

# Governance, Audit, Risk Management and Standards Committee Agenda

**Date:** Tuesday 27 April 2021

**Time:** 6.30 pm

**Venue:** Virtual Meeting - Online

## Membership (Quorum 3)

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**Chair:** Councillor David Perry

**Labour Councillors:** Ghazanfar Ali  
Peymana Assad  
Kairul Kareema Marikar

**Conservative Councillors:** Philip Benjamin  
Amir Moshenson  
Kanti Rabadia (VC)

**Labour Reserve Members:**

1. Maxine Henson
2. Niraj Dattani
3. Antonio Weiss
4. Chloe Smith

**Conservative Reserve Members:**

1. Pritesh Patel
2. John Hinkley
3. Chris Mote

**Contact:** Nikoleta Nikolova, Senior Democratic and Electoral Services Officer  
E-mail: [nikoleta.nikolova@harrow.gov.uk](mailto:nikoleta.nikolova@harrow.gov.uk)

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# Useful Information

## Meeting details

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The recording will be made available on the Council website following the meeting.

**Agenda publication date: Monday 19 April 2021**

# Agenda - Part I

## 1. Attendance by Reserve Members

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

Reserve Members may attend meetings:-

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

## 2. Declarations of Interest

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

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

## 3. Minutes (Pages 5 - 12)

That the minutes of the meeting held on 26 January 2021 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, 22 April 2021. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk)**

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

## 5. Petitions

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

## 6. Deputations

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

## 7. References from Council and other Committees/Panels

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

## 8. Internal Audit & Corporate Anti-Fraud Plans 2021/22 (Pages 13 - 40)

Report of the Director of Finance.

9. **Any Other Urgent Business**  
Which cannot otherwise be dealt with.

10. **Exclusion of the Press and 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>
11.	Information Report – Corporate Risk Register 2020/21 Q4	Exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

## Agenda - Part II

11. **Information Report - Corporate Risk Register 2020/21 Q4** (Pages 41 - 70)  
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.]



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

## **Minutes**

### **26 January 2021**

**Present:**

**Chair:** Councillor David Perry

**Councillors:** Ghazanfar Ali  
Peymana Assad  
Philip Benjamin  
Kairul Kareema Marikar  
Amir Moshenson  
Kanti Rabadia

**Independent  
Members:** Dr John Kirkland  
James Coyle

**133. Attendance by Reserve Members**

**RESOLVED:** To note that there were no Reserve Members in attendance at this meeting.

**134. Declarations of Interest**

**RESOLVED:** To note that the Declarations of Interests, published in advance of the meeting on the Council's website, be taken as read; and that during the course of the meeting the following interest was also declared:

- Councillor Kairul Kareema Marikar declared a non-pecuniary interest in for item 11, as she was an investor in businesses within Harrow. She would remain in the meeting whilst financial matters was being discussed.

**135. Minutes**

**RESOLVED:** That the minutes of the meeting held on 1 December 2020 be taken as read and signed as a correct record.

**136. Public Questions**

**RESOLVED:** To note that no public questions were received.

**137. Petitions**

**RESOLVED:** To note that no petitions were received.

**138. Deputations**

**RESOLVED:** To note that no deputations were received.

**139. References from Council and other Committees/Panels**

**RESOLVED:** To note that there were none.

**Resolved Items**

**140. Application for Dispensation**

Members received a report which provided details of an application for a Dispensation from a Councillor under Section 33 of the Localism Act 2011.

An officer reported that in Councillor Varsha Parmar had submitted the request for a dispensation in December 2020. She reminded Members that this was required because a member of a relevant authority with a disclosable pecuniary interest may not (a) participate, or participate further, in any discussion at a meeting, or (b) participate in any vote, or further vote, taken on the matter at the meeting.

The application for dispensation related to Councillor Varsha Parmar's husband's employment with London Underground Ltd, which was part of Transport for London, and that currently, Councillor Varsha Parmar was the Council's Portfolio Holder for Environment.

Advice had been given by the officer that granting dispensation would be appropriate because of the structural and functional separation between London Underground Limited and TFL. In the event that a dispensation was granted, Councillor Varsha Parmar would be required to declare any interest in addition to the dispensation, when decisions involving Transport for London were considered.

In the discussion which followed, Members raised the following points:

- Concern was raised that clarification for the dispensation was being provided after the application was granted.

- The application for dispensation should have been applied for sooner. It was acknowledged by the officer that this is a way to regularise the position for the future.
- Information surrounding the seniority of Councillor Varsha Parmar's husband within London Underground Limited was not available.
- Concern was raised by Members that the clarification in relation to the application for dispensation would come after the dispensation request had been determined. It was questioned as to whether the dispensation was required if there was a degree of separation.
- The dispensation did not mention decisions made in relation to subsidiaries of Transport for London, but the officer confirmed that it was Transport for London in particular that decisions most likely be related to.

The Chair thanked the officer and noted that the aim of the application was to bring further transparency to the decision-making processes in the Council and therefore, was largely welcomed by the Panel.

Having noted the concerns raised by some Members of the Committee and clarification requested on a number of issues raised by the Committee.

**RESOLVED:** That Councillor Varsha Parmar's application for dispensation be granted.

#### **141. Failure to comply with actions recommended by the Ombudsman**

Members received a report which set out the Council's response to the Ombudsman in relation to the failure to implement agreed actions following recommendations made by the Ombudsman in February 2020.

In the discussion, Members and the officer highlighted the following:

- Moving forward, joint investigations would nominate a lead officer to co-ordinate the investigation, with quarterly updates improving monitoring.
- The report highlighted that there was a delay in paying out, as opposed to not paying out to the claimant.

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

#### **142. Treasury Management Strategy Statement and Annual Investment Strategy: Treasury Management Outturn 2019/20 and Mid-year Review 2020/21**

Members received a report, which presented the mid-year review of Treasury Management activities for 2020/21 and the 2019/20 Outturn position.

During the presentation, the Director of Finance stated that there had been a focus on using cash reserves, that no Treasury Management activity had taken place and that there was enough finance available to reach the end of the financial year. No new borrowing had taken place in the last financial year as there had not been as much capital expenditure as originally anticipated, so debt levels remained at £422m. The Greater London Authority (GLA) offered a treasury management service which was being considered.

In the discussion, Members and Officers highlighted the following:

- There had been no borrowing since April 2019.
- The treasury management service could be outsourced and there were a number of potential services to choose from. A key factor of outsourcing treasury management would be to gain a strategic advantage to Harrow's debt management.
- It was noted that keeping the independent financial advice services separate could avoid complication and that the GLA was a well-established service used by a number of local authorities.
- Concern over the West London Waste Authority loan payback was raised, with clarification that payments were received annually, which had helped maintain the majority of the investment income budget. Further insight was required as to whether income was being generated as opposed to accruing interest.
- London Borough of Harrow or Harrow Council cash investments were generally short-term loans to other authorities. Unlike other authorities, there was no significant treasury management activity within Harrow.
- Concerns were raised over how and when Harrow Council's debt would be paid off and it was noted that offsetting existing loans had been regularly monitored, with redemption fees often making this an impracticable solution. This had led to the explanation that there would always be a need to borrow to run particular activities and that the debt profile was something to be looked into, options considered were the GLA services and the repayment of debt. It was suggested that going forward, more information surrounding the debt level would be included in future treasury management reports.
- The pension fund deficit should not be linked to the revenue account due to the pension fund being a separate arrangement with its own strategy.
- Harrow Council's Pensions Administration Team had recently won a team of the year award at the local government pension fund awards.

- Clarification was sought after by the Committee in relation to the difference in operational boundaries between 2019/20 and 2020/21. The Director of Finance advised that the Council anticipated borrowing £100m for commercial investments, however this policy was no longer going ahead.

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

**143. Information Report - Internal Audit and Corporate Anti-Fraud Mid Year report and Quarter 3 Update 2020/21**

The Committee received the Internal Audit and Corporate Anti-Fraud Mid-year report and Quarter 3 Update 2020/21 report, which set out progress against the 2020/21 Internal Audit and Corporate Anti-Fraud Plan.

Members were advised that Internal Audit met or exceeded all its performance indicators at mid-year, however the pandemic had impacted the speed at which work could be done and this was reflected in the Quarter 3 progress. The Head of Internal Audit stated that she was confident that sufficient internal audit work could be undertaken to provide an unqualified Overall Audit Opinion at year-end. The Corporate Anti-Fraud Team were achieving four of the five performance indicators, with 10 of the 14 work streams underway and fewer fraud referrals. Processes had been affected by the pandemic; it was confirmed that a process for virtual interviews was being developed and tested. Confidence was expressed that standards were still being upheld and that, despite difficulties, year-end targets would be met.

In the discussion, Members and Officers highlighted the following:

- The Committee enquired how compliance was being met with virtual interviews taking place and the Head of Internal Audit highlighted that as long as the spirit of PACE was adhered to, then it could be seen as compliant, however the logistics of this were tough and continued to be developed.
- The Committee highlighted that the pilot membership of Cifas had been extended to March 2021. Asked if it would be likely to be extended further, the Head of Internal Audit acknowledged this could be possible.
- Testing was underway by Internal Audit on the Covid-19 business grants that had already been paid. Assurance would be provided that each claim had been risk assessed to make sure it was correct and accurate to pay out.
- CAFT focus had changed due the pandemic, which made some areas of fraud being difficult to access, along with Internal Audit supporting the revenues and economic teams development of the business grant schemes to be more robust against potential fraud. Considerable planning on proactive fraud streams had been put in place so that the team would be ready when needed.

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

**144. 2021/22 Internal Audit Planning Process and Consultation**

Members received the 2021/22 Internal Audit Planning Process and Consultation report which aimed to help the Committee understand and contribute to the development of the Internal Audit Plan.

The Head of Internal Audit highlighted that topics such as equality and diversity, financial sustainability and climate change would be considered for inclusion in the internal audit plan. Recommendations from Members would be welcomed and would be discussed with managers and risk assessed before being included in the final plan. Members were invited to forward their suggestions to the Head of Internal Audit by the end of February 2021. Members were advised that information received would need to be risk assessed but that any areas not considered a high risk might not be included in the final plan. The Head of internal Audit undertook to provide the Committee with the audit requirements following the meeting.

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

**145. Motion to Exclude 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(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
15	Information Report - Internal Audit and Corporate Anti-Fraud Mid-Year report and Quarter 3 Update 2020/21 – Appendix 2	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
16	Information Report - Quarter 3 2020/21 Corporate Risk Register	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

**146. Information Report - Internal Audit and Corporate Anti-Fraud Mid Year report and Quarter 3 Update 2020/21**

The Committee received a confidential appendix to the Internal Audit and Corporate Anti-Fraud Mid-Year report and Quarter 3 Update 2020/21.

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

**147. Information Report - Quarter 3 2020/21 Corporate Risk Register**

Members received a confidential report in relation to Quarter 3 2020/21 Corporate Risk Register. The Head of Internal Audit undertook to incorporate comments made by the Committee into the Quarter 4 update of the risk register.

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

(Note: The meeting, having commenced at 6.30 pm, closed at 8.33 pm).

(Signed) Councillor David Perry  
Chair

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**Report for: Governance, Audit,  
Risk Management and  
Standards Committee**

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<b>Date of Meeting:</b>	27 <sup>th</sup> April 2021
<b>Subject:</b>	Internal Audit & Corporate Anti-Fraud Plans 2021/22
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance & Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1: Internal Audit & Corporate Anti-Fraud Plans 2021/22  Appendix 2: Internal Audit Charter 2021/22

## **Section 1 – Summary and Recommendations**

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This report sets out the 2021/22 Internal Audit & Corporate Anti-Fraud Plans and the Internal Audit Charter.

### **Recommendations:**

The Committee is requested to: Review and approve the Internal Audit & Corporate Anti-Fraud Plans 2020/21 and the Internal Audit Charter 2020/21 in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.

The Committee is also asked to note the annual plan process, the Internal Audit Strategy, the service's organisational independence, the resources available to complete the plan, audit techniques to be used and other sources of assurance, as covered within this report.

## **Section 2 – Report**

### **Internal Audit Plan 2021/22 (Appendix 1)**

#### **Background**

- 2.1 Internal audit is a statutory service. The Accounts and Audit Regulations 2015, state that:  
  
‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’
- 2.2 The Public Sector Internal Audit Standards (PSIAS) have been adopted and are being implemented by the Council's Internal Audit section. A self-assessment against the standards is required to be undertaken annually.
- 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 2021/22 plan has been developed taking into account the Council's risk management framework and the priorities set out in the Borough Plan. Consultation with the GARMS Committee began in January and was undertaken with officers as set out in Appendix 1 and included key senior managers across the Council as well as the Corporate Strategic Board (CSB).
- 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) and included in the Annual Governance Statement.

## **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). An Access Agreement is also in place to a Framework Contract with PWC for the provision of Internal Audit Services which can be used for technical IT Audits. The Audit Charter has been reviewed and updated for 2021 with minimal changes.
- 2.11 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. Resources available make it difficult to build flexibility into the 2021/22 plan for emerging risks to minimise the impact they may have on the plan, as has been the practice in recent years. As a result, any emerging risks identified by the Internal Audit Team, by CSB/management or by the GARMS Committee will require adjustments to be made to the plan and these 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. It should be noted that this is common across many local authorities.
- 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; and
  - Some limited assurance of these areas is also provided by the External Auditors.

## Resources/Audit Techniques

- 2.15 Internal audit's current available resources for 2021/22 have been assessed by calculating the number of audit days available based on 2@ 180 productive days (FTE members of the team) + 1@108 days (part-time member of the team working 3 days a week) + 2@ 45 days (one contract ending end of June and one going on maternity leave end of June) giving a total of 558 audit days available to undertake the 2021/22 plan. This is similar to the resources available during 2020/21 but lower than the 2019/20 resources due to an auditor vacancy since April 2020 (a reduction of 180 audit days), maternity leave being taken from the end of June ( a reduction of 135 audit days) and the end of the Risk Manager's contract at the end of June (a reduction of 45 risk days). The actual days in the plan however are slightly higher at 587 and it is hoped that further work will be added during the year as vacancies are filled.
- 2.16 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

2021/22 internal audit plan and the mix of knowledge and skills within the in-house team is considered appropriate to deliver the plan.

- 2.17 Changes to the way we work as an organisation as a result of the Covid-19 pandemic has required changes to internal audit working practices. The approach to undertaking reviews in previous years has relied heavily on face to face meetings, the physical presence of an auditor within the areas, schools or establishments being audited, the physical review of some evidence (in addition to electronic evidence) and the physical review and sign-off of audit files/reports as part of the internal audit quality assurance and management review process. During 2020/21 with the vast majority of the Council's workforce working from home new ways of undertaking audits remotely were been developed and will continue to be used into 2021/22. This includes the use of Microsoft Teams to conduct face to face meetings, the sharing of screens to view evidence (that cannot be physically sent), the extension of the use of electronic evidence, the reintroduction of the use of Internal Control Questionnaires, the review of standard audit programmes for schools to make them more manageable remotely, protocols for when to use different forms of communications e.g. when a face to face meeting using technology is required during the audit process and electronic review and sign-off of audit files for quality assurance and management purposes. The approach to internal audit working practices will continue to be reviewed and developed throughout 2021/22 to ensure that the internal service remains effective.

### **Other Sources of Assurance**

- 2.18 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 2021/22.
- 2.19 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 2021/22.

### **Corporate Anti-Fraud Team Plan 2021-22 (Appendix 1) Background**

- 2.20 Local authorities continue to face significant fraud and corruptions challenges especially in light of the Covid-19 emergency and associated grant funding allocated by central government. 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 2021-22 so that fraud risks are managed in both a proactive and reactive response.

## **Annual Fraud Plan Process**

2.21 The 2020-21 plan has been developed taking into consideration both internal and external factors that assess fraud risks according to their likelihood and impact. Careful consideration has also been given to incidents of fraud and corruption identified in 2020-21 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**

2.22 The draft plan has been developed by drawing on a number of sources of data:-

- Consideration of the Local Government Fraud Strategy, Fighting Fraud & Corruption Locally 2020 (FFCL); a strategy for the 2020's;
- The development and finalising Harrow Council's Corporate Anti-Fraud & Corruption Strategy 2020-2023 and any associated action plan to improve fraud risk resilience;
- Consideration of the Crime Survey in England and Wales in the 12 months to year ending September 2020, including fraud
- Discussions with the Head of Internal Audit and Interim Risk Manager to co-ordinate common interest work where possible;
- Local knowledge and intelligence about known fraud risks the authority faces and fraud cases identified during 2020-21 and previous years;
- Consideration of The Financial Cost of Fraud 2019; a publication by Crowe UK and Portsmouth University to measure world losses to fraud (inc the UK)
- Review of fraud and corruption trends and patterns across the UK and more specifically London.
- Weekly Cifas Intelligence bulletins on Covid-19 fraud risks, attendance at quarterly Cifas Local Authority Business Sector Working Group meetings and quarterly Cifas Organised Fraud Cross Sector Meetings

2.23 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.

## **Corporate Anti-Fraud & Corruption Strategy 2020-23**

2.24 During 2021/22 the Council's Strategy will be developed and finalised to ensure it continues to align closely to FFCL 2020 and an action plan implemented for improvement so that authority fully mitigates where possible the current fraud and corruption risks.

## Resources

2.25 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.

## 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 follow requirements:

- 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.

## Financial Implications

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

## Risk Management Implications

Risks included on corporate or directorate risk register? The risks included on the Corporate Risk Register were reviewed and taken into account in preparation of the Internal Audit Plan 2021/22.

Separate risk register in place? No, however risk assessments are undertaken to support reviews included in the plan that are not on the Corporate Risk Register.

The relevant risks contained in the register are attached/summarised below. **N/A**

The following key risks should be taken into account when agreeing the recommendations in this report:

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

Risk Description	Mitigations	RAG Status
The risk of inadequate resources to achieve the plans caused by unplanned reduction in staff resource e.g. sickness, maternity leave or staff leaving.	<ul style="list-style-type: none"> <li>▪ Ongoing consideration of techniques used to achieve the plan</li> <li>▪ Recruitment</li> <li>▪ Sickness monitoring/management</li> <li>▪ Team motivation</li> </ul>	
The risk of detrimental level of reactive work e.g. investigations and emerging risks	<ul style="list-style-type: none"> <li>▪ Flexible plan approach</li> <li>▪ Risk assessment of work on investigations and emerging risk</li> </ul>	

## Equalities implications / Public Sector Equality Duty

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.

The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

The Internal Audit plan will have positive equalities impacts for example ensuring and measuring compliance with HR policies and the financial management of schools to give two examples.

## **Council Priorities**

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

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date:** 16/04/21

**Statutory Officer: Jessica Farmer**

Signed on behalf of the Monitoring Officer

**Date:** 19/04/21

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date:** 16/04/21

## **Mandatory Checks**

**Ward Councillors notified: NO, as it impacts on all Wards**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud,  
02084241420

**Background Papers:** None.

If appropriate, does the report include the following considerations?

- |                 |          |
|-----------------|----------|
| 1. Consultation | YES / NO |
| 2. Priorities   | YES / NO |

**HARROW COUNCIL  
INTERNAL AUDIT PLAN & CORPORATE ANTI-FRAUD PLAN 2021/22**

**2021/22 Internal Audit Plan - Consultation**

<b>DIRECTORATE</b>	<b>NAME</b>	<b>TITLE</b>	<b>DATE</b>
	Sean Harriss	Chief Executive	13/04/21
<b>Resources</b>	Charlie Stewart	Corporate Director Resources	13/04/21
	Dawn Calvert	Director of Finance & Assurance/S151	31/03/21
	Hugh Peart	Director of Legal & Governance	13/04/21
	Alex Dewsnap	Director of Strategy and Partnership	13/04/21
	Ben Goward	Director of ICT	25/03/21
	Tracey Connage	Director of HR & OD	30/03/21
	Fern Silverio	Divisional Director Collections & Benefits	26/03/21
	Nimesh Mehta	Head of Procurement	26/03/21
	Jonathan Milbourn	Head of Customer Service & Business Support	30/03/21
	Sharon Daniels	Head of Strat & Tech Finance/Deputy S151	29/03/21
	Tasleem Kazmi	Finance Business Partner Housing & Regeneration	23/03/21
	Donna Edwards	Finance Business Partner People (Adults)	23/03/21
	Jessie Mann	Finance Business Partner Community	23/03/21
	Jo Frost	Finance Business Partner People (Children)	22/03/21
	Justin Phillips	Corporate Anti-Fraud Service Manager	25/03/21
	Neale Burns	Interim Risk Manager	26/02/21
	Brian Hubbard	Auditor	26/02/21
	Cher Jones	Auditor	26/02/21
	Ayesha Ahmede	Auditor	26/02/21
<b>People</b>	Paul Hewitt	Corporate Director People	13/04/21
	Angela Morris	Director of Adult Social Services	25/03/21
	Patrick O'Dwyer	Director of Education	22/03/21
	Carole Furlong	Director of Public Health	13/04/21
	Peter Tolley	Divisional Director Children & Young People Services	23/03/21

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<b>Community</b>	Johanna Morgan	Divisional Director Commercial & Regeneration	24/03/21
	Paul Walker	Corporate Director Community	13/04/21
	Michael Butler	Interim Director Environmental Services	25/03/21
	Julian Wain	Interim Commercial Director	26/03/21
	Mark Billington	Head of Service – Economic Development, Research & Enterprise	26/03/21
	Julian Higson	Interim Head of Housing	25/03/21
	Andrew Campion	Head of Asset Management (Housing)	24/03/21
	Kirstan Shiels	Interim Regeneration Programme Director	29/03/21
	Matthew Adams	Head of Natural Resources and Climate	08/04/21

**HARROW COUNCIL**  
**INTERNAL AUDIT PLAN & CORPORATE ANTI-FRAUD PLAN 2021/22**

**Internal Audit Plan 2020/21**

Review Area	Risk Assessment <sup>1</sup>	Reason for inclusion	Proposed Audit Coverage	Audit Days	Q
<b>Core Financial Systems</b>					
Housing Benefit	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Treasury Management	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Housing Rents	M	Core Financial System	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
Corporate Accounts Receivable	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Corporate Accounts Payable	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Payroll	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Council Tax	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Authorisation Testing	H	During the pandemic staff have been working from home however wet signatures are still required for many authorisations that are not automated hence assure to be obtained that appropriate alternative methods of authorisation were employed.	Testing to cover all Core Financial Systems + Pensions to establish that appropriate authorisations were obtained during the pandemic in 20/21, that methods of obtaining authorisation were adequate, that authorisations were appropriately applied to transactions and effective in minimising risk to the authority.	20	Q1
<b>IT</b>					
Replacement ERP System	H	Replacement of major IT system as part of the modernisation agenda.	Ongoing audit input to development of replacement ERP system.	5	Q1
Cyber Security Governance	Links to CR12 - M	External reports of increased cyber attacks on organisations – last reviewed 2016/17.	A review of arrangements in place to protect the Council from or in the advent of a cyber attack.	5	Q3/4
IT Inventory	H	As a result of Pandemic IT equipment is has been distributed for homeworking.	A review to ensure that inventory covers all appropriate equipment, and that adequate systems are in place for keeping it up to date.	10	Q2

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

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IT Support – Service Integration and Management	H	New arrangements in place, some in-house provision and some contracts	A review of how the elements of the support work together and are being managed	20	Q3/4
IT Strategy	H	New IT Strategy currently being developed	Provision of the 2016/17 audit work on IT Strategy to feed into the development of the new strategy and a review of new strategy towards the end of the year	5	Q4
<b>Corporate Compliance Checks</b>					
Contract Procedure Rules (Annual Assurance)	H	To obtain assurance and to feed into future updating of Contract Procedure Rules and following the findings of the Depot – Additional Works Review	Sample checks across the council to ensure that Contract Procedure Rules are understood and being adhered to – area of focus to be determined as part of review planning	10	Q3/4
Financial Regulations (Annual Assurance)	H	To obtain assurance following the updating of Financial Regulations during 18/19 and the findings of the Depot – Additional Works Review	Sample checks across the council to ensure that Financial Regulations are understood and being adhered to – area of focus to be determined as part of review planning	10	Q3/4
Fees & Charges (Annual Assurance)	M	Following an Issue identified during 2019/20 and discussion with Director of Finance	Annual check that Fees and Charges are being applied in accordance with Council decision	5	Q3/4
HR Policies (Annual Assurance)	H	To provide assurance on the implementation of HR Policies annually, with a focus on different policies each year in consultation with the Director of HR&OD	Sample check across the council to ensure that HR Policies are understood and adhered to - areas of focus for 201/22 Job Evaluation and Honorariums	10	Q2
<b>Corporate Risk Based/Governance Reviews</b>					
Corporate Governance	Statutory Requirement	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <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, including Management Assurance, assessment against the CIPFA Financial Management Standards plus drafting of the Annual Governance Statement	30	Q1/4
Risk Registers	Statutory Requirement	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <i>A relevant authority must ensure that it has a sound system of internal control which includes effective</i>	Update of the Corporate Risk Register and input assistance with Directorate and other Council risk registers	65	Q1-4

**HARROW COUNCIL**  
**INTERNAL AUDIT PLAN & CORPORATE ANTI-FRAUD PLAN 2021/22**

		<i>arrangements for the management of risk</i>			
Risk Management in Decision Making	M	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <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>	A real-time pro-active review, with clearance provided before reports are presented to Cabinet	20	Q1-Q4
Tell Us Once/Legacy Systems	H	Changes of circumstances notified to the Council are not always shared with appropriate services and this has led to overpayments and fraud.	A review to identify the barriers to information being shared across key services, Housing, Council Tax and Housing Benefits and the Tell Us Once system and an exploration of potential solutions	10	Q3/4
Financial Resilience	Links to CR1 - H	Financial Resilience is key to the authority remaining viable, stable and effective in a climate of growing demand and reduced funding	Using CIPFA publication Building Financial Resilience as a guide a review of the authority's financial resilience	15	Q3/4
<b>Resources Risk Based Reviews</b>					
Restart Grants	H	Scheme in place to support business in the non-essential retail, hospitality, leisure, personal care and accommodation sectors with a one-off grant of up to £18,000, to reopen safely as COVID-19 restrictions are lifted	Post assurance review conducted jointly with Corporate Anti-Fraud Team to ensure that any suspected fraud or error identified can be investigated quickly and steps taken to recover any losses identified	10	Q2
Transformation Programme – Project Management Review	CR7 - H	A continuation of project management reviews of the Council's key projects	A project management review of one of the projects within the Transformation Programme – project to be identified at time of review	15	Q3/4
<b>Community Risk Based Reviews</b>					
Housing Repairs – Landlord Responsibilities	H	The Council as a landlord has a number of statutory duties that must be complied with	A review of the processes in place to ensure that the Council's statutory duties are met	15	Q3/4
Housing Tenancy Succession	M	A number of fraud investigations in recent years have highlighted some issues with tenancy succession	A review of the process and checks in place to ensure that tenancy successions are managed and appropriate	10	Q3/4
Facilities Management Procurement/Contracts	H	Major changes introduced during 2020/21 to improve service	Review of procurement and contract management	15	Q3/4

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Facilities Management Statutory Compliance	H	There are a number of statutory duties that must be complied with	A review of the processes in place to ensure that the Council's statutory duties are met	15	Q2
Traffic /Highways	H	Review requested by Management and an area not reviewed for many years	The adequacy, application and effectiveness of the management, procurement and financial controls of Traffic/Highways	20	Q3/4
Bus Subsidy Grant	Statutory Requirement	Grant condition requirement	Annual HIA Certification	2	Q2
HSDP/Council owned companies Governance	CR2 – M	New arrangements, issues highlighted in other authorities with such arrangement, potential high risks	Input to the development of governance arrangements for the HSDP in Q1 and a review of how governance arrangements are working in practice in across Council owned companies Q3/Q4	30	Q1 +Q3/ Q4
Regeneration Programme Revisited	M	The Regeneration Programme review was undertaken as part of the 2018/19 IA Plan and followed up during 2019/20 – this revisit will assess how well the key actions agreed as part of the review have been implemented and imbedded (or where alternative appropriate action has been taken)	The revisit will review the governance structure in place for the Programme, the Regeneration Strategy, project management, decision making, financial & performance reporting and risk management	20	Q3/4
Everyone Active Contract Payments	M	Review requested by Management	Quality assurance of the funding agreement	10	Q2
<b>People Risk Based Reviews</b>					
Schools	H	<b>Links to Corporate Priority:</b> Sustaining quality education and training  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	80	Q3/4
SFVS	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

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Together with Families Programme (Troubled Families Grant)	Grant Requirement	<b>Links to Corporate Priority:</b> Tackling poverty and inequality - testing by internal audit is a grant condition	Sample testing of claim prior to grant submission	10	Q1-4
Children Placements	H	A high percentage of the Children Budget spent on placements	A review of the adequacy, application and effectiveness of decisions and review of placements	15	Q3/4
Adults Placements	Links to CR3 - H	A high percentage of the Adults Budget spent on placements	A review of the adequacy, application and effectiveness of decisions and review of placements	15	Q3/4
<b>Support, Advice &amp; Follow-up</b>					
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	20	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	20	Q1-4
Covid Grants	H	Certain government grants require HIA sign-off	Where required sample testing to confirm grant conditions have been met before sign-off by the HIA and Chief Executive	5	Q1-4
<b>TOTAL DAYS IN 2021/22 PLAN</b>				<b>587</b>	

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<b>Internal Audit Performance Indicator 2021/22</b>		<b>Target</b>
1	Recommendations agreed for implementation	95%
2	Follow up undertaken – red and red/amber assurance reviews	100%
3	Follow-up undertaken – amber assurance reviews	70%
4	Plan achieved for key control reviews	100%
5	Plan achieved overall (key indicator)	90%
<b>Corporate Performance Indicator</b>		<b>Target</b>
1	Implementation of recommendations	90%

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**Corporate Anti-Fraud Plan 2021/22**

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	<b>Fraud work stream</b>	<b>Proposed counter fraud coverage</b>
1.	Corporate fraud risk assessment	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
2.	Corporate Anti-Fraud & Corruption Strategy	Review the authorities' Corporate Anti-Fraud & Corruption Strategy in light of the refreshed Fighting Fraud and Corruption Locally Strategy 2020 and implement any actions identified to improve the authorities' fraud risk resilience
3.	Review the fraud loss value methodology	Review the fraud loss value methodology to apply consistently to significant fraud risk exposures enabling fraud losses to be measured accurately and in line with established standard nationwide formula and best practice
4.	National Fraud Initiative co-ordination role	Co-ordination of the 2020/21 National Fraud Initiative (NFI) match processing including:- <ul style="list-style-type: none"> <li>• Processing matches which are the responsibility of the CAFT</li> <li>• Supporting service areas across the authority to ensure their matches are processed in a timely manner and that suspected fraud/error is investigated appropriately</li> <li>• Process fraud referrals passed to the CAFT from other teams and from outside of the authority in line with team performance indicators</li> </ul>
5.	Cifas project	Continue to maximise membership of Cifas for a further 12 months (pilot extension) to support fraud investigation work undertaking a proactive drive and explore expanding it's use internally for areas such as Human Resources and Recruitment (vetting), Insurance & Procurement.
6.	Corporate anti-fraud awareness	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:-

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		<ul style="list-style-type: none"> <li>• Continue to promote the fraud e-learning package to employees</li> <li>• General internal communications bulletins in relation to articles on fraud and corruption</li> <li>• Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented (KPI5)</li> <li>• Deliver fraud workshops/CAFT attendance at team meetings for high fraud risk areas as appropriate</li> <li>• Publicity through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes</li> <li>• The use of Yammer to promote fraud awareness and signpost to the e-learning package</li> </ul>
7.	Fraud liaison	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 Institute of Public Finance and Accountancy (CIPFA) and Cifas
8.	Internal Data-matching	Undertake an internal proactive drive using iDIS (fraud case management system tool) in an area assessed to be at high risk to fraud
9.	Housing fraud	<p>Assess and investigate allegations of fraud and abuse in the housing system working in partnership with Housing Resident Services, Housing Needs and Harrow's RSL's including:</p> <ul style="list-style-type: none"> <li>• Seek to recover a combined total of 10 Council social housing units and disrupt/intercept fraudulent Right to Buy applications (KPI1)</li> <li>• Prevent housing application fraud through a partnership approach with Housing Needs providing fraud risk advice, support and the investigation of allegations of fraud</li> <li>• 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)</li> </ul>

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		<ul style="list-style-type: none"> <li>• Maximise the use of powers contained within the Prevention of Social Housing Fraud Act 2013 (PoSHFA) in terms of gathering evidence, investigation and prosecution of offenders and recovery of unlawful profit</li> <li>• Plan and implement a proactive anti-fraud datamatching exercise to identify the misuse of Council social housing units (see internal datamatching section above)</li> </ul>
10.	Covid-19 Restart Grants	Work jointly with Internal Audit to undertake a review of the Restart Grants and implemented by the authority to provide financial assistance to local businesses in Harrow. This work may identify suspected fraud cases which will be investigated fully and steps taken to recover any losses identified
11.	Internal fraud & corruption	Risk assess at least 85% 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 workings days of receipt of the information (KPI3)
12.	Revenues/Business Rates/Council Tax Support fraud	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
13.	Social care fraud	<p>Work in partnership with the People Directorate to undertake a sample check allegations of fraud and abuse of the social care system including but not limited to:-</p> <ul style="list-style-type: none"> <li>• A proactive fraud risk- based exercise of personal budgets applications, assessment and monitoring of spend</li> <li>• A proactive fraud risk- based exercise in relation to those individuals being financially supported in long term residential care</li> </ul>
14.	Partnership working	Responding to requests for information in a timely manner from our law enforcement partners e.g Police, HMRC, Other LA's etc
15.	Risk assess allegations of fraud and corruption	Risk assess 85% 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)

**HARROW COUNCIL  
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<b>No.</b>	<b>CAFT Key Performance Indicators 2021/22</b>	<b>Target</b>
1.	Seek to recover a combined total of 10 Council social housing units and disrupt/intercept fraudulent Right to Buy applications	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	85%
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	85%
5.	Fraud risk recommendations agreed for implementation	85%

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

**Susan Dixon**  
**Head of Internal Audit & Corporate Anti-Fraud**

**April 2021**

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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 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 own 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 has 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. 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 Dixson  
Head of Internal Audit and Corporate Anti-Fraud  
April 2021

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