



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30pm

Tuesday,
15 September 2009

Havering Town Hall
Main Road, Romford

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

David Grantham (C)
Frederick Thompson (V.C)
Gary Adams
Michael Armstrong
Eric Munday

Residents' Group (2)

Clarence Barrett
Steve Whittaker

Rainham Residents Group (1)

Mark Stewart

For information about the meeting please contact:
James Goodwin (01708) 432432
E-mail: James.Goodwin@havering.gov.uk

NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

The Council is committed to protecting the health and safety of everyone who attends meetings of its Committees.

At the beginning of the meeting, there will be an announcement about what you should do if there is an emergency during its course. **For your own safety and that of others at the meeting, please comply with any instructions given to you about evacuation of the building, or any other safety related matters.**

2. MOBILE COMMUNICATIONS DEVICES

Although mobile phones, pagers and other such devices are an essential part of many people's lives, their use during a meeting can be disruptive and a nuisance. Everyone attending is asked therefore to ensure that any device is switched to silent operation or switched off completely.

3. CONDUCT AT THE MEETING

Although members of the public are welcome to attend meetings of the Committee, they have no right to speak at them. Seating for the public is, however, limited and the Council cannot guarantee that everyone who wants to be present in the meeting room can be accommodated. When it is known in advance that there is likely to be particular public interest in an item the Council will endeavour to provide an overspill room in which, by use of television links, members of the public will be able to see and hear most of the proceedings.

The Chairman of the meeting has discretion, however, to invite members of the public to ask questions or to respond to points raised by Members. Those who wish to do that may find it helpful to advise the Committee Officer before the meeting so that the Chairman is aware that someone wishes to ask a question.

PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

3. DECLARATION OF INTERESTS

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in an item at any time prior to the consideration of the matter.

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 23 June 2009 and to authorise the Chairman to sign them.

5. REVIEW OF SCHOOLS INTERNAL AUDIT: 2008/09—report attached

6. INTERNAL AUDIT OF BUSINESS CONTINUITY –report attached

7. INTERNAL AUDIT PROGRESS REPORT – report attached

ANNUAL REVIEW OF THE ANTI FRAUD & CORRUPTION ARRANGEMENTS – report attached

8. URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

Cheryl Coppel
Chief Executive

Audit Committee, 15 September 2009

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
23 June 2009 (7.30pm – 9.35pm)**

Present:

COUNCILLORS

Conservative Group David Grantham (Chairman), Gary Adams, *Steven Kelly and Eric Munday.

Residents' Group Clarence Barrett and Steve Whittaker.

Apologies for absence were received from Councillor Frederick Thompson (substitute *Councillor Steven Kelly) and David Braithwaite from PricewaterhouseCoopers.

All decisions were made with no member voting against.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

The Chairman declared a non-pecuniary interest in paragraph 2.13.1 of item 10 as he was a member of the Crime and Disorder Committee.

1. MINUTES

The minutes of the meeting held on 21 April 2009, were agreed as a correct record, subject to minor typographical changes, and subsequently signed by the Chairman.

2. ANNUAL STATEMENT OF ACCOUNTS

Officers circulated a fresh version of the draft Statement of Accounts for 2008/9 which had been amended following discussions with key members and adjusted to take account of minor typographical errors. The accounts will be subject to audit by the Audit Commission's appointed Auditors, PricewaterhouseCoopers.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in England and Wales. The Statement of Recommended Practice (SORP) 2008 sets out the proper accounting practice. The Pension Fund Accounts have been amended in order to reflect the requirements of the Pension SORP 2007.

Officers advised that few individuals or organisations have remained unaffected by the impact of the global banking crisis and the resulting economic down-turn. The Council has not been immune to the impact. The Council's overall financial performance remains strong despite the significant pressure placed upon it. The financial out-turn for the year was in line with the annual budget and remains consistent with long term financial plans. Whilst the downturn will continue to be felt for some time the CFO advised of her belief that the Council is well placed to cope with the impact on both its operational activities and financial management.

The economic downturn has raised a number of issues for the preparation of the Statement of accounts for 2008/9. These include:

1. Asset Valuation – the asset values disclosed in the Balance Sheet were routinely revalued on the basis of a five year rolling programme. An additional valuation of the Council's Fixed Assets (including Land and Buildings) was carried out as at 31st March 2009 in order to consider their accuracy in the light of current economic conditions. The asset values disclosed in the Balance Sheet were based on their latest valuation in the five year programme together with any impairment identified in the 31st March 2009 valuation.
2. Treasury Management – The Council's Treasury Management Policy is agreed annually at full Council in order to provide the framework for managing its investments and borrowing. Total investments currently stand at £103.5 million with borrowing at £46.3 million. The global banking crisis led to significant increase in the level of risk associated with making of deposits with many financial institutions. The credit ratings applied by rating agencies have fallen so dramatically over the course of the year as to substantially reduce the number of institutions meeting the Councils lending criteria. Officers have sought to switch investments back into institutions which can demonstrate that they meet the Council's revised lending criteria as soon as the opportunity arises.

The Committee noted that deposits totalling £12.5 million were not repaid to the Council on their due dates, in respect of two Icelandic Banks now in administration. The Accounts have been prepared having regard to the guidance from Cipfa.

3. Pension scheme – The impact of the downturn on global financial markets has had a significant impact upon the value of pension fund investments. The Council's accounts reflect an increase in the size of the pension fund liability as measured by the Council's actuaries as at the 31st March 2009.

Amongst the financial achievements of the year the Committee noted the following:

- Overall financial performance was consistent with longer term goals as set out in the medium term financial strategy and Corporate Plan. The level of general reserves has been maintained at £10 million as required by the strategy.

Audit Committee 23 June 2009

- The capital programme plays a key part in the Council's longer term strategy. Investment performance continues to support the delivery of the programme and capital slippage has been minimised through effective programme management.
- The Council has successfully implemented a Single Status agreement representing a significant achievement in achieving pay harmonisation. The costs associated with implementation have been reflected in the accounts for the year.
- The high level of market interest rates in the first half of the year enabled investment performance to exceed the annual target. However, interest rates have fallen dramatically during the second half of the financial year. The global banking crisis has also led to a shift in the pattern of investments as the Council, in common with most Councils, has sought to minimise risk and protect the value of its investments. This has led to a further erosion in investment returns. However, the full impact of this low interest environment will not be felt until 2009/10.
- The Council has once again been judged as performing well and awarded a three star rating (out of a possible four) by the Audit Commission as part of the Comprehensive Performance Assessment. It incorporates an assessment of the "use of resources" which has been judged as level three. The Council is judged to be performing well and consistently above minimum requirements in all categories of the "Use of Resources Assessment".
- The Council's performance in achieving "Value for Money" is recognised in the Comprehensive Performance Assessment".

The main components of the General Fund Budget for 2008/9 and how they compare with actual income and expenditure are set out below.

	Original Budget	Outturn	Difference
	£'000	£'000	£'000
Total Budget	157,116	157,116	0
Financed by:			
Revenue Support Grant	6,556	6,556	0
NNDR	47,096	47,096	0
Collection fund surplus/(deficit)	(177)	(177)	0
Precept on the Collection Fund	103,641	103,641	0

The precept on the Collection Fund is met from Council Tax and Business Rates.

The Committee Members asked a number of questions which were duly answered by Officers.

The Committee placed on record their thanks to Owen Sparks and Mike Board and the rest of the finance team for all their hard work in preparing the Statement of Accounts.

Audit Committee 23 June 2009

The Committee:

1. **noted** the key issues as set out above;
2. **received** and approved the Statement of Accounts;
3. **noted** that the accounts had been amended to reflect the changes introduced in the Statement of Recommended Practice (SORP) 2008;
4. **noted** the work taking place to continue to meet the requirements of the Whole Government Accounts process;
5. **asked** that the Chairman signs and dates the Statement of Accounts as required by the Accounts and Audit Regulations; and
6. **noted** that a project plan had been produced in order to prepare for the introduction of the International Financial reporting Standards from 2010/11.

3. **AUDIT AND INSPECTION LETTER 2007/8**

At their meeting on the 27 May 2009 the Cabinet received the Audit and Inspection Letter for 2007/8. The main messages for the Council included in the report were;

- The Council is a three star authority and improving well;
- Improvements were required in adult social care services, particularly in relation to levels of delayed discharge of care;
- The auditor issued an unqualified opinion on the Council's 2007/8 accounts. The Council also maintained its level 3 score for use of resources, and responded positively to the new assessment methodology;
- The Council has achieved significant improvement in the quality of its housing services, and continues to deliver good outcomes for children and young people; and
- Although the level of residents' satisfaction with services provided by the Council has improved, it remains below the London average.

The Council needed to take the following action:

- Continue to monitor the impact of the economic downturn on demand led services;
- Build on joint work with the local NHS and other partners to further reduce levels of delayed discharges of care, and address other areas for improvement in adult social care services; and
- Continue work to further strengthen the arrangements for effective use of resources.

The Committee noted that;

1. An action plan had been prepared to take forward initiatives and key indicators were being monitored in respect of the impact of the economic downturn on demand led services;
2. the Council was already building on the joint work with the local NHS; and
3. arrangements continue to be strengthened, where it is viewed as cost effective, to ensure the effective use of resources; and

4. officers would monitor the implementation of the recommendations and report back to the committee as appropriate.

4. EXTERNAL AUDIT FEE LETTER

The Committee were advised that the Audit Commission had changed the arrangements for the production of Audit Plans with effect from 2009/10. As a result the detailed plan for 2009/10 will not be received until after the 2008/9 audit of accounts has been completed, although the fee for the work to be covered in the plan has been advised in advance of this.

The total audit fee for 2008/9 plan was £342,450. The fee proposed for the 2009/10 audit was £346,731, an increase of 1.25%. In addition, a further charge of £105,000 will be made for the certification of claims and returns, the same level as for 2008/09, and £38,500 for the pension fund audit.

The fee does not include any additional time required to audit grants, any additional work requested by the Council, and any additional work generated outside any assumptions on which the fee is based. The quoted fee is an estimate and may change to reflect the actual content of the audit plan.

The fee and additional known charges outlined above are currently within the available budget. Any additional fee, however, would have to be managed within the overall approved budget.

The Audit Commission had published its work programme and scale of fees for 2009/10. The fee being charged by PricewaterhouseCoopers reflected these fees.

The Committee questioned the level of the proposed fee maintaining that the Audit Commission should rethink its position in these days of financial restraint. The view was that the support industry should be reflecting the current financial climate in reviewing the level of its charges. PricewaterhouseCoopers indicated that they would come back to the Committee in September once they have completed the 2008/9 audit.

The Committee noted that the 2009/10 audit plan would be presented at a subsequent meeting.

5. EXTERNAL AUDIT PROGRESS REPORT

PricewaterhouseCoopers (PWC) advised the Committee on progress with the external audit. Since their last report in March they had completed their tests on key controls and progressing with work on the use of resources assessment. They anticipated being in a position to report to the Chief Executive in July. PWC indicated they required a couple of decisions from the Committee which would help focus their work. After discussion the Committee **agreed** that a limit of £100,000 be set over which they would require the Auditors to focus their areas of concern. The

Audit Committee 23 June 2009

Committee were assured by PWC that they would summarise any such areas and identify any areas of concern which appeared to be systematic.

The Group Director, Finance and Commerce reminded the Committee that the Council have adopted a Fraud Strategy which has identified no particular areas of concern. The NFI output from the Audit Commission showed low numbers of high impact cases. PWC indicated that they would build in unpredictability into their testing of the Councils systems and accounts.

6. HOUSING AND COUNCIL TAX BENEFIT FRAUD REPORT

At March 2009, there were 18,479 claims for housing and council tax benefit. This represented an increase of 530 claims since October 2008. The cost of administrating the Investigation Team in 2008/9 was £473,000 and this was funded through the Benefit Administration grant, which will continue through 2009/10. During the year the section received 641 referrals, the majority of which came from the Benefit Assessment Teams.

The current National Fraud Initiative (the Audit Commission's data matching exercise) commenced in March 2009 with 2,273 original matches being identified. Of these 114 were identified for further investigation. The first 27 cases of the 114 to be investigated are students and initial indications are that this will result in 8 cases for investigations.

The severity of the sanction in respect of fraud is determined by the circumstances surrounding the offence. Guidance to assist in determining the sanction is provided in the Council's Benefit Fraud Policy which considers a range of issues including:

- The factors surrounding the offence,
- The amount defrauded,
- The evidential test, and
- The test of public interest.

In 2008/9 there were 71 successful sanctions, 25 received Administrative Penalties, 26 received cautions and 20 were prosecuted.

With regard to overpayments, these are identified and classified as fraudulent following a sanction. The Council's commitment to recovering overpayments is reflected in the authority's corporate strategy for the prevention and detection of fraud and corruption. With regard to subsidy and expenditure, fraudulent overpayments are recorded as an eligible overpayment and the authority receive 40% subsidy from the Department of Works and Pensions (DWP). For the purpose of overpayment recovery, any Housing Benefit overpayment that is fraudulent can be recovered at a higher rate from ongoing entitlement if the claimant has either:

- Been found guilty of an offence whether under statute or otherwise, or
- Made an admission after caution of deception or fraud for the purpose of obtaining relevant benefit, or

Audit Committee 23 June 2009

- Agreed to pay a penalty under section 115A of the Social Security Administration Act 1992.

When recovering overpayments from ongoing entitlement, the standard maximum rate of recovery from housing benefit is £9.75 per week. If the overpayment has arisen as a result of fraud, this figure increases to £12.80 per week. The rate of recovery can increase even further if the claimant is working, in receipt of a war pension or receives income from a charity.

The value of fraud overpayments generated in 2008/9 totalled £711,574. A balance of £605,783 currently remains outstanding of which £257,367 is the subject of arrangements.

From April 2008 the Welfare Reform Act 2008 gave Local Authorities powers to investigate and prosecute offences against certain national social security benefits alongside local ones. The Council are currently jointly investigating 45 cases with the DWP where HB/CTB and another benefit were involved. For the period October 2008 to March 2009, there had been three cases where the DWP and Havering had worked together and prosecuted individuals for a fraud in relation to HB/CTB and another benefit. The most recent case involved the prosecution of a woman who had fraudulently claimed almost £80,000 in benefits.

The Council was now working more closely with the Local Safer Neighbourhood Police.

In all twenty cases taken to prosecution the defendant either pleaded guilty or was found guilty of benefit offences under social security legislation. Details of two cases were provided for the Committees information. The Committee **requested** an update on progress with recovering the overpayment in respect of David Ham. Decisions on the basis of any repayment were taken by the Court, not the Council.

The Committee **noted** the report.

7. INTERNAL AUDIT PROGRESS REPORT

The progress report summarised the completion of the 2008/9 plan. 95% of which had been completed by the end of March, representing performance of 2% behind the profiled target. 23 final reports had been issued since January 2009, seven of which were qualified. The remainder of the plan had been completed during Quarter 1 of 2009/10 whilst the team had also commenced the new plan.

The Committee were advised that the findings in the audit of Business Continuity were wrong and an amended report would be submitted to the next meeting. Officers advised the Committee that the recommendations in the audit of IT security had been agreed and a timescale for implementing those recommendations had been agreed by the Head of Business Systems. The Committee **noted** that the IT servers were being relocated to Canary Wharf by the end of the year.

Audit Committee 23 June 2009

The Committee **requested** a more detailed report on Deputyships and **asked** that the appropriate officer be present to answer questions. In considering the report on the audit of the Cemetery and Crematorium the Committee noted that the majority of income came from Funeral Directors who tend to pay monthly. Cemetery and Crematorium staff maintain good relationships with local Funeral Directors.

Officers advised that management had not responded to the Audit report on the Commissioning of Residential Placements and this report, including the response form management would be re-submitted to the next meeting. The Committee were informed that Management can reject any recommendation in the Audit report. In those cases the matter would be referred to senior management for resolution.

With regard to the budget the Committee were advised that of the ten posts in Internal Audit nine were filled by permanent employees and one by an agency auditor.

A more detailed report on outstanding audit recommendations would be submitted in September.

The Committee **noted** the report.

8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2008/9

The Annual Report summarised the work of the Internal Audit Team during 2008/9 and provided an assurance, based on this work, regarding the council's system of internal control. In increasing the Council work's with other organisations to deliver services and meet the needs of the community the team had found that the controls to manage our risks were often not as directly under our influence as had previously been the case. Both the London Borough of Barking and Dagenham and Homes in Havering were operationally responsible for systems of control that the Council were heavily reliant on. Increasingly the assurances the Council receive as an organisation came from 3rd parties and not from our own underlying systems, processes and resources. As a result the risks remain the same, however, our mechanisms to manage those risks had to evolve and therefore the system of control was getting increasingly complex.

The Annual Report provided a good degree of assurance that the Council had a robust system of internal control.

The Committee noted that the emphasis for audit work had shifted from the traditional financial risks the organisation faced to consideration of risks relating to business continuity and equalities and diversity. Increasingly how the council is perceived is a big risk area particularly as the inspection regimes that judge us focus on customer satisfaction.

2008/9 saw the internal audit team qualify more of the systems they had reviewed than in previous years. This should not be taken on face value. More audits were completed by the team as the compliment of staff was more stable and a more risk

Audit Committee 23 June 2009

focussed approach had been introduced. The risk and therefore the control environment was becoming increasingly complex and the team relied heavily on others to maintain appropriate arrangements.

The audit plan had evolved and looked at a wider range of areas and risks than ever before. Management now had a direct input into the planning process and identify areas often where they know they do not get the positive assurances they need, but capacity or skills and expertise does not allow for this to be rectified quickly. Hence, the Internal Audit Team often know there are problems and risks are materialising before the audit commenced.

Officers felt that the healthy discussion over audit recommendations demonstrated that management understood the issues raised and were keen to ensure that the agreed action was the most efficient and effective for the organisation and the improvements in implementing audit recommendations demonstrated a keenness to improve systems and reduce risks.

The Committee **noted** the report.

9. GROUP DIRECTOR FINANCE AND COMMERCE

The Committee placed on record their appreciation for the assistance given by Rita Greenwood, Group Director, Finance and Commerce over the years.

Audit Committee 23 June 2009



MEETING	DATE	ITEM
AUDIT COMMITTEE	15 September 2009	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF SCHOOLS INTERNAL AUDIT: 2008/09

SUMMARY

To report to the Committee on the findings from internal audits carried out in Havering's schools during academic year 2008/09. This provides assurance that Havering's schools operate within a robust control environment and that compliance with the systems and processes in support of the management of their delegated budgets is regularly monitored through internal audit.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

1. Audit Arrangements

The current audit regime for schools has been established since 2004/05. Schools are audited every three years by auditors appointed through competitive tender (currently Deloitte and Touche) and in the interim years receive a health check audit completed by an in house audit resource that is part of the Schools Finance Section in Social Care & Learning.

Under each audit, schools are given a level of assurance as an overall assessment of the internal controls in place and the effectiveness of the operation of those controls. These levels are summarised below:

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses which put some of the system objectives at risk, and/or there is

evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance Weaknesses in the system of controls are such as to put the system objectives at risk, and /or the level of non-compliance puts the system objectives at risk.

No Assurance Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Levels of assurance are determined by the classification of the priority levels of the recommendations made as follows:

- Priority One: Major issues for the attention of senior management
- Priority Two: Recommendations for management action
- Priority Three: Minor Matters

The audit arrangements also include follow up and support to ensure schools address the issues raised leading to an improvement in subsequent years.

In addition to an annual internal audit, each school is also subject to external assessment every 3 years through the Financial Management Standard in Schools (paragraph 3 refers).

2 Findings

Overall findings from the reports reviewed are shown in tabular format in Appendix 1.

70 of the 82 Havering schools received an internal audit during the academic year. Four schools postponed their audit due to unavoidable pressures within the individual schools. Five schools were not audited during the year because they were audited late in the summer term of the previous year and were assessed as part of the Financial Management Standard in Schools during 2008-2009. Three schools were not audited for other reasons. All 12 schools are on the audit programme for completion early in the Autumn term 2009.

Of the 70 schools audited, five reports are outstanding and are therefore, not included in these figures below.

The table below summarises the audit opinion for the 65 schools reviewed this year and provides some historical data.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
2008/09	0	59 (91%)	6 (9%)	0	65
2007/08	0	72 (99%)	1 (1%)	0	73
2006/07	0	76 (94%)	5 (6%)	0	81
2005/06	2 (2%)	74 (89%)	7 (8%)	0	83
2004/05	8 (9%)	72 (86%)	4 (5%)	0	84
2003/04	4 (5%)	78 (94%)	1 (1%)	0	83

There were six schools where the number and level of recommendations resulted in Limited Assurance. It is considered that all schools with limited assurance have the capacity to improve and support will be provided by the Schools Financial Support Team to ensure they address the issues raised. This is a particular focus for four schools due to be assessed under the Financial Management Standard in Schools by March, 2010 to ensure they meet the standard.

No school received Full Assurance and no school was considered to have weaknesses that would result in No Assurance.

Summary of recommendations

	No of recommendations	Av per school	Max no per school	Priority 1 recommendations
2008/09	554	8	24	105 (19%)
2007/08	568	7	19	121 (21%)
2006/07	667	8	16	187 (28%)
2005/06	891	11	24	180 (20%)
2004/05	557	7	19	27 (5%)
2003/04	289	3.5	12	19 (7%)

Appendix 2 summarises some of the findings resulting in priority 1 recommendations. Appendix 3 shows the progress in implementing recommendations from the previous year.

3 Financial Management Standard in Schools

In conjunction with the Institute of Public Finance (IPF), the DCSF has developed a Financial Management Standard and Toolkit, which is intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. Consequently, schools will be able to manage their resources more efficiently, leading to an increase in value for money.

The standard itself is a simple statement of what a school that is managed well financially would look like. Good practice in a school, which meets the Standard, can be analysed under five headings as follows:

- Leadership and Governance
- People Management

- Policy and Strategy
- Partnerships and Resources
- Processes

Compliance with the Standard will reassure parents, governors, head teachers, finance committees, local authorities and OfSTED that steps are in place to ensure sound financial management.

During 2008/09, 26 Primary Schools undertook a self assessment of their financial management which was externally assessed. Schools receive a separate report detailing any recommendations arising from the FMSiS and a certificate from the DCSF confirming that they have met the standard. 25 Primary Schools met the standard and one school did not. The school failed to respond in time to the auditors to the deadline given. However, it is anticipated that the school will meet the standard on re-inspection.

For the years in which schools do not receive an FMSiS assessment, the Local Authority needs to determine whether they should retain their accreditation. Based on annual audits, and assessment of the schools' ability to improve, all of the Havering schools not subject to a FMSiS assessment are considered to be sufficiently well managed to have met the requirements of the standard in 2008/09.

The Chief Finance Officer is required to sign a statement to this effect which is attached at Appendix 4.

Financial Implications and Risks

There are no implications arising directly from this report which is to note the findings of the audits/health checks. However, the following information may be of interest.

Costs

	£
Annual cost of the Triennial Audit currently delivered by Deloitte and Touche	38,500
Annual Health checks including review, supervision and contract monitoring	55,500
Total	94,000

Funded By

	£
School Audit Budget (E523)	38,500
Proportion of School Financial Support Budget (E293)	55,500
Total	94,000

The entire internal audit process is risk based and the arrangements in place ensure that schools have adequate internal controls in place to mitigate the risks.

Human Resource implication and risks

None arising directly from this report.

Legal implications and risks

None arising directly from this report.

Equalities and Social Inclusion implications

None arising directly from this report.

Staff Contact: David Allen
Designation: Strategic Finance Manager
Telephone: 01708 433851
Email: david.allen@havering.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers:
School Internal Audit reports

**AUDIT COMMITTEE
REVIEW OF SCHOOLS INTERNAL AUDIT: 2008/09**

APPENDIX 1

AUDIT FINDINGS

1. Submission of Reports

70 Havering schools received an internal audit during the academic year but five reports are still outstanding. The data below is therefore based on the reports of 65 schools.

2. Audit Opinion and level of Assurance given

The table below summarises the audit opinion passed for the 70 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
Number of Schools	0	59	6	0	65

3. Audit Recommendations

The tables below summarise the total recommendations identified and agreed by schools management.

Priority of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Priority 1	70	34	1	105	7
Priority 2	293	105	16	414	17
Priority 3	19	11	5	35	5
Total Recommendations	382	150	22	554	
Average Recommendations per school	8	12	11	9	

Area of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Organisation & Accountability	91	18	4	113	6
Compliance with previous audit	63	36	7	106	8
Budget	47	13	1	61	4
Purchasing	49	14	3	66	4
Personnel	18	8	1	27	2
Income	53	19	1	73	4
Banking / Petty Cash	15	7	1	23	2
Others (inventory)	46	35	4	85	4
Totals	382	150	22	554	

4. Common Recommendations and Related Risks

The following table lists common findings and recommendations and highlights the potential risk of non-compliance:

Findings / Recommendations	Potential Risk
<p>Organisation and Accountability</p> <p>Terms of Reference for all Committees not documented or documentation being out of date.</p> <p>Signed copies of minutes not held at school or minutes not signed. In particular, not retaining signed copy of the Governing Body minutes.</p> <p>Vacancies in Governing Bodies</p> <p>Lack of evidence of a regular review of the school's Finance Policy</p> <p>Register of Business Interests not updated, with some staff and governors not always completed.</p>	<p>Committee Terms of Reference must be clearly documented to ensure that the committee has the authority to make decisions on issues raised.</p> <p>There is a risk of errors or omissions being incorrectly recorded with required actions not being completed correctly</p> <p>There is a risk of insufficient representation in meetings to ensure all points of view are considered.</p> <p>The finance policy of the school must be reviewed regularly to ensure transactions are kept in line with the procedures and regulations that relate to them. There is a risk that the school is not operating within a control environment, which represents good practice and guides the Governing Body in fulfilling its responsibilities.</p> <p>Everyone who participates in either the decision making or transaction processing of public (school) funds should declare their interests in any potential supplier. Non compliance risks loss of good practice and best value and removes a control against biased decisions being taken.</p>
<p>Compliance with previous audit recommendations</p> <p>Recommendations not fully implemented include : -</p> <p>Finance Policy in draft format</p> <p>Scheme of Delegation not up to date</p> <p>Asset Register incomplete</p>	<p>Risk of poor governance in the school which may result in misappropriation of school funds and assets</p>

<p>Asset Register not presented to governors</p> <p>School Fund account not independently audited</p>	
<p>Budgets</p> <p>Budget Virements or adjustments not reported to Finance Committee or Governing Body</p> <p>Budget held on SIMS not reconciled to original approved budget</p> <p>Lack of evidence of regular budget monitoring</p> <p>Financial benchmarking not undertaken/or presented to governors</p>	<p>Risk of inappropriate transfer of funds to cover overspends</p> <p>Risk of errors in budget monitoring and decision making</p> <p>Risk of variance to budget not being detected in a timely manner and corrective action taken</p> <p>Risk of not maximising financial data available to monitor/improve financial performance</p>
<p>Purchasing</p> <p>Lack of segregation of duties in ordering and receiving goods (particularly in small schools)</p> <p>Lack of evidence of best value being obtained for public funds.</p> <p>Lack of clear approval in the minutes of the Finance Committee of expenditure above the delegated limit.</p>	<p>Risk of potential misuse of funds</p> <p>Risk of inappropriate contractors being appointed and the school not obtaining VFM</p> <p>Risk of management acting outside delegated authority.</p>
<p>Personnel</p> <p>Pay Policy not up to-date</p> <p>No evidence of Head Teacher's management performance documented</p>	<p>Risk of non-compliance with best practice</p> <p>Implications for budget and focus on key target issues not raised</p>
<p>Income</p> <p>School's charging policy not reviewed or updated</p>	<p>Risk of loss of income if charging policy is not up to date and missing potential profits</p>

<p>Lack of daily income register & audit trail</p> <p>Invoices raised not authorised and no debtors control.</p>	<p>in lettings of school facilities</p> <p>Risk of incomplete record of income</p> <p>Loss of income to the school and incorrect invoices being raised</p>
<p>Banking & Petty Cash</p> <p>Bank mandate not up to date</p> <p>Payments not signed as paid or not signed by recipient</p> <p>Reconciliation of Petty Cash not carried out regularly</p>	<p>Risk that payments may be authorised by an officer who is not a member of the school</p> <p>Risk of dispute of payment and could lead to financial loss</p> <p>Risk of potential over /under payments not being identified</p>
<p>Others</p> <p>Lack of Gift & Hospitality Register</p> <p>Not investing surplus funds</p> <p>Back-up tapes not held in fire-proof location</p>	<p>Risk that staff could be accused of being influenced by supplier</p> <p>School not maximising interest receivable</p> <p>Risk of loss of data</p>

APPENDIX 2**SUMMARY OF PRIORITY ONE RECOMMENDATIONS AND FINDINGS**

The following table summarises audit recommendations that were deemed to require senior management action in ensuring compliance .

Recommendation/ Finding	Type of School	Level of Assurance within school where recommendation was made	Auditor
No evidence of regular budget monitoring throughout year. Lack of consistency in security marked of assets.	Primary/Secondary	Substantial	Deloitte & Touche
Lack of independent review of School Fund Account. Audit of private school fund not carried out/or not in timely manner.	Primary/Secondary	Substantial	Deloitte & Touche
Lack of up-to-date Pay Policy. No evidence of performance management of Head Teacher within minutes of the Governing Body. Asset control for non IT equipment	Primary/Secondary	Substantial	Deloitte & Touche
Annual budget not formally agreed by full Governing Body/Lack of evidence to support regular review of budget//Inventory records insufficient/Retention of quotes.	Secondary	Limited	Schools Finance
Lack of link between the SDP and annual budget/Pay Policy and up to date Charging Policy/Lack of evidence to support all Committee meeting minutes signed/Terms of Reference not up to date for all Committees.	Primary	Limited	Deloitte & Touche/ Schools Finance
Lack of link between the SDP and the schools annual budget. Pecuniary interest register incomplete Notification of budget virements not minuted. Access user rights on SIMS not up-to-date	Secondary	Substantial	Deloitte & Touche/ Schools Finance

PROGRESS MADE IN IMPLEMENTING RECOMMENDATIONS

The table below shows the progress made by schools during 2008-2009 on the previous year's audit recommendations. This was measured when schools were revisited during 2008

83% of the recommendations made had been either fully or partly implemented, with no significant difference between Primary, Secondary and Special schools. This is a slight reduction on the previous year's implementation of 86% of recommendations.

Priority One recommendations are automatically assigned to schools where there is non-implementation of the previous year audit recommendations. The 17 non-implementations of the previous year Priority One audit recommendations relate to:

- Formal approval of the Finance Policy
- Inventory records presented to the school governors
- Pecuniary interest registers not up to date
- Private fund accounts not independently audited
- Lack of written procedures for in-house catering or reporting on catering

Non-implementation of Priority One recommendations is in the process of being followed up. All schools where there were Priority One recommendations had not been implemented are all subject to FMSiS assessment in 2009.

Priority:	Recommendations made				Fully implemented					Partly implemented					Not implemented				
	1	2	3	Total	1	2	3	Total	%	1	2	3	Total	%	1	2	3	Total	%
Primary Schools	57	256	30	343	36	150	20	206	60	10	65	4	79	23	6	42	5	53	15
Secondary Schools	43	95	1	139	19	58	1	78	56	13	25	0	38	27	10	13	1	24	17
Special Schools	8	12	0	20	2	12	0	14	70	0	2	0	2	10	1	3	0	4	20
All Schools	108	363	31	502	57	220	21	298	59	23	92	4	119	24	17	58	6	81	16

Department for Children, Schools and Families

Financial Management Standard in Schools (FMSiS) FMSiS CFO Assurance Statement 2008-2009

LA Name LONDON BOROUGH OF HAVERING

LA Number 311

Name of CFO RITA GREENWOOD

The position as at 31 March 2009 was as follows:

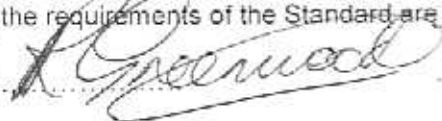
	Secondary	Primary	Special
1. Total number of schools in LA	18	62	3
2. Number of schools considered to be meeting the Standard through external assessment, believed to be still valid	18	47	2
3. Number of schools considered to be meeting the Standard, without external assessment	0	0	0
4. Number of schools not meeting the Standard	0	1	0
5. Number of schools to be assessed for the first time in 2009 -10	0	14	1
6. Number of schools to be re-assessed in 2009-10	18	0	0

7. What options have the LA given to schools for external assessments? Please provide name/s of company/ies, if not the LA

Details: Deloitte & Touche, LB Havering's contractors for schools internal audit

I am satisfied that appropriate steps are being taken to ensure that schools currently not meeting the requirements of the Standard are being brought into line with the FMSiS.

Signed...



Date: 16/7/09

This statement should be signed by the CFO and hard copy returned by 30 June 2009 to:

Bharti Vakharia
Department for Children, Schools and Families
Sanctuary Buildings
3rd Floor, Efficiency & Value for Money Unit
Great Smith Street
London
SW1P 3BT



department for
children, schools and families



MEETING	DATE	ITEM
AUDIT COMMITTEE	15 SEPTEMBER 2009	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Internal Audit of Business Continuity

SUMMARY

On 23 June 2009 this Committee considered an Internal Audit Progress Report which included summary information on an audit of business continuity.

The report content prompted Member concerns on several issues. This report responds to those issues to clarify the position for Members.

RECOMMENDATION

That the report be noted.

REPORT DETAIL

1. On 23 June 2009 this Committee received an Internal Audit Progress Report (Item 10 of agenda). The report included summary information on an audit undertaken of business continuity.
2. An unqualified audit opinion was given as the audit found that the system of control was generally in place and any recommendations being made were to enhance the control environment. Nevertheless the contents of the summary

prompted some Members to express concerns mainly about business continuity planning and cross service working.

3. This report responds to those concerns providing further information to clarify the position. In particular the following comments respond to Section 2.2.7 of the 23 June report, headed Summary of Audit Findings.

(Para 2.2.8) **Identification of Council's critical services:** The critical services were reviewed prior to the re-structure of the council which has resulted in the BIA Database going through a major review and amendment. The Corporate Business Continuity Plan is in the process of being reviewed to reflect the critical services including those with a front line responsibility to the public. It also includes those services which could have an adverse effect upon the reputation of the council.

(Para 2.2.9) **Liaison between business continuity and key service representatives:** Liaison across the Council has increased following training sessions with managers and staff into the business impact analysis database. Emergency Planning and Business Continuity (EP&BC) membership of Risk Management Group and the Risk Management Sub-group both of which include Business Systems (ICT) has resulted in business continuity issues being considered as a standard agenda item.

(Para 2.2.10) **Business continuity database and continuity plan:** The systems available within CEME now have copies of the BIA Database along with the Corporate Business Continuity Plan. In addition the laptops available to the EP & BC Service have been updated with the new version of the database.

(Para 2.2.11) **Corporate level summary reports:** The new database now has the ability to produce corporate summary reports containing all appropriate information including contact details of those staff identified as critical. This is presently being populated by the managers and staff recently trained.

(Para 2.2.12) **Essential staff:** Information regarding essential staff required to manage the immediate aftermath of any disaster lies within the Major Emergency Plan maintained by the Emergency Planning and Business Continuity team in Mercury House. Identification of the appropriate teams ie Emergency Response team, Business Continuity Response team and Recovery team are identified as role specific rather than person specific.

(Para 2.2.13) **Pegasus:** The plans and procedures which presently sit within the Intranet as service specific business continuity plans will be removed following the completed update of the

Business Impact Analysis database. This will replace those plans as the definitive plan which will sit alongside the Corporate Business Continuity Plan. The business impact analysis database now includes version control and an audit procedure for users that amend or update the system.

(Para 2.2.14) **Key contacts:** The key contacts section is complete as far as the internal and external partners are involved especially in response to an incident which invokes the Business Continuity Response Team or the Emergency Response Team. A section within the Business Impact Analysis database records the interdependencies of each of the services and the contact details. These are to be completed by each section with the critical team's contacts by 30th September 2009.

(Para 2.2.15) **Salvage procedures:** The ICT Disaster Recovery Plan which is contracted through Annix has server provision and recovery based at Canary Wharf London and Altrincham Cheshire which provides a certain amount of salvage provision. The BIA database information and reports identify alternative office accommodation for critical services so allowing delivery of services to continue while recovery is carried out through Asset Management resources and contracts within their Business Continuity Plan.

(Para 2.2.16) **Telecommunications network:** The telecommunications network is still a significant risk to business delivery with the absence of back up procedures and facilities. The Council would need to consider whether it wishes to pursue suggestions of an additional telecoms server located within the disaster recovery site at Canary Wharf or outsourced to another telecoms provider. These decisions are outside the scope of this report.

4. **Financial Implications and Risks**

4.1 There are risks associated with Business Continuity in general but this report confirms that the system of control was generally in place and any recommendations being made were to enhance the control environment.

4.2 With regard to the telecommunications network there is a significant risk to business delivery and implementing back ups for this network would have financial implications for the Council.

5. **Legal Implications and Risks**

5.1 None arising from this report.

6. **Human Resources Implications and Risks**

6.1 Ensure that the relevant information in respect of essential staff is available as in para 2.2.12 of the report.

7. **Equalities and Social Inclusion Implications**

7.1 None arising from this report.

Staff Contact:	Patrick Keyes
Designation:	Head of Development and Building Control
Telephone No:	01708 432720
E-mail address	patrick.keyes@havering.gov.uk

CHERYL COPPELL
Chief Executive



MEETING

DATE

ITEM

AUDIT COMMITTEE

15 September 2009

7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report advises the Committee of the 2009/10 systems work undertaken by the internal audit team during the period since 01 April 2009.

RECOMMENDATION

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

The progress report contains an update to the Committee regarding Internal Audit activity presented in four sections.

Section 1. Audit Work 01 April – 30 June 2009 **Page
02**

A summary of the progress made to deliver the plan in quarter one is detailed in this section of the report.

Section 2. Management Summaries **04**

Summaries of all final reports issued in quarter one 2009.
A 2008/09 report is represented as agreed at the last meeting.

Section 3. Fraud Work 01 January 2009 – 30 June 2009 **13**

- A) Table of 'Fraud Hotline' reports.
- B) Table of completed cases.
- C) Summary of proactive audit findings.
- D) Work in progress as at end of June.

Section 4. Budget & Resource Information 17

The budgetary and resource position at the end of March are included for information.

Section 5. Key Performance Indicators 18

The performance against target for key performance indicators is included.

Section 6. Outstanding Audit Recommendations Tables 19

The full details regarding status, as at the end of June, of all outstanding recommendations are included within tables for information.

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. There are no financial implications or risks arising directly from this report.

Legal implications and risks

None arising directly from this report

Human Resource implications and risks

Any HR implications arising from the implementation of these recommendations will be dealt with within the Council's existing HR policies and procedures.

Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Vanessa Bateman - Internal Audit and Corporate Risk Manager
Telephone: (01708) 43 3733
E-mail: vanessa.bateman@haverling.gov.uk

Cheryl Coppell
Chief Executive

Background Papers List

None.

Section 1 Audit Work 1st April 2009 – 30th June 2009

At the end of June 15% of the audit plan had been delivered. This was in line with the target for the period. The profile takes into account that, due to long term sickness in the team, at the end of March the 2008/09 plan was not complete.

Schedule 1 details the work completed in quarter 1. Details are listed in the table below and management summaries under Section 2 starting on page 4.

One 2008/09 report presented at the last meeting but where it was advised that management had not responded has been represented now that the Head of Service has been able to investigate.

SCHEDULE 1: 2009/2010 Audits Completed

Report	Opinion	Recommendations				Ref below
		High	Med	Low	Total	
National Non Domestic Rates Project	Unqualified	0	5	2	7	2(1)
Asbestos Management Follow Up	Unqualified	-	-	-	-	2(2)
Asylum Seekers Follow Up	Unqualified	-	-	-	-	2(3)
Codes of Conduct & Accountability	Unqualified	0	0	1	1	2(4)
Commissioning of Residential Placements (2008/09)	Unqualified	0	4	2	6	2(5)
Total		0	9	5	14	

Section 2 Management Summaries

NNDR Project	Schedule 2(1)
---------------------	----------------------

2.1.1 Background

2.1.2 In April 2008 the London Borough of Havering established a shared service agreement with the London Borough of Barking and Dagenham for the management and collection of National Non Domestic Rates (NNDR). As part of this arrangement, both Boroughs use the Academy IT application. Under the terms of the partnership the management of the application, including system maintenance and user management, is provided by Business Systems within Havering.

2.1.3 The Academy application is an integrated system that supports NNDR processing within the Council. The application is administered by the Business Systems Support Team and this includes seven user accounts with System Administrator permissions. Additional support for the application is provided to LBH and LBB from Capita, the Software supplier and as part of the support arrangements all support queries are directed to Havering.

2.1.4 The application was implemented in 1998 and retains many of the features of the original system. As part of the annual maintenance, the supplier provides a series of updates and changes to take into account changes in legislation or updates to functionality.

2.1.5 The Shared Service for Business Rates that has been implemented for the two Boroughs is established according to the following:

- The London Borough of Barking and Dagenham provides the Business Rates processing facility for both Councils. This service is located and managed at the Council's Revenues office located at Stour Road, Dagenham.
- The London Borough of Havering provides the ICT support service for the completion of the Business Rates function. This service will be provided from the Council's ICT Services Office, located at Mercury House in Romford.

2.1.6 Summary of Audit Findings

2.1.7 Audit testing identified two generic accounts; "aisdba" for which access is shared by the business system support team members and "selfserv" which is a redundant account. There is limited accountability for these accounts and the actions of individuals on those accounts cannot be determined. Consequently, any unauthorised activity can not be directly attributed to an individual user.

2.1.8 Group permissions and membership of access levels on Academy are currently not regularly reviewed to ensure that user permissions are up to date.

- 2.1.9 A user was found to be set-up as current, thus allowing access to the system using a blank password and the revoked script schedule is currently not run on the system to revoke new accounts that have never been accessed.
- 2.1.10 The IT Service Desk is not currently informed of leavers whose access has been removed from the system by the Business System Support Team.
- 2.1.11 The strong password combination feature has not yet been configured on the application and the system time out facility has also not been set to time users out of the system following a period of inactivity.
- 2.1.12 Although the system has been set to lock the user account after 2 unsuccessful attempts, there is no regular review of unsuccessful login attempts to the application.
- 2.1.13 NNDR rates are currently input into the test system rather than the live system prior to obtaining sign-off from management.
- 2.1.14 Currently a check does not exist on the Direct Debit dates table in the system, which could lead to the risk of error in the input of dates and subsequent processing.
- 2.1.15 A formal procedure does not currently exist for disaster recovery and business continuity for the application.
- 2.1.16 The Council does not actively monitor calls to the Software supplier, and as a result, there is no complete record or formal review of supplier performance.

2.1.17 Audit Opinion

- 2.1.18 As a result of this audit, we have raised five medium priority recommendations and two low priority recommendations.
- 2.1.19 In order to further improve the control environment, management need to ensure that:
- The revoked script schedule is run on the Academy database and business system support staff needs to be trained on the correct procedure for setting up user accounts as default rather than current.
 - In addition to the individual database, user accounts which are due to be created/implemented as part of a recommendation (R1) from the Academy Revenues & Benefits Application audit carried out in July 2008; access permission for these accounts should be granted to the system support team on a 'need to do' basis only.
 - The system 'time out' option should be set on the academy application so that users are logged out after a period of inactivity.
 - A procedure should be established to ensure that the Main Service Desk is informed of LBB user accounts requiring deletion (dormant or leavers).

- The procedure to input NNDR rates into the system should be updated and rates input into the live system should be reviewed and signed-off by Business System Support Team management.
- A review is carried out of the direct debit dates input in to the live system and sign-off is obtained to confirm the dates.
- Disaster Recovery and Business Continuity procedures should be developed for the Academy application.

2.1.20 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

Asbestos Management – Follow Up**Schedule 2(2)****2.2.1 Introduction**

2.2.2 The Asbestos Management Unit is currently responsible for assessing and managing the removal of asbestos on each of the premises that are the responsibility of the London Borough of Havering (LBH). A key issues within this is Health and Safety and the responsibility of the Council to ensure that any works undertaken are carried out in as safe a manner as possible to protect the operatives, staff and the public.

2.2.3 The Control of Asbestos Regulations 2006 imposes a duty to identify and manage asbestos in non domestic premises, to ensure that suitable and sufficient assessment is carried out as to whether asbestos is present and to manage that risk.

2.2.4 Progress Implementing Recommendations

2.2.5 The audit found some of weaknesses within the control environment and as a result four recommendations were raised including; one high priority, two medium and one low priority recommendation, all of which have been set out in detail in the attached schedule.

2.2.6 A follow up audit has been carried out to review the progress made to implement the recommendations raised during the initial audit.

2.2.7 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R1	Implemented
2	Medium	R2	Implemented
3	High	R3	Implemented
4	Low	R4	Partially Implemented.

2.2.8 Audit Opinion

2.2.9 An unqualified opinion has been given as most recommendations have been implemented and progress made on implementing others.

Asylum Seekers Follow Up**Schedule 2(3)****2.3.1 Introduction**

2.3.2 Upon arriving in the UK, unaccompanied asylum seeking minors have no identification, information, documentation or guardians. All Local Authorities have an obligation to provide accommodation, education, health and other necessary services to asylum seeking children.

2.3.3 Due to the legislative restrictions on single adult asylum applicants there has been a rise in adults claiming to be children.

2.3.4 Currently the London Borough of Havering Unaccompanied Minors team supports approximately 47 asylum seekers.

2.3.5 Progress Implementing Recommendations

2.3.6 The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule.

2.3.7 A follow up audit has now been carried out to check on the information already given as to the progress made to implement the recommendations raised during the audit.

2.3.8 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R1	Implemented
2	Medium	R2	Implemented.
3	Medium	R3	On target for implementation by September 2009.
4	Medium	R4	Implemented.
5	Low	R5	Implemented, some compliance issues.
6	Low	R6	Implemented, some compliance issues.
7	Low	R7	Implemented.
8	High	R8	Implemented
9	High	R9	Implemented.
10	High	R10	Implemented.
11	Medium	R11	Implemented.
12	Medium	R12	Implemented
13	High	R13	Partially Implemented.
14	High	R14	Partially Implemented.

2.3.9 Audit Opinion

2.3.10 An unqualified opinion has been given as progress has been made towards the implementation of recommendations.

Codes of Conduct & Accountability	Schedule 2(4)
--	----------------------

2.4.1 Background

2.4.2 The conduct of Local Government and its Councillors needs to be, and be demonstrated to be, of the highest standards. The ethical framework introduced by Government in Part 3 of the Local Government 2000 required the establishment of the Standards Boards, Standards Committee, the adoption of a model Code of Conduct for Councillors etc. The Members' Code of Conduct has subsequently been amended by the Local Government and Public Involvement in Health Act 2007 and various Regulations and Statutory Instrument no. 1159 of 2007, came into force in May 2007. The new code was adopted by this Council on 18th July 2007.

2.4.3 The Council's Constitution (part 5) has established the following codes of conduct and protocol for Council Members'

- Members' Code of Conduct
- Protocol on Member / Officer relations
- Protocol on probity in planning matters
- Protocol on Gifts and Hospitality

2.4.4 The Council has a distinct corporate role to promote and maintain high standards of conduct. Member conduct issues are overseen by the Council's Monitoring Officer and the Standards Committee.

2.4.5 Summary of Audit Findings

2.4.6 The audit examined the compliance of the Council's principle governance document, its Constitution, and found that this had adopted the current form of the Code of Conduct, and had strengthened some areas to further regulate the conduct of individual Members. Members are regularly reminded to consider the accuracy and timeliness of their Declarations of Interest. Assistance is available from the Monitoring Officer should Members be unclear on any personal interest issue.

2.4.7 A sample of Members undertaking various Council and Committee roles, including the Members Standards' Champion, were interviewed to ascertain their knowledge of the Code of Conduct and how they should act in certain hypothetical scenarios.

2.4.8 The methods employed by the Council to keep Members aware of the need to consider potential conflicts with the Code were examined, as was the accessibility of the public register of their declared interests. Whilst examining the sample of declarations it was noted that some of the 1d 'Notification by Member of a Local Authority of Financial and Other Interests' document declarations had been incorrectly completed. Further declarations were then scrutinised and this omission continued to re-occur. Although this is thought to be of low risk, public perception could be compromised if inconsistencies continue.

2.4.9 Alleged breaches of the Code are properly investigated, with the impartiality of the Monitoring Officer's role being maintained and the results of investigations being reported promptly to the Council's Standards Committee.

2.4.10 Audit Opinion

2.4.11 As a result of this audit we have raised one low level recommendation.

2.4.12 The recommendation raised relate to:

- A general inconsistency in the completion of item 1d of the 'Notification by Member of a Local Authority of Financial and Other Interests' document.

2.4.13 An **unqualified** audit opinion has been given as the audit found that the system of control is generally in place.

Commissioning of Residential Placements
--

Schedule 2(5)

2.5.1 Background

2.5.2 The Strategy and Commissioning Service within Social Care and Learning provides commissioning and contracting functions for services for vulnerable adults and older people as well as a range of support services.

2.5.3 In 2007 Central and Local Government in conjunction with the Social Care Sector introduced a new way of delivering adult social care with the introduction of "Putting People First: A Shared Vision and Commitment to the Transformation of Adult Social Care".

2.5.4 The aim was to deliver a more personalised adult social care system. This has now become known as "Personalisation". Through personalisation service users will be given the choice and control over the services they receive. In turn users will receive individually tailored care packages instead of block contracted services.

2.5.5 Whilst the audit review looked at the commissioning of residential placements in care for the elderly, it is evident from the work completed that the service is focused on delivering the Governments aim of personalised care packages and therefore giving service users more choice in the support that they receive.

2.5.6 Summary of Audit Findings

2.5.7 A backlog of placement reviews currently exists, the service were aware of this and advised that a risk based approach was in place to ensure the highest risk cases are reviewed quickest. Some data quality issues with reports, provided to audit, reduced the level of assurance gained in this area and management were asked to investigate.

2.5.8 Target timescales on which performance is measured, regarding time taken to financially assess a case after it has been approved by placement panel have not been documented within the income procedures.

2.5.9 No evidence could be provided at the time of the audit that management undertake spot checks on quality of financial assessments completed.

2.5.10 As mentioned previously assurance cannot be placed on the quality and completeness of data contained within the Swift and RIO systems that feed into the production of management and performance information.

2.5.11 Formal processes have not been established to monitor and communicate the ratings of providers outside of the borough. As a result declines in provider performance outside of the borough may not be identified and placements within these providers not reviewed. However at the time of the audit a review in this area had commenced and it is noted that the LAMA report provides some information to management re the quality of services.

2.5.12 Formal processes to record and progress training issues identified through the placement panel process in relation to the completion of assessments have not been established; and

2.5.13 Given the direction the service is moving in, in relation to personalisation, it may be beneficial for the service to forge links with new initiatives within the Council such as the new Mobile Support Service to maintain regular links with service users in between annual reviews.

2.5.14 Audit Opinion

2.5.15 As a result of this audit we have raised four medium and two low priority recommendations.

2.5.16 Recommendations related to the need for:

- Backlog of reviews to be cleared;
- Documented timescales for the completion of financial assessments;
- Evidence of supervisory checks to be retained;
- Data cleansing exercise to be carried out;
- Formal process for recording training needs identified during placement panel; and
- Clear processes for monitoring out of borough provider performance and sound information communication between teams.

2.5.17 An **unqualified** audit opinion has been given as the audit found that the system of control is generally in place.

Section 3 Fraud Work January – June 2009**A) Fraud Hotline Reports Received**

CALLER	CALL CONTENT	DETAILS / RESULT OF INVESTIGATION
Anonymous	Allegation an employee is working whilst off sick.	Insufficient information provided to pursue.
Member of staff	An application for a parking permit was received from a second occupant of a property currently awarded the single person discount.	Passed to Council Tax.
Auditor	It was noted during an audit that more than one freedom pass application has been received from a property currently receiving single person discount.	Passed to Council Tax.
Anonymous	Occupant does not qualify single person discount.	Passed to Council Tax.
Anonymous	Occupant does not qualify single person discount.	Passed to Council Tax.
Member of Public	Claim resident is not declaring income on benefits application.	Passed to Benefits Fraud.
Anonymous	Claim resident is not declaring income on benefits application.	Benefits Fraud investigated – person not on system.

B) Completed Cases

16 cases were completed and closed during the period 01 January – 31 June 2009.

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8naau	Car Loan follow up action.	F&C	Miscellaneous	Action Complete
T8naai	Use of Purchase Card.	SC&L	Compliance with Council Procedures	Insufficient Evidence
T8naay	Use of Internet.	SC&L	PC abuse / misuse	Insufficient Evidence
T8naao	Use of Internet.	HiH	PC abuse / misuse	Officer resigned
T8naas	Use of Internet.	C&C	PC abuse / misuse	Disciplinary
T8naag	Use of Council name to gain credit facility.	C&C	Breach of Council Procedures.	Disciplinary
T8naaq	Manipulation of performance reporting data.	C&C	PC abuse / misuse	Insufficient Evidence
T8oAAF	Use of Internet.	F&C	PC abuse / misuse	Officer Dismissed
T8oaaq	Inappropriate use of Council Resources.	CE	Miscellaneous	Insufficient Evidence
T8naar	Manipulation of CCTV recording times.	C&C	Miscellaneous	No case to answer
T8oaaJ	Action to assist in tracking of income not in FIS code.	C&C	Miscellaneous	Complete
T8naan	Follow up of overtime claims audit recs.	F&C	Miscellaneous	Management Action Plan
T8naax	Use of internet.	F&C	PC abuse / misuse	Officer resigned
T8oaaS	Mutual Exchange.	HiH	Sublets / RTB	Insufficient Evidence
T8oaaP	Alleged misuse of Fuel Card.	SC&L	Compliance with Council Procedures	No case to answer
T8oaaR	Failure to use Corporate Contract.	SC&L	Compliance with Council Procedures	Insufficient Evidence

Abbreviations in table: SC&L - Social Care and Learning
 F&C – Finance & Commerce
 C&C – Culture & Community
 HiH – Homes in Havering
 CE – Chief Executives Office

C) Proactive Audit Findings

Below are summaries of the results of the four pro-active audits concluded in quarters four of 2008/09 and quarter one of 2009/10.

Audit Title & Scope	Recs Total	H	M	L	Comments
<p><u>CAR PARK PASSES</u></p> <p>A sample of 49 Angel Way car park passes was reviewed as officers entered the car park, staff identification was checked against the management information provided by facilities management. An additional sample from this record was selected and current holder/use of the pass confirmed.</p>	3	0	3	0	A new system to be implemented in summer 2009 will provide more robust information about the use of the car park to facilitate monitoring. A quarterly cut off date should be applied and an on line re-registration process involving the staff members manager should be implemented, to avoid use by others. Costs should be appropriately recharged.
<p><u>Blue Badges</u></p> <p>A sample of 50 applications was reviewed for completeness and residence in the Borough was confirmed. 50 deceased badge holders were checked to ensure that blue badge had been returned. 44 blue badges displayed in vehicles parked on the high street in Romford were confirmed as authentic and that they were being used by the actual holder.</p>	2	1	1	0	The audit concluded that proactive efforts to retrieve a blue badge after the holder is deceased is needed and alternative contact details should be requested to ensure current holders can be easily contacted as required.

Audit Title & Scope	Recs Total	H	M	L	Comments
<p><u>Freedom Passes & Taxi Cards</u></p> <p>A sample of 50 freedom pass application forms was selected and validity, relevant checks and residence of applicant confirmed.</p> <p>It was also confirmed that passes are sequentially logged and accounted for.</p> <p>A sample of 50 taxi cards was selected. Applications were checked for validity and journeys were reviewed to confirm legitimacy.</p>	2	1	1	0	Some use of taxi cards for trips prohibited by the guidelines was noted. This needs to be monitored and in cases where there is repeat offending the taxi card should not be renewed.
<p><u>Schools Catering</u></p> <p>A sample of five weeks income from five schools was selected. Checks were carried out to ensure robust arrangements were in place at the school and council to ensure the income was appropriately accounted for.</p>	3	0	0	3	A lack of segregation of duties at the school when dealing with banking of income can not be addressed due to resource levels. Time taken to reimburse staff for purchases should be reduced. Monies banked take over ten days to appear in FIS, however this is a system issue. Minor issues with accounting for dinner tickets were noted.

D) Work In Progress as at end June 2009

At the end of June there were 7 cases in progress.
The table below indicates the case by name.

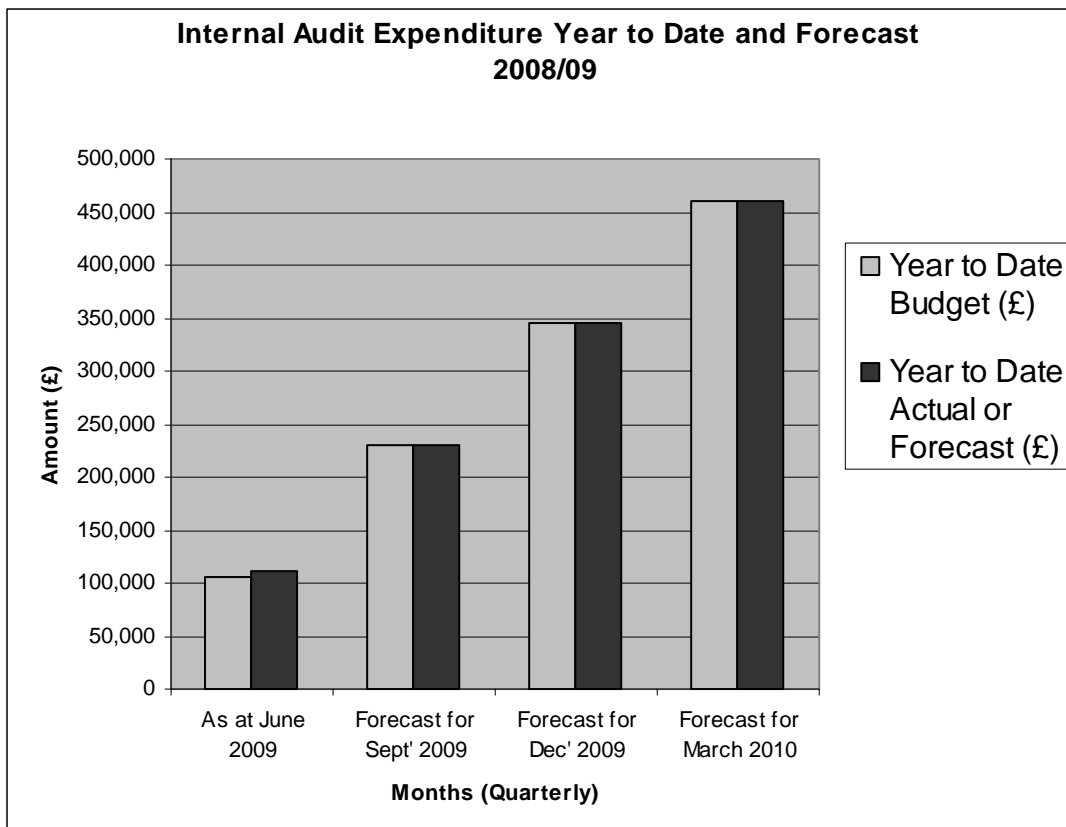
Code	Audit Name
T8maaz	Misuse of Purchasing Card
T8naak	Direct Payments to one supplier
T8naaw	Internet Misuse
T8aooB	Review of citrix log ins
T8oaaN	Review of empty property grants
T8oaaO	Failure to use Corporate Contract
T8oaaU	Internet Misuse

In addition the team is completing work on the National Fraud Initiative, fraud awareness, use of surf control.

Section 4 Budget & Resource Information

Internal Audit (F620) 2009/10 Year to Date Expenditure and Forecast as at June 2009

	As at June 2009	Forecast for Sept' 2009	Forecast for Dec' 2009	Forecast for March 2010
Year to Date Budget (£)	104,901	230,275	345,413	460,100
Year to Date Actual or Forecast (£)	110,971	230,275	345,413	460,100
Variance (£)	6,070	0	0	0



Quarter one variance due to incorrect budget profiling which has since been resolved.

In quarter one the team had a full compliment of staff. One auditor post in the team was covered by an agency resource due to the carry forward of audit days from 2008/09. The agency auditor completed their assignment at the end of June and this post is now vacant in order to achieve savings target.

Section 5 – Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to date at the end of June.

Audit Plan Delivered (%)												
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	5	10	15									
Cumulative Target	5	10	15	23	31	40	50	60	69	78	88	98

At the end of June the team is on target and 15% of the audit plan had been delivered.

KPI 01 - Brief issued												
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	3	15	20									
Cumulative Target	5	11	19	24	29	36	43	50	56	62	65	65

At the end of June the target of 19 briefs has been exceeded.

KPI 02 – Draft Reports												
	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	0	5										
Cumulative Target	0	8	13	18	23	29	35	40	47	55	63	65

The issue of draft reports was behind target at the end of June however a number of audits are nearing completion so it is anticipated that performance will be back on track at the end of the next quarter.

KPI 03 – Final Reports												
	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	0	2										
Cumulative Target	0	5	11	17	23	29	35	41	47	54	61	65

Performance against targets for final reports is lagging due to delays in issuing drafts in earlier months and responses not being received from management by required deadline. The team is chasing responses and will escalate via audit representatives in directorates if required.

Section 6 – Outstanding Audit Recommendations

A summary of outstanding audit recommendations is included in the progress report presented at each meeting. It has been agreed that annually a full list of recommendations, including revised deadlines and status updates, will be included in the report. The table below contains all prior year audit recommendations where the original target date for the action agreed in the final report has been reached.

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Adult Social Care	Providing Services to the Physically Disabled	0607	A policy should be produced regarding the day centre fees and charges. The policy should include: How the fees have been calculated; What the fees are for; and who has agreed the fees in place.	Medium	This has been incorporated into the fairer charging policy. An inability to identify funding for resources has delayed progress. April 09 - a programme plan has been developed for the fairer charging policy review. The new policy is expected to be implemented by April 2010.	March 2009	June 2010
Adult Social Care	Providing Services to the Physically Disabled	0607	A cost analysis should be undertaken to ensure that fees and charges for the centre are appropriate in comparison to the service provision costs. As part of the analysis the staff costs involved in collecting, recording and banking the current level of fees should be reviewed.	High	This will be reviewed as part of the Day Opportunities review and charges will be considered as part of the Fairer Charging review. Day opportunities review to go to March Cabinet. April 09 - a programme plan has been developed for the fairer charging policy review. The new policy is expected to be implemented by April 2010.	March 2009	June 2010

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Housing & Public Protection	Governance (HiH)	0607	Management need to ensure that the good practice contained with the CIPFA document "Corporate Governance in Local Government" is integrated within the code of governance.	Low	The update will appear in the annual reports which will be published prior to the AGM in September 2008. The AGM has been delayed due to Board and managerial changes. AGM delayed due to issues with the HiH accounts.	April 2008	June 2009
Street Care	Street Lighting	0708	Once the Street Lighting survey has been undertaken and a comprehensive list of street lighting assets in place, a replacement plan should be drawn up, identifying those items over their life expectancy and how and when these items will be replaced.	Medium	Work in progress on assumptions, the results of the survey will provide accurate information for a replacement plan and ongoing maintenance. All subject to funding being available. Survey to be completed Aug 09	March 2009	November 2009
Exchequer	Pensions	0708	Reconciliation of the SLM schedule to be completed for 2006/07.	Low	Information regularly requested from SLM to progress this item. Not received to date.	March 2008	September 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Planning & Building Control	Civil Contingencies	0708	Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	Medium	The proposed new Borough Emergency Control Centre (BECC) is to be part of the new fire station presently being designed and constructed at Harold Hill, adjacent to the A12 and the new Metropolitan Police Operations Centre. Currently consulting Property and Legal on lease terms and conditions offered by London Fire Brigade.	June 2006	October 2009
Finance & Performance	Petty Cash	0708	It is recommended that formal training be provided to all officers with petty cash responsibilities and that attendance is mandatory.	Medium	Training course content is currently being developed and sessions planned.	June 2009	September 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Asset Management	Asbestos Management	0708	<p>An Asbestos Management System or some form of electronic log which allows the following, should be implemented to assist in managing ongoing removal works and establishing appropriate audit trails.</p> <ul style="list-style-type: none"> • Copies of all correspondence / documentation issued to be retained electronically • All correspondence /documentation received to be scanned onto the system to be retained electronically • Details of work progression /dates / person responsible to be logged • Management reporting / information facility <p>This should provide a robust system, evidence of retention of relevant documentation and a full audit trail.</p>	Medium	<p>A demonstration of the hazards module in the Property Management Database (Technology Forge) took place in early July 09. Some technical constraints were identified and are being discussed with the software provider and Business Systems to identify where these can be mitigated.</p> <p>In the meantime it is proposed that existing documentation is held as an attachment within the database as an interim measure pending full integration.</p>	April 2009	October 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Business Systems	E Payments	0809	Management should review the current assistance options for the e-payments system to ensure that sufficient options are in place for the help facilities that are available to users.	Medium	A review is 80% complete, and a report is still to be finalised. The date due has been revised due to lack of resources to complete this.	December 2008	December 2009
Business Systems	E Payments	0809	Management should formulate appropriate retention period procedures for transactional data and ensure that data is only held for that period which the information is required.	Medium	A meeting is to be arranged with all parties concerned to determine a suitable retention periods as there are currently no corporate guidelines for this.	December 2008	December 2009
Business Systems	E Payments	0809	The Havering e-Payments website should be reviewed to ensure that: <ul style="list-style-type: none"> • Error messages provide a clear description of the error and how it should be resolved; and • The methods of payment for the Authority are correctly stated. 	Low	A review is 80% complete, and a report is still to be finalised. The date due has been revised due to lack of resources to complete this.	December 2008	December 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Asset Management	Cash & Bank	0708	It is recommended that a comprehensive list of all safes with details of the type and manufacturer in all Buildings is established. An email should be sent to each Head of Service to co-ordinate safes in their service area and be requested to provide details of the type and location of all safes used in their service. The responses from each Head of Service should be sent to the Manager of Corporate Buildings and Facilities Management and the Insurance Officer.	High	Deadline pushed back.	December 2008	September 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Asset Management	Cash & Bank	0708	It is recommended that the complete list of safes should be reviewed. Each Head of Service should inform the insurance and risk manager, after carrying out a risk assessment on the items kept in the safe, if there are items of importance that they wish to be insured. This should include the average amount of cash and cheques held in the safes and will provide the necessary data required for insurance assessment need.	High	Deadline pushed back.	December 2008	December 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Children's & Young People	Asylum Seekers	0809	<p>Management must ensure that there is a robust system in place for retention and reporting of source information to ensure that adequate management information is available. During the interim period of establishing this system, management should ensure that two master documents are set up. Once setting out each case supported by the service for both ASUM and LCUM. This document should record all necessary information for core personal details to relevant legislation, including whether the individuals is in receipt of benefits. The other enabling all payments relating to ASUM and LCUM to be clearly recorded</p>	Medium	<p>An Excel spreadsheet has been set up to record all financial information relating to supported people. However, this spreadsheet does not currently allow for core/basic information relating to individuals to be retained in the same place. As a result, in addition to the required completion of ISIS and NURC, the old Asylum Seekers database is still being used and a local system for ensuring that there is sound management information available has not been established.</p>	March 2009	December 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Customer Services	Registrars	0809	It is recommended that a management reconciliation of income received and banked is carried out on a regular basis.	Medium	Delay due to impact of refurbishment of Langtons House.	March 2009	September 2009
Customer Services	Registrars	0809	It is recommended that management carry out regular spot checks on certificate issued against income collected.	Low	As above.	March 2009	September 2009
Customer Services	Registrars	0809	It is recommended that the format used for GRO checks is continued on a quarterly basis for future audit checks in an electronic format	Low	As above.	March 2009	September 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Exchequer	Council Tax	0809	It is recommended that all staff with access rights to Academy Council Tax be required to sign a declaration setting out that they have been informed of management's expectations in regards to accessing accounts of friends and relatives.	Low	It has been found that, using log-in ID the ability to update an account can be prohibited. We are still in the process of gather information and also the declaration for friends and families accounts. It is expected to be completed by 31/09/09. Benefits and Customers Services will be included in this process.	May 2009	September 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Asset Management	Commissioning of Works	0809	A signed copy of the approved contract and financial submission for Architectural and Surveying (Property) contract should be supplied to the Head of Asset Management. A signed copy of the approved contract and financial submission for Civil Engineering (Highways) should be supplied to the Head of Street care.	High	Awaiting contract from Legal.	March 2009	December 2009
Asset Management	Commissioning of Works	0809	The new system set up by CAMG to report monies charged to Capital Budgets which identify any works commissioned outside the Official system should be extended to include Revenue spend and to have both reports produced on a quarterly basis.	High	Discussions with Finance have indicated practical difficulties in performing this task in an effective way. A report can be run again specific subjective expenditure codes but this would not identify where works/services have been coded incorrectly.	February 2009	December 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Assistant Director Transformation Culture & Community Engagement	Partnerships	0809	The functionality of the toolkit should be reviewed to ensure it is able to meet the needs of the organisation going forward. The following should be considered as part of this process: Linking partnerships and their objectives to corporate goals; Identifying resources invested; Inclusion of equality and diversity guidance.	High	Capacity has been an issue within the team, with the need to prioritise Corporate Area Assessment, Use of Resources and the role out / implementation of Havering Performs. Currently out to recruit for the team, though not likely to have posts filled until December 09 / January 10. Would suggest a revised date of October 2009 following the allocation of a dedicated resource.	June 2009	October 2009
Assistant Director Transformation Culture & Community Engagement	Partnerships	0809	Action should be taken to review the need for implementation of the recommendations raised as part of the Partnership Toolkit Review report in May 2008.	High	As above.	June 2009	October 2009

Head of Service	Audit Report	Year	Recommendation	Priority	Progress	Original Deadline	Revised Deadline
Asset Management	Vehicle Workshops	0809	The Transport Manager should review workshop productivity to ensure that the workshop is operating efficiently.	Medium	New technology is in the process of being installed (barcoding and touch screens) within the workshop which will identify the overall utilisation of the workshop and performance on each job/fitter.	May 2009	September 2009
Asset Management	Vehicle Workshops	0809	The possibility of recording the stores requisitions completed against the corresponding job within Tranman should be investigated.	Medium	See above - this will be enabled once bar coding of stores has been completed	May 2009	September 2009



MEETING	DATE	ITEM
AUDIT COMMITTEE	15 September 2009	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE ANTI FRAUD & CORRUPTION ARRANGEMENTS

SUMMARY

This report updates the committee on the annual review of the anti fraud and corruption arrangements which included a review of the Council's strategy.

RECOMMENDATION

1. To comment on the findings of the review of anti fraud and corruptions arrangements.
2. To approve the revised Anti Fraud & Corruption Strategy.

REPORT DETAIL

A review of the Anti Fraud and Corruption Strategy is planned annually. The most recent review was completed in August 2009.

The Council has a Housing Benefits fraud team within Exchequer Services and a Fraud and Special Investigations Team within the Internal Audit service. Performance of both the Fraud teams is reported to the Audit Committee bi annually.

The teams aim to continuously develop and improve the services they provide to the Council and annually a formal review of the arrangements takes place. This year the review has been completed by the Internal Audit & Corporate Risk Manager and the Housing Benefits Manager with input from relevant Heads of Service.

As significant work to update the strategy was completed during last years review only minor changes have been made, changes are highlighted in bold.

Appendix 1. Anti Fraud & Corruption Review

Appendix 2. Anti Fraud & Corruption Strategy

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. Fraud counter measures are budgeted for annually and activity is maintained within these budgets. There are no financial implications or risks arising directly from this report.

Legal implications and risks

None arising directly from this report

Human Resource implications and risks

None arising directly from this report. Guidance is provided with regards Anti Fraud & Corruption Arrangements and a campaign to raise and maintain awareness is on-going. Any breaches in compliance with the procedures will be dealt with in accordance with the Council's disciplinary procedures.

Equality and Social Inclusion implications

An Equality Impact Assessment was completed during the review of the strategy. There were no issues identified.

Staff Contact: Vanessa Bateman

Designation: Internal Audit & Corporate Risk Manager

Telephone No: 01708 43 3733

E-mail address: vanessa.bateman@haverling.gov.uk

CHERYL COPPELL

Chief Executive

Background Papers List

Anti Fraud and Corruption Strategy 2008

The Red Book 2

Fraud Act 2006

Managing the Risk of Fraud, Actions to counter fraud and corruption 2006.

Fraud Review

The areas of the review undertaken are outlined below, along with a brief update on findings and actions.

Area	Progress & Actions
Strategies and policies– update and refresh	<p>The review of the fraud strategy is complete and the confidential reporting policy was last reviewed in March 2009.</p> <p>The Housing and Council Tax Benefit Sanctions Policy and fraud procedures are governed by legislation and updated, as required, when changes occur.</p>
Reporting Processes – content, frequency and recipients of reports	<p>Audit Committee receive performance reports from the two teams at alternative quarterly meetings during the year.</p> <p>Performance indicators for both teams is reported in Head of Service Packs monthly. The Benefit Investigation Section also report on performance objectives in the Havering Performs system.</p> <p>The Internal audit team also report performance to Corporate Management Team’s business meeting quarterly.</p>
Feedback from External Audit	<p>Both the Internal Audit team and Housing Benefits Fraud team are subject to external audit review annually, as part of the Accounts work or during the Use of Resources assessment. Findings and recommendations are received by Senior Management and Members. At the time of this review the Council awaits results for the most recent Accounts Audit and Use of resources assessment.</p>
Liaison with other agencies and identification of efficiencies	<p>The review has highlighted that although periodic meetings take place, there is a need to strengthen links across departments. Links with Homes in Havering and other partners need also to be strengthened by Internal Audit. Meetings have taken place at a senior level and further meetings have been arranged to take this forward.</p>
Fraud manual – update and refresh	<p>The Fraud Manual will be reviewed and updated prior to the teams training day in October, when changes will be communicated to staff.</p> <p>The Benefit Investigation Section has detailed procedures that are reviewed and updated on a regular basis.</p>

Area	Progress
Follow Up – to streamline and identify efficiencies	More emphasis on following up the recommendations of previous fraud work has been applied by Internal Audit in 2009/10, it is hoped that HP will make this process more efficient in future.
Awareness and training programme	<p>A poster competition for the students of the local colleges has provided the next poster to be displayed around the Borough, from March 2010.</p> <p>Note pads and drinks coasters with the current fraud poster logo will be distributed at the Senior Managers Away Day in September.</p> <p>The Benefit Investigation Section use posters regularly as part of their anti fraud campaign. Recently posters have been circulated in all Council buildings and front line location to encourage the community to tell us if they suspect fraud. In addition an anti-fraud advert has been placed in the Havering Primary Care Trust leaflet which will be delivered to every home in the borough as well as being put up in doctors, chemists, hospital waiting rooms etc during September.</p> <p>Fraud awareness sessions are run annually for Benefits staff and front line services, including Homes in Havering to raise awareness.</p> <p>A new 'e' learning fraud package has been procured and is currently being tailored to meet the need of the organisation this will be rolled out by Christmas across the Council and will cover all types of fraud.</p>

Area	Progress
<p>Structure of the team, direction of travel and succession planning</p>	<p>The fraud team in Internal Audit was increased to three full time equivalents (FTEs) in 2008 after a trial period. This ensures that there is more flexibility in delivering the plan.</p> <p>The Housing Benefit Fraud team currently has eight FTE posts, this included three visiting officers. A form C is currently in draft to introduce a Financial Investigator post into the team. This officer will undertake financial investigation to retrieve benefits obtained fraudulently from person's assets, under Proceeds of Crime Act 1992.</p> <p>The review and other recent meetings to discuss fraud related issues has flagged that the fraud resources within the Council need to strengthen links and work together on some risk areas, to maximise results.</p> <p>Additional funding has been identified within the debt management fund to tackle the specific issue of claiming Single Person Discount when not entitled.</p> <p>There is also an across London initiative, with funding, to tackle housing tenancy fraud and the two teams are currently working to develop procedures and links with Homes in Havering to address this issue.</p> <p>By encouraging cross departmental working it is planned that efficient procedures will be implemented and also skills transfer will occur.</p>

Appendix 2



**ANTI FRAUD AND
CORRUPTION STRATEGY**

Version: August 2009



ANTI FRAUD & CORRUPTION POLICY STATEMENT

This Council requires Members, employees and contractors working on its behalf to act with honesty and integrity at all times, when dealing with resources owned by the Council or those for which it is responsible. This includes the responsibility for ensuring that assets are safeguarded and that procedures exist within areas of their responsibility to prevent and detect fraud.

Fraud is an ever-present threat to resources and hence must be of concern to everyone. The Council will rigorously enforce sanctions laid down in its "Disciplinary Procedures" and will seek prosecutions where necessary in order to deter fraudulent activity. The Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. In addition we actively foster relationships with external organisations for the purpose of introducing new initiatives to help combat fraud.

We recognise the important part our employees play in countering the damage that fraud can do if unchecked. We actively encourage the reporting of concerns about fraud and corruption and a "Confidential Reporting (Whistle Blowing) Policy" is available to address this.

Cheryl Coppel
Chief Executive

1. INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Council has always sought to adopt a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability.
- 1.2 In adopting this strategy the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefit and those that do not.
- 1.3 This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.4 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, the Local Government Ombudsman, HM Customs & Excise, the Inland Revenue and other inspection bodies. These bodies are important in highlighting any areas where improvements can be made.
- 1.5 Fraud and corruption are defined by the Audit Commission as:
- Fraud – “the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain”.*
- Corruption – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*
- Fraud can also be defined as “the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to mislead or misrepresent”.*
- This strategy also covers “the failure to disclose an interest in order to gain financial or other pecuniary gain.”*
- 1.6 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and their actions will not be tolerated.

2. CULTURE

- 2.1 The culture of the Council has always been one of openness and the core values of accountability and probity support this. The Council's culture therefore supports its opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone's responsibility.
- 2.3 The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
- 2.4 Concerns must be raised when members, employees reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:
- a criminal offence;
 - a failure to comply with a statutory or legal obligation;
 - improper unauthorised use of public or other funds;
 - a miscarriage of justice;
 - maladministration, misconduct or malpractice;
 - endangering of an individual's health and safety;
 - damage to the environment; and/or
 - deliberate concealment of any of the above.
- 2.5 Processes are also in place to ensure the public, contractors and partners of the Council are aware of the arrangements and feel confident highlighting concerns.
- 2.6 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner.
- 2.7 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.8 When fraud or corruption has occurred because of a breakdown or weakness in the Council's systems or procedures, Managers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

3. PREVENTION

3.1 The Role of Elected Members

- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.
- 3.1.2 This is achieved by supporting the anti-fraud and corruption strategy, promoting a culture of openness and compliance with the national code of conduct for members, the Council's procedure rules and the relevant legislation.
- 3.1.3 Elected members sign to confirm that they have read and understood the national code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Assistant Chief Executive, Legal and Democratic Services advises members of new legislative or procedural requirements.

3.2 The Role of Managers

- 3.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's policies, procedure rules, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the national code of conduct for local government employees through the induction process.
- 3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.
- 3.2.3 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.
- 3.2.4 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, Criminal Records Bureau or appropriate checks are undertaken on employees. Further checks may be introduced in areas where an increased risk of potential fraud and corruption has been identified.

3.3 Responsibilities of Employees

3.3.1 Each employee is governed in their work by the Council's procedure rules, Financial Framework, Procurement and Contract Rules and other codes of conduct and policies (e.g. Health and Safety, Business Systems Policy). They are also governed by the code of conduct for local government employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council. All documents are also available to employees on the Council's intranet.

3.3.2 The Financial Procedure Rules clearly state:

“Every employee of the Council is responsible for reporting any matter that they believe to involve financial irregularity or misadministration in the Council's business, to their Group Directors, Assistant Chief Executive, Assistant Directors and Heads of Service, or directly to the Internal Audit & Corporate Risk Manager”.

3.3.3 In addition employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.

3.4 Responsibilities of Contractor and Partners

3.4.1 The Council expects all of its contractors, suppliers and partner organisations and individuals to act with honesty and integrity **and for appropriate governance arrangements to be in place.**

3.4.2 In accordance with the Contract and Financial Rules, arrangements are in place, to have designated employees monitoring and controlling contracts. These employees will ensure contractors are aware of the arrangements in place for preventing fraud and corruption and the process by which concern can be raised. They will also ensure that terms of reference require contractors to co-operate with any investigation undertaken by Council officers. **The Council will take relevant action where the anti-fraud approach is not deemed to be sufficiently rigorous.**

3.4.3 Any person employed either through an agency on a temporary appointment, is expected to comply with the same rules as permanent employees within the organisation.

3.4.4 Partnership working is a key focus for the Council and key to the achievement of corporate objectives and goals. Responsibilities will regards reporting fraud and corruption as well as the means to do so will continue to be communicated during liaison meetings to ensure robust arrangements are in

place. **The Council will reconsider its membership of a partnership where the anti-fraud approach is not deemed to be sufficiently rigorous.**

3.5 Conflicts of Interest

3.5.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, tendering of contracts, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.6 Role of Internal Audit

3.6.1 Internal Audit is within the Finance and Commerce Directorate and it plays a vital preventative role in trying to ensure that systems and procedures are in place.

3.6.2 Internal Audit promotes a culture of awareness and zero tolerance to fraud via workshops, training and presentations.

3.6.3 It would be impossible to irradiate fraud completely and Internal Audit support management in considering risks within their areas, including the risk of fraud, and ensuring that appropriate controls are applied to prevent, deter and detect.

3.6.4 Internal Audit investigate cases of suspected irregularity, except benefit fraud investigations (see below), and liaise with management to recommend changes in procedures to prevent or mitigate further losses to the Council.

3.6.5 Internal Audit assists the Chief Financial Officer whose statutory role as S151 Officer requires her to ensure that the proper arrangements are in place to administer the Councils finances.

3.7 The Role of the Benefits Investigation Team

3.7.1 The Housing Benefits Fraud Investigation team is responsible for all benefit fraud investigations, in accordance with the requirements of relevant legislation. In cases where employees are involved, they will work with Internal Audit and senior management to ensure that correct procedures are followed and that this strategy is adhered to.

3.8 The Role of External Audit

3.8.1 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of

general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

3.9 Co-operation with Others

3.9.1 Internal Audit and Housing Benefits Fraud has links and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Metropolitan Police;
- London Audit Group;
- External Audit;
- Audit Commission;
- National Anti-Fraud Network;
- HM Revenue and Customs;
- Director of Works and Pensions;
- Benefit Fraud Inspectorate;
- **Partner Organisations**; and
- Other outside agencies.

3.9.2 **The Council will continue to participate in the National Fraud Initiative data marching exercise, which takes place every two years.**

4. DETERRENCE

4.1 Prosecution

4.1.1 The Council has adopted a benefits sanction policy and **the Council's general prosecution policy is included within the Fraud Manual**. This to clarifies the Council's action in specific cases and ensures consistency, whilst recognising that it may not always be in the public interest to refer cases for criminal proceedings.

4.2 Disciplinary Action

4.2.1 Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

4.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such cases, if not referred to the police, will be referred to the standards committee or group leader, as appropriate.

4.3 Publicity

4.3.1 The Council's Head of Communications will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. S/he will also ensure that the results of any action taken, including prosecutions, are appropriately reported via our internal and external publications.

4.3.2 In cases where financial loss to the Council has occurred, the Council will seek to recover the loss and where appropriate advertise this fact.

4.3.3 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

4.3.4 Regular reports will be made to the elected members and in particular the Audit Committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Strategic plan are reviews of system financial controls and specific pro active fraud and corruption tests, spot checks and unannounced visits.

5.2 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.

5.4 All suspected irregularities are required to be reported (verbally or in writing) to the Internal Audit and Corporate Risk Manager either by the person with whom the initial concern was raised or by the originator. This is essential to the strategy, and:

- ensures the consistent treatment of information regarding fraud and corruption;
- facilitates a proper and thorough investigation by an experienced audit team.

5.5 Investigations undertaken by Internal Audit, or other appropriate Officers, must comply with codes of practice and other regulated powers. All interviews and

gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000.

- 5.6 This process will apply to all the following areas:
- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by Council employees
 - d) fraud by contractors and their employees
 - e) external fraud (the public).
- 5.7 Any decision to refer a matter to the police will be taken by the Internal Audit and Corporate Risk Manager and where appropriate following consultation with the Finance and Commerce Group Director and the Council's Monitoring Officer.
- 5.8 Depending on the nature of an allegation under b) to e), the Internal Audit and Corporate Risk Manager or the Principal Audit Manager, Fraud will normally work closely with the Director concerned and Human Resources to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's disciplinary procedures will be used where necessary to facilitate a thorough investigation of any allegations of improper behaviour by employees.
- 5.10 The use of technology is an essential tool for Internal Audit in detecting and identifying misuse and abuse of IT systems. SurfControl Report Central is a web-based reporting tool that enables Internal Audit and Business Systems to run reports to investigate and identify Internet use of staff. A protocol is in place to ensure forensic examinations, either planned or random, are performed to a high level of confidentiality and securely.
- 5.11 Computerised fraud data bases are managed and controlled for all investigations into suspected fraud and corruption. This provides management control for the recording, monitoring and reporting of investigations carried out.

6. AWARENESS AND TRAINING

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the Council.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction and for new employees. The Internal Audit and Corporate Risk Manager also manages the annual fraud awareness campaign and this includes specialist training for certain elected members and employees.

- 6.3 The Chief Executive also communicates with employees on a regular basis reminding them of the importance of being vigilant and alert to the effects of fraud and encouraging employees to report any matter of concern.
- 6.4 The Internal Audit & Corporate Risk Manager reports general fraud and corruption issues to Corporate Management Team and Risk Management Group to ensure management consider the implications of issues arising and ensure appropriate steps have been taken to prevent similar issues in other parts of the Council. Internal publications are also used to communicate issues and good news stories with regards the prevention or detection of fraudulent activity.

7. CONCLUSION

- 7.1 The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of accountability and openness. This strategy fully supports the Council's desire to maintain an honest Council, free from fraud and corruption.
- 7.2 The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.

8. STRATEGY REVIEW

- 8.1 This strategy will be reviewed annually and presented for approval by the Audit Committee.
- 8.2 The next review will be completed in August **2010**.

9. KEY CONTACTS

Principal Audit Manager (Fraud) – Chris Nower ext 2617

Internal Audit & Corporate Risk Manager – Vanessa Bateman ext 3733

Benefits Investigation Service – Chris Henry ext 2413