:

- the committee's terms of reference explicitly address all the following core areas identified in CIPFA's Position Statement:
 - value for money or best value;
- an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas

13. **Membership and Support**

The following good practice was identified as being in place:

- the chair of the committee has appropriate knowledge and skills;
- arrangements are in place to support the committee with briefings and training;
- the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO;
- adequate secretariat and administrative support to the committee is provided;
- an effective audit committee structure and composition of the committee has been selected including separation from the executive, an appropriate mix of knowledge and skills among the membership, a size of committee that is not unwieldy.

The following good practice was identified as being substantially in place:

- consideration has been given to the inclusion of at least one independent member.

The following good practice was identified as not being in place:

- the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory.

14. **Effectiveness of the Committee**

The following good practice was identified as being in place:

- meetings are effective with a good level of discussion and engagement from all the members;
- the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers;

The following good practice was identified as not being in place:

- the committee has obtained feedback on its performance from those interacting with the committee or relying on its work;
- the committee make recommendations for the improvement of governance, risk and control and are these acted on;
- the committee evaluated whether and how it is adding value to the organisation;
- the committee have an action plan to improve any areas of weakness (however the action plan of this review will serve this purpose) ;
- the committee publish an annual report to account for its performance and explain its work.

15. **Evaluating the Effectiveness of the Audit Committee**

Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable:

- supporting the development of robust arrangements for ensuring value for money.

Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of these areas:

- contributing to the development of an effective control environment;
- supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
- helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

The committee has had mixed experience in supporting improvement in these areas. There is some evidence that demonstrates their impact but there are also significant gaps:

- promoting the principles of good governance and their application to decision making;
- aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.

There is some evidence that the committee has supported improvements in the following area, but the impact of this support is limited:

- promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

16. Review of the Terms of Reference

The review of the committee's terms of reference takes into account the current terms of reference (Appendix C) indicating what has been included in the new terms of reference and what has not, the CIPFA Guidance suggested terms of reference (as reported to the last meeting), the self-assessment against best practice undertaken by the committee as part of this review and current practice.

The proposed updated terms of reference (Appendix D) is provided for the committee's consideration and agreement.

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
1.Audit Committee Purpose and Governance					
1.1	The purpose and role of the committee is unclear.	<p>The GARMS Committee Terms of Reference has not been reviewed/updated since 2010 although it is being reviewed as part of this review.</p> <p>The current Terms of Reference does not clearly set out the purpose of the committee in accordance with CIPFA's 2018 Position Statement and does not clearly reflect the committee's current role.</p> <p>Having an up to date and clear Terms of Reference will help to ensure that the role and purpose of the committee is understood and accepted across the authority as it forms part of the Constitution.</p>	To agree the Terms of Reference updated as part of this review to clearly reflect the purpose of the committee and its current role.	M	<p>Agreed Action: The GARMS Committee resolved to recommend to Council that the revised Terms of Reference be approved. To be presented to the next Council Meeting 28/02/19.</p> <p>Agreed by: GARMS Committee 05/12/18</p> <p>Implementation Date: 28/02/19</p> <p>Current position: Minutes of Council 28/02/19 evidence that the revised Terms of Reference for the GARMS Committee has been approved.</p>

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
1.2	The committee is not accountable for its performance.	<p>The committee does not currently report on its performance to those charged with governance: the Council.</p> <p>The preparation of an annual report by the committee can be a helpful way to address the key areas where the committee should be held to account. The annual report should be presented to those charged with governance: the council. In addition, publication of the report will assist other stakeholders to understand the work of the committee.</p> <p>Many Audit Committees in other authorities prepare such a report.</p>	<p>(a) An annual report should be prepared for Council and published. Consideration should be given to including the following aspects in the report:</p> <ul style="list-style-type: none"> • whether the committee has fulfilled its agreed terms of reference • whether the committee has adopted recommended practice • whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities • whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review • what impact the committee has on the improvement of governance, risk and control within the authority. 	M	<p>Agreed Action: Agreed</p> <p>Agreed by: GARMS Committee 05/12/18</p> <p>Implementation Date: 16/07/19</p>

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
			(b) The Head of Internal Audit should prepare a draft format for the report, taking into account reports in other authorities, for the committee to agree.	M	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: To be presented to the GARMS Committee meeting 16/04/19
2.Functions of the Committee:					
2.1	The committee do not cover the core areas identified in the CIPFA's Position Statement.	The committee's terms of reference does not explicitly/fully address the following core areas identified in CIPFA's Position Statement: <ul style="list-style-type: none"> ➤ assurance framework, including partnerships and collaboration arrangements; ➤ supporting the ethical framework; ➤ value for money or best value; These have been included in the proposed new Terms of reference prepared as part of this review.	See recommendation 1.1		
2.2	The committee does not fulfil its terms of reference and core areas are not adequately considered.	An annual evaluation is not currently undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas.	An annual evaluation should be undertaken and the results included in the annual report.	M	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: 16/07/19

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
3. Membership and support:					
3.1	The core knowledge and skills of committee members are not satisfactory.	The membership of the committee has not been assessed against the core knowledge and skills framework and found to be satisfactory.	Committee members should review their knowledge and skills against the core knowledge and skills framework contained within the CIPFA guidance to enable training needs to be identified and addressed.	M	Agreed Action: Agreed – a more detailed approach to this to be agreed by the GARMS Committee Agreed by: GARMS Committee 05/12/18 Implementation Date: Options for achieving this to be presented to the 16/07/19 GARMS Committee meeting by the HIA
4. Effectiveness of the committee:					
4.1	The committee spends too much time on minor areas rather than strategic or wide-ranging issues. Political points of view interfere with the work of the audit committee.	The committee has not obtained feedback on its performance from those interacting with the committee or relying on its work.	(a) Consideration should be given to seeking feedback from meeting participants, e.g. support officers, managers, external auditors and Council on an annual basis to supplement the annual evaluation process recommended in 2.2.	M	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: 16/07/19
			(b) The Head of Internal Audit should prepare a draft format seeking feedback for the committee to agree.	M	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: To be presented to the GARMS Committee meeting on 16/07/19
4.2	The committee does not help to improve the governance, risk	The committee does not generally make formal recommendations for the improvement of governance, risk and	Consideration to be given to whether the committee wishes to make formal recommendations for	L	Agreed Action: Agreed

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
	and control environment of the organisation.	control. However informal recommendations have been made in the past on, for example, the Corporate Risk Register, management responses to internal audit reports and changes have been formally requested to the draft annual governance statement and matters have occasionally been referred to other committees.	action to senior management for the improvement of governance, risk and control in the future and how this will be recorded and responses received and followed up.		Agreed by: GARMS Committee 05/12/18 Implementation Date: To be considered further by the GARMS Committee at the meeting on 16/07/19
4.3	The committee is not recognised as adding value to the organisation.	The committee does not currently evaluate whether and how the governance arrangements support the achievement of sustainable outcomes.	To be evaluated annually and covered in the annual report.	L	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: July 19
4.4	Failing to promote effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	The committee does not currently publish an annual report to account for its performance and explain its work	See recommendation 1.2(a)		
5. Evaluating the effectiveness of the audit committee:					
5.1	The committee does not effectively promote the principles of good governance and their application to decision making	The committee does not actively work with key members to improve their understanding of the AGS and their contribution to it.	Consideration should be given by the committee to how this could be achieved e.g. the publication of an annual report by the committee, briefings provided by the Chair to the Leader/Cabinet, briefings provided by the Vice-chair to the Leader of the opposition/shadow cabinet.	M	Agreed Action: Agreed Agreed by: GARMS Committee 05/12/18 Implementation Date: To be considered further by the GARMS Committee at the meeting on 16/07/19

DETAILED REPORT / ACTION PLAN

Ref	Associated Risk	Findings	Recommendation	Risk Rating H/M/L	Agreed Action / Responsible Officer / Implementation Date
5.2	Failure to aid the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<p>The committee review how the governance arrangements support the achievement of sustainable outcomes via the annual review of governance process; reviews of major projects and programmes to ensure governance and assurance arrangements are in place are included in the Internal Audit Plan and the committee specifically considers the performance management of Internal Audit, Corporate Anti-fraud, Finance and Treasury Management (via regular reports throughout the year) and performance in value for money is considered as part of the Annual Governance Review and Statement.</p> <p>However the committee's self- assessment rated this area as a 3 = The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.</p>	<p>Consideration should be given to whether the committee would like to increase their review of:</p> <ul style="list-style-type: none"> governance arrangements support the achievement of sustainable outcomes; major projects and programmes to ensure that governance and assurance arrangements are in place; <p>or</p> <ul style="list-style-type: none"> the effectiveness of performance management arrangements; <p>and how this would be achieved.</p>	L	<p>Agreed Action: Agreed</p> <p>Agreed by: GARMS Committee 05/12/18</p> <p>Implementation Date: To be considered further by the GARMS Committee at the meeting in 16/07/19</p>
5.3	Failure to promote effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<p>Committee meetings are held in public, with the exception of exempt items, and this contributes to the accountability of the authority to the public and stakeholders.</p> <p>However, as stated above the committee do not currently publish an annual report.</p>	See recommendation 1.2(a)		

**Annual Report of Harrow Council's Governance Audit, Risk
Management & Standards Committee**

2018/19

Chairs Forward

Anything the Chair would like to say about the committee, anything within the report he would like to draw attention to, any thanks etc.

Introduction

The cover the purpose of the report, i.e. to explain the Committee's purpose (as per the Terms of Reference); to summarise the work of the Committee undertaken in the given financial year; to conclude whether the committee has fulfilled its purpose; and to report on its own or internal audit's assessment of its effectiveness.

Terms of Reference and Membership

To cover the scope of the Committee's Terms of Reference, its membership within the given year and whether it adhered to its membership rules and the frequency of meetings e.g. usually 5 but only 4 during 2018/19 due to the local elections. It could also cover, in broad terms, the skills and experience of the members.

The Committee's Programme of Work

To provide an overview of the work undertaken by the Committee in the given year – possibly to include an appendix showing reports considered at each meeting. This would lead onto individual sections for each main area of the Committee's responsibilities:

Governance

The work of the Committee in reviewing the corporate governance arrangements including vfm arrangements and partnership governance, the review of the Annual Governance Statement prior to approval and the monitoring of agreed actions to close significant governance gaps.

Risk Management

The quarterly review of the Corporate Risk Register.

Countering Fraud and Corruption

The Committee's monitoring of the counter-fraud strategy, the approval of the annual fraud plan and the team's performance against the plan and key achievements in terms of fraud's detected and successfully investigated.

Internal Audit

The Committee's approval of the Internal Audit Charter and its review of its independence, the approval of the internal audit plan and any significant changes made to the plan during the year. The HIA's overall audit opinion.

External Audit

An overview of the relationship with the External Auditors, the reports considered etc.

Financial Reporting

Work undertaken by the Committee in reviewing the annual statement of accounts prior to approval and considering the External Auditor's report on issues arising from the audit of the accounts, highlighting anything of significance.

Treasury Management

The Committee's review of the Treasury Management Strategy and the monitoring of progress.

Health & Safety

The work undertaken by the Committee to review the Council's Health & Safety arrangements and oversee progress.

Standards

The committee's role in promoting and maintaining high standards of conduct by Councillors and an overview of Standards items considered during the year.

Conclusion

On whether the Committee has fulfilled its purpose/roles and responsibilities as outlined in its agreed Terms of Reference.

Recommendations

Any recommendations the Committee may wish to make.

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

Date of Meeting:	16 April 2019
Subject:	Internal Audit and Corporate Anti-Fraud Plans 2019/20
Responsible Officer:	Dawn Calvert - Director of Finance
Exempt:	No
Enclosures:	Appendix 1: Internal Audit & Corporate Anti-Fraud Plans 2019/20 Appendix 2: Internal Audit Charter

Section 1 – Summary and Recommendations

This report sets out the Internal Audit & Corporate Anti-Fraud Plans for 2019/20.

Recommendations:

The Committee is requested to: Review and approve the Internal Audit & Corporate Anti-Fraud Plans 2019/20 and the Internal Audit Charter in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.

Section 2 – Report

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 is required to be undertaken annually. The results of the annual assessment will be reported to the next GARMS meeting as part of the 2018/19 Year-end report.
- 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.’
- 2.4 The purpose of the plan is to enable independent and objective assurance on control, risk management and governance processes, put in place by management, to be provided to those charged with governance. This culminates in an annual report that includes an opinion that concludes on the overall adequacy and effectiveness of the Council’s framework of control, risk management and governance as required by the PSIAS.

Annual Plan Process

- 2.5 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.
- 2.6 The 2019/20 plan has been developed taking into account the Council’s risk management framework. 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 and a documented risk assessment has been undertaken for such reviews included in the plan.
- 2.7 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 (annual report).

Internal Audit Strategy

- 2.8 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.
- 2.9 The annual plan is designed to provide the GARMS Committee, the Corporate Strategic Board (Chief Executive + Corporate Directors), the S151 Officer and other senior managers with assurance on the Council's control environment.
- 2.10 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 Charter has been reviewed and updated for 2019. 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.
- 2.11 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. Flexibility has been built into the plan specifically by including 60 audit days for emerging risks in an attempt to minimise the impact they may have on the plan. Emerging risks may be identified by the Internal Audit Team, by CSB/management or by the GARMS Committee. Continual monitoring of the plan and emerging risks throughout the year and any resulting adjustments made to the plan will be reported to CSB and GARMS Committee.

Organisational Independence

- 2.12 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.

- 2.13 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, and the preparation of the Annual Governance Statement as the Head of Internal Audit has responsibility for these areas and thus independent assurance on them cannot be provided by internal audit.
- 2.14 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
 - Some limited assurance of these areas is also provided by the External Auditors.

Resources/Audit Techniques

- 2.15 Internal audit's resource requirements for 2019/20 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 (working 4 days), 100 days for the Head of Internal Audit and 45 days for risk management (a specific budget) giving a total of 793 audit days available to undertake the 2019/20 plan. This is slightly lower than the 2018/19 plan due to a current vacancy of an Assistant Auditor post. Using different techniques to gain assurance ranging from self-assessment of some core financial systems to sample testing of corporate processes 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 2019/20 internal audit plan.
- 2.16 The mix of knowledge and skills within the in-house team along with any additional support required by PwC in relation to IT is considered appropriate to deliver the plan.

Other Sources of Assurance

- 2.17 The work planned by the External Auditors 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 2019/20.
- 2.18 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 2019/20.

Links to the Corporate Vision and Priorities

- 2.19 The Corporate Plan entitled 'Harrow Ambition Plan - 2019' sets out the Council's vision of 'Working together to make a difference for Harrow'.
- 2.20 The Council's vision for 2019 is supported by five key priorities:
Build a Better Harrow;
Support those most in Need;
Protect Vital Public Services;
Deliver a strong Local Economy for All; and
Modernise Harrow Council.
- 2.21 The Council's vision and the corporate priorities are taken into account when developing the internal audit plan and specific audit reviews have been included in the plan to support each of the individual priorities.

Corporate Anti-Fraud Team Plan 2019/20 (Appendix 1) Background

- 2.22 The incidence of fraud and corruption globally are at epidemic levels. The most recent Annual Fraud Indicator Report published in 2017 by the UK Fraud Costs Measurement Committee (UKFCMC) estimated UK losses to be in the region of £190 billion per annum. Public Sector Fraud accounted for £40.4 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 2019-20 so that fraud risks are managed in both a proactive and reactive response.

Annual Fraud Plan Process

- 2.23 The 2019/20 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 and careful consideration has also been given to incidents of fraud and corruption identified in 2018/19 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

- 2.24 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 (due to be reviewed this year);
 - Harrow Council Corporate Anti-Fraud & Corruption Strategy 2016-2019 (inc Fraud Response Plan);
 - Findings from the development of the fraud risk register;
 - 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 2018/19;
 - Local knowledge about known fraud risks the authority faces and fraud instances identified in 2018/19;
 - Findings from the Annual Fraud Indicator Report 2017;
 - Findings for the International Sector Fraud Forum's *A Guide to Managing Fraud for Public Bodies*; and
 - Review of fraud and corruption trends and patterns across the UK and more specifically London.
- 2.25 Fraud and corruption threats not only remove resources from crucial front line services but can cause immeasurable social harm to individuals and communities and create poor morale amongst employees. 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 through a clear fraud response plan.

CIPFA Code of Managing the Risk of Fraud & Corruption

- 2.26 All activity that is undertaken by the CAFT is primarily about improving the authorities' resilience against fraud and corruption. The self-assessment against the CIPFA code for Managing the Risk of Fraud & Corruption in 2015/16 assessed the authority at 54% compliant reaching an adequate level of performance against the code. An action plan was drafted to improve the resilience and these actions have featured in both the strategy and the annual planning process.
- 2.27 Further self-assessments against the CIPFA Code were undertaken in 2017/18 and 2018/19 which resulted in the compliance level improving to 75% and 78% respectively indicating that the authority has reached a good level of performance against the code. Assessment against the code will continue to be undertaken annually.

Corporate Anti-Fraud & Corruption Strategy 2016-19

- 2.28 The current strategy was developed to reflect three key themes:
- **Acknowledge**
Firstly, that Harrow Council acknowledges that fraud and corruption risks are unavoidable and that fraud is on the increase both nationally and internationally.

- **Prevent**

Secondly, the authority is committed to preventing fraud and corruption where possible through raising awareness, through the development of a fraud risk register, through disruption and by building a robust fraud risk control environment making it tough for fraud to enter the system.

- **Pursue**

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.

- 2.29 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 and beyond. The action plan and measures of success feed into the Fraud Plan developed for 2019/20. The strategy will be reviewed and updated during 2019/20.

London Counter Fraud Hub

- 2.30 In 2016 CIPFA were successful in tendering for a contract to deliver a new hub initiative that will bring together London Boroughs with counter fraud specialists and the latest data analytics technology. CIPFA were awarded a nine year contract to deliver the hub whilst the contract will be managed initially by Ealing Council and then London Councils.
- 2.31 Four London Boroughs (Ealing, Camden, Islington & Croydon) took part in the proof of concept (POC) in running their housing, council tax and business rates data through the hub to identify anomalies that could be deemed to be fraud e.g. identifying Council Tax Single Person Discount (SPD) fraud where more than one adult appears to be residing at an address. The authority already has sound processes in place mitigating fraud risk in these areas. Following analysis of this POC, a draft business case was produced by the lead Council (Ealing) projecting the estimated return on investment and savings that participating Councils could achieve by joining the hub. It has been estimated that Harrow could achieve gross savings of £1,699,468 over the seven year contract. However advice from the pilot sites suggests that whilst no additional resources will be required for SPD or Business Rates additional resource will be required for the investigation of Housing matches (to gather intelligence, visit properties and undertake the investigation). It is estimated that this would require an additional 2 Fraud Investigators plus additional staff in Council Tax to deal with SDP, as this is currently a contract out service, resulting in an additional cost to the Council of £926,786 and once membership costs of £565,000 are taken into consideration, the estimated net profit would be £207,682 over 7 years (£29,668 per year) if the hub delivers the projected return as per the draft business case.

- 2.32 The authority has expressed a number of concerns in an e-mail sent to the lead authority and CIPFA on 28/01/19, including entering into a seven year contract with no break clause and the robustness of the data used to produce the estimated savings and has proposed joining for a trial period of 1/2 years. As yet no response has been received to this proposal.
- 2.33 Nevertheless, the authority will continue to engage with CIPFA and London Councils in 2019/20 to explore ways in which it feels that it can make the hub work and importantly to be part of a pan London exercise. Progress updates will be provided to the committee throughout the year.

Resources

- 2.34 The plan is delivered by an in house Corporate Anti-Fraud Team of 5FTE's including the Service Manager. All officers in the team are Accredited Counter Fraud Officers and the Service Manager is a qualified as Accredited Counter Fraud Managers. Resources are such that it is vital that the plan developed is 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.

Legal Implications

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.’

The terms of reference for the Committee include the requirement:

- to approve the internal audit charter and support the independence of Internal Audit;
- to approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources;
- to review and approve the annual Corporate Anti-Fraud Team Plan.

Risk Management Implications

The work of Internal Audit and the Corporate Anti-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.

Specific reviews on the Internal Audit Plan link to individual corporate risks and this is shown under 'reason for inclusion' in the plan.

Equalities implications

None.

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.

Specific reviews on the Internal Audit Plan link to individual corporate priorities and this is shown under 'reason for inclusion' in the plan.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 4 April 2019		
Name: Sharon Clarke	<input checked="" type="checkbox"/>	on behalf of Monitoring Officer
Date: 2 April 2019		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud Tel: 0208 424 1420

Background Papers: None

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HARROW COUNCIL

2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Internal Audit Plan

Review Area	Risk Assessment ¹	Reason for inclusion – link to Corporate Risk Register/Corporate Priorities/Governance Framework/Legislation	Proposed Audit Coverage	Audit Days	Q
Core Financial Systems					
Payroll	H	Core Financial System	Key Control Review, Walkthrough Test	15	Q1
Council Tax	H	Core Financial System	Key Control Review, Walkthrough Test	15	Q1
Treasury	M	Core Financial System	Due a full Key Control Review but Medium risk therefore will undertake an Evidence Based Self –Assessment	1.5	Q1
Housing Benefit	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Corporate Accounts Receivable	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Corporate Accounts Payable	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Housing Rents	M	Core Financial System	Due a full Key Control Review but Medium risk therefore will undertake an Evidence Based Control Self- Assessment	3	Q1
Business Rates	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Capital Expenditure	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
IT					
IT System Security (to cover Mosaic and PAWS)	H	Following on from work undertaken in 2018/19 and to continue to provide assurance on IT System Security across the Council	Review of access controls across a sample of devolved systems	15	Q3
Devolved Application Teams c/f 18/19	H	To provide assurance on devolved IT processes to feed into any future decision centralisation/devolution	Audit of the Governance process to ensure that the same procedures are followed as main IT Team when devolved	20	Q2
SAP Replacement Project	H	Links to Corporate Priority: Modernise Harrow Council. New system being developed/procured	Advice and Support on internal control to be built into the new system	5	Q1-4

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

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Corporate Compliance Checks					
Financial Regulations c/f 18/19	H	To obtain assurance following the updating of Financial Regulations during 18/19	Sample checks across the council to ensure that Financial Regulations are understood and being adhered to	15	Q3/4
Contract Procedure Rules	H	To obtain assurance and to feed into future updating of Contract Procedure Rules	Sample checks across the council to ensure that Contract Procedure Rules are understood and being adhered to	15	Q2
IR35	M	Requested by the Chief Executive to provide assurance that IR35 is being correctly applied and the risk of HMRC penalties minimised	Sample checks across the council to ensure that IR35 is understood and being adhered to	7	Q1
Corporate Project Management	H	To obtain assurance following refresh/relaunch of the Corporate Project Management process	Sample testing across the council to ensure that the refreshed process is understood and being implemented	15	Q3/4
Corporate Risk Based/Governance Reviews					
Corporate Governance	Statutory Requirement	Requirement under the Accounts & Audit Regulations 2015: <i>A relevant authority must, each year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement</i>	Co-ordination of the annual review of governance against the new CIPFA/Solace Delivering Good Governance in Local Government Framework 2016, including Management assurance, plus drafting of the Annual Governance Statement	30	Q1/4
Risk Management	Statutory Requirement	Requirement under the Accounts & Audit Regulations 2015: <i>A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk</i>	Update of the Corporate Risk Register/Risk Appetite Statement and Risk Management Policy/Procedures	65	Q1-4
Information Governance	M	Proactive approach to ensure that the Council has effective policies & management of information governance risks.	Quarterly Board meetings plus review of security breaches and policies	5	Q1-4
Budget Process	CR1 - H	Mitigation of corporate risk of inability to provide services within budget – proactive audit input	Providing support and advice to the S151 Officer in formulating and progressing the budget for 2020/21	5	Q1-4

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Build a Better Harrow Governance	CR3 - H	Mitigation of corporate risk of inability to deliver a regeneration programme -to complete the development of governance arrangements	Organisation of the Build a Better Harrow Governance Working Group, on- going input to the development of governance arrangements	6	Q1
Corporate Health & Safety – Schools	CR6 - H	Mitigation of corporate risk of failure to fulfil the Council's Health & Safety duties	To provide assurance on H&S arrangements in schools that do not have an SLA with the Council	15	Q3
Social Value	M	Links to Corporate Priority: A <i>Strong Local Economy for All</i> – Use Social Value to make sure that our contractors invest in Harrow. Social value is a requirement of the Public Services (Social Value) Act 2012 and the council has a social value policy that commits the council to 'going beyond' the Act's requirements	To obtain assurance that social value is being delivered as per contract specifications across the Council and adequately monitored and reported	20	Q4
Resources Risk Based Reviews					
Emergency planning	CR8 - M	Mitigation of corporate risk of lack of robust BC and EP arrangements	Review of EP (BC reviewed 16/17)	20	Q3
Debt Collection c/f 18/19	H	To obtain assurance on the implementation of new corporate debt collection arrangements	Review of the robustness of processes in place to collect debt across the different debt streams	20	Q2

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Cashiers c/f 18/19	H	To provide assurance on the resilience of the cashiers function	Review of robustness, resilience and application of income collection/ allocation / banking procedures + contract management for cash collections	10	Q2
Community Risk Based Reviews					
Empty Property Grant Process	Housing Risk Register 1 – H	Following on from the VFM review undertaken 18/19 (Amber Assurance) a review of the process for completeness	A review of the adequacy, application and effectiveness of controls within the system	10	Q2
Major Projects - Grange Farm/Depot	H	To provide assurance on major projects being undertaken	Project Management Reviews	30	Q2-3
Housing Service Charges	H	To obtain assurance that costs of service charges are fully recovered	To ensure that all tenant, leaseholder and freehold properties have been correctly identified for service charges, that the charges have been correctly apportioned and that the Council is fully recovering its costs	10	Q3/4
Property Acquisition	H	Links to Corporate Priority: Supporting those Most in Need – <i>Reduce levels of homelessness in the borough.</i> To provide assurance on the Property Acquisition Process before/early in the next tranche of acquisitions	A review of the adequacy, application and effectiveness of controls in place to prevent fraud and ensure that legal and financial risks are mitigated	10	Q2
Domestic Waste Collection	M	Links to Corporate Priority: Build a Better Harrow – <i>Keep Harrow clean</i> + GARMS Member suggestion + last reviewed 2002/03 (new processes currently being introduced)	Review to cover bin collection, miss bin escalation, bin deliveries, complaints and queries	15	Q2/3
HMO management & Enforcement	H	Links to Corporate Priority: Supporting those Most in Need – <i>Reduce levels of homelessness in the borough</i> – current review to strengthen enforcement to be implemented April 19	Review of control, risk management and governance processes in place to effectively manage HMOs in the borough and to identify/prevent unlicensed HMOs	15	Q3/4

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Parking Operations	H	Following on from whistleblowing allegations investigation in the Parking Services (TPO) 2018/19 that highlighted potential issues in Parking Operations + last review 2013/14	Review of parking enforcement to ensure that tickets are issue in-line with legislation	15	Q3
People Risk Based Reviews					
Schools	H	Links to Corporate Priority: <i>Preserving Vital Public Services – Everyone has access to high quality education</i> The Council has 34 maintained schools with delegated budgets most of which are in excess of £1m however schools are facing ever increasing financial pressures	Reviews to be undertaken to provide assurance on Budget Management or Governance & Financial Control	100	Q1-4
SFVS Assurance Statement	Funding Requirement	To provide assurance to S151 Officer responsible for signing off statutory return	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
Together with Families Programme (Troubled Families Grant)	Grant Requirement	Links to Corporate Priority: <i>Supporting those Most in Need – Children & young people are given the opportunities to have the best start in life and families can thrive –</i> testing by internal audit is a grant condition	Sample testing of claim prior to grant submission	5	Q1-4
School Admissions	M	Links to Corporate Priority: Build a Better Harrow – <i>Ensure every Harrow child has a school place</i>	Review of robustness of process to prevent fraud to ensure that all school places are available for Harrow children	15	Q3
First Response Team	CR5 - H	Mitigation of corporate risk of failure to adequately deliver a service/duty for vulnerable children. Follow on from the MASH review undertaken in 2017/18	Review of assessment process and development of appropriate plan	15	Q4

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Youth Offending Team	CR5 -H	Mitigation of corporate risk of failure to adequately deliver a service/duty for vulnerable children.	To provide assurance on processes in place to address the national agenda and local objective to reduce knife crime	15	Q4
Learning Disability Focus Group/Partnership	M	Links to Corporate Priority: <i>Supporting those Most in Need – Empower residents to maintain their well-being and independence.</i> To provide assurance that the Group/Partnership is full-fulfilling its remit – management request	Governance review	5	Q4
Adult Social Care – Personal Budgets	H	Links to Corporate Priority: <i>Supporting those Most in Need – Empower residents to maintain their well-being and independence.</i> To continue to provide assurance on the robustness of process for financial assessments and monitoring of personal budgets	Sample testing of personal budgets for social care to ensure they are accurate, up to date and monitored	20	Q3
Personal Budgets – Pre-paid cards	H	Links to Corporate Priority: <i>Supporting those Most in Need – Empower residents to maintain their well-being and independence.</i> To feed into the consideration of the use of pre-paid cards for those on personal budgets	To provide advice and support on control, risk management and governance over the use of pre-paid cards – possibly a workshop	5	Q1/2
Support, Advice & Follow-up					
Transformation - Advice on control, risk mitigation & governance	CR1 – H CR5 - H	Mitigation of corporate risks of inability to provide services within budget and failure to adequately deliver a service/duty	To provide proactive audit advice on control, risk and governance of service reduction/change to help prevent a weakening of the overall control and governance environment	15	Q1-4
Emerging Risk Reviews	H	To provide some flexibility in the plan to undertake reviews of risks that emerge in year	Control, risk management or governance advice/reviews on emerging risks	60	Q1-4

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Suspected Irregularities	H	To provide time in plan to support managers/undertake investigations into suspected irregularities as they arise	Support and guidance to managers/undertaking investigations	30	Q1-4
Professional Advice	H/M/L	To provide a pro-active response to management requests for support and guidance on control, risk management and guidance	Advice on control, risk management and governance	25	Q1-4
Follow-up	H/M	To provide assurance on the implementation of audit recommendations by management in accordance with the agreed strategy	Follow-up of Red, Red/Amber & Amber reports	45	Q1-4
TOTAL DAYS IN 2018/19 PLAN				795	

	Internal Audit Performance Indicator 2019/20	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%
	Corporate Performance Indicator	Target
1	Implementation of recommendations	90%

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

Corporate Anti-Fraud Plan

	Fraud work stream	Reasoning for inclusion/risks	Proposed counter fraud activity	QTR
	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.			
1.	Corporate fraud risk assessment	Following self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption framework and best practice	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.	Q4
2.	CIPFA Fraud Code self-assessment	Best Practice	Undertake an annual self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption	Q4
3.	Corporate fraud risk register	Following self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption framework and best practice	Review and facilitate the updating of the fraud risk register annually where significant fraud and corruption risks are identified, mitigated and monitored.	Q3
4.	Corporate Anti-Fraud & Corruption Strategy	Following self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption framework and best practice	Review the Corporate Anti-Fraud & Corruption Strategy 2016-19 that links to 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. Timing of the review will depend on the completed review/refresh of the Fighting Fraud and Corruption Locally Strategy that is being undertaken in 2019/20 by the FFCL Board	Q1-4
5.	Establish a fraud loss value methodology	Following self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption framework and best practice	Develop and implement a fraud loss value methodology to apply consistently to significant fraud risk exposures enabling fraud losses to be measured accurately	Q1

HARROW COUNCIL
2019/20 INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN

	Objective: Prevent, detect and deter fraud and corruption impacting the organisation by raising awareness of fraud and corruption.			
6.	National Fraud Initiative co-ordination role	Cabinet Office mandatory function	<p>Co-ordination of the 2018/19 National Fraud Initiative (NFI) match processing including:-</p> <ul style="list-style-type: none"> Supporting service areas to ensure matches are processed in a timely manner and that suspected fraud is referred for investigation Processing matches which are the responsibility of the CAFT (Housing matches) Investigate potential fraud cases referred and recommend sanction and/or corrective action on cases as appropriate 	Q1-4
7.	London Counter Fraud Hub	Best practice	Explore the membership of the London Counter Fraud Hub (LCFH) which may result in the authority participating in a pan London data matching exercise focusing on Council Tax Single Person Discount, Business rates and Housing Tenancy fraud.	Q1-4
8.	Participate in a Cifas 6 month pilot membership	Best practice	Join a 6 month pilot membership of Cifas which is the UK's leading fraud prevention service that facilitates the sharing of fraud data for the prevention and detection of crime across the public, private and third sectors.	Q1-2

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9.	Corporate anti-fraud awareness	Following self-assessment against the CIPFA Code of Managing the Risk of Fraud & Corruption framework and best practice	<p>Raise awareness of fraud and corruption risks both within the authority and in the community through the publication of fraud successes and awareness internally and in local and national media, including the use of all forms of social media including the following actions:-</p> <ul style="list-style-type: none"> • Embed fraud E-learning to existing employees • Chief Executive Newsletters and general internal communications bulletins in relation to articles on fraud and corruption • Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented if agreed according to risk (KPI5) • Deliver fraud workshops/CAFT attendance at team meetings for high fraud risk areas as appropriate • Publicity through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes 	<p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p>
10.	Fraud liaison	Best practice	Explore, 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 Chartered	Q1-4

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			Institute of Public Finance and Accountancy (CIPFA), Cifas and the proposed London Counter Fraud Hub (LCFH)	
11.	Data Matching	Best practice	Explore a proactive anti-fraud data matching exercise with the Home Office using authority data	Q2-3
	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.			
12.	Housing fraud	Following fraud risk assessment and fraud risk register review	<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"> • Seek to recover 10 social housing units subject to fraud & misuse (KPI1) • Prevent housing application fraud through a proactive fraud risk based review of those customers in emergency accommodation (placed outside of the borough) • Prevent fraudulent Right to Buy (RTB) applications through targeted application validation with a fraud check on at least 90% applications referred to the CAFT at offer stage and before completion (KPI2) • 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 	<p>Q1-4</p> <p>Q2</p> <p>Q1-4</p> <p>Q1-4</p>

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13.	Internal fraud & corruption	Following fraud risk assessment and fraud risk register review	Risk assess at least 80% of 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 working days of receipt of the information (KPI3)	Q1-4
14.	Revenues/Business Rates/Council Tax Support fraud	Following fraud risk assessment and fraud risk register review	Work in partnership with Revenues and Benefits to investigate allegations of fraud and abuse on a risk basis 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
15.	Social care fraud	Following fraud risk assessment and fraud risk register review	<p>Work in partnership with the People Directorate to investigate allegations of fraud and abuse of the social care system including but not limited to:-</p> <ul style="list-style-type: none"> • Personal budgets applications, assessment and monitoring of spend • A proactive fraud risk based exercise in relation to those individuals being financially supported in long term residential care 	<p>Q1-4</p> <p>Q1-4</p>
16.	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

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17.	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. (KPI4)	Q1-4
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No.	CAFT Key Performance Indicators 2019/20	Target
1.	Recovery of 10 social housing units subject to fraud and misuse ²	100%
2.	Fraud validation checks undertaken on Right to Buy applications referred to the CAFT at offer stage and before completion	90%
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	80%
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	80%
5.	Fraud risk recommendations agreed for implementation	70%

Justin Phillips
Service Manager, Corporate Anti-Fraud

Susan Dixon
Head of Internal Audit & Corporate Anti-Fraud

April 2019

² Target reduced from 12 units in 18/19 due to a diversion of resources to other proactive areas in the fraud plan

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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. This includes unrestricted access to alternative delivery vehicles wholly/majority owned by the Council e.g. limited companies/partnerships. Access to other vehicles e.g. joint ventures will be agreed on a case by case basis. 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 managed by the Director of Finance (s151 Officer) 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.

Communication of Results

Draft internal audit reports are disseminated to managers who have been directly involved in the audit to confirm the accuracy of the report's findings and to respond to the report's recommendations. Final reports that include management's responses to recommendations will be disseminated to those who received the draft report plus the relevant senior managers i.e. Divisional Director and the Corporate Director.

Green, amber/green and amber assurance reports will be reported in summary to the Corporate Strategic Board (CSB) and the Governance, Audit, Risk Management and Standards (GARMS) Committee at mid-year and year-end. Red/amber and red assurance reports will be reported in full to CSB and the GARMS committee once they are finalised.

Release of draft reports to members will be at the discretion of the Head of Internal Audit but will remain private and confidential.

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 2019

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