



Havering

LONDON BOROUGH

AUDIT COMMITTEE

AGENDA

7.30pm

**Thursdaysday,
23 September 2010**

**Havering Town Hall,
Main Road, Romford.**

Members 6: Quorum 3

COUNCILLORS:

Conservative (4)

Georgina Galpin (C)

Osman Dervish (VC)

Roger Ramsey

Frederick Thompson

Residents (1)

Clarence Barrett

Labour (1)

Paul McGeary

For information about the meeting please contact:

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AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce 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

(if any) – receive.

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 any item at any time prior to the consideration of the matter.

4. MINUTES OF THE MEETING

To approve as correct the minutes of the meeting held on 23 June 2010 and authorise the Chairman to sign them.

5. HOUSING AND COUNCIL TAX BENEFIT FRAUD UPDATE

Report attached.

6. INTERNAL AUDIT PROGRESS REPORT

Report attached.

7. ANNUAL STATEMENT OF ACCOUNTS 2009/10

Cover Report and Appendix attached.

8. REVIEW OF SCHOOLS INTERNAL AUDIT: 2009/10

Report attached.

9. TREASURY UPDATE

Exempt Report.

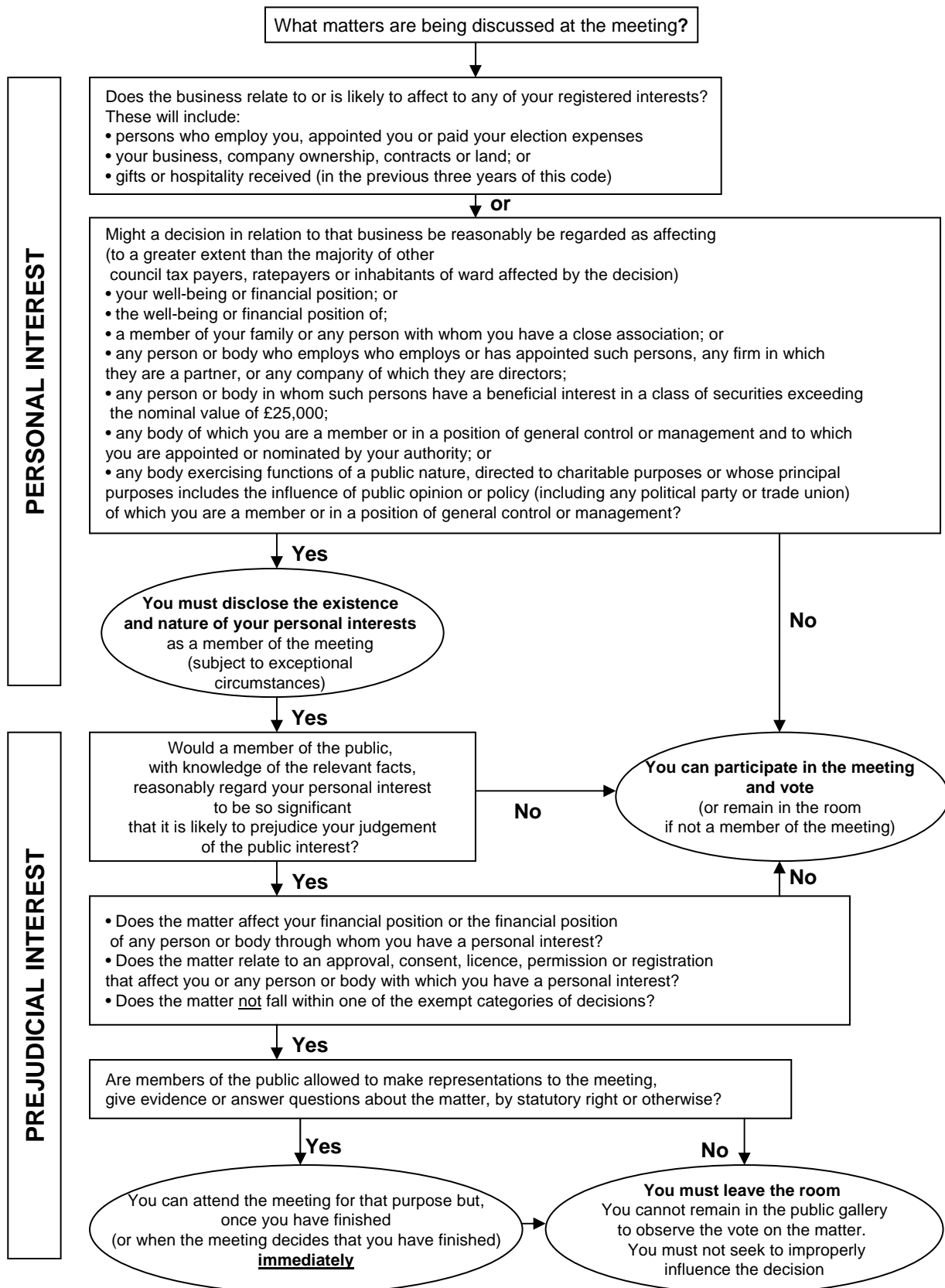
Audit Committee, 23 September 2010

10. 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.

Philip Heady
Democratic Services Manager

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering town Hall, Romford
23 June 2010 (7.30pm – 8.30pm)**

Present:

COUNCILLORS

Conservative Group Georgina Galpin (Chairman), Osman Dervish (Vice Chairman), *Rebecca Bennett and Frederick Thompson

Residents Group Clarence Barrett

Labour Group Paul McGeary

Apologies for absence were received from Councillor Roger Ramsey (substitute Councillor Rebecca Bennett).

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.

Councillor Rebecca Bennett declared a personal interest, which was not prejudicial, as PricewaterhouseCoopers act as auditors for her employers.

1. MINUTES

The minutes of the meeting held on 13 April 2010 were agreed as a correct record and signed by the Chairman.

2. ANNUAL STATEMENT OF ACCOUNTS 2009/10

The Statement of Accounts for 2009/10 are subject to audit by the Audit Commission's appointed Auditors, PricewaterhouseCoopers, and the Accounts and Audit Regulations 2003 require the Chairman of this meeting to sign and date the statement.

Copies of the Statement of Accounts had been circulated prior to the meeting and members of the Committee had been briefed on the Statement of Accounts, its purpose and the key issues arising.

The Statement of Accounts included the following two statements which related to the revenue out-turn of the Council.

- The Income and Expenditure Account; which contains the income and

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expenditure of the Council for the year and complies with Generally Accepted Accounting Practice (GAAP).

- The Statement of Movement in General Fund Balance; which takes the deficit on the Income and Expenditure account and sets out the adjustments required by statute to be accounted for in raising council tax.

These two statements had to be considered together when comparing the Council's performance to budget and the impact on the level of Council tax.

The Accounts had been amended to reflect any changes in the Statement of Recommended Practice (SORP) 2009 which set out the proper accounting practices required by statute to be followed in preparing the statement of accounts. For 2009/10 the changes were not significant. Details of the changes were set out in the foreword to the accounts

The Council had put in place arrangements to meet the requirements of the Whole of Government Accounts (WGA) process which aimed to consolidate the accounts of all public bodies. The final 2009/10 return would be based upon the audited accounts due to be completed by 30 September 2010.

In 2010/11 all Council's would be required to prepare accounts under International Financial Reporting Standards (IFRS). However, it would also be necessary to restate the 2009/10 accounts in IFRS format prior to the finalisation of the 2010/11 accounts. There were no significant issues to report at this stage.

The principle changes made by the Statement of Recommended Practice 2009 were:

- The accounting requirements relating to the Council's Public Private Partnership (PPP) had been amended. Consequentially, equipment financed through PPP in previous years is now required to be disclosed as an asset on the balance sheet along with the related finance lease liability;
- The disclosures relating to local taxation had been amended to recognise that billing authorities (such as the London Borough of Havering) act as agent for precepting authorities (such as the Greater London Authority) in the collection of Council Tax; and
- The revised disclosures also recognise that the Council acts as the agent of Central Government in the collection of National Non Domestic Rates.

The following matters were brought to the Committee's attention.

- Overall financial performance remained consistent with longer term goals as set out in the medium term financial strategy and Corporate Plan. The improved outturn position enabled the Council to increase the level of general reserves by £1.7m to £11.7m and to be better prepared to deal with the increasing risks and uncertainties which were likely to be experienced in the next few years.
- Increased investment in Council assets had been achieved through improvements in capital programme management and the reduction of

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slippage.

- Bank base rates had fallen significantly since 2008. This had led to a major reduction in investment income as compared to previous years. However, investment income exceeded the budget by £2m in 2009/10 as the Council benefited from fixed interest rates on a number of longer term deposits. The majority of these deposits have now expired, the impact of which will not be felt until 2010/11 and beyond.
- 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 Area Assessment. It incorporates an assessment of our “use of resources” which had been judged as level three. The Council was judged to be performing well and consistently above minimum requirements in all categories of the “Use of Resources Assessment.”

Officers responded to all members questions and where they were unable to provide all the information they offered to e-mail the full information to all members following the meeting.

The Committee:

1. **Considered** the Statement of Accounts;
2. **Noted** the key issues set out in the explanatory forward to the accounts;
3. **Received and approved** the Statement of Accounts;
4. **Noted** that the accounts had been amended to reflect the changes introduced in the Statement of Recommended Practice (SORP) 2009;
5. **Noted** the work taking place to continue to meet the requirements of the Whole of Government Accounts process;
6. **Authorised** the Chairman to sign and date the Statement of Accounts as required by the Accounts and Audit Regulations; and
7. **Noted** the progress to date in preparing for the introduction of International Financial Reporting Standards (IFRS) for 2010/11.

3. ANNUAL TREASURY MANAGEMENT REPORT

The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management was adopted by the Council on 27th February 2002 and the Council fully complies with its requirements.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy for the year ahead), a midyear review report and an annual review of the previous year.

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4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Audit Committee.

Treasury management in this context is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The report covered:

- the Council’s treasury position as at 31 March 2010;
- the strategy for 2009-10;
- the economy and interest rates in 2009-10;
- borrowing rates in 2009-10;
- the borrowing outturn for 2009-10;
- debt rescheduling;
- compliance with treasury limits and Prudential Indicators;
- investment rates in 2009-10;
- investment outturn for 2009-10;
- Icelandic bank defaults and other issues

The Committee were provided with an up date on the Icelandic Bank defaults and officers were requested to provide regular updates to the Committee.

The Committee:

1. Noted the annual treasury management review for 2009/10; and
2. Recommend full Council to approve this report.

4. CRIMINAL RECORD BUREAU (CRB) CHECKS

Back in March having received an Internal Audit progress report concerning the Integrated Youth Service the Committee requested additional information regarding the number of staff requiring CRB checks, how many posts require CRB checks which do not have them and what plans were there to ensure checks were completed as soon as possible.

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Officers provided details of the number of posts which require CRB checks. New hires into posts requiring CRB checks were not allowed to commence with the Council until such time as the CRB had returned their disclosures with satisfactory results. Because there can be a delay in receiving checks back from CRB there was a process to start individuals without a CRB disclosure number providing the following conditions were met:

- The completed disclosure form must have been submitted to the CRB
- The Head of Service must sign the waiver and be aware of the risks
- The individual must never work alone/unsupervised
- The individual must always work with someone who has a CRB.

Agency staff were not employed by the Council therefore their CRB checks were held by the agency not the Council. Comensura completes a bi-annual audit where agencies were audited to cover proof of CRB checks and other personally held requirements.

In an effort to have a fail-safe system, Human Resources were piloting a "first day checklist" for managers for all social worker posts in both Adult Social Care and Children & Young People Services. The Council were leading the way in London in this respect.

The Committee **noted** the report and the responses given by officers to all questions raised.

5. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report on the work of the Audit Team during the last quarter of 2009/10 (1st January to 31st March 2010). During this period 8 audits had been finalised, two of which had received qualified assurances. 97% of the audit plan had been delivered in the year against a target of 98%. The shortfall was due to one officer being on long term sick.

The committee noticed that the figures given for leavers in the Internal Audit report on Leavers did not correlate. Officers agreed to provide correct figures to all members by e-mail.

In considering the report on outstanding audit recommendations the Committee noted that a more detailed report was submitted annually, but asked that more detail be available so members could identify the recommendations which were not complete, especially for those recommendations still outstanding from 2006/7 and 2007/8.

Officers indicated that their priorities for training for all members were Treasury Management and Fraud and Risk Management and this would be arranged. A Forward Plan would be circulated prior to the next meeting.

In **noting** the report the Committee agreed that as far as possible members who had questions on any of the Internal Audit reports should e-mail the Internal Audit &

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Corporate Risk Manager prior to the meeting so arrangements can be made for the most suitable officers to attend to answer questions. Also they agreed that the Internal Audit Progress Report should be the first normal item on all future agendas.

6. INTERNAL AUDIT ANNUAL REPORT

Audit regulations require the system of internal control to be reviewed and this report provides assurances regarding the internal control arrangements. The key messages from the review included reference to:

Complaints, Contracts, Information Governance, Access to Systems, Management Information, Systems Implementation, Compliance and Disaster Recovery.

The Committee **noted** the report.

7. EXTERNAL AUDIT FEES 2010/11

PricewaterhouseCoopers (PWC), the Council's External Auditors, had submitted their proposals for the audit fee for 2010/11. Details of the Audit Plan would follow in due course. PWC indicated that fees would decrease next year after the one off increase in respect of the introduction of IFRS was taken out of the system. In deed the total cost for 2010/11 was less than last year as a result of the changes to the certification of claims and returns.

The fee proposed for 2010/11 was 6% above the scale fee. This was based on the degree of risk, which had been assessed as reduced from last year. However, given the level of challenge likely to be faced by local authorities in future years this might increase.

The Committee **noted** the report.



AUDIT

23 September 2010

REPORT

Subject Heading:

Housing and Council Tax Benefit Fraud Update report.

Report Author and contact details:

Jeff Potter, Head of Customer Services
Ext 4139.

Policy context:

To advise the Committee of the work and performance undertaken by the Benefit Investigation Section.

Financial summary:

There is no financial impact to be considered from this report.

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input checked="" type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report advises the Committee of the work and performance undertaken by the Benefit Investigation Section during the period 1 April 2009 to 31 March 2010.

RECOMMENDATIONS

1. To note the contents of the report.

REPORT DETAIL

Introduction

This report contains four sections; the content of each section is outlined below:

- Section 1. Background

- Section 2. HB/CTB Fraud Work April 2009 to March 2010
 - A) Referrals
 - B) National Fraud Initiative
 - C) Types of Offences
 - D) HB/CTB fraud overpayments
 - E) Raising Fraud Awareness

- Section 3. Direction of Travel
 - A) DWP, Local Authorities, Police and other partnerships.
 - B) Successful Prosecution
 - C) Single residency discount and local authority tenancy fraud

- Section 4. Key Performance Indicators
In this section of the report the results for two fraud specific key performance indicators are presented in graphical form.

Section 1 Background

- 1.1 Local Authorities are empowered by s151 of the Local Government Act 1972 to undertake housing and council tax benefit (HB/CTB) fraud investigations and prosecute offenders.

- 1.2 The Benefits Investigation Section investigates claims for HB/CTB and make recommendations in accordance with the Benefits Service Sanctions Policy and the Corporate Strategy for the Prevention and Detection of Fraud and Corruption.

- 1.3 At the 31 March 2010, there were 20,417 claims for HB/CTB in payment. This is an increase of almost 1,700 claims when compared to the same time last year (18,727) and which can in the main be attributed to the national economic climate.

- 1.4 The Benefit Investigations Section continues to be located within Benefit Services. The establishment comprises one Principal Investigations Officer, one Senior Investigations Officer, five Investigations Officers and one Investigations Assistant. The service has been subject to a recent restructure and now report to the Head of Customer Services. It has temporarily been increased to include another Investigations Officer who is investigating suspected single person discount fraud and local authority tenancy fraud which is the illegal sub-letting of Council properties. This will be referred to in more detail in Section 3 C of this report.
- 1.5 The cost of administering the Benefit Investigation Team is estimated at £437,423 for 2009/10 and is funded through the Benefit Administration grant.
- 1.6 Data and statistical information in relation to fraud work is provided for 08/09 for comparison purposes with 2009/10.

Section 2 HB/CTB Fraud Work April 2009 to March 2010

A) Referrals

- 2.1 The table at para. 2.7 provide the sources of fraud referrals for the Investigations Section from April 2009 to March 2010. Referrals for the previous year have also been presented for comparison purposes.
- 2.2 The anonymous referrals make up 17.5% of all referrals across this twelve month period.
- 2.3 External organisation referrals are made up of HBMS data matches and National Fraud Initiative (NFI) data matches which total 34.5% of all referrals
- 2.4 The Housing Benefit Data Matching Service (HBMS) provides quality referrals for investigation that identify undeclared capital and changes in a customer's income such as a customer's entitlement to Job Seeker's Allowance ending.
- 2.5 Referrals generated from the NFI data match are generally closed quickly following the initial investigation due to the type and numbers in the match. In 2009, 43 investigations resulted from the match.
- 2.6 Referrals from internal departments contribute 48% towards the total referrals in 2009/10 with the majority as anticipated, coming from the Benefit processing teams in Benefit Services.

2.7

Source of Referrals						
Number of Referrals/ Type	Quarter 1 09/10	Quarter 2 09/10	Quarter 3 09/10	Quarter 4 09/10	Total 09/10	Total 08/09
Anonymous	40	14	42	19	115	118
External Organisations	68	42	39	79	228	133
Internal Departments	68	83	96	69	316	390
Total	176	139	177	167	659	641

2.8 The table at para. 2.9 shows the categories of the potential fraud referrals from April 2009 to March 2010. For comparison purposes referral sources from 2008/09 have also been recorded in the table. There is a large percentage of “Living Together as husband and wife cases” which is reflected in the statistics below. This may be attributed to greater staff and public awareness as well as the makeup of households in the Borough.

2.9

Referrals by Category						
Potential Fraud	Quarter 1 09/10	Quarter 2 09/10	Quarter 3 09/10	Quarter 4 09/10	Total 09/10	Total 08/09
Capital	12	9	9	3	33	79
Contrived Tenancy	3	13	11	4	31	20
Income from Other Sources	25	7	18	9	59	89
Living Together	48	44	63	54	209	190
Non-Dependant	20	7	14	48	89	43
Non-Resident/vacated	34	35	29	23	121	105
Other welfare benefits	8	1	2	-	11	3
Working	17	17	24	11	69	74
Non Commercial Tenancy	3	6	3	3	15	13
Other	6	0	4	12	22	25
Total	176	139	177	167	659	641

B) National Fraud Initiative

2.10 The National Fraud Initiative (NFI) lead by the Audit Commission is a data matching exercise run every two years to assist participating organizations identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse. The core remit of the NFI is to match data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud and tenancy fraud.

2.11 The most recent NFI exercise commenced in March 2009 where a total of 2,273 original matches involving housing Benefit and Council Tax Benefit were identified. This has led to one administration penalty and one caution with eleven cases pending a potential sanction.

C) Type of Offences

2.12 The severity of the sanction 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
- The test of public interest

2.13 The number of successful outcomes from April 2009 to March 2010 is detailed in para.2.15 below.

2.14

Successful Outcomes						
Sanction/ Offence Type	Administrative Penalties		Cautions		Prosecutions	
	Qtr 1 & 2 09/10	Qtr 3 & 4 09/10	Qtr 1 & 2 09/10	Qtr 3 & 4 09/10	Qtr 1 & 2 09/10	Qtr 3 & 4 09/10
2009/10						
Capital	6	1	2	2	1	2
Working and Claiming	1	0	7	9	2	3
Contrived Tenancies	0	1	3	4	1	3
Living Together	2	3	2	1	1	7
Income from other sources	1	1	1	5	1	1
Vacated	1	0	1	7	2	3
Other Benefits	0	4	5	3	0	0
Totals 2009/10 96	11	10	21	31	8	15
Total 2008/09 70	6	19	9	17	10	9

2.15 The total sanction target for the year has been exceeded. This is due to new procedures being introduced. These will be continually reviewed which will hopefully result in a further increase in performance in 10/11.

2.16 The prosecution target has not been achieved due to the growing complexity and seriousness of the fraud being investigated and the delays in the Crown Court process.

D) HB/CTB Fraud Overpayments

2.17 Overpayments are identified and classified as fraudulent following a sanction. This can be a Caution, Administrative Penalty or successful Prosecution.

2.18 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 eligible overpayments and the Authority receive 40% of the overpayment amount in subsidy from the DWP. From April 2010, overpayments can only be classified as fraudulent where a sanction has been administered or a successful prosecution has taken place. 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
- agreed to pay a penalty under section 115A of the Social Security Administration Act 1992

2.19 When recovering housing benefit overpayments from ongoing entitlement, 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,

2.20 The value of fraudulent housing benefit overpayments generated for 09/10 financial year totalled £422,626.00.

E) Raising Fraud Awareness

2.21 Raising awareness is an important tool in combating fraud in the benefit system and is a key objective for Customer Services and the Council. Benefit Services encourage employees and the public to be vigilant against fraud.

2.22 The rolling programme of improving fraud awareness has included:

- Regular fraud awareness training for all staff in Benefits Services, Customer Services and Homes in Havering.
- A presentation "Protecting the Public Purse" was delivered to Members.
- The Immigration department providing training on detecting false documents.
- An advertisement has also been placed in a fold out information booklet prepared by the Primary Care Trust advising residents to report suspected fraud. The fold out document has also been made into a poster and placed up in every surgery, hospital and chemist in the borough.
- Successful prosecutions appear regularly in articles for Living and the Romford Recorder.
- Members have been issued with a contact sheet to assist residents who suspect fraud.
- A Borough wide poster campaign.

- National coverage has been achieved for a particularly high profile case that resulted in a custodial sentence for a fraudster who was living in Paris whilst claiming in Havering.

2.23 The BBC has shown an interest in making a piece about several cases we are currently investigating or have been concluded in the last year. This is being progressed through communications and the first meeting between the investigator and the production company has already taken place.

Section 3 Direction of Travel

A) DWP, Local Authorities, Police and other Partnerships

- 3.2 Havering Council are jointly investigating 59 cases with the DWP where HB/CTB and another benefit is involved.
- 3.3 The Benefit Investigation Section is also working on two cases in partnership with other local authorities and have also worked closely with both HMRC and the Immigration department.
- 3.4 For the period April 2009 to March 2010, there have been 15 cases where the DWP and Havering Council have worked together and prosecuted individuals for a fraud in relation to HB/CTB and another welfare benefit.
- 3.5 With effect from the 1 April 2010 a new sanction has been introduced. This 'one strike' sanction allows LBH to reduce or remove benefit entitlement for a period of 4 weeks to anyone convicted of a benefit fraud offence or who has accepted a sanction (caution or admin penalty).
- 3.6 Havering is now working in partnership with the Local Safer Neighbourhood Police. There have been over 20 arrests made to date including a Romford market trader being arrested at her stall and taken directly to the Police Station. This has resulted in two people being held on remand and two people being imprisoned.
- 3.7 It is hoped that due to the high profile of these arrests there will be a deterrent effect with word spreading that benefit fraud is being taken very seriously by both Havering Council and the Police.

B) Successful Prosecution

- 3.8 There were 49 cases summonsed to the court for prosecution during 2009/10. Also, during this period, 27 defendants pleaded guilty or were found guilty of benefit offences under social security, Fraud Act and Theft Act legislation. In one case the Court found the defendant not guilty and the remaining 21 cases are in process.
- 3.9 As an example, the case described below commenced in 2009 and was

reported in the national newspapers in September 2010.

The Case of Mr and Mrs X

- 3.10 A black cab driver and his wife, Mr & Mrs X of Elm Park were imprisoned for 15 months on Friday 27 August 2010 for a £115,000 benefit fraud.
- 3.11 58 year old Mr X, helped his 38 year old wife, Mrs X to falsely claim council tax and housing benefit from the Council and income support from the DWP. They received these benefits during the period June 1998 to October 2008 as Mrs X signed several forms claiming to be a single parent with three children.
- 3.12 Mr and Mrs X were investigated after an anonymous tip-off. Council investigators invited Mrs X to attend an interview at which she said her husband had moved in with her and that she had declared this in February 2008. No trace of a form of this information was found.
- 3.13 Credit checks revealed that Mr X had been at the address for around ten years. A copy of the marriage certificate was obtained showing they were married in February 2002. Bank statements showed that Mrs X lent £2,300 to a friend when she was allegedly a single parent living on benefits.
- 3.14 In an application to a credit card company she gave her status as 'living together' and her partner's income as £45,000.
- 3.15 Further evidence that they lived together for approximately ten years was provided by the Public Carriage Office which confirmed that Mr X was a black cab driver and that he notified them in June 1998 of his new address.
- 3.16 The couple were paid £115,194 in total. They received £62,245 in housing benefit, £7,819 in council tax benefits and £45,129 in income support.

C) Single Person Discount Fraud and Local Authority Tenancy Fraud

- 3.17 There has been a growing recognition of the damaging impact that fraud has on the UK economy. The Audit Commission in their paper *Protecting the Public Purse* identified a significant area of risk in false claims for single person discount estimated at costing the taxpayer £90 million each year nationally. The report highlighted local authorities' responsibility and recommended strategies to provide reassurance to Members that minimise fraud opportunities.
- 3.18 In 2009, a Form A report was agreed by members to allow for a review of single person discount (SPD). The review is well underway and commenced with an exercise to match the SPD data on the Council Tax system against various data sources such as credit bureau information and the electoral role.

3.19 A specialist company, Datatank undertook the first phase of this exercise and the initial results showed 5652 cases that warranted further investigation as information relating to a second individual was found at the property.

3.20 The position of the Datatank exercise as of the end of July 2010 is shown in the Table 3.21 below.

3.21

Single Person Discount Initiative	
Currently under review with Datatank	1867
Non returns	264
Identified suspected fraud	54
Number of SPD cases withdrawn	1046
Value of SPD withdrawn	£243,478.71
Cases under investigation	170

3.22 The review has progressed to the second phase where a more in depth investigation will take place as information has been obtained that indicate another person is resident at the address. The person liable for Council Tax has returned the form indicating they still live alone of which 170 are subject to investigation. All of these cases will be visited and if any evidence is obtained that indicate someone else is resident a full investigation will commence. In appropriate cases, a sanction will be administered or prosecution undertaken.

3.23 A corporate initiative to review local authority tenancy fraud has also commenced. The Benefit Investigation Section are working in partnership with Internal Audit and Homes in Havering to develop robust systems and procedures to prevent and detect tenancy fraud.

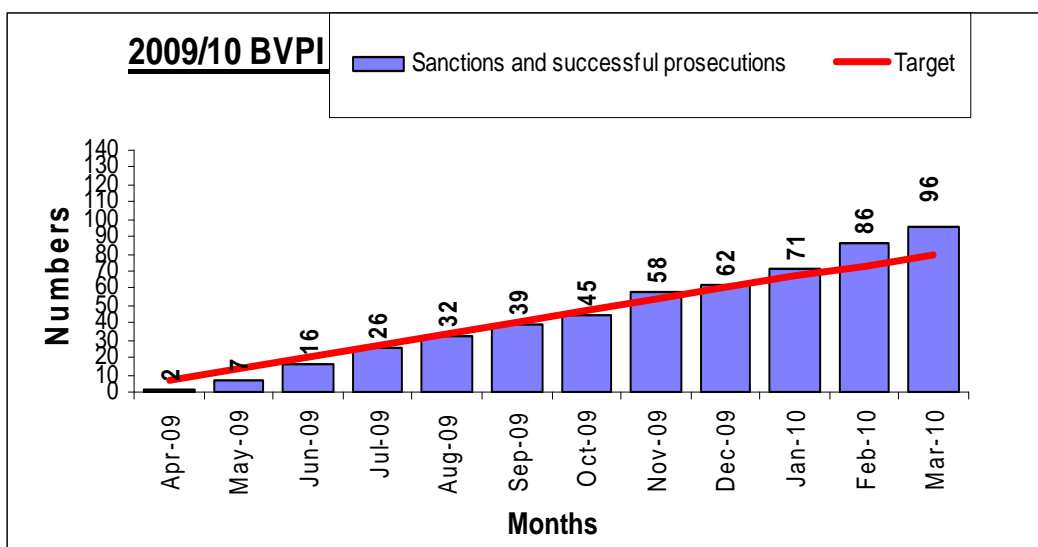
3.24 A pilot of 40 cases were chosen at random from the 5652 cases identified by Datatank in paragraph 3.19 above. A tenancy fraud investigation was undertaken in each case which has resulted in two properties being returned to Homes in Havering with two more properties in the process of being recovered. The Audit Commission values the recovery of each Council property at £75,000.

3.25 Closer working links have also been created with Homes in Havering as a result of this exercise and an Investigations Officer will shortly be relocated to their offices to with further work.

Section 4 Key Performance Indicators (KPIs)

4.1 The number of sanctions and successful prosecutions for 2009/10 is shown in the graph below.

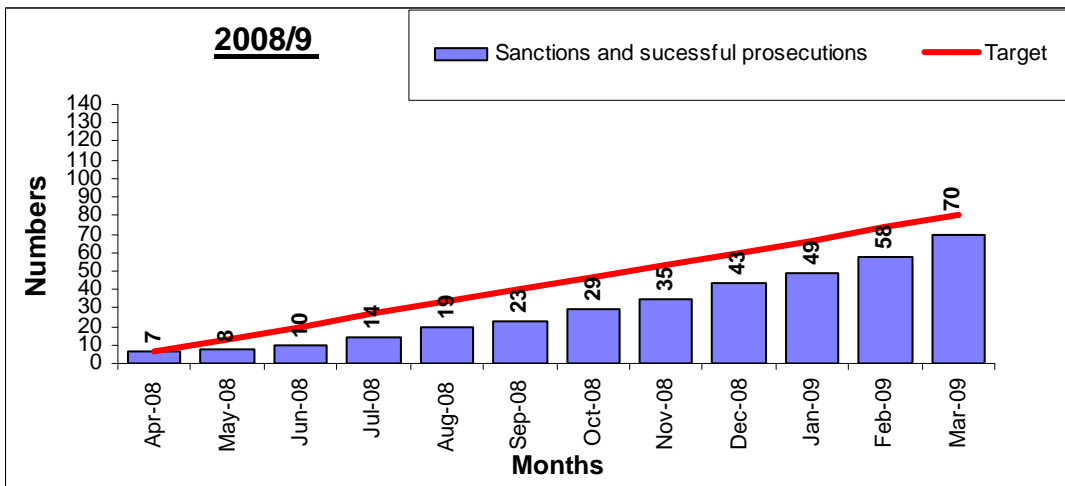
4.2



4.3 The investigation process is streamline and efficient. This is reflected in performance for 2009/10 above.

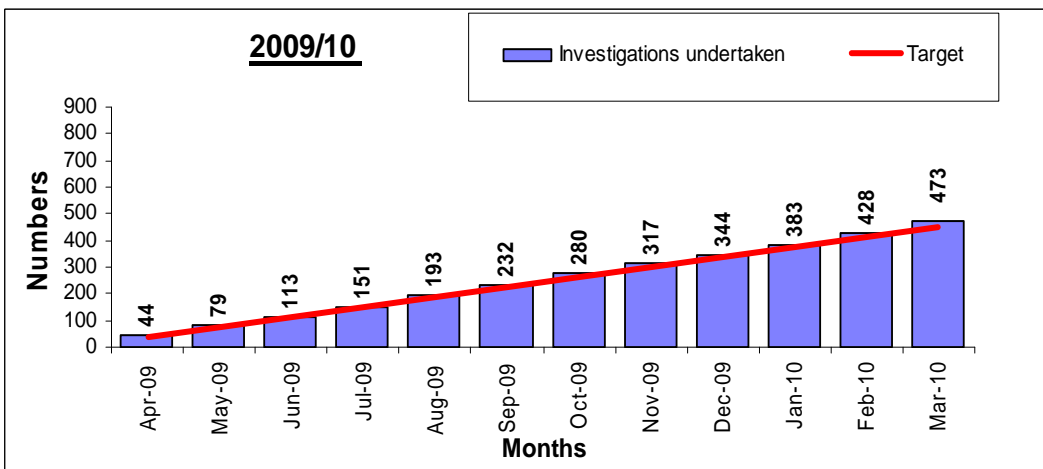
4.4 The number of sanctions and prosecutions attained this year also exceeded performance for the same time last year as can be seen from the graph in paragraph 4.5 below.

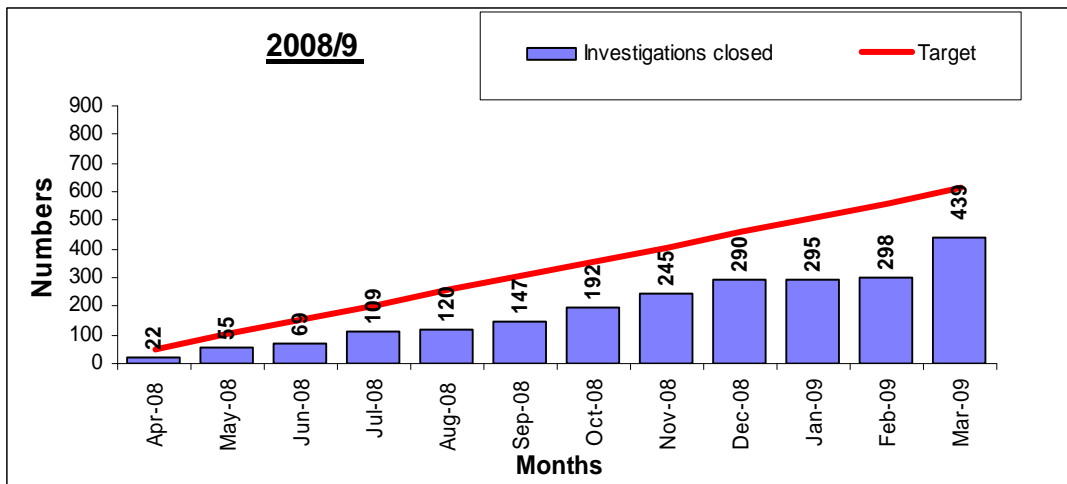
4.5



4.6 The graph below shows the number of investigations undertaken between April 2009 and March 2010. The number of investigations undertaken exceeds performance for last year which is a reflection of the new procedures.

4.7





IMPLICATIONS AND RISKS

Financial implications and risks:

The Benefits Service administers HB/CTB on behalf of the Department for Work and Pensions who provide the Council with 100% subsidy for the expenditure it occurs from payment of HB/CTB. However, subsidy is reduced where overpayments occur as there is an expectation that Councils will recover the overpaid HB/CTB. The DWP will allow 40% subsidy in the case of fraudulent overpayments.

Therefore the work of the Benefit Investigation Team regularly identifies losses which are to be recovered by the Council. There are however, no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report.

Audit Committee 23 September 2010

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

None



AUDIT COMMITTEE REPORT

23 September 2010

Subject Heading:	Internal Audit Progress Report
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of progress to deliver the audit plan in quarter one of 2010/11.
Financial summary:	N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1st April 2010 to 30th June 2010.

RECOMMENDATIONS

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

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

	Page
Section 1 Audit Work 1st April to 30th June 2010	3
A summary of the reports finalised by the end of June is included in this section of the report.	
Section 2 Management Summaries	4- 6
Summaries of all final reports issued in the period.	
Section 3 Budget & Resource Information	7
The budgetary and resource position at the end of June are included for information.	
Section 4 Key Performance Indicators	8
The actual performance against target for key indicators is included.	
Section 5 Changes to the Approved Audit Plan	9 -10
The changes made to the audit plan since the start of the financial year are detailed and explained in this section of the report.	
Section 6 Outstanding Recommendations Summary Tables	11-14
The details regarding status, as at the end of June, of all outstanding recommendations are included within tables for information.	
Appendix 1 Outstanding Recommendations Full Table	
The full list of outstanding recommendations is included within this appended document.	

Section 1 Audit Work 1st April 2010 to 30th June 2010.

At the end of June 20% of the audit plan had been delivered. This was against a target for the period of 16%.

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

Although only three systems reports had been finalised this is in line with the profiled targets for the team as the main focus for the team is finishing the prior year work and planning for the year ahead.

SCHEDULE 1: 2010/2011 – Audits Completed

Report	Opinion	Recommendations				Ref below
		High	Med	Low	Total	
Registrars	Unqualified	0	1	2	3	2(1)
Cemeteries and Crematorium Income Collection and Management	Unqualified	0	0	0	0	2(2)
Children With Disabilities Follow Up	Unqualified	0	0	0	0	2(3)
Total		0	1	2	3	

Section 2 Management Summaries

Registrars	Schedule 2(1)
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2.1.1 Background

2.1.2 The Registrars are based at Langtons House with a member of staff also located at Queen's Hospital to provide services for the registration of Births and Deaths. Registrars have been Local Authority employees since 31st March 2008.

2.1.3 There is one Superintendent Registrar, four Deputy Superintendent Registrars, three Deputy Registrars and a pool of casual staff. The income received by the service for the financial year 2009/10 totalled £496,215 including in excess of £30K received from the letting of Langton's Hall and rooms.

2.1.4 Summary of Audit Findings

2.1.5 Hirers of Langtons Hall do not currently sign to confirm acceptance of associated terms and conditions of booking.

2.1.6 The reconciliation carried out quarterly by management is not signed off and evidenced as correct and complete.

2.1.7 Spoilt certificates are being retained for audit evidence in hard copy but this poses issues with storage going forward.

2.1.8 Audit Opinion

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

2.1.10 Recommendations related to the need for:

- Terms and conditions of the hire of Langtons Hall to be reviewed (Medium);
- Spoilt certificates to be scanned and originals destroyed (Low); and
- Quarterly reconciliations to be signed off as correct and complete (Low).

2.1.11 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.

Cemeteries and Crematorium Income Collection and Management	Schedule 2 (2)
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2.2.1 **Background**

2.2.2 There are four cemeteries within the borough. These are:

- Upminster
- Romford
- Hornchurch
- Rainham

2.2.3 The crematorium at Upminster is the only crematorium within the borough.

2.2.4 In following table details income information from cremations and burials for the years 2008/09 and 2009/10:

Year	Number of Burials	Number of Cremations	Income from Burials (£)	Income from Cremations (£)
2008/09	595	3,583	616,242	2,261,226
2009/10	591	3,267	619,341	2,212,062

2.2.5 **Summary of Audit Findings**

2.2.6 The service has seen an overall rise in income in the last ten years despite a decrease in the number of funerals owing to new competitors in the area. Testing found income collection and banking adhered to both local income procedures and the Council's Financial Framework. As a result, no recommendations have been raised within this audit.

2.2.7 **Audit Opinion**

2.2.8 As a result of this audit we have not raised any recommendations.

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

Children With Disabilities Follow Up	Schedule 2 (3)
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2.3.1 Summary of Original Audit Findings

2.3.2 The 2009 / 2010 Internal Audit Plan contained a review of Children with Disabilities. As a result of this audit a qualified final report was issued on the 16th December 2009.

2.3.3 As a result of this audit we raised four medium and one high priority recommendations. All were agreed by management.

2.3.4 Recommendations related to the need for:

- Clarity regarding legislative and policy requirements that determines the type and level of support provided to children with disabilities (High);
- Tighter thresholds (Medium);
- Independent quality checks (Medium);
- Clarity over financial processes and responsibilities (Medium); and
- Availability of management information, including key information relating to children and payments made (Medium).

2.3.5 Progress on Implementation

2.3.6 It is noted that three of the five recommendations have been fully implemented. Work is underway to implement the remaining two.

2.3.7 A draft document "Guidance on the Allocation of Resources for Children with Disabilities" is in the final stages of production. This document provides example cases and support to aid staff in making decisions regarding support. Whilst this high priority recommendation was due to be implemented by March 2010, it is expected that this document will be finalised and distributed to all relevant staff by August 2010.

2.3.8 Medium priority recommendations relating to tighter thresholds, quality checks and clarity over financial processes and responsibilities have all been satisfactorily implemented.

2.3.9 The lack of effective management information available at the time of the original audit gave rise to a medium priority recommendation in which the team were asked to consider a way of extracting key information from any system. Whilst this is a complex task, progress has been made to include information from the Occupational Therapy team into the Children with Disability Team's system therefore improving the information available to the team for monitoring purposes. Additionally, it is expected that by December 2010, each individual child will have their own unique project code to allow expenditure per child to be more effectively monitored.

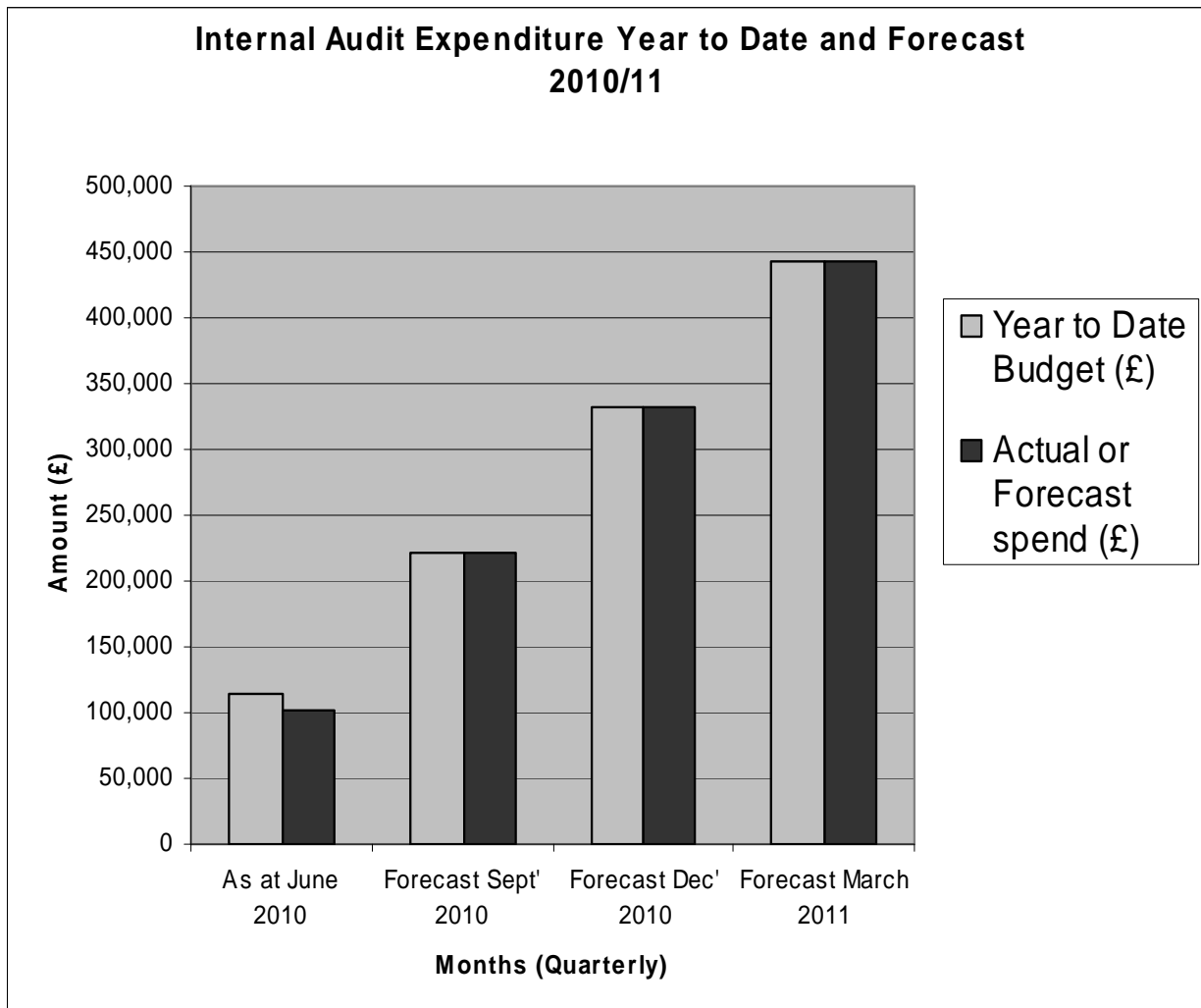
2.3.10 Conclusion

2.3.11 An **unqualified** audit opinion has been given as sufficient progress to address the control weaknesses has been evidenced by management.

Section 3 Budget & Resource Information

Internal Audit (F620) 2010/11 Year to Date Expenditure and Forecast as at end June 2010

	As at June 2010	Forecast Sept' 2010	Forecast Dec' 2010	Forecast March 2011
Year to Date Budget (£)	113,623	221,330	331,995	442,660
Actual or <i>Forecast</i> spend (£)	102,291	221,330	331,995	442,660
Variance (£)	-11,332	0	0	0



Quarter 1 variance due to unexpected delay in start of IT audits and therefore invoices. This is due to the ICT transformation programme and a delay to audits affected by the programme work streams.

Section 4 – 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 (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	20									
Cumulative Target	16	25	30	38	45	57	65	75	86	97

It is anticipated that at the end of March 2011 there will be approximately 3% of the plan (45 days) to be delivered. This relates to finalisation of 2010/11 audit work. At the end of June 2010 the team is ahead of target with 20% of the audit plan having been delivered.

KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	24									
Cumulative Target	16	23	28	35	42	49	56	63	70	70

It is estimated the team will undertake 70 audit assignments. The outputs of this work is reported in various ways to the committee depending on the type of work. Outputs from Fraud investigations are not counted in the 70. At the end of June the team were ahead of target with regards issuing of audit briefs.

KPI 02 – Draft Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	6										
Cumulative Target	7	11	16	22	28	35	41	48	56	64	70

At the end of June the team were one draft report behind target.

KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	4										
Cumulative Target	3	7	11	16	22	28	35	41	48	56	70

Four final reports had been issued at the end of June. This includes fraud proactive work which is reported twice yearly to Committee and outcomes and therefore not included in this report.

Section 5 – Changes to the Approved 2010/11 Audit Plan

In March 2010 the Audit Committee approved an Annual Audit Plan for the 2010/11 financial year totalling 1530 days.

The table below provides a summary of the audits removed from, and added to, the 2010/11 approved audit plan the impact on the total plan and the reason for the change.

The impact of the changes will be managed by adjusting budgets for other assignments later in the year when the scope of work is agreed. A further update will be provided to Committee in December when the provisions for work will be more accurately established. The team also currently has one member off sick, it is not anticipated that this will not have significant impact on the planned work as where possible alternative arrangements are being made within the team's existing budgetary constraints.

Audit Title	Days	Revised Days	Directorate	Reason
ContactPoint	25	15	SC&L	The system has been scrapped by the new Government.
Building Schools for the Future	40	0	SC&L	Funding stream removed by the new Government.
Duty & Assessment	0	0	SC&L	This audit was requested by management after the year start but an unannounced inspection has since taken place and will provide management with the assurances they required.
Adoption Overpayment	0	5	SC&L	An overpayment to adoptive payments was identified and a review of the control environment requested.
Schools Audit	0	50	SC&L	No provision for schools audit work was made in the original plan and the decision to bring the service back in house was made during the current financial year.
Transformation	0	50	All Directorates	Significant audit advice for transformation projects will be required this year therefore a provision has

Audit Committee, 23 September 2010

				been made in the plan.
Performance Data and Management Information	60	20	All Directorates	The audit team are working with the Policy & Performance Team to deliver assurance in this area so reduced resource will be required.
Total Effect	125	140		The plan currently includes 15 days more than when approved in March 2010.

Section 6 – Outstanding Recommendations Summary Tables

Categorisation of recommendations

- High: Fundamental control requirement needing implementation as soon as possible
 Medium: Important Control that should be implemented
 Low: Pertaining to Best Practice

Section 7 includes a full list of all recommendations summarised in the tables in this section.

Outstanding Internal Audit Recommendations – 2006/07

Review in 2006/07	HoS Responsible	Outstanding			Position as at end June 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Providing Services for the Physically Disabled	Adult Social Care	1	1		2		
Liquidated and Ascertained Damages	Streetcare			1	1		
	Total	1	1	1	3	0	0

Providing Services for the Physically Disabled have revised dates of October 2010.
 Liquidated and Ascertained Damages has a revised date of October 2011.

Outstanding Internal Audit Recommendations – 2007/08

		Outstanding					
Review in 2007/08	HoS Responsible	High	Medium	Low	Position as at end June 10		
					In Progress	Not Started	Position Unknown
Street Lighting	Street Care		1		1		
Asbestos Management	Asset Management		1		1		
Civil Contingencies	Development & Building Control		1		1		
Total		0	3	0	3	0	0

Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end June 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
E Payments	Business Systems		3	1	4		
Asylum Seekers Unaccompanied Minors	Children's & Young People		1		1		
Commissioning of Works	Asset Management	1			1		
IT Security & Data Management	Business Systems	2			2		
Telecommunications	Business Systems	1	2		3		
Internet	Business Systems		3	1	4		
Homelessness, Hostels & Housing Aid	Housing & Public Protection		1		1		
Trading Standards	Housing & Public Protection	1			1		
Procurement & Leasing of Vehicles	Asset Management		1		1		
Cemeteries & Crematorium	Housing & Public Protection	1	1		2		
Business Continuity	Development & Building Control		2		2		
Burials & Protection of Property	Adult Social Care		2		2		
Child Protection	Children and Young People's Services		1		1		
Meals on Wheels	Adult Social Care	1	2		3		
Total		7	19	2	28		

Outstanding Internal Audit Recommendations – 2009/10

Review in 2009/10	HoS Responsible	Outstanding			Position as at end June 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Fairkytes	Culture & Leisure			1	1		
Server Virtualisation Project	Business Systems		1		1		
Children with Disabilities	Children's and Young People	1	1		2		
Integrated Youth Services	Children's and Young people		2	1	3		
Climate Change	Culture & Community		1		1		
Cyborg	Exchequer Services	1	1		2		
Government Connect GCSx	Business Systems	1	2		3		
Integrated Children's Systems	Children's and Young People		3		3		
Total		3	11	2	16	0	0

IMPLICATIONS AND RISKS

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. With regards Money Laundering criminal charges may result should employees not fulfil their personal responsibilities. Sanctions could also be imposed on the Council if it is considered not to be complying with legislation. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

There are no apparent legal implications arising from the noting of this report.

Human Resources 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.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None.

APPENDIX

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Providing Services to the Physically Disabled	2006/2007	10	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.	M	Quality Performance & Information Manager & Manager of Modernisation	Revised March 2009 Revised June 2009 Revised June 2010 Revised October 2010	This has been incorporated into the fairer charging policy. We have been unable to identify funding for resources and this has delayed progress. (Apr 09) A programme plan has been developed for the fairer charging policy review. The new policy is expected to be implemented by April 2010. (Aug 10) A review of the Fairer Charging Policy went to Cabinet on 14th July 2010. A consultation period has been agreed and both recs will be considered as part of the consultation.
Providing Services to the Physically Disabled	2006/2007	9	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.	H	Quality Performance & Information Manager & Manager of Modernisation	Revised March 2009. Revised June 2009. Revised June 2010. Revised October 2010.	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. (Apr 09) A programme plan has been developed for the Fairer Charging Policy Review. The new policy is expected to be implemented by April 2010. As per update above Aug 10.
Liquidated & Ascertained Damages	2006/2007	5	Develop a standard filing system for all contracts and works managed by the section. This should include standard core sections for items such correspondence, account details, meetings, programmes, complaints, monitoring reports, contract.	L	Head of Streetcare	Aug 2009 for paper records 3 years for new IT to be implemented Revised July 2010 Revised October 2011	Paper processes are in place as planned. The process of procuring a new IT system for all highways works is underway and the implementation date should be 6-12 months. This will now be resolved as part of the new Highways Contract in October 2011.
Street lighting	2007/2008	8	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.	M	Head of Streetcare, Streetcare Coordinator Highways, Principal Engineer Highways.	March 2009 Revised Nov 2009 Revised July 2010 Revised Dec 2010	The surveys have been commenced but the delay in obtaining the hands free technology to collect the data has delayed the project. Working closely with IT and other departments to progress as soon as possible but will probably not be for 12 months. Old data is being used to prioritise works. The data collection is proceeding well, but there has been some delay in loading the data onto Mayrise. The data capture consultant has made arrangements with Mayrise for this transfer.
Asbestos Management	2007/2008	4	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. • 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 This should provide a robust system, evidence of retention of relevant documentation and a full audit trail.	M	Technical Services Manager	April 2009 Revised October 2009 Revised Dec 09 Revised date for update December 2010	In the short term it is proposed that existing documentation is held as an attachment within the database as an interim measure pending full integration with Technology Forge. The latter will not be achieved in the short term. Withdrawal of funding for asbestos services will defer the target indefinitely.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Civil Contingencies	2007/2008	4	Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	M	Emergency Planning and Business Continuity Manager	June 06 Revised December 2009 Revised March 2010 Revised July 2010 Revised December 2010	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. Due to an inability to secure a long term commitment regarding the availability of space in the fire station an alternative proposal to convert premises presently owned by the Council at Harrow Lodge Park are progressing and a report and Executive Decision will be submitted in due course.
E-payments	2008/2009	5	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.	M	Customer Services & Support Development Officer	December 2008 Revised March 2009 Revised December 2009 Revised March 2010 Revised September 2010	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. A specification is being drafted to get a quote from the software supplier for changes required. (Aug 10) Report now completed list of changes sent to supplier, awaiting quote.
E-payments	2008/2009	6	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.	M	Customer Services & Support Development Officer	March 2009 Revised December 2009 Revised March 2010 Revised September 2010	Meeting took place with all parties concerned (Business Systems; Finance; Exchequer Services; Audit & Customer Services) retention period determined 6 year. Supplier still to be contacted to determine process for this.
E-payments	2008/2009	7	Procedures should be formulated to identify if transactions could be recreated in the event of the main server becoming unavailable and before the end of the day transactions are sent to the bank.	M	Corporate & Business Applications Manager (Interim)	March 2009 Revised March 2010 Revised for update December 2010	Data on server is backed up every night and can be restored on receipt of a service desk ticket. Response awaited from ARACS and Northgate. If Northgate do not have a solution then we need to take their advice on what we can do. This is why it may take until the end of March. Northgate have now responded, the solution won't do this but there is an option to do this from the database. As part of the data centre move we are looking at database resilience which could deal with this audit req. there is to be discussion with technical resource and then there will be an indication of resolution date.
E-payments	2008/2009	8	The Havering e-Payments website should be reviewed to ensure that: • 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.	L	Customer Services & Support Development Officer	December 2008 Revised March 2009 Revised December 2009 Revised March 2010 Revised September 2010	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. A specification is being drafted to get a quote from the software supplier for changes required. (Aug 10) Report now completed list of changes sent to supplier, awaiting quote.
Asylum Seekers Unaccompanied minors (ASUMs)	2008/2009	3	It is recommended that procedures should be developed for administrative duties within the service area, encompassing all aspects of the service delivery. These procedures should clearly set out : - roles and responsibilities; - segregation of duties ; - legislative / data protection requirements Staff should be provided with a copy of these procedures and where necessary training should be carried out.	M	Team Manager - Leaving Care	January 2010 Revised June 2010 Revised December 2010	The full implementation of the recommendations has been delayed due to issues with introducing a new database that is compatible with Havering's system. ICT are unable to give timescales when this may happen.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Commissioning of Works		2	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.	H	Head of Legal Services	December 2009 Revised April 2010 Revised Sept 2010	Contract still awaiting format execution. Both parties legal advisors are in contact so expect this to be completed shortly.
IT Security & Data Management	2008/09	2	A corporate information identification, classification and assessment exercise should be conducted. A resource that details all the Council's information (including data owners, retention periods, sensitivity etc) should be developed as well as an information management policy document which could consider the adoption of the Local Government Classification Scheme.	H	Information Governance Group Chaired by Head of Legal Services	March 2010 Revised December 2010	The issues regarding information governance within this report have been evaluated and fed into a project looking at the Council's overall arrangements. This work is being led by Corporate Risk Manager and involves relevant officers from across the Council, who have formed an operational group. Strategic direction is being provided by the officer Governance Group, chaired by the Group Director Finance & Commerce. (Aug 10) The group will be chaired by the Head of Legal Services going forward. Progress in this area is gaining momentum and an action plan is being developed. This recommendation requires significant resource input and therefore given the pressures on the organisation currently must be well organised.
IT Security & Data Management	2008/09	4	Management should enhance the current controls over USB devices. This should ensure that the following elements are put in place:-Only Council issued devices are to be used for Council business - Device asset register maintained/or record of distribution - USB devices should have encryption enabled - Password access controls put in place for USB devices	H	Infrastructure Support Manager	October 2009 Revised December 2009 Revised June 2010 Revised November 2010	Being implemented as part of the GCSx CoCo work As we roll out encryption this will ensure control over USB devices. Non Council purchased devices will not work with Council equipment. Checkpoint encryption system in rollout phase. This will encrypt every laptop and USB device. Desktop USB ports to be disabled and then only enabled by exception, at which point encryption will be utilised. Rollout to be expedited with additional resources if necessary, as transformation work activities are utilising all in house resources.
Telecommunications	2008/09	1	The Council should develop and test a Disaster Recovery and Business Continuity plan for telecommunications or alternatively consider these arrangements in consultation with the system supplier (Damovo) to ensure that telecommunications can be recovered and restored in a timely manner. This should be performed in line with service expectations of the recovery time objectives for telecommunications.	H	ICT Infrastructure Support Manager	March 2010 Revised June 2010 Revised December 2010	Work is continuing to fully evaluate the future telecommunications strategy in terms of voice and data network convergence, wan provision, DR and continuity in line with the forthcoming customer services strategy. In the interim, capital budget was allocated to enhance existing telephony switch power and environmental infrastructure resilience. Several additions to telephony systems and database back up services have now been implemented. Work is to begin shortly on converting the existing SPOF that is the central core switch into a shared and distributed server based topology, thus creating a resilient system across the network.
Telecommunications	2008/09	3	Management should consider, in line with current business requirements, the call logger application controls and the call charge threshold limit which is currently set at 8p to ensure that this is still a relevant figure to report on calls made.	M	Telecommunications Services Manager	December 2009 Revised June 2010 Revised November 2010	The threshold limit can be raised. The recommendation poses other issues with cost to administer potentially higher than costs recouped. New process is being investigated as agreed with the Group Director Finance & Commerce.
Telecommunications	2008/09	4	The user administration procedures governing the allocation, removal and review of user telephony facilities should be clearly defined and documented.	M	Telecommunications Services Manager	November 2009 Revised June 2010 Revised November 2010	CMDB (Configuration Management Database) is currently being built and when complete will then be populated. Work will begin to document these processes and procedures for eventual inclusion into the new CMDB.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Internet	2008/ 09	1	Management should include within the Business Systems Policy a statement to the effect that the Council may perform monitoring and screening of Internet usage to identify appropriateness of internet use and to investigate potential intrusions to the network. Additionally, the policy should be reviewed in relation to the Human Rights Act 1998 (right to privacy) and Regulation of Investigatory Powers Act 2000 (RIPA) and where necessary ensure that the policy reflects the requirements of this legislation.	M	IT Security Officer	July 2009 Revised December 2009 Revised Feb 2010 Revised June 2010 Revised August 2010	The policy is being reviewed by Legal and Internal Audit for HRA and RIPA issues - now added to the new policy and is awaiting CMT approval. Should have a response from Legal by Fri 21st May. Revised policy completed and due for CMT approval on 3rd August.
Internet	2008/ 09	2	Procedures should be developed to manage and recover the firewall in the event of a major failure of the IT server environment.	M	IT Security Officer	September 2009 Revised March 2010 Revised September 2010	Covered under Project Enterprise- firewall to be relocated & placed under DR regime
Internet	2008/ 09	4	Firewall logs should be maintained for a sufficient period of time to allow for the regular review and investigation to identify any suspicious/unauthorised activity. Additionally, the firewall rule base should be reviewed on a periodic basis to ensure that no unauthorised changes have occurred	M	IT Security Officer	September 2009 Revised December 2009 Revised March 2010 Revised for update December 2010	To be addressed by the GCSX code of connection requirement to obtain log, the use of a Q1 labs, product to hold the logs is being implemented-To be answered in the current audit of GCSX by Deloitte. This is the Q1-Radar logging project that will be part of the new GC CoCo compliance project plan. No dates as yet but as I say this will be a deliverable of the Gc plan.
Internet	2008/ 09	7	An up to date network topology diagram should be developed and distributed as appropriate.	L	IT Security Officer	December 2009 Revised March 2010 Revised June 2010 September 2010	Awaiting final network designs from Project Enterprise-a diagram has recently been produced by ACS following the recent revisions of the hosting contract. This then needs to be fed into the overall diagram
Homelessness, Hostels and Housing Aid	2008/ 09	1	Development of the Resource module in Anite should be considered by management.	M	Head of Housing and Public Protection.	May 2010 Revised December 2010	Will require identification and possible re-allocation of resources within Housing needs and Strategy.
Trading Standards	2008/ 09	2	Plans to transfer the paper based system onto an IT database system should be implemented.	H	Public Protection Manager	September 2009 Revised March 2010 Revised December 2010	Systems being evaluated. Other matters taking priority currently.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Procurement and Leasing of Vehicles	2008/09	4	It is recommended that the results of meetings between key officers from Finance, Service Areas and Procurement, to consider a strategic review of the medium to long term future strategic needs of the Authority in relation to transport purchasing and the funding, should be feed into the longer term procurement and leasing arrangements and benchmarking of alternatives regularly takes place.	M	Head of Asset Management	December 2009 Revised July 2010 Revised October 2010	The vehicle replacement schedule has been reviewed with external advice from Sector to identify the preferred procurement option for each class of vehicle. Procurement of vehicles is taking place as identified within the fleet replacement schedule. Optimal funding arrangement to be reviewed. A sub-group of Transport Board has been set up to focus on these issues and includes representation from Procurement staff and audit as needed. Sector Finance Ltd has been commissioned to carry out an Options Appraisal on a 'shopping basket' of vehicles currently in need of replacement. Their report was presented to the Transport Board on 3rd April 2009 and an action plan agreed. External Advice has been provided from sector to identify the preferred procurement option for each class of vehicle. Procurement of vehicles is taking place as identified within the fleet replacement schedule, monitored by transport board.
Cemeteries and Crematorium	2008/09	8	It is recommended that: a) the maps currently held in the service managers office, should be placed in the fire proof safe. b) work should be undertaken to collate the maps located elsewhere within the Authority and ensure that maps are in place for all sections of the Cemeteries c) a separate project will need to be undertaken scan and preserve the maps to ensure that these are sufficiently safeguarded	M	Cemeteries & Crematorium Manager	Collation, verification & analysis by December 2009 Remedial action plan: 31st March 2010. c) Revised date April 2013	a & b completed. Analysis and outline action plan for Upminster Cemetery completed. Awaiting consultation with technical specialists for solution/time and budget costings. Analysis Rainham and Hornchurch started. Project to scan/preserve maps dependent on budget availability.
Cemeteries and Crematorium	2008/09	12	It is recommended that the service implements succession planning to ensure that an over reliance on staff does not affect service delivery.	H	Head of Housing and Public Protection	Succession plan: July 2009. Implementation: March 2010 Revised succession plan March 2010, Revised implementation September 2010	Draft prepared some actions underway. To be finalised following involvement of HR and new Head of Service. Implementation reliant on organisational review and new IT system.
Business Continuity	2008/09	6	The Business Continuity Plans completed by the Council services should be reviewed on a regular basis to help ensure that they are complete, accurate and up-to-date and reflect the current state of Council systems requiring recovery in the event of a disaster. This should reflect the ability of IT to recover key systems in the event of a disaster event. Furthermore, any review or amendments to the BIA database or Business Continuity plans should be subject to appropriate change/version controls to identify the responsibility for amendments to the plans.	M	Emergency Planning and Business Continuity Manager	March 2010 Revised July 2010 Revised December 2010	The review process of the BIA Database must be carried out by each Directorate, Service, Business Unit and Section on a quarterly basis. This was reiterated at the training sessions held at CEME between May and July. There is a continuing need to ensure that the BIA database is updated. Managers of services are encouraged to promote the use of the system within the Council as it is not being used by all services at the moment.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Business Continuity	2008/09	8	The Corporate Business Continuity Plan should include procedures to initiate and direct salvage procedures in the event of major damage to equipment or buildings.	M	Business Continuity Group	March 2010 Revised September 2010	Procedures within the Corporate Business Continuity Plan include elements of salvage highlighted from both the Pan London and Havering site clearance plans. Procedures combining various business units will be included within the BIA database when completed by trained personnel. A Havering site clearance plan has been completed based upon the Pan London site clearance plan and completed as part of the joint planning process within East London Solutions partnership.
Burials and Protection of Property	2008/09	2	The Service should develop a policy on disposal of deceased clients' personal properties.	M	Burials and Protection of Property Officer	October 2009 Revised to June 2010 Revised October 2010	A policy is being developed. At present 7 years is required by Treasury Solicitor for deceased client's personal properties to be kept before disposal however this requirement is about to be revised. Awaiting amended guidance from Treasury Solicitor
Burials and Protection of Property	2008/09	10	Risk assessment should be undertaken to ascertain the validity of continue holding of deceased clients' personal properties, for longer than one year.	M	Client Finance Manager	October 2009 Revised to June 2010 Revised October 2010	A policy is being developed. At present 7 years is required by Treasury Solicitor for deceased client's personal properties to be kept before disposal however this requirement is about to be revised. Awaiting amended guidance from Treasury Solicitor
Child Protection	2008/09	4	A formal review of achievements against objectives in audit plan to be carried out annually.	M	Service Manager, Safeguarding & Service Standards	March 2010 Revised April 2010 Revised September 2010	This Review is currently underway and will be available by 30th April 2010. This will take into account the audits completed up until 31st March 2010. Outstanding still at time of follow up.
Meals on Wheels	2008/09	1	The current manual account re-charging system does not permit any segregation of duties / functions to accordance with the Council's Financial Framework. (Section AA – 3k) The Service should investigate use of the Council's mainstream accounting network to issue its monthly client account invoices. To prevent staff involved with debt collection and banking being involved in the issue of account invoices	H	Catering & Facilities Manager	Target Date meeting June 2009 Change of procedure Jan 2010 Revised June 2010 Revised December 2010	This issue has been discussed at Debt Management Board meetings. The discussion on March 2010 confirmed that the plan to integrate the MOW's invoicing with the Council's mainstream accounting system will be given priority. Meeting held 26th April to progress. At the last meeting of the DMB July 2010 the issue was discussed and due to the work on transformation and Shared Services the matter has not been resolved.
Meals on Wheels	2008/09	2	Irregularities occur in the provisioning records of the Service and Social Care Commissioning due to the lack of an adequate interface between the systems. Some form of alert to flag changes advised by the Meals on Wheels Service with Social Care commissioning must be put in place to prevent the disparities between the respective records.	M	Modernisation Manager	July 2009 Revised deadline Sept 2010 Revised deadline Dec 2010	New process in place within Adult Social Services Quality Performance Team to enable closure of provision by relevant teams. However, discrepancies will undoubtedly continue until a live feed can be put in place between ASS and Meals on Wheels through SWIFT. Decision to be confirmed by ASS. Update - needs system change ASS have done all they can. Update July 2010 - this is being looked at as actuals are needed for management information first priority is CM2000 once this is sorted then Meals on Wheels will follow but not yet.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Meals on Wheels	2008/ 09	4	Account collection and recovery functions need to be aligned to the Council Financial Framework, utilising if possible the Councils preferred method of direct debit payments Introducing direct debits for clients to pay their monthly accounts will minimise the credit given / delays in payment receipt. Alternatively invoice clients in advance when remitting meal selection forms could ensure client payments are made when returning their meal selections.	M	Catering & Facilities Manager	Target Date meeting July 2009 Change procedure March 2010 Revised June 2010 Revised December 2010	This issue has been discussed at Debt Management Board meetings. The discussion on March 2010 confirmed that the plan to integrate the MOW's invoicing with the Council's mainstream accounting system will be given priority. Meeting held 26th April to progress. At the last meeting of the DMB July 2010 the issue was discussed and due to the work on transformation and Shared Services the matter has not been resolved.
Fairkytes	2009/ 10	4	A revised / simplified questionnaire should be created to ensure adequate management information is produced.	L	Arts Co- ordinator.	January 2010 Revised June 2010 Revised September 2010	We have held off on revising the questionnaire as the questions we need to ask need to align to QUEST requirements. (July 2010) We are now registered for QUEST accreditation and will begin the process in earnest this month.
Server Virtualisation Project	2009/ 10	7	Capacity Planning Activities. Existing capacity management practices should be enhanced to help ensure that disruptions are avoided or have a minimal impact on key services. This includes development of a formal strategy to determine and provide the production capacity needed by the Council to meet changing demands for its network, capacity management plan that is proactively monitored. LBH management should also ensure that capacity management practices adopted by the Council are inline with the best practice ITIL framework.	M	Head of Business Systems	September 2009 Revised September 2010	Work is underway to deliver joint capacity management activities with the London Borough of Newham who are more developed in this area. All work in this area is in line with ITIL best practice.
Children with Disabilities	2009/ 10	2	Clearer criteria should be established and documented to determine the level / cost of support provided to guide staff when making decisions.	H	Service Manager Children with Additional Needs	March 2010 Revised 30th June 2010 Revised August 2010	Draft Legal framework governing decisions has been prepared but needs signing off. A draft document "Guidance on the Allocation of Resources for Children with Disabilities" is now being finalised. A document has been produced which sets out example cases and support provided to aid staff in making decisions on support. Once remaining changes have been made, these documents will be signed off before being distributed to all relevant staff.
Children with Disabilities	2009/ 10	5	A way of obtaining effective management information should be investigated. Consideration should be given to a "Golden Report" as a way of extracting key information from any system within the authority. In addition to the possibility of implementing project codes for all supported children to allow expenditure per child to be monitored.	M	Head of Children and Young People's Service	March 2010 Revised June 2010 Revised December 2010	Meeting has taken place and expenditure for respite is monitored monthly at management meetings. As yet a financial information management system for individual packages has not been developed. The Children's Occupational therapy post will be moving into the CWD team. As part of this, the information will be entered onto the CWD teams system. The team are identifying services support and obtaining funding from health where possible. Individual project codes will be set up for each child as individual prescriptions are produced.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Integrated Youth Services	2009/10	5	Update the Procedures Handbook and Induction Guide and issue to new starters	M	Admin Manager & Workforce Development Worker	September 2010 Revised April 2011	Updated Induction guide to be available to new staff starting in September / October as part of induction programme for part-time staff. Collaboration with HR required to marry IYS full-time staff induction needs with those of corporate. References to policy and procedures currently held in number of different locations including IYS staff web site. Need to integrate information so as to ensure all references to policy and procedures are uniform. This task will need the support of IT.
Integrated Youth Services	2009/10	6	Re-evaluate the provision of supervisions: <input type="checkbox"/> Consider devolving supervision responsibilities to area managers. <input type="checkbox"/> Decide upon and implement a minimum criteria for supervision frequency.	M	Workforce Development Worker	April 2010 Revised December 2010	That personal supervision be devolved to full time staff with senior part time staff undertaking unit staff team meetings. Frequency to be extended to 8 weeks (currently 6). Action will need change to senior part time workers job profile. Rec to senior management team for approval end August 2010.
Integrated Youth Services	2009/10	8	Review data and file storage procedures to ensure they meet Service needs.	L	Deputy Service Manager	September 2010 Revised December 2010	Process underway to link on line data storage and electronic filing with and for our admin team.
Climate Change	2009/10	1	It is recommended that the service consider the establishment of a formal protocol for input by the Environmental Strategy Team into Asset Management and construction standards / projects.	M	Energy Management Officer	April 2010 Revised September 2010	The recommendation has approval of the Climate Change Working Group and the Corporate Asset Management Group on the content and level of the standards, but we are yet to finalise the protocol and take it forward formally.
Cyborg Application	2009/10	2	User code management should be set to ensure the following access controls: • Minimum user code length of six (6) characters; • User code complexity should be enforced to ensure a combination of alpha and numeric characters are required; • Users should be forced to change their default user code at initial login; • User codes should be encrypted and not visible to System Administrators; • Users should be locked out after three failed login attempts and only a System Administrator should be able to unlock these accounts; and • Previously user codes should be retained to prevent their reuse	H	Payroll Manager	February 2010 Revised July 2010	All of this functionality is available in the latest version of Cyborg. However, because we have so much bespoke work when the functionality was switched on it was affecting other areas of the system so had to be turned off again. This will be progressed with ACCERO as soon as the year end process is complete in June 2010.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
Cyborg Application	2009/10	6	Management should seek to supplement the current secondary authorisation of changes to pay grades by considering the use of online authorisation within Cyborg of changes to employee records such as their creation, changes to pay grades and bank account details.	M	Payroll Manager	February 2010 Revised July 2010	This would need to be progressed in Oracle. However the secondary authorisation is unlikely to be delivered as part of the 'vanilla' system, neither is it supported by the t-gov processes. The intention is that this will be resolved via a reporting solution (i.e. to produce periodic reports of changes made that can be authorised for compancy data and spot checked for individual changes, but that is likely to be outside of the system.) Further with increased reporting functionality this type of responsibility will also be easier for line managers and budget holders to take on.
Government Connect GCSx	2009/10	4	In compliance with the GC return made by the Council, management should urgently address the requirement of ensuring that the IDS (Intrusion Detection Service) installed performs detection of the traffic through the network installation, blocks any unauthorised access attempts and a review is carried out of the logs generated by the IDS.	H	Information Governance Officer	March 2010 Revised December 2010	IDS is being offered as part of the new Data Centre programme, we will consider implementing it, once the new data centre service is stable and new MS authentication process is implemented.
Government Connect GCSx	2009/10	10	Management should ensure that all users have positively signed an Acceptable Usage Policy or commitment statement as recommended by GC and that a record is retained of the signed document.	M	Interim Information Security Advisor	April 2010 December 2010	This is supported as part of a project to rollout Microsoft Outlook to users who will have access to GCSx and is part of the training that will be given to these users. There is another piece of work that will ensure users accept the ICT Policy as they log into the network before they access any ICT systems, this piece of work will be delayed until the new data centre service is stable.
Government Connect GCSx	2009/10	11	Management should consider implementing enhanced processes for helping to ensure awareness for users concerning the Code of Connection and all the necessary requirements and security that forms part of a user's connection to GC.	M	Interim Information Security Advisor	May 2010 Revised September 2010	This is being addressed as part of the activity of the previous recommendation i.e. rec R10. However, the ICT Policy has been reviewed to include all relevant GC CoCo requirements and there will be a publicity campaign to inform users of their responsibilities and that there is a new mandatory IA online training course that they have to complete. Management will be able to have reports on who has and has not completed the course and whether those completing the course have passed it or not.
Integrated Children's Systems	2009/10	3	Management should ensure that all users accounts that are not required for business purposes are disabled in a timely manner. This should ensure that children and young peoples services informs business systems of staff movements in a timely fashion. Processes should then be put in place to ensure that the information received from line managers, human resources and the ICT help desk is actioned even in the absence of the primary system support officer. The removal of users should be supported by a periodic review of user access to the system to identify and remove users who may not require system access.	M	Business Systems Support Manager/ Service Manager Integrated Working	March 2010 Revised September 2010	It was determined that on a monthly basis the Service Desk staff send an e-mail to all of the system administrators within Business Systems detailing leavers for the prior month. This list indicates the user's department and directorate to enable the identification of the systems that the user is likely to have access to. As per inspection of the user access list, it was noted that none of the three staff listed under Children & Young People's Services are listed. Further Action: The re-communication of the management responsibility to inform Business Systems of leavers in a timely manner will be performed at the next Managers meeting on 07/09/2010.

Audit	Year	Rec	Recommendation	Prio rity	Officer Responsible	Date due	Position/Progress to date
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Integrated Children's Systems

2009/10 4

Management should perform periodic reviews of users with access to the system and the roles that these users have been provided. Any errors should be communicated to the system administrator and corrective action taken to align job responsibilities to users' permissions.

M

Service Manager Integrated Working

March 2010
Revised March 2011

It was determined that an annual review has not been performed for each of the teams. To date, a review has been performed for the Children's Centres. It was noted that management communicated with all the Service Managers to identify any changes that were required to the staff with access and the roles that had been assigned to these staff. Twenty-one role changes were required because of this review from an ISIS user base of fifty-two users.
Further Action:
Reviews must still be performed for each of the other teams within the Service. This will be placed on the agenda for the next Manager's meeting scheduled for 07/09/10.

Integrated Children's Systems

2009/10 9

Management should ensure that a formal Business Continuity Plan is documented for the Social Care team in the event of a business disruption this should be closely aligned with the IT Disaster Recovery processes in place for the ISIS system.

M

Service Manager Integrated Working

June 2009
Revised March 2011

It was determined that a Service-wide business continuity plan has been documented in addition to team specific plans. However, evidence of these plans was not provided at the time of the audit. Further Action: The Business Continuity Plans should be identified and reviewed to ensure that they are still current and relevant.



AUDIT COMMITTEE

REPORT

23 September 2010

Subject Heading:

Annual Statement of Accounts 2009/10

Report Author and contact details:

Contact: Mike Board
Designation: Corporate Finance Manager
Telephone: (01708) 432217
E-mail address:
Mike.Board@havering.gov.uk
Audit Committee responsible for
approving accounts.

Policy context:

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

The Council's Statement of Accounts is required to be published after the conclusion of the external audit of accounts; no later than 30th September 2010. At this stage our auditors, PricewaterhouseCoopers expect to issue an unqualified opinion on the Statement of Accounts. Their report is included elsewhere on the agenda.

This report also provides an update of the project plan for International Financial Reporting Standards (IFRS) implementation and the progress made to date.

RECOMMENDATIONS

The Committee is asked to:

- a) confirm that no amendments are required to be made to the accounts in respect of the items set out in appendix B to the auditors report.
- b) note that the audited accounts must be published by 30th September 2010.
- c) note the IFRS project plan and the actions required to collect data in advance.**

REPORT DETAIL

1. Statement of Accounts 2009/10

Our auditors, PricewaterhouseCoopers have completed their audit of the Statement of Accounts and expect to issue an unqualified opinion. A formal report on their findings is included elsewhere on the agenda.

Following the conclusion of the audit, the opportunity has been taken to make a number presentational changes to the draft statements, however the financial results for the year ended 31 March 2010 remain unaltered from those approved by this Committee on 23rd June 2010.

A small number of errors have been identified by PWC in appendix B to their report. These items have not been amended on the grounds of immateriality, since they do affect the readers understanding of the accounts. Neither do these errors impact upon the level of useable reserves and balances.

2. IFRS Implementation

2.1 Background

As previously reported to this Committee, the accounts of Local Authorities are required to be prepared in accordance with International Financial Reporting Standards (IFRS) with effect from 2010/11.

The project plan for IFRS implementation has been split into three phases.

Phase 1- Restate the closing Balance Sheet as at 31 March 2009 on an IFRS basis.

Phase 2- Re-state the 2009/10 accounts on an IFRS basis for comparative purposes.

Phase 3- Produce the full 2010/11 accounts on an IFRS basis.

A timetable is attached which sets out the key tasks required (appendix A).

2.2. Progress to Date

Phase 1 of the project has been successfully completed (although the results remain subject to audit).

The completion of phase 2 originally targeted for the end of August, has been delayed as staff time has been redirected towards other priorities. A revised timetable has now been drafted which targets completion for the end of December. This delay is not expected to prejudice full IFRS implementation as long as the project continues to be given high priority status.

IMPLICATIONS AND RISKS

Financial Implications and Risks:

There are no material financial implications arising directly from the publication of accounts.

No direct financial implications have been identified from changes in accounting policy or practice required by the IFRS code. However, there are increased workload implications for staff across the authority, most notably those involved in finance and property valuation in order to deliver the project plan. Failure to deliver the plan successfully would increase the risk of audit qualification of the 2010/11 accounts

Legal Implications and risks:

Regulation 11 of the Accounts and Audit regulations require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30th September 2010.

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

Working papers for the statement of accounts

APPENDIX

SUMMARY IFRS TIMETABLE

Stage	Description	Lead Officer	Start Date	Target End date	Actual completion date
1.0	Identification and reclassification of leases	Mike Board/Mark White	05/08/2009	22/02/2010	22/02/2010
1.1	Asset valuation and disclosure	Mark White	05/08/2009	22/02/2010	22/02/2010
1.2	PPP - review of disclosure requirements	Nigel Foster	05/08/2009	01/12/2009	01/12/2009
1.3	Employee benefits accruals	Nigel Foster	05/08/2009	01/12/2009	01/12/2009
1.4	Identification of embedded leases, new PFI or other potential Balance sheet financing	On-Mike Board	01/09/2009	01/12/2009	31/12/2009
1.5	Balance sheet in IFRS format	Mike Board	16/12/2009	08/03/2010	09/03/2010
1.6	Progress report to Audit Committee	Mike Board	01/09/2009	02/03/2010	02/03/2010
1.7	Staff training and updates	Mike Board/ Owen Sparks	on-going	On going	On going
1.8	Review of accounting policies	Mike Board	05/08/2009	31/12/2009	08/01/2010
1.9	Initial review of systems implications	Mike Board	05/08/2009	31/12/2009	31/12/2009
Stage 1	Restate 1/4/09 Balance Sheet in IFRS format	Mike Board	05/08/2009	08/03/2010	09/03/2010
2.0	Produce skeleton format of accounts in IFRS format	Mike Board	01/01/2010	30/12/2010	
2.1	Restate accounting policies and related practices	Mike Board	01/01/2010	30/11/2010	
2.2	Asset accounting and capital accounting	Mark White	01/01/2010	30/11/2010	
2.3	Update Leasing schedules	Mike Board/Mark White	01/04/2010	30/09/2010	
2.4	PFI PPP and embedded leases-disclosures	Nigel Foster / Mike Board	01/04/2010	30/09/2010	
2.5	Employee benefits accruals	Nigel Foster	01/04/2010	30/09/2010	
2.6	Systems changes including "chart of accounts"	Mike Board/ Owen Sparks	30/06/2010	30/12/2010	
2.7	Staff Training	Mike Board/ Owen Sparks	on-going	on-going	
2.8	Progress reports to Audit Committee	Mike Board/ Owen Sparks	on-going	on-going	
2.9	WGA returns in IFRS format	Nigel Foster	01/04/2010	30/09/2010	
2.10	Completion of re-statement of Accounts in IFRS format	Mike Board	30/06/2010	30/12/2010	
Stage 2	Restate 2009/10 Accounts in IFRS format	Mike Board	01/04/2010	31/12/2010	
3.0	IFRS compliant systems reports produced	Mike Board/ Owen Sparks	01/01/2011	01/06/2011	
3.1	Asset valuation and capital accounting	Mark White	01/01/2011	30/05/2011	
3.2	Leasing Register updates	Mark White	28/02/2011	30/04/2011	
3.3	Accounting policies final review	Mike Board	01/01/2011	31/03/2011	
3.4	Staff Training	Mike Board/ Owen Sparks	on going	on going	
3.5	Progress reports to Audit Committee	Mike Board/ Owen Sparks	on going	on going	
3.6	Employee benefits accruals	Nigel Foster	01/04/2011	30/04/2011	
3.7	Embedded leases-disclosures	Nigel Foster	30/08/2010	30/04/2011	
3.8	Full closure programme 2010/11 - IFRS format	Mike Board	01/01/2011	30/06/2011	
Stage 3	Produce 2010/11 Accounts in IFRS format	Mike Board	01/04/2011	30/06/2011	

APPENDIX B & C

London Borough of Havering

Report to the Audit Committee on the 2009/10
audit

September 2010

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2009/10 audit of London Borough of Havering under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from the Chief Executive of London Borough of Havering. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this report

This report summarises the results of our 2009/10 audit. It sets out:

- matters arising from our audit of the financial statements including the pension fund accounts which we are required to report to you under the Audit Commission's Code of Audit Practice and International Standard on Auditing (UK & Ireland) 260 - "Communication of audit matters with those charged with governance";
- the results of our work under the Code of Audit Practice, to support the Value for Money conclusion;
- changes to the audit plan presented to you on 2 March 2010; and
- an update on audit fees.

We issued our audit plan for 2009/10 during and presented it to the Members on 2 March 2010. Other than the curtailment of CAA Use of Resources work in May 2010, the plans have not changed in any significant respect.

We have set out below the most important issues and recommendations that we have discussed with you in the course of our work.

Financial Statements

We have substantially completed our audit, subject to the following outstanding matters:

- receipt of outstanding investment and legal confirmations
- final testing of the group consolidation and receipt of audited subsidiary financial statements
- final checks on the updated accounts
- completion procedures including subsequent events review
- approval of the accounts by the Audit Committee
- receipt of the signed letter of representation.

Subject to final clearance and any matters raised by the Committee, we anticipate issuing an unqualified audit opinion on the Council's accounts.

We would like to record our thanks to the officers of the Council who have assisted us in completing our audit work.

Financial statements

Status of our audit

We have completed the audit of the Authority's accounts in line with the Code of Audit Practice and International Standards on Auditing (UK & Ireland). Subject to the outstanding matters listed above, and receipt of the management representation letter, we anticipate issuing an unqualified audit opinion on the financial statements.

Accounting Issues

We are required to report to you all unadjusted misstatements, which we have identified during the course of our audit, other than those of a clearly trivial nature. We regard misstatements less than £100,000 as clearly trivial. We have identified three such items which management have not adjusted. These are set out in Appendix B to this report.

We also bring to your attention the significant misstatements set out in Appendix B to this report, which have been corrected by management. We consider you should be aware of these in fulfilling your governance responsibilities.

Accounting Practices

We are also required to report to you our view on qualitative aspects of the Authority's accounting practices and financial reporting. We did not identify any significant issues in our review of the financial statements, however, as in the previous year, we did identify a number of issues which relate specifically to capital accounting at the Authority. Capital accounting will be subject to significant change on implementation of IFRS and as such it is key that these issues are considered to ensure that appropriate accounting treatment is carried out going forward. We have detailed the accounting practices that we believe could be improved, and our recommendations in Appendix D.

These issues do not materially affect the understanding of the financial statements or present significant risks to Authority's underlying financial position. The Authority should review the potential impact, risk and value for money implications of each element and identify appropriate responses.

Systems of internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. We did not identify any material weaknesses in these systems.

We did identify two control weaknesses which we reported to you on in the prior year which have not been addressed during the year. As such, we continue to make recommendations on these points. We also identified one further control weakness from our pension fund testing. Please see Appendix E for details.

Other matters

Homes in Havering

It has been brought to our attention that the Homes in Havering financial statements are expected to receive a qualified opinion. We are currently in communication with their auditors to determine the rationale behind this audit opinion, and we will consider the impact that this may have on the Authority's statement of accounts.

Pension fund annual report and completion of the 2009/10 audit

Although the pension fund accounts are included in the Authority's statement of accounts, we also provide a separate audit opinion on the financial statements and the related information which is included in the pension fund annual report. We understand that the annual report will be presented for approval to the Pensions Committee at their meeting on 23 November 2010. Subject to final completion procedures and our subsequent events review, we would then issue our audit opinion on the pension fund annual report and our completion certificate at this stage.

Completion of the 2008/09 audit

In our report dated 30 September 2009, we explained that the audit could not be formally concluded on that date as we had not completed our audit of the financial statements of the pension fund included in the Pension Fund Annual Report. Subsequently, we issued our opinion on the financial statements of the pension fund included in the Pension Fund Annual Report on 30 November 2009. However, in the interim, we received and accepted an objection in relation to the Authority's financial statements for the year ended 31 March 2009, which we were required to consider before completing our audit. The matters raised in the objection, which related to leaseholder service charges have now been dealt with and we have issued a separate report to the Group Director of Finance and Commerce on the issues arising.

We have made a number of recommendations designed to improve the governance and control over the operation of one the service contracts and some more general recommendations on leaseholder service charges. We believe that it is important that the Council considers these issues and addresses them as soon as possible. We intend to review the actions taken by the Council in November 2010 to determine what actions have been implemented and identify any outstanding actions. We will then determine whether there is any need for any further action by us, which could include a report in the public interest or formal recommendations to the Council if we conclude that appropriate and timely action has not been taken by the Council.

As a result in the delay in issuing our completion certificate we have carried out additional procedures and no matters have come to our attention since the date of our 30 September 2009 report that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion. We therefore issued our certificate concluding the audit of the 2008/09 accounts on 25 August 2010.

Value for Money in the Use of Resources

Work performed

We have performed work to conclude on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources. Our work to support our Value for Money conclusion comprised the following elements:

- Work performed on the criteria specified by the Audit Commission as underpinning the Value for Money conclusion. This included the work performed on the Use of Resources assessment work undertaken to the end of May 2010.
- Review of the Annual Governance Statement.

Following the government announcement that comprehensive area assessment (CAA) is to be abolished, all work on Use of Resources for CAA ceased at the end of May. Therefore we cannot report Use of Resources scores, as this work was not completed. However, we had completed the majority of the work on the assessment prior to May and we summarise the main issues arising on the work we had undertaken to the point work ceased. The work undertaken has also informed our Value for Money conclusion.

In overall terms our view was that the Council was making good progress in implementing the recommendations arising from the previous year's Use of Resources exercise against the three themes assessed under the Use of Resources Framework. 'Managing Finances' remained an area of good performance for the Council, and although the audit of the annual accounts has progressed well this year, the Council's arrangements for accounting for fixed assets and capital finance require further development to help reduce the costs of the audit and ensure compliance with the SORP.

We noted a number of developments in 'Governing the Business' including progress on developing the performance reporting and information systems to align financial and operational information and enhancing the Member training and development arrangements.

On the third theme of 'Managing Resources' we undertook more detailed work on aspects of workforce planning, organisation and development for the first time. The arrangements were assessed as good and in line with many of the other London boroughs for which we are appointed auditors. In particular, the Council's strategic approach to attracting younger people into its workforce, through use of social networking sites, partnerships with the local colleges, developing a work exchange programme and employing a range of apprentices was seen as good practice and has helped the Council to recruit a higher number of younger employees.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement which is consistent with guidance on: 'Delivering Good Governance in Local Government'. We reviewed the Statement to consider whether it complied with the guidance and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Value for Money Conclusion

Under the Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. The conclusion is based on the adequacy of the Authority's arrangements to meet criteria issued by the Audit Commission. The criteria for the Value for Money conclusion are listed in Appendix C.

Based on the work we have carried out we intend to issue an unqualified value for money conclusion.

Current and future developments

We provide regular accounting and technical updates for the Authority through annual training events and our periodic accounting publication for local government 'Authority on Accounting'.

International Financial Reporting Standards (IFRS) implementation for 2010/11 accounts

The adoption of International Financial Reporting Standards (IFRS) represents a significant change in financial reporting in the UK public sector. The process has already started for local authorities, as this year's SORP adopted the new accounting arrangements for PFI and service concessions, while previous SORPs have adopted IFRS style accounting for financial instruments.

The IFRS-based Code of Practice on Local Authority Accounting (the IFRS-based Code), will complete the transition process and applies to local authority accounts from 1 April 2010. As well as preparing the 2010/11 accounts under the IFRS-based Code, authorities must restate their balance sheet at the point at which the Code is adopted (1 April 2009), and present restated comparatives for 2009/10.

The format of the financial statement will change, with the Income and Expenditure Account and Statement of Total Recognised Gains and Losses being combined to form a new Comprehensive Income and Expenditure Statement. In addition, the Statement of Movement on the General Fund Balance will be replaced by the new Movement in Reserves Statement.

As well as these changes to the format of statements, there will be significantly increased levels of disclosure in the notes to the account and certain items may be brought onto the balance sheet for the first time.

The Authority faces some specific challenges. Although the finance department is working to an overall plan and timetable for implementation of IFRS, there has been limited progress over the summer due to other priorities. We have discussed this with management and understand that this will be addressed once the 2009/10 financial statements audit is complete and the remaining CIPFA guidance has been issued. However, given the limited timescale, there is a risk that the Council will fail to prepare adequately, which increases the risk of material misstatements in the 2010/11 financial statements.

In addition, as reported in Appendix D, the Authority currently maintains its fixed asset register at high level detail on an acquired IT software system. Under IFRS, local authorities will be required to record the value of component parts of assets and depreciate them according to the economic life of the component. The fixed asset register will be required to be held at more detail, which could potentially require a detailed listing of each asset held by the Authority. Management has confirmed that the current software system would be able to deal with this level of detail if it is deemed necessary.

The Authority should not under estimate the challenge of implementing IFRS, especially given the pressures of organisational and financial restructuring that it is planned over the coming year. The Authority will want to ensure that the transition is as efficient as possible and we have encouraged timely and planned consultation with us to assist the Authority with the transition.

We recommend that the Audit Committee should continue to monitor progress on the implementation of IFRS at each of its committee meetings over the next 12 months.

Audit plans and fee update

Audit Plan

We issued our Audit Plan for 2009/10 and presented it to Members on 2 March 2010.

Other than curtailment of CAA Use of Resources work in May 2010, the plans have not been changed in any significant respect.

Audit fees update for 2009/10

We reported our audit fee proposals in the fee letter issued in June 2009 and included this in our Audit Plans. Our actual fees were in line with our proposals.

We have also charged additional audit fees in respect of dealing with an objection to the 2008/09 accounts in line with guidance issued by the Audit Commission. The objection was concluded in August 2010 and the additional fees amounted to £81,215.

In addition, we performed work which fell outside of the Code of Audit Practice relating to an IFRS workshop our fee for this work was £6,000. We considered and concluded that the provision of this workshop does not impair our independence and the objectivity of our audit engagement.

Appendix A: Audit reports issued in relation to the 2009/10 audit year

The following audit reports have already been issued in relation to the 2009/10 audit year:

- 2009/10 Audit and Inspection Plan
- 2009/10 Pension Fund Audit Plan

In addition to these reports we expect to issue the following reports relating to 2009/10:

- Auditor's opinion on the 2009/10 Statement of Accounts;
- Auditor's opinion on the 2009/10 Pension Fund Annual Report;
- Report on the results of our Grant Claims Certification work; and
- Annual Audit Letter.

Appendix B: Summary of unadjusted misstatements and material adjusted misstatements

We have identified the following errors during our audit of the financial statements that have not been adjusted by management. The Audit Committee are requested formally to consider the listed unadjusted errors and the views of officers on whether the accounts should be amended. If the errors are not adjusted we will seek a written representation explaining the Authority's reasons for not making the adjustments.

Summary of unadjusted errors

The table below summarises the impact of the errors on the financial statements. Further details on each point are included in the following paragraphs.

Unadjusted Misstatement	Income and Expenditure Account		Balance Sheet	
	Dr	Cr	Dr	Cr
Understatement of depreciation	Depreciation £122k			Fixed Assets £122k
Personal Land Search Fees	Expenditure £204k			Provisions £204k
Asset under construction		Impairment £616k	Assets under construction £657k	Fixed Assets £41k
Net effect	£326k	£616k	£657k	£367k

Understatement of depreciation

We identified that one asset has been incorrectly recorded on the Fixed Asset Register with a useful economic life (UEL) of 23 years. This should have been 5 years and as such depreciation was understated by £122k. We performed additional audit procedures, and did not identify any further assets within our sample which had been allocated an incorrect UEL. Management does not intend to not make this adjustment to the 2009/10 financial statements, but have updated the UEL of the asset going forward.

Personal land search fees

Under recent guidance issued in August 2010 in respect of the Environmental Information Regulations 2004, it has been decided that local authorities do not have the power to charge fees for 'personal' local land register searches and the authorities are liable to repay fees they have already been collected since 2005. As such, the Authority has estimated the maximum potential liability at £204,000. In our view, this amount should be recognised as a provision in the 2009/10 financial statements.

Management has considered the implications of the decision and is of the view that any refund must be made to the ultimate instructor of the search rather than any third party acting on their behalf. As such it is not possible to identify all potential claimants at this stage. At present, the Council has received a minimal number of claims for repayment despite the level of general publicity surrounding the matter. Management does not intend to adjust the 2009/10 accounts for this issue as it believes that a significant level of uncertainty remains over the level of any final settlement.

Asset under construction

Our audit procedures identified one asset which was non-operational as at the 31 March 2010 whilst it was undergoing refurbishment. The Betty Whiting Centre building is currently held on the Fixed Asset Register at a net book value of £41k and incurred capital expenditure of £616k in the year, which was written off to revenue as an impairment expense. In our view this expenditure should have been charged to assets under construction whilst it was out of operation and a valuation of the asset should be carried out when the refurbishment is completed and the asset is brought back into operation.

We also identified the following significant misstatements during our audit which management have corrected, but which we consider should be communicated to you to assist you in fulfilling your governance responsibilities. The table below summarises the impact of the errors on the financial statements. Further details on each point are included in the following paragraphs.

Adjusted Misstatement	Consolidated Revenue Account	Statement of Movement on HRA balance	Balance Sheet	
	Dr	Cr	Dr	Cr
Surplus assets	Gain on disposal £2,450k	HRA Balance £2,450k	Fixed Asset £3,100k	Revaluation Reserve £3,100k
Revaluation gain			Fixed Asset £1,114k	Revaluation Reserve £1,114k
Net effect	£2,450k	£2,450k	£4,214k	£4,214k

Surplus assets

We identified that two surplus assets had not been revalued and therefore valued at £nil value in the financial statements which overstated the profit on disposal. In addition a further asset identified as being surplus had also not been revalued for the statement of accounts purposes and was also therefore valued at £nil value in the financial statements. All instances have consequentially been adjusted for. For further details refer to Appendix D 'Identification of surplus assets.'

Revaluation gain

During our audit testing we identified two assets whereby an incorrect Net Book Value had been used in the calculation of the revaluation gain. This led to the revaluation gain being incorrectly calculated and understated. These have been subsequently adjusted for.

Appendix C: Value for Money conclusion criteria

The Audit Commission publishes Code of Practice criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources. The criteria are linked to Key Lines of Enquiry (KLoEs). The Commission specifies which KLoEs will form the 'relevant criteria' for the VFM conclusion for each type of body each year. The table below shows the KLoEs specified for the conclusion in 2009/10 and 2008/09.

Managing Finances

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	✓	✓
1.2	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	✓	✓
1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	✓	✓

Governing the Business

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	✓	✓
2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	✓	✓
2.3	Does the organisation promote and demonstrate the principles and values of good governance?	✓	✓
2.4	Does the organisation manage its risks and maintain a sound system of internal control?	✓	✓

Managing Resources

Key Lines of Enquiry		Specified in 2009/10	Specified in 2008/09
3.1	Is the organisation making effective use of natural resources?	7	✓
3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	✓	✓
3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	✓	7

Appendix D: Capital accounting recommendations

Capital Accounting

As in the previous year, we identified a number of issues which specifically relate to capital accounting at the Authority. We note that capital accounting will be subject to significant change on implementation of IFRS and as such it is key that these issues are considered to ensure that appropriate accounting treatment is carried out going forward.

The Authority currently maintains its fixed asset register on a property database. Unlike other asset classes, council dwellings are currently grouped together on the asset register as a single asset class. Under IFRS it is expected that these assets will need to be recorded on the fixed asset register at more detailed level rather than as a broad grouping of assets. This would allow expenditure to be allocated to Council dwellings at a more detailed level and the depreciation of components to be easily calculated. Listed below are the significant issues we identified with capital accounting:

Assets under construction

In the previous year we reported that assets under construction were not being appropriately identified and accounted for in the statement of accounts, see section from our previous year's management letter:

“At any point in time the Authority has a range of capital projects in operation. As a result, at year end there may be some projects which are incomplete and need to be classified as ‘fixed assets under construction’. The term can include assets which are complete but not yet operational (e.g. construction has been completed but possession has not yet been passed over by the architect or project manager) as well as items that are not complete. It is usual for assets under construction to be recognised at cost but treated as non-operational, until they are brought into use. Such assets should not be depreciated until they are complete and brought into operational use, at which point they should also be revalued.”

In light of our recommendation the Authority requested the property valuation team to provide confirmation of any capital expenditure or capital projects which they would consider to be assets which are under construction to enable the Authority to correctly identify and account for these assets.

However, it was identified that the valuers did not have sufficient understanding to be able to identify what assets would constitute an asset under construction in line with accounting standards. Therefore, the information they provided was not always helpful to confirm that the asset met the criteria which would indicate that the asset was under construction. We would recommend that the valuers are provided with a high level understanding of accounting standards to allow them to provide accurate information to the capital accounting team.

From our review of capital programmes we identified £657k of capital expenditure on a project which was not operational as at 31 March 2010 which, in our view, should have been treated as an asset under construction at the year end. This was not adjusted for by management, and has been included in our summary of unadjusted differences in Appendix B.

Impairment of enhancement expenditure

Following discussions last year management involved the property valuation team and implemented procedures to gain confirmation from qualified valuers as to whether enhancement expenditure did or did not add value to the existing assets. However, our review of the responses that management received from the valuers identified the following issues:

- We identified £2,868k of capital expenditure on other land and buildings whereby the valuers were unable to determine whether this did or did not add value due to a lack of information as to which specific assets this expenditure related to. Going forward we would anticipate that the valuers are provided with detailed information on an asset by asset basis of what capital expenditure relates to which would allow the valuer to determine whether the expenditure did add value to a specific asset. Under IFRS there would be an

- We identified that the valuers in determining whether enhancement works added value were simply asked for a 'yes' or 'no' response. We identified one instance totalling £882k whereby the valuers had indicated that the enhancement work did add value to the asset, but whereby the Authority had decided to fully impair this expenditure. It was determined that this was because the valuers had not specified how much value this capital expenditure had added to the asset. We would recommend that going forward confirmation is sought from the valuers over the actual value the capital expenditure adds to assets to allow the capital accountants to accurately calculate the required impairment on enhancement works. We have not included this adjustment in our list of unadjusted differences as the total added value could not be provided by the property valuation team.

Impairment of council dwellings

In line with SORP guidance, capital dwellings are valued as at 1 April 2009 using the beacon property valuation method. In the year, any capital expenditure on council dwellings is subsequently fully impaired as a valuation is not obtained to confirm whether the capital expenditure does or does not add value to an asset. A total of £14,164k of capital expenditure to dwellings has been fully impaired in the year. The affected assets are subject to a formal valuation in the following financial year as part of the annual revaluation cycle for council dwellings. It has also been noted that the fixed asset register does not hold information at a sufficiently detailed level to determine which assets have been affected by revaluation adjustments.

Under IFRS we would anticipate that the Fixed Asset Register is maintained at a more detailed level and that capital expenditure will be allocated to individual assets or groups of assets as appropriate. We would expect this level of detail to be provided to the property valuation team to allow them to make a judgement on whether the capital spend does or does not add value to council dwellings in the year that the expenditure takes place..

Identification of surplus council dwellings

During our substantive audit testing we identified that when council dwellings are identified as surplus, and subject to sale, these assets are correctly classified as non-operational fixed assets. However, we identified two instances where assets were not re-valued at the point of reclassification. This resulted in large gains on disposal of fixed assets during the financial year when these assets are subsequently sold.

As part of our review of these assets we identified two adjustments which reduced the gain on disposal of fixed assets by £2.45m. In addition, we identified a surplus asset which had been valued in January 2009 at £3.1m, this asset had not been sold by 31 March 2010, but was being held in the balance sheet at £nil value. This asset has subsequently been adjusted for in the financial statements to represent its value at the year end. See Appendix B for a summary of our adjusted differences.

We recommend that, when surplus assets are identified, these are revalued by the appointed valuer and that the capital accountant is notified of the revision by the Property Services team to ensure that the asset is correctly valued at its net realisable value on the asset register under non-operational land and buildings.

Appendix E: Internal control points

Shared Service Agreement for business rates (NNDR)

As reported in the prior year, the Authority's NNDR service is provided as part of a shared service arrangement with the London Borough of Barking and Dagenham. At present, although Management does review the outputs from the system to assess whether they are in line with expected performance, the service level agreement does not provide management at the Authority with assurance over the operation of the systems and processes operated at Barking and Dagenham during the year. We understand that the internal audit function at the London Borough of Barking and Dagenham continues to review the system controls for this service; however, these reviews still do not include any Havering cases.

There is a risk that management does not obtain sufficient comfort over the operation of the NNDR system during the year and we continue to recommend that the SLA is reviewed and amended to ensure that sufficient assurance over the operation of the system for Havering transactions is obtained.

Journal Authorisation

As part of our substantive testing we are required to obtain assurance over material journals. In the previous year we identified that there are no formal controls in place over the authorisation of journals, and staff are able to electronically process journals without requiring authorisation. Management explained that there are alternative controls in place including retrospective authorisation of journals, and analytical review over budget codes by each budget owner which would identify any journals which had been incorrectly posted.

This year our testing focussed on verifying that these controls are in place, and we are pleased to report that for our selected sample of journals, that all budget holders did confirm that they had authorised these journals either at a later stage, or were comfortable that these journals had been correctly coded to their budgets. However, this testing was time consuming to complete, and it is considered that by having a system which records the authorisation of journals will help to prevent the risk of journals being entered on to the system incorrectly, and will prevent the risk of management override of controls, which could lead to fraud or error.

Pension Fund audit – Reports on internal controls of fund managers

We reviewed whether the Council had obtained the SAS 70 reports which summarise the controls and procedures in place at their alternative investment service provider, in the determination of unit values.

We found that the Council had received a number of the internal control reports; they did not however have all of the reports at the time of our audit.

The Council should request all internal controls reports from all providers and review the Fund Managers' internal controls reports to ensure that there are no exceptions within the control environment which would put the Council's monies at risk. We noted ourselves that the AAF report for Royal London Asset Management contained an emphasis of matter within the auditor's opinion. We assessed the exception and found that it did not impact our audit however we would have expected the Council to have reached this assessment themselves.

The internal controls reports are audited every year by appointed auditors, consequently the Council should review the reports on the annual basis to ensure that there have not been any deficiencies noted in the controls.

In addition when the Council tender for a new Fund Manager they should ensure that the internal controls report is reviewed as part of the tender process.

The Council should review the fund managers who produce neither audited financial statements nor internal control reports to ensure that they are satisfied that they have enough assurance of their internal control environment at the Fund Manager.

Appendix F: Summary of recommendations contained in this letter

Page	Recommendation	Management Response	Target Implementation Date
7	<p>IFRS implementation</p> <p>The Authority has a project plan in place for the transition to IFRS. Since the plan was developed the Authority has embarked on an ambitious transformation programme which may impact upon the Authority's ability to deliver the IFRS plan. Audit Committee should continue to monitor progress on the implementation of IFRS at each of its committee meetings over the next 12 months.</p>	<p>The Authority recognises the risks associated with delivering a number of projects over the same timescale. It recognises that resources must be earmarked for the completion of the project.</p> <p>Phase 2 of the IFRS plan has been delayed until the conclusion of the audit and is planned to be completed by the end of December 2010. We do not believe that this delay will prejudice IFRS implementation.</p>	October 2010
14	<p>Assets under construction</p> <p>We would recommend that the capital accounting team and the property valuation team have a high level briefing of what assets would meet the criteria for disclosure as an asset under construction. This would allow the property value team to provide more useful information for the purpose of capital accounting.</p>	<p>A meeting has been planned during September to include both internal and external valuers. Further advice will be given on the accounting requirements for assets under Construction.</p> <p>We also believe that it would be beneficial to involve the external Auditor in our discussions.</p>	September 2010
14	<p>Enhancement expenditure</p> <p>We recommend that management and capital project managers provide the property valuation team with sufficient information to enable them to make clear judgements on the value that capital expenditure adds to individual assets. This will allow assets to be accurately valued as at the year end.</p>	<p>We will identify the valuers requirements during our series of September meetings.</p> <p>This requirement will almost certainly increase the levels of information to be provided by capital project managers in relation to in-year capital spend. We also believe that it would be beneficial to involve the external Auditor in our discussions.</p>	September 2010
14	<p>Fixed Asset Register</p> <p>The Authority should consider whether the current level of detail held on the fixed asset register is sufficient for the purpose of capital accounting under IFRS.</p>	<p>The Asset Register is capable of handling the increased levels of information required under IFRS.</p> <p>We will discuss the implications of collecting and maintaining this data with our property services staff. The matter is included in the IFRS project plan.</p>	November 2010

Page	Recommendation	Management Response	Target Implementation Date
15	<p>Surplus assets</p> <p>There should be controls in place between the capital accounting and property valuation team which ensures that when surplus assets are identified that a valuation is performed as at that date to ensure the asset is valued at its net realisable value.</p>	<p>A meeting has been planned during September between property services and Finance staff with view to making improvements in the process.</p>	September 2010
16	<p>NNDR internal audit review</p> <p>The NNDR SLA should be reviewed and amended to ensure that internal audit are able to gain sufficient assurance over the controls in place at the London Borough of Barking and Dagenham for the Havering data that is managed by LBBB.</p> <p>There should be a requirement that this is either performed as part of the LBBB internal audit review, or that the Havering internal audit team are given the appropriate levels of access to be able to gain the assurance that is required.</p>	<p>This recommendation is accepted. The matter has been discussed at Governance Board and LBBB have agreed that any future audits will include a specific review of the Havering data when reviewing the processes and procedures of the Business rates service. The SLA will be amended accordingly</p>	December 2010
16	<p>Journals authorisation</p> <p>We recommend that management consider implementing a system which records authorisation of journals when it updates its general ledger software at the end of this financial year.</p>	<p>There is an existing system of journal authorisation which we believe provides affective control over the input of journals. Testing by the external auditor revealed no material breaches of controls. Additional controls such as budget monitoring and analytical review provide for further scrutiny of journal processing. The payment of invoices or Bank transfers is subject to separate extensive authorisation and controls.</p>	February 2011
16	<p>Fund manager internal control reports</p> <p>The Authority should ensure that all internal control reports are requested from fund managers as part of its investment procedures. Management should review the opinions that have been provided by the auditors and assess whether the control environment is acceptable to meet the Authority's treasury management criteria.</p>	<p>Fund valuation is subject to independent validation by the Custodian. Performance monitoring is monitored independently by WM. ISA70 reports are normally requested as part of tender process. We will request these reports from existing managers in future as recommended by PwC.</p>	October 2010

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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9 August 2010

London Borough of Havering – objection to the 2008/09 accounts Action Plan

The Action Plan from our report is attached

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Observation	Recommendation	Priority	Management Response
<p>Basis of Charging</p> <p>In 2005/06 the Council changed the basis of charging. This coincided with the application of a separate service charge for aerial access to tenants for the first time. At this time, the Council calculated a weekly charge based on the costs incurred in providing this service. This charge has subsequently been increased each year by RPI +0.5% to match the policy for tenants. It has not been possible to confirm the validity of the original calculation of the 2005/06 service charge as the supporting records were not all retained, although it is clear that the amounts recovered from tenants and leaseholders annually are lower than the amounts paid to the provider.</p>	<p>We recommend that the Council reviews the calculation of the service charge to ensure that it remains appropriate and reflects the costs incurred in the provision of the service.</p>	<p>High</p>	<p>A review of service charge calculations will be completed by January 2011 and the recommendations applied from the 2011/12 onwards.</p>
<p>Higher annual charges for leaseholders</p> <p>We have identified that the Council charges tenants for 48 weeks, while leaseholders are charged for 52 weeks service. In our view the rationale for the decision and the basis of its application should have been documented at the point at which it was exercised.</p> <p>As the decision was not documented, we cannot identify whether there was an intention to charge a higher yearly charge to leaseholders. Our understanding from explanations provided from officers is that the intention was to apply the same basis of charge for tenants to leaseholders and therefore we would have expected that the charging process would ensure that charges to leaseholders are the same as those charged to tenants, unless a difference in service provision exists.</p>	<p>We recommend that the Council reviews the rationale for different annual charges to tenants and leaseholders</p>	<p>High</p>	<p>As part of the review of this service charge consistency between tenants and leaseholders will be addressed and a clear rationale set out.</p>



Observation	Recommendation	Priority	Management Response
<p>Errors in charging</p> <p>We have also noted that in both 2007/08 (actual service charges) and 2009/10 (estimate of service charges for the year) Mr M has not been charged for TV Aerial access. We understand from the Home Ownership Manager that this was as a result of error.</p>	<p>We recommend that a detailed review of the cause of these errors should be carried out including the extent to which such errors may have occurred in respect of other leaseholders' service charges to ensure that the correct charges are being applied to all leaseholders.</p>	<p>High</p>	<p>A review of these incidents and whether or not there a wider problem exists will be completed by January 2011. On completion, controls to prevent repetition of such errors will be put in place.</p>
<p>Documentation of use of delegated powers</p> <p>The Monitoring Officer has advised us that not all use of delegated authority is formally documented within the Council and is not required by the Council's constitution, stating "This is not necessarily unusual in that staff with delegations do record decisions occasionally on a Form C or Form D if they are considered important and put them on file. Other decisions rest purely on the action taken i.e. the fact that the leaseholders here were notified by Housing of the action to be taken." We have confirmed that the Council included details of the estimated charges on leaseholder service charge estimates and final bills each year following the decision and therefore have accepted the Monitoring Officer's view that the decision to make a weekly charge to leaseholders at the same level that applied to tenants was taken by the Head of Housing in 2005 under proper delegated authority in line with the Council's constitution.</p>	<p>We recommend that the Council formally documents all future changes to leaseholder charging arrangements of this nature before implementation.</p>	<p>Medium</p>	<p>This approach has been adopted.</p>



Observation	Recommendation	Priority	Management Response
<p>Signed copy of the original contract</p> <p>The Council entered into its contract with the provider in 1992 and it was subsequently extended and amended in 1997 and 2001. We are aware that the Council has not been able to locate the original signed copy of the contract, which raises a risk that the Council may not have a copy of the finally agreed contract which could make any future negotiations more difficult.</p>	<p>We recommend that the Council continues to search for the signed contract and considers what impact the absence of a signed contract will have on its ability to renegotiate or terminate the contract.</p>	<p>High</p>	<p>This is being actioned. Counsel's opinion has been taken regarding options in the absence of a signed contract.</p>
<p>Numbers of access points</p> <p>Our review of the information provided by the Council in relation to payments to the provider under the contract for 2008/09 highlighted discrepancies between the numbers of access points billed to the Council by Surtees and the number of tenants and leaseholders charged for services by the Council. We have not as part of this investigation attempted to reconcile the two sets of numbers as it appears likely that the discrepancies arise from administrative errors in the contract monitoring arrangements put in place by the Council.</p>	<p>We recommend that the Council completes a full reconciliation of its records with those of the contractor.</p>	<p>High</p>	<p>This is being undertaken as part of the contract renegotiation with Surtees and will be completed by November 2010.</p>



Observation	Recommendation	Priority	Management Response
<p>Benchmarking costs</p> <p>The Council has not formally benchmarked the costs of its service relative to those raised by other local authorities. However, it has undertaken a high level review which suggests that the contract is comparatively high cost and may provide poor value for money.</p>	<p>We recommend that the Council conducts a review of the basis and cost of the contract and determine whether there is a basis to renegotiate the contract terms or to terminate the contract and re-procure the services at more favourable rates.</p>	<p>High</p>	<p>The Council has a Cabelcom/Surtees Contract Review Group in place and the contract has been reviewed, including obtaining counsel's opinion. As a result, the Council is considering how best to gain value for money for these works through contract renegotiation and/or retendering. An agreed way forward will be in place by November 2010.</p>



Observation	Recommendation	Priority	Management Response
<p>Wider contract review</p> <p>In our round table meeting in June to review the issues raised by Mr M, we discussed what actions the Council had taken to ensure that there are no similar contracts in operation within the Council. The response provided to us from the Director of Community Services on 12th July outlined the steps the Council has taken to satisfy itself on this matter.</p> <p>We consider that, given the extent of the issues identified with the contract with Surtees, the action taken to date is insufficiently thorough to conclude on the risk of similar issues existing in other contracts for service charges.</p>	<p>We recommend that the Council should conduct a risk assessment across its service contracts to identify any contracts which meet an agreed set of criteria. Examples of the type of criteria that could be taken into account would be:</p> <ul style="list-style-type: none"> • Contracts that are more than 3 years old • Contracts with a contract life of more than 10 years • Contracts where the contractor is paid based on management information produced by them • More than £0.5m per annum expenditure • Informal contract management arrangements in place • Contracts covering more than one service area <p>It should also review the contract management arrangements in place for selected contracts to ensure that they are fit for purpose and implement action plan for improvement, where existing arrangements are not fit for purpose.</p>	<p>High</p>	<p>An initial review of housing-related contracts indicated that there are no others with the issues associated with the Cablecom/Surtees contract. In addition, these contracts have been reviewed by Deloitte’s and Housing Inspectors.</p> <p>Added to this, a Council/Homes in Havering project is underway to review all service charges to tenants and leaseholders. The first five services, prioritised because of relatively high apparent discrepancies between service costs and charges and/or residents’ repeated dissatisfaction, will be reviewed in time for amendment, if necessary, in April 2011.</p> <p>A risk assessment of remaining significant contracts, albeit without leaseholder charging, held by the Council is currently being considered</p>



AUDIT COMMITTEE

REPORT

23 September 2010

Subject Heading:

**REVIEW OF SCHOOLS INTERNAL
AUDIT: 2009/10**

Report Author and contact details:

David Allen – Strategic Finance Manager
ext 3851

Policy context:

To present a summary of the findings from
the internal audit of schools during
academic year 2009/10.

Financial summary:

N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input checked="" type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

SUMMARY

To report to the Committee on the findings from internal audits carried out in Havering's schools during academic year 2009/10. 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 in place since 2004/05. Under these arrangements schools are audited every three years 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.

Audit Committee, 23 September 2010

79 of the 80 Havering schools received an internal audit during the academic year. One school postponed its audit due to unavoidable pressures within the school. This school, however, was assessed for the Financial Management Standard in Schools during the year. Four schools had an initial visit undertaken in July 2010 and as there are some issues still outstanding they are not included in the figures below.

The table below summarises the audit opinion for the 75 schools reviewed this year and historical data.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
2009/10	0	63	12	0	75
2008/09	0	64	6	0	70
2007/08	0	72	1	0	73
2006/07	0	76	5	0	81

There were 12 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.

Audit testing takes into account the need to prepare schools for the requirement to comply with the Financial Management Standard in Schools and five schools who received Limited Assurance following the probity audit subsequently made sufficient improvements to meet the Standard when assessed later in the year. A further three schools who were assigned Limited Assurance are due to be assessed for the Financial Management Standard by the end of the 2010/11 financial year. A course of follow up action has been planned for the remaining four schools.

No school was considered to have weaknesses that would result in "No Assurance".

Summary of recommendations

	No of recommendations	Average per school	Max no per school	Priority 1 recommendations
2009/10	611	8	16	120(19%)
2008/09	554	8	24	105 (19%)
2007/08	568	7	19	121 (21%)
2006/07	667	8	16	187 (28%)

Appendix 2 gives examples of some of the findings resulting in priority 1 recommendations.

Appendix 3 shows the progress in implementing recommendations from the previous year.

Audit Committee will continue to receive an annual report on matters arising from the audit of schools.

3 Financial Management Standard in Schools

In conjunction with the Institute of Public Finance (IPF), the DFE 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

Audit Committee, 23 September 2010

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 academic year 2009/10 18 secondary schools and 15 primary schools were assessed as part of the Financial Management Standard in Schools. All schools assessed met the standard.

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 2009/10.

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

IMPLICATIONS AND RISKS

Financial implications and risks:

Costs:

	£
Annual cost of the Triennial Audit	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.

Legal implications and risks: None arising directly from this report.

Human Resources implications and risks: None arising directly from this report.

Equalities implications and risks: None arising directly from this report. .

BACKGROUND PAPERS

School Internal Audit reports

APPENDIX 1
AUDIT FINDINGS

1. Submission of Reports

79 of the 80 Havering schools received an internal audit during the academic year. One secondary school postponed their audit due to unavoidable pressure. However, this school was assessed for the Financial Management Standard in Schools in 2009-2010.

Four schools had an initial visit undertaken in July 2010. As there is some audit work outstanding they are not included in the figures below.

2. Audit Opinion and Level of Assurance Given

The table below summarises the audit opinion passed for the 75 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
Number of Schools	0	63	12	0	75

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	90	20	10	120	6
Priority 2	337	84	19	440	11
Priority 3	32	18	1	51	4
Total Recommendations	459	122	30	611	
Average Recommendations per school	8	7	10		

Area of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Organisation & Accountability	92	26	10	128	5
Compliance with previous audit	94	28	3	125	7
Budgeting	42	7	1	50	4
Purchasing	59	19	1	79	3
Personnel	34	15	5	54	3
Income	59	11	4	74	4
Banking / Petty Cash	20	1	2	23	2
Others (inventory)	59	15	4	78	3
Totals	459	122	30	611	

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. Meetings not quorate.</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>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>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>Asset Register not presented to governors</p> <p>School Fund account not independently audited</p>	<p>Risk of poor governance in the school which may result in misappropriation of school funds and assets</p>

<p>Budgeting</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>Lack of daily income register & audit trail</p> <p>Invoices raised not authorised and no debtors control.</p>	<p>Risk of loss of income if charging policy is not up to date. Risk of missing potential profits 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 and Petty Cash</p> <p>Bank mandate not up to date</p>	<p>Risk that payments may be authorised by</p>

Audit Committee, 23 September 2010

<p>Payments not signed as paid or not signed by recipient</p> <p>Reconciliation of Petty Cash not carried out regularly</p>	<p>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>Other</p> <p>Lack of Gift & Hospitality Register</p> <p>Not investing surplus funds</p>	<p>Risk that staff could be accused of being influenced by supplier</p> <p>School not maximising interest receivable</p>

EXAMPLES OF HIGH PRIORITY RECOMMENDATIONS AND FINDINGS

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

The following collection of priority one recommendations were of sufficient concern for two schools to be given Limited Assurance

<p>School A (Secondary)</p> <p>Annual budget agreed late by full Governing Body. Finance Policy not ratified by full Governing Body. Lack of evidence to support regular review of budget. Inventory records insufficient. Lack of retention of quotes.</p>
<p>School B (Primary)</p> <p>Lack of compliance with previous audit recommendations. Finance Policy not ratified by the full Governing Body. Pay Policy not up to date.</p>

The following sets of priority one recommendations were of concern but when viewed with progress made on other issues the schools were given Substantial Assurance.

<p>School C</p> <p>No evidence of regular budget monitoring throughout year. Lack of consistency in security marked of assets.</p>
<p>School D</p> <p>Lack of independent review of School Fund Account. Audit of private school fund not carried out/or not in timely manner.</p>
<p>School E</p> <p>Lack of up-to-date Pay Policy. No evidence of performance management of Head Teacher within minutes of the Governing Body. Lack of asset control for non IT equipment.</p>
<p>School F</p> <p>Committee minutes not signed. Terms and Reference of all Committees not reviewed. Asset Register incomplete.</p>

PROGRESS MADE IN IMPLEMENTING RECOMMENDATIONS

The table below shows the progress made by schools during 2009-2010 on the previous year's audit recommendations. This was measured when schools were revisited during 2009.

83% of the recommendations made had been either fully or partly implemented. This is in line with the previous year's 83%.

Secondary schools fully implemented 80% of the recommendations (56% in the previous year), primary 57% (60%) and special 61% (70%).

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 (subsequently covered by FMSiS)

Inventory records presented to the school governors

Asset Management Plan not up to date

Budget setting/ Budget recovery approval by the full governing body

Minute approval of the Head teacher's remuneration

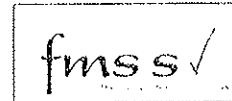
Finance Committee meetings not held before end of term

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.

Priority:	Recommendations made				Fully implemented					Partly implemented				
	1	2	3	Total	1	2	3	Total	%	1	2	3	Total	%
Primary Schools	82	276	12	370	55	145	10	210	57	14	67	1	82	22
Secondary Schools	54	118	10	182	45	93	8	146	80	7	16	1	24	13
Special Schools	1	30	7	38	1	17	5	23	61	0	7	1	82	21
All Schools	137	424	29	590	101	255	23	379	64	21	90	3	114	19



**Department for Children, Schools and Families
Financial Management Standard in Schools (FMSiS)
FMSiS CFO Assurance Statement 2009-2010**

LA Name: London Borough of Havering
LA Number: 311

Name of CFO: Andrew Blake-Herbert

The position as at 31 March 2010 was as follows:

	Secondary	Primary	Special
1. Total number of schools in LA	18	59	3
2. Number of schools considered to be meeting the Standard through external assessment, believed to be still valid	18	59	3
3. Number of schools considered to be meeting the Standard, without external assessment	0	0	0
4. Number of schools not meeting the Standard ¹	0	0	0
5. Reasons why schools have not met the Standard:			

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 FMSiS.

Signed.....

Date..... 30/6/10

This statement should be signed by the CFO and hard copy returned by 30 June 2010 to:

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

¹ The Department may approach Local Authorities to query the unsatisfactory percentages of schools not achieving FMSiS.