



Havering

L O N D O N B O R O U G H

AUDIT COMMITTEE AGENDA

7.30 pm	Monday 25 June 2012	Town Hall, Main Road, Romford
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Members 6: Quorum 3

COUNCILLORS:

**Conservative Group
(4)**

Georgina Galpin (Chairman)
Frederick Osborne (Vice-Chair)
Roger Ramsey
Frederick Thompson

**Residents' Group
(1)**

Clarence Barrett

**Labour Group
(1)**

Denis Breading

**For information about the meeting please contact:
James Goodwin 01708 432432
email: james.goodwin@havering.gov.uk**

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) – received.

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 (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 21 June 2011 and authorise the Chairman to sign them.

5 APPOINTEESHIP AND DEPUTYSHIP UPDATE

Report to follow.

6 OBJECTION TO ACCOUNTS/LAND VALUATION TRIBUNAL - UPDATE

An oral report will be given.

7 INTERNAL AUDIT PROGRESS REPORT (Pages 7 - 32)

Report attached.

8 FRAUD PROGRESS REPORT (Pages 33 - 42)

Report attached.

9 ANNUAL REPORT, INCLUDING HEAD OF INTERNAL AUDIT OPINION (Pages 43 - 58)

Report attached.

10 ANNUAL GOVERNANCE STATEMENT (Pages 59 - 74)

Report attached.

11 CLOSURE OF ACCOUNTS TIMETABLE (Pages 75 - 78)

Report attached.

12 EXTERNAL AUDIT UPDATE

An oral update will be given.

13 ANNUAL REVIEW OF FRAUD RISK AND CORRUPTION ARRANGEMENTS (Pages 79 - 94)

Report attached.

14 ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

Report to follow.

15 MEMBER TRAINING (Pages 95 - 98)

Report attached.

16 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.

17 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

18 ANNUAL TREASURY REPORT (Pages 99 - 110)

Report attached.

**Ian Buckmaster
Committee Administration &
Member Support Manager**

Public Document Pack Agenda Item 4

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

**Committee Room 2 - Town Hall
25 April 2012 (7.30 - 8.22 pm)**

Present:

COUNCILLORS:

Conservative Group	Georgina Galpin (in the Chair) Roger Ramsey, Frederick Thompson and Robby Misir (In place of Osman Dervish)
Residents' Group	Clarence Barrett
Labour Group	Denis Breading

Apologies were received for the absence of Councillor Dervish .

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

47 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 29 February were agreed as a correct record and signed by the Chairman.

48 JACOBS CONTRACT FOLLOW-UP

Officers advised the Committee that progress had been made in implementing the recommendations of the Internal Audit report. Back in 2009 the report had recommended the appointment of an Engagement Manager to carry out the monitoring of the contract. It had not proved possible to fill the post and the section is now being re-structures to include a small Business Support Team who would undertake this role.

With regard to the completion of the contracts the Committee were informed that both contracts commenced in June 2008 and they had been in an agreed form for three years. Unfortunately they had still not been signed. Officers advised that the Civil Engineering contract was with Jacob's for execution. Once this was complete the second contract for Architectural and Building Services would follow.

The final recommendation concerned governance and commissioning outside the contract. The Asset Management was responsible for monitoring capital expenditure. The audit report was recommending their remit be extended to include revenue. Following discussions with finance it had been agreed that this was not possible. A new protocol had now been agreed with Culture and Leisure.

The Committee noted the report and requested a report back once the contracts were signed off.

49 CLOSURE OF ACCOUNTS TIMETABLE 2011/12.

The Committee were advised that the Lead Officer had suffered an injury whilst on holiday and would not be returning to work until late May. He was now back in the United Kingdom and was working from home. As a result closedown was running one to two weeks behind schedule. However, there was a reasonable optimism that we could catch up. The Head of Finance and Procurement had taken a more proactive role during this period to drive matters forward.

There were regular meetings with the external auditors PricewaterhouseCoopers, and weekly meetings of officers to keep everyone focussed. Some lessons had been learnt and a few minor issues with the new Oracle system which had required a rethink.

The Committee asked what sanctions were likely if we failed to meet the deadline of 30 June. PWC advised that there was no formal sanction, the Audit Commission would name and shame and we may incur additional audit fees.

Officers informed the Committee that issues with the Schools finance system were being resolved.

The Committee noted the report and looked forward to a further update at the next meeting.

50 ORACLE AUDIT REPORT - FOLLOW-UP

As requested at the last meeting officers had submitted a report on progress with the follow up on the audit of the Oracle system. The Committee were advised that of the 24 Medium priority recommendations raised 19 had now been implemented. The assurance provided to management still remained at 'Limited' but by June 2012 could be 'Substantial' if the actions were completed as currently planned.

The Committee were provided with details of all actions taken and the work in progress to implement all the recommendations. Officers anticipated that all the recommendations should be fully implemented by 31 October 2012 at the latest.

The Committee noted the report.

51 **INTERNAL AUDIT PROGRESS REPORT**

The Committee were informed that in quarter 3 of 2011/12 5 system audits had been completed. Of these three had been given a 'Limited' assurance. Additionally, work had been completed on the systems and processes within the Internal Shared Service. It had not been possible to provide any assurance to management with regards to the key financial processes Payroll, Accounts Payable and Accounts Receivable. Control Working Groups had taken place in February and March to identify and recommend solutions regarding general control weaknesses and those specific to each system and the outputs were currently being considered by Management. An update would be provided in June.

The Committee expressed some concern regarding the outcome of the system audit of the Education Computer Centre. Officers were able to give an assurance that whilst some improvements were necessary Management had some awareness of the issues. A follow up audit was proposed for early in the New Year. A Trading Services Manager had been appointed to integrate the Centre with the rest of the Council's IT.

The system audit of Appointeeships and Deputyships had raised some concerns. The Committee specifically highlighted the use of the Allied Irish Bank to hold around £2.2m of funds. They were given an assurance that steps were being taken to relocate funds to banks which were on the Council's approved list. Steps needed to be taken that in future we follow our own procedures and protocol and any investments need to be in accordance with the Treasury Management Strategy. The Committee **agreed** that the Governance Committee should be recommended to amend the Financial Procedure Rules to cover this issue.

The Committee **requested** a further report to the next meeting on the steps being taken to meet the recommendations and that the Head of Adult Social Care attend to deliver the report.

During the quarter 7 school audits were completed, all of which had been given a 'Substantial' assurance.

The Committee **noted** the report.

52 **EXTERNAL AUDIT PLAN 2011/12 PENSION FUND AUDIT**

PricewaterhouseCoopers (PWC) had submitted their audit plan in respect of the audit of the Pension Fund accounts. The audit will include the risk of management overriding controls. PWC plan to respond to risk during the audit as follows:

- Discuss the risk of fraud with the Committee and management;

- Review Committee meeting minutes and understand any significant or unusual transactions to determine if they were appropriately accounted for;
- Review controls over approving payments from the Fund, testing a sample of payments;
- Consider accounting journals processed to identify any unusual or unexpected items and look for evidence of review and approval; and
- Include an element of unpredictability in the testing.

The Committee **noted** the report.

53 TRAINING REQUIREMENTS FOR AUDIT COMMITTEE.

Following recent changes to the constitution the Committee considered the requirements for training for the forthcoming year. Officers outlined the actions which were required to implement the changes and indicated that the appropriate training would likely be in the form of officer briefings (verbal or written), e-learning or training with external specialists.

The Committee **noted** the report and asked for more details on the opportunities for e-learning.

54 DRAFT AUDIT PLAN - UPDATE.

The Internal Audit and Corporate Risk Manager submitted the proposed audit plan for 2012/13 for approval. She advised the Committee that Deloitte & Touche would undertake the specialist IT audits. Following the recent reorganisation no significant savings were envisaged for the first two years but considerable savings were anticipated for year three and beyond.

The Committee

1. **approved** the draft plan as submitted, and
2. **noted** that any required changes to the Audit Plan during the financial year, as considered necessary by the Internal Audit and Risk Manager, would be reported for discussion within the progress report to the next meeting.

55 ANNUAL REPORT OF THE AUDIT COMMITTEE.

The Committee considered the draft Annual Report of the work of the Committee during the past 12 months. Key issues arising in the year included:

- Regular briefings on the objection to the Statement of Accounts by a resident and the subsequent enquiry by PwC;
- The Committee approved the Annual Governance Statement for the first time in June 2011;
- Private Sector Leasing former tenants arrears were highlighted as an issue, the Committee continues to be briefed on the matter until they were satisfied that they had received adequate assurances;

- The introduction of the requirement of compliance with the International Financial Reporting Standards meant significant changes to the annual accounts that the Committee was responsible for approving; and
- The Committee received updates from the relevant Head of Service regarding areas where audit assurances had not improved or recommendations not implemented in line with planned timescales.

The Committee approved the Audit Committee Annual Report for submission to Council.

56 **DEMISE OF THE AUDIT COMMISSION.**

The Head of Finance and Procurement provided a verbal update on the government's proposals for the demise of the Audit Commission. The government were continuing with their proposals. The Council had received a letter confirming that PwC had been appointed the Council's External Auditors for 5 years from September 2012.

PwC advised the Committee that following the demise of the Audit Commission fee levels were likely to reduce by up to 40%.

The Committee noted the report.

Chairman

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AUDIT COMMITTEE

25 June 2012

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 approved audit plan in quarter four of 2011/12.
Financial summary:	N/a

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

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team to complete the 2011/12 Approved Internal Audit Plan.

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 five sections.

Section 1 Service Update

Some information regarding the service and future developments.

Section 2 Audit Work to complete plan

A summary of the work undertaken is included in this section of the report.

Section 3 Management Summaries

Summaries of all final reports issued.

Section 4 Schools Audit Work

A summary of schools final reports issued.

Section 5 Key Performance Indicators

The actual performance against target for key indicators is included.

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:

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

None.

Section 1 Service Update

- 1.1 The new structure has been implemented for the Internal Audit Team. The last vacancy has been filled with a start date of June 2012. There are no agency workers in the team currently.
- 1.2 The vacancy impacted on the delivery of the plan so some 2011/12 work has been completed in the first quarter of 2012/13.
- 1.3 The budget outturn for 2011/12 was within the allocated budget.
- 1.4 An exercise to complete a detailed review of all audit recommendations has commenced, there is therefore no update as at the end of March however a full report of all outstanding audit recommendations will be presented to the September Committee.
- 1.5 Three audits were deferred into the 2012/13 audit plan: Telecommunication, Performance Indicators and Information Governance.

Section 2 Audit Work 1st January 2012 to 31st March 2012.

- 2.1 At the end of March 90% of the audit plan had been delivered. This was against a target for the period of 95%. The remaining days have been delivered in April and May.
- 2.2 Schedule 1 details the work completed. Details are listed in the table below and management summaries under Section 3 starting on the next page.

SCHEDULE 1: 2011/2012 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Housing Benefits	Full	0	0	0	0	3 (1)
Emergency Planning & Business continuity	Limited	2	2	0	4	3 (2)
Pensions	Limited	0	1	0	1	3 (3)
Council Tax	Substantial	0	0	0	0	3 (4)
Budgetary Control	Substantial	0	0	0	0	3 (5)
i-Expenses & Purchase Cards	Limited	5	3	1	9	3 (6)
Adult Integrated Management System (AIS)	Substantial	0	7	2	9	3 (7)
Main Accounting	Substantial	0	0	0	0	3 (8)
Contract Monitoring	Substantial	0	0	0	0	3 (9)
Contracts & Procurement	Substantial	0	3	0	3	3 (10)

The following non systems assurance work was also carried out, the outcomes of which are not included in this report:

- Internal Shared Service Controls (Stage 2); and
- Agency Expenses.

Section 3 Management Summaries

Housing Benefits	ref 3 (1)
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3.1 Background

3.1.1 Housing Benefit is governed by the guidelines issued from the Department of Work and Pensions (DWP) and subject to review from external audit.

3.1.2 Havering's Housing Benefit Service, aims to help residents of the Borough on low incomes by providing means tested funding to assist residents in paying their rent.

3.1.3 Summary of Audit Findings

3.1.4 Signed staff declarations covering confidentiality and access and sharing of information obtained from the operating systems were found to be more than two years old and in one case inaccurate. A review of all declarations is planned for 2012.

3.1.5 Payments to claimants are not always made by BACS. Cheque payments are a less secure and efficient mechanism of payment. This is also an issue Management aim to address in 2012.

3.1.6 Audit Opinion

3.1.7 As a result of this audit no recommendations have been raised.

3.1.8 A **Full Assurance** has been given as the audit has found that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Emergency Planning & Business continuity	ref 3 (2)
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3.2 Background

3.2.1 EP plans, set out actions, resources and tasks to be undertaken in order to prevent, reduce, control or mitigate the effects of an emergency in addition to action to take and people to contact in the event of an emergency.

3.2.2 The BC Plan sets out how the organisation aims to continue to offer critical services in the event of an emergency / disaster, and that business continuity is a responsibility of services across the organisation.

3.2.3 Summary of Audit Findings

3.2.4 Business Continuity planning is the responsibility of everyone in the Council. Corporately a sufficient framework is in place to deal with an emergency situation. Only limited assurance can be placed at a service level due to the absence of plans available.

3.2.5 Testing of our technology to see if the Remote Access Portal (RAP) worked, highlighted a systems failure preventing access to information required in the event of an emergency. This included accessibility to critical social care data to safeguard vulnerable adults and children within the borough.

3.2.6 Work is being undertaken by ICT to plan for emergency situations; however, this does not consider the needs of critical services across the Council.

3.2.7 Controls in place to access the Council's systems remotely failed during a recent exercise. No recommendation has been raised as this has since been resolved, although this was only picked up during a planned exercise and would've had significant consequences had this not been resolved in the event of an emergency.

3.2.8 Regular work stream meetings are held between the Group Director Finance & Commerce, the Emergency Planning Manager and the Head of Service to discuss BC arrangements and EP. This is not attended by Business Systems to link in with ICT arrangements. There needs to be a proper mechanism for integrating Business Systems through the Council's risk management procedures.

3.2.9 The role of the Risk Management Group has declined and meetings no longer occur. The Council lacks an appropriate platform to be reactive to BC and EP threats within the Council. A CLT Sub-Group has been tasked with recommending a new risk management framework for the Council, next being considered by CLT in May 2012.

3.2.10 Audit Opinion

3.2.11 As a result of this audit we have raised two high and two medium priority recommendations.

3.2.12 Recommendations related to the need for:

- Reminder to Heads of Services regarding the importance of Business Continuity & Emergency Planning (High);
- Joint working across the Council to ensure arrangements are sufficient (High);
- Business Systems to attend meetings between the Group Director Finance & Commerce and the Emergency Planning Manager (Medium); and
- The Risk Management Group to reform (Medium).

3.2.13 A **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Pensions	ref 3 (3)
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3.3 Background

3.3.1 The Council's Pension Fund is operated under the Local Government Pension Scheme Regulations 2007. The fund is financed from contributions from employees, employers and from profits, interest and dividends on its investments.

3.3.2 As at the 31st March 2012 there were 5525 active members of the LGPS. The Pension Fund is currently being reconciled, it is expected to be valued at approximately £402m.

3.3.3 Summary of Audit Findings

3.3.4 The Council's financial system Oracle and the Pensions system Axise do not interface.

3.3.5 At the time of the audit reports identifying information such as changes in staff hours, which in the past would be used by the team to gain assurance that system data is accurate, were not available.

3.3.6 Legislative changes to the auto enrolment process will increase the workload of the Pensions team.

3.3.7 Starters and leavers reports forwarded to Pensions do not identify pension members. All entries must therefore be cross matched against Oracle.

3.3.8 Testing found differences between the starters report provided to Internal Audit and the reports previously provided to the Pension Team.

3.3.9 Historically pensions information has been distributed to members alongside pay slips. The introduction of electronic pay slips has removed this facility. New methods for delivering legislative requirements are being implemented.

3.3.10 PDPAs have not been undertaken due to the restructures. Informal one to ones are held, but not documented. Management will address this as part of implementing the new PDR process.

3.3.11 During the audit instances of incorrect filing of scanned documents were noted. This may result in an inability to locate documents in the future. It was further noted that confidential documents, such as Criminal Record Bureau Checks, had not been given an accurate documents type and were therefore accessible to general users. Further audit work is planned to review controls in this area.

3.3.12 There is a risk that changes to staff details will not be made in the Axise system as, in the absence of reports or an interface with Oracle, the team is currently reliant on relevant information being forwarded on.

3.3.13 The team has increased the manual checks within their processes to ensure accuracy, of data; this increases the workload on resources and may not be sustainable.

3.3.14 When an interface is developed, there will be a need to retrospectively amend accounts from the beginning of the financial year. This will have a resource implication.

3.3.15 Audit Opinion

3.3.16 As a result of this audit we have raised one medium priority recommendation relating to the need for starters and leavers report to clearly indicate which employees are LGPS members.

3.3.17 Other control weaknesses already identified through the Payroll and the Oracle on Demand audits are currently being dealt with by other audit work or by the service, although, until resolved, these issues have impacted on the assurance that can be given to the current system of internal control.

3.3.18 A **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Council Tax	ref 3 (4)
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3.4 Background

3.4.1 All domestic properties are subject to Council Tax. The amount payable is based on their banding, A to H, which was determined by their market value as at 1st April 1991.

3.4.2 As at the end of September 2011, a total of £69.2 million has been collected compared to £68.5 million at the same time last year. The collection rate as at the end of September was 58.4%. The actual collection rate achieved by the end of March 2012 was 96.62% compared to a target of 97.5%.

3.4.3 Summary of Audit Findings

3.4.4 Debt Management Board meetings had not been held for over six months.

3.4.5 A reimbursement to a customer who had paid by credit card was made by cheque.

3.4.6 An agency worker no longer working as a member of the Council Tax team was still listed as an authorised user of the Academy system.

3.4.7 Audit Opinion

3.4.8 As a result of the audit no recommendations have been raised.

3.4.9 A **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

Budgetary Control	ref 3 (5)
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3.5 Background

3.5.1 It is the responsibility of the Cost Centre Manager (CCM) to ensure effective budget management takes place. The Oracle System now provides more detailed and timely information to CCMs but central resources which traditionally supported the processes have been reduced with the implementation of the Internal Shared Service and the shift to self service.

3.5.2 Support for CCMs is provided based on a risk rating system of High, Medium and Low which was agreed by Corporate Management Team.

3.5.3 Summary of Audit Findings

3.5.4 Profiling of budgets was found to be inappropriate for some cost centres. However, budget profiles are likely to be removed in the Collaborative Planning (CP) system to be used for submitting budget forecasts.

3.5.5 There is high reliance on CCMs and the controls they implement over their budgets within this system. It is expected that the CP system will strengthen the management information that Senior Management and Finance resources can use to gain assurance that robust budgetary control arrangements are in place.

3.5.6 Audit Opinion

3.5.7 As a result of this audit no recommendations have been raised.

3.5.8 A **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

i-Expenses & Purchase Cards	ref 3 (6)
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3.6 Background

3.6.1 On the 4th April 2011 the Council's new Oracle 12 system went live, allowing staff to claim expenses using the system. The accounting for purchase card transactions was also built into the Oracle system.

3.6.2 Summary of Audit Findings

3.6.3 Procedures do not fully reflect the working processes in place and do not contain clear guidance on policy or responsibilities.

3.6.4 Non compliant claims identified by the system can be investigated and rejected where necessary, but are currently being paid if confirmed by the approving manager due to a lack of clarity around the role of ISS.

3.6.5 It is noted that as the approval hierarchy is based on chain of line management any variation from the default cost centre or approver means that the budget holder may not be aware of the transaction in advance of budget monitoring activity.

3.6.6 Expense claims are being entered onto the system for as little as £0.41, far below the cost of processing the claim itself.

3.6.7 Some errors in transactions indicate that some users have additional training needs. In addition there may be system enhancements that reduce the risk of human error.

3.6.8 System controls are in place to flag to user's incidence of non compliance. Reliance is placed on the approving manager ensuring full compliance with policy; currently the organisation does not receive any assurance as to the effectiveness of this control mechanism.

3.6.9 A data matching exercise completed during the course of the audit has identified a number of duplicate transactions which are being investigated.

3.6.10 Issues with the implementation of I-Procurement has resulted in an increase in spending limits placed on purchase cards, in turn increasing the risk to budgetary control.

3.6.11 Audit Opinion

3.6.12 As a result of this audit five high, three medium and one low priority recommendation have been raised.

3.6.13 Recommendations relate to the need for:

- Procedures to reflect the current processes in operation and expectations (Medium);
- Reminder to staff and Managers regarding expectations (High);

- Clarification as to the role of the Audit Manager function within Oracle (High);
- Controls to be applied to the use of other cost centres for claiming expenses (High);
- A minimum claim threshold to be considered for claims (Medium);
- Action to be taken to minimise the likelihood of purchase card transactions being inadvertently claimed as a personal expense (High);
- Checks to be undertaken to identify potential non compliance / fraud and for the findings to be appropriately reported (High);
- A review of purchase card limits as usage drops in the new financial year (Low); and
- Management information to be developed to aid in monitoring the process (Medium).

3.6.14 A **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Adult Integrated Management System (AIS)	ref 3 (7)
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3.7 Background

3.7.1 The 2011/2012 Internal Audit Plan includes an audit of the Adult Integrated Services application that facilitates the management of the Adult Social Care client records for the Council's Adult Services.

3.7.2 In order to manage the client records held by the Council and to provide an efficient service, Havering have implemented an electronic database for Adult Services called SWIFTPRD. The Council has purchased and licensed the Adult Integrated Services application from Northgate to provide social workers with a graphical user interface to create and manage client records, replacing the Swift application as a means for entering data.

3.7.3 The main users of the AIS application are the Council's social workers, with approximately 200 active users responsible for the 11,000 active client records that are managed by the application. The AIS application is owned by Havering's Adult Services Directorate, who are responsible for the quality of the data input, processed and stored within the Application. The Council's ICT department is responsible for performing system administration functions such as the management of users and for configuring the system processing tasks.

3.7.4 Summary of Audit Findings

3.7.5 The Council's Business Systems Policy and Data Centre – Disaster Recovery policies were not formally reviewed in the last year to help ensure that they are up to date and reflect any changes in the environment.

3.7.6 The password controls for the SWIFTPRD Database have not been configured to meet the Council's existing requirements for password length or complexity as outlined in the Business Systems Policy.

3.7.7 The password controls for the AIS application have not been configured to meet the Council's existing requirements for length or complexity as outlined in the Business Systems Policy. The system log for the AIS application has not been configured to record and report on attempted and unsuccessful access attempts.

3.7.8 There is currently no formal procedure in place to review the user access list for the AIS system on a regular basis to help ensure that leavers are removed in a timely manner, although testing identified that some users are removed.

3.7.9 The AIS application has not been configured with some format checks on the data being entered by a user. Audit testing of the new client creation process identified that it was possible to create a record for a client that contained numeric and special characters.

3.7.10 A formally defined process has not been put in place to conduct record and review the testing of system changes made to the AIS application although evidence was noted of testing that had taken place.

3.7.11 Whilst a Disaster Recovery Plan is in place for the Council's Data Centre, there is no evidence that this has been tested or reviewed to identify potential gaps in the plan in order to provide assurance that the system can be recovered in a timely manner and in line with service expectations.

3.7.12 The actions to be taken by Council staff to continue to provide its services in the event of a disaster or emergency has not been outlined within a formally defined Business Continuity Plan.

3.7.13 Whilst the expected service levels provided by the AIS application supplier, Northgate, have been outlined in the existing Service Level Agreement, Northgate are not required to provide the Council with information relating to their performance against these levels.

3.7.14 Audit Opinion

3.7.15 As a result of this audit, we have raised 7 medium priority and 2 low priority recommendations.

3.7.16 Recommendations related to the need for:

- The password controls for the SWIFTPRD Database should be brought in to line with the Council's existing Business Systems Policy. *(Medium Priority)*
- The password controls for the AIS application should be brought in to line with the Council's existing Business Systems Policy and the application configured to record and report on security violations. *(Medium Priority)*
- The user accounts for staff that have left the Council should be removed from the application in a timely manner and a procedure put in place to review user access and activity on a regular basis. *(Medium Priority)*
- A formally defined procedure should be in place for testing any changes made to the AIS application before being applied to the live environment. *(Medium Priority)*
- A formally defined process should be in place for testing and reviewing the Data Centre Disaster Recovery Plan. *(Medium Priority)*
- A Business Continuity Plan should be formally defined, in line with the existing IT recovery plans, which outline how the Council will continue to provide services in the event of an emergency. *(Medium Priority)*
- The AIS supplier, Northgate, should be required to provide information to the Council regarding their performance against the standards outlined in the Service Level Agreement. *(Medium Priority)*
- Review the existing Council policies to help ensure that the information contained within is up to date and that the policy is fit for purpose. *(Low Priority)*
- Format checks should be enabled to prevent users creating client records that contain inaccurate or incomplete data. *(Low Priority)*

3.7.17 A **Substantial** audit opinion has been given as the audit has found that whilst there is basically a sound system of control; weaknesses in the system of internal control may put some of the Council's objectives at risk.

Main Accounting	Ref 3 (8)
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3.8 Background

3.8.1 The audit reviewed the operation of the council's main accounting system. Although the risks remain the same in this audit area, the system of internal control has been altered as a result of the implementation of the Internal Shared Service and an update to the main financial information system, Oracle 12.

3.8.2 Summary of Audit Findings

3.8.3 At the time of the audit it was noted that there had been a delay in completing monthly reconciliations at the beginning of the year. This was due to the system implementation and not expected to be an issue in future years. In some instances the reconciliation had not been completed until year end. Audit were advised this was being monitored closely as part of the Council's accounts close down timetable, however management indicate that a number of reconciliations were completed well after year end and this has impacted on the closedown timetable.

3.8.4 At the time of the fieldwork audit were advised that Suspense/ sink accounts no longer exist within the system, so previous costs which would have sunk can now be miscoded which need to be corrected via a journal. After completion of the field work an incident has arisen whereby some costs have been allocated to a suspense account. This issue indicates a lack of understanding on the system; however this has been identified via prior audit work and by management themselves therefore no recommendation is raised in this report.

3.8.5 Audit Opinion

3.8.6 As a result of this audit one medium priority recommendation relating to reconciliation completion has been raised.

3.8.7 **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

Contract Monitoring	Ref 3 (9)
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3.9 Background

3.9.1 The Council is reliant on its suppliers to assist in the delivery of services and the overall achievement of the organisations objectives; this is acknowledged within the Corporate Risk Register and a number of Service Risk Registers. The management of relationships with contractors has been identified as an area for improvement in the past.

3.9.2 The contracts were selected at random, from a list detailing highest expenditure. The two contracts selected were Business Systems (Insight Direct UK) and Careers Provider, Havering Connexions (Prospects Services).

3.9.3 Summary of Audit Findings

3.9.4 The arrangements in place to monitor these contracts were found to be in accordance with corporate procedures.

3.9.5 A change in contract monitoring officer occurred at the time of the audit, due to absence through long term sickness of previous monitoring officer. (Prospects Services)

3.9.6 Other audit work relating to contracts and procurement has identified that risk awareness is an area where contract monitoring officers could generally be given more support, however this has been included the relevant audit report.

3.9.7 Audit Opinion

3.9.8 As a result of this audit no recommendations have been raised.

3.9.9 A **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

Contracts & Procurement	Ref 3 (10)
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3.10 Background

- 3.10.1 Prior to April 2011 the Council's Business Development Team reported to the Assistant Director Business Efficiency. As part of the creation of the Internal Shared Service Centre a restructure took place and the Council's strategic resources (1FTE) are located in Finance & Procurement; the operational resources (5 FTE) are within the Internal Shared Service.
- 3.10.2 The Council seeks to increase the efficiencies it achieves when letting new contracts by partnering with other organisations, usually within the East London Solutions area. Although the rewards are greater it is often a more lengthy and complex procurement process.
- 3.10.3 At the time of the audit a review of the Contract Procedure Rules was being completed. As a result of this review the rules have been amended so that the threshold where the involvement of the operational procurement team is required has been increased from £60k to £100k. The organisation has therefore increased its tolerance for risk and relies on Management to fulfil their responsibilities in always operating in the Council's best interests.
- 3.10.4 Prior audit work has raised recommendations to strengthen controls corporately and although agreed by management the erosion of resources has made it difficult for these additional monitoring activities to occur.
- 3.10.5 To support the team in evaluating risk and allocating the resources of the team most efficiently a provision for audit work, both proactive and systems based, has been included in the 2012/13 audit plan.
- 3.10.6 Summary of Audit Findings**
- 3.10.7 Contracts procured that do not adhere to procurement guidelines could only be picked up through random checks, or if notified to Procurement at a later date.
- 3.10.8 The minimum threshold for procurement being involved in a tender process is to be raised from £60k to £100k. This will allow the reduced resources to be focused on higher value, higher risk procurements.
- 3.10.9 Procurement training is available for iProcurement through a UPK E-Learning course. The link to the training is on the iProcurement intranet page.

3.10.10 Some collaborative contracts leave the authority open to some level of inherent risk due to control being with another authority or partner.

3.10.11 CMT are no longer provided with a quarterly report on current procurement developments and issues.

3.10.12 Audit Opinion

3.10.11 As a result of this audit three medium priority recommendations have been raised.

3.10.12 Recommendations relate to the need for:

- Spot checks to ensure compliance;
- Information on supplier spend to be reviewed by CLT;
- Risk awareness communication for contract monitoring officers to be increased.

3.10.13 A **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

Section 4 Schools Audit Work

Eleven Schools audits were finalised by the end of April 2012. Results of the audits are included in Schedule 2 below.

Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

At the request of the Head Teacher Parklands Infant School was deferred into the 2012/2013 Audit Plan.

SCHEDULE 2: 2011/12 – School Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
La Salette RC Primary	Limited	2	9	3	14	4 (1)
St. Josephs RC Primary	Substantial			2	2	N/A
Brookside Junior	Substantial	1	7	3	11	N/A
Hilldene Primary	Substantial	2	6	1	9	N/A
St. Peters Catholic Primary	Substantial	2	5		7	N/A
St. Ursulas RC Infant	Substantial	2	4		6	N/A
The James Oglethorpe Primary	Substantial	1	9	1	11	N/A
Ardleigh Green Infant	Substantial		5	5	10	N/A
Hylands Primary	Substantial		2	3	5	N/A
Crowlands Primary	Substantial	1	8	2	11	N/A
Scargill Junior	Substantial	1	9	2	12	N/A

La Salette RC Primary	ref 4 (1)
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4.1 Previous Recommendations

4.1.1 There were two priority one and five priority two recommendations made at the Annual Audit Health Check undertaken in May 2010. Of these four have been fully implemented, two partially implemented and one remains outstanding.

4.1.2 The two partially implemented recommendations relate to the reporting of virements to the Governing Body and updating the inventory from the equipment register onto SIMS to include the date and estimated value of items. The outstanding recommendation relates to segregation of duties between authorisation of orders and certification of invoices. These have been reiterated in the report.

4.1.3 Summary of Audit Finding

4.1.4 Virements are not formally reported to the Governing Body and approval is not gained for the Head approving virements over the limit stated in the Scheme of Delegation.

4.1.5 The Head Teacher is taking income to the bank unaccompanied.

4.1.6 The school does not have a high interest account.

4.1.7 Orders are being raised retrospectively.

4.1.8 There was no clear segregation of duties between authorisation of orders and certification of invoices.

4.1.9 Cheque stubs are not being initialled by cheque signatories;

4.1.10 There was no petty cash imprest in place

4.1.11 The inventory had not been updated since completion of building work and new items purchased.

4.1.12 Small items of equipment had not been security marked.

4.1.13 The equipment on loan log did not include insurance details.

4.1.14 Income collected is being reconciled and banked by the Head Teacher.

4.1.15 Timesheets had not always been authorised and in some instances timecards were missing.

4.1.16 Not all Governors were included on the Single Central Record.

4.1.17 Staff using their own cars for school business had not been checked to ensure they are legally qualified to do so.

4.1.18 Income collected for residential school journeys is banked into the school fund and expenditure for coach travel is being paid from the delegated budget.

4.1.19 There is no profit and loss account kept for residential school journeys.

4.1.20 Audit Opinion

4.1.21 This audit report contains fourteen recommendations, two high priority, nine medium priority and three low priority.

4.1.22 Recommendations relate to the need for:

- Virements to be formally reported to full Governing Body (Low);
- Income banked to be taken to the schools local branch by two members of staff (Medium);
- Purchase orders to be raised before the invoice is received (Medium);
- There should be a clear segregation of duties between authorisation of orders and certification of invoices (Medium);
- Cheque stubs to be initialled by cheque signatories (Low);
- A petty cash imprest system to be put in place (Medium);
- The schools inventory to be updated and small items security marked (Medium);
- Insurance liability to be included on the loan of equipment log (Medium);
- Income collected to be signed for when passed to the Head Teacher and independent checks to be carried out to reconcile to the days banking (Medium).
- Timesheets to be authorised in accordance with the Scheme of Delegation (High);
- Timesheets to be supported by staff timecards (Medium) ;
- Members of staff using their own cars on school business to produce documents (High);
- Monies paid from the delegated budget for school journeys to be reimbursed from the school fund (Medium); and
- A profit and loss account to be produced for all residential school journeys (Low).

4.1.23 A **Limited Assurance** has been given as the audit has found that while there is a basically sound system, there are limitations that may 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.

Section 5 – Key Performance Indicators

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

Audit Plan Delivered (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	17	23	31	40	50	57	63	72	82	90
Cumulative Target	13	20	27	35	45	55	63	74	85	95

KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	12	12	19	20	31	38	47	51	51	52
Cumulative Target	12	17	22	29	36	43	48	52	52	52

Due to changes in the audit plan throughout the year the total number of audit assignments the team undertook was 52.

KPI 02 – Draft Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	May
Actual	4	9	9	11	15	23	23	28	32	38	49
Cumulative Target	5	8	10	14	19	26	35	37	45	52	52

Forty nine draft reports had been issued at the end of May. This includes assignments in Homes in Havering and non systems assurance work the outcomes of which are not included in this report. The reduction in days delivered were caused by a vacancy in the team and resources being redirected to cover.

KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Jun
Actual	2	0	4	8	9	28	22	25	30	36	49
Cumulative Target	3	5	7	10	16	23	30	34	42	47	52

All 49 Final Reports have now been issued.

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AUDIT COMMITTEE

25 June 2012

Subject Heading:

Fraud Progress Report

Report Author and contact details:

Vanessa Bateman – Internal Audit & Corporate Risk Manager
ext: 3733 email:
vanessa.bateman@havering.gov.uk

Policy context:

To advise the Committee of the work and performance of the Council’s anti fraud and corruption resources.

Financial summary:

This report details information relating to fraud investigations.

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

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the work of the Investigations Team and the Internal Audit Fraud Team from 3rd January 2012 to 30th March 2012.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of the officers where required, either with regards the cases highlighted or the performance of the respective teams.

REPORT DETAIL

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

- Section 1. Resources & Direction of Travel

- Section 2. HB/CTB Fraud Work, Housing Tenancy & Internal Audit Fraud Work
 - A) Case Load
 - B) Referrals & Fraud Reports
 - C) Current Case Load
 - D) Outcomes
 - E) Case Studies and Proactive Work
 - F) HB/CTB fraud overpayments
 - G) Savings & Losses

IMPLICATIONS AND RISKS

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. The work of the Benefit Investigation Team regularly identifies benefit to which claimants are not entitled which are to be recovered by the Council. There are however, no direct financial implications or risks arising directly from this report.

Legal implications and risks:

There are no legal implications from noting the contents of this Report.

Human Resources implications and risks:

There are no HR implications from noting the contents of this Report.

Equalities implications and risks:

There are no Equalities implications from noting the contents of this Report.

BACKGROUND PAPERS

None.

Section 1 Resources & Direction of Travel

- 1.1 The budget outturn for 2011/12 was within the allocated budget across the two cost centres.
- 1.2 A restructure of the Investigations Team will be launched in June 2012. The proposed structure focuses on the next two financial years while the detailed plans for the Single Fraud Investigation Service are drawn up and communicated by Department of Work and Pensions. It is proposed that an additional Senior Auditor Post is included in the team to strengthen the structure and ensure sufficient resources are available to continue to deliver and improve a Housing Fraud Service whilst also implementing any changes resulting from the introduction of the universal credit or the changes regarding Council Tax Benefits.
- 1.3 As no further grant funding has been announced to tackle Housing Fraud it has been agreed that for the next two years a contribution to the cost of the team will be made from the Housing Revenue Account to ensure that there is sufficient capacity to deal with all referrals for Housing Fraud and continue to conduct the proactive activities undertaken in the last 12 months.
- 1.4 The new Principal Auditor post within Internal Audit will be filled from June 2012.

Section 2 Fraud Cases October to December

A) Case Load

2.1 The table at para. 2.2 provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

2.2

Caseload Quarter 4 2011/12						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases Fraud not Proven	Cases Successful	Cases at end of period
HB/CTB	444	224	23	105	36	504
HT	77	46	-	10	7	106
Corporate	15	5	-	2	10	8
TOTAL	536	275	23	117	53	618

B) Referrals & Fraud Reports

2.3 The table 2.4 provides the sources of fraud referrals for the respective sections.

2.4

Source of Referrals & Fraud Reports Quarter 4 2011/12				
Number of Referrals/ Type	HB/CTB Referrals Q4 11/12	HT Referrals Q4 11/12	IA Fraud Reports Q4 11/12	Overall Total Q4 11/12
Anonymous	59	11	0	70
External Organisations / Members of the Public	22	1	1	24
Internal Departments Whistleblowers	44	8	4	56
Social Landlords (inc HiH)	25	12	0	37
Data Matching / Proactive initiative	74	14	0	88
Total	224	46	5	275

Audit Committee, 25 June 2012

2.5 The table at para. 2.6 shows the categories of the potential HB/CTB fraud referrals from January 2012 to March 2012.

2.6

Referrals by Category	
Potential Fraud	Quarter 4 11/12
Capital	20
Contrived Tenancy	3
Income from Other Sources	15
Living Together	78
Non-Dependant	12
Non-Resident/vacated	34
Other welfare benefits	-
Working	28
Non Commercial Tenancy	1
Other	1
Single Person Discount	-
Tenancy Fraud	32
Total	224

2.7 The table at para. 2.8 shows the categories of the potential corporate fraud reports from January 2012 to March 2012.

2.8

Reports by Category	
Potential Fraud	Quarter 3 11/12
PC – misuse and Abuse	1
Misuse of Council Time	2
Misuse of Council Asset	2
Misuse of Council Vehicle	-
Breach of Code of Conduct	-
Breach of Council Procedures	-
Falsification of Records	-
Overcharging by Supplier	-
Overpayment Recovery	-
Total	5

Audit Committee, 25 June 2012

2.9 The table at para. 2.10 shows the categories of the potential tenancy fraud reports from January 2012 to March 2012.

2.10

Referrals by Category	
Potential Fraud	Quarter 4 11/12
Subletting	26
Not main/principal home	18
Obtained tenancy by deception	-
False claim for Succession	2
Fraudulent assignment	-
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	-
Fraudulent Homeless Application	-
Total	46

C) Current Caseload

2.11 The table at para. 2.12 shows the current caseload by category.

2.12

Current Cases by Category	
Potential Fraud	As at March 12
Capital	45
Contrived Tenancy	7
Income from Other Sources	34
Living Together	144
Non-Dependant	23
Non-Resident/vacated	96
Other welfare benefits	-
Working	41
Non Commercial Tenancy	6
Other	17
Single Person Discount	59
Tenancy Fraud	32
Total	504

Audit Committee, 25 June 2012

2.13 The table at para. 2.14 shows the current caseload by category.

2.14

Current Cases by Category	
Potential Fraud	As at end of Quarter 4 11/12
PC – misuse and Abuse	1
Misuse of Council Time	2
Misuse of Council Asset	3
Breach of Code of Conduct	1
Breach of Council Procedures	-
Falsification of Records	-
Overcharging by Supplier	-
Overpayment Recovery	1
Total	8

D) Outcomes

2.15 The number of successful outcomes for the benefits investigations team from January 2012 to March 2012 is detailed in Table 2.16 below.

2.16

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	6	-	2
Working and Claiming	3	3	-
Contrived Tenancies	-	-	1
Living Together	-	-	3
Income from other sources	3	4	1
Vacated	-	1	1

Audit Committee, 25 June 2012

Non Dependants	-	1	-
Total	12	9	8

2.17 The financial investigator has been in post for around 18 months. She currently has seven open cases which have resulted in nine properties, eight vehicles, two speedboats and three banks accounts being restrained. One of these cases has an imminent confiscation hearing. The outcome of this should be a confiscation order of £480,959.83. As part of the investigation assets of £267,473.55 have been identified. The net result of this will be an award of over £100,000.00 to the London Borough of Havering. Failure to pay this amount will result in a prison sentence for the defendant (and she will still owe the money, plus interest on her release).

2.18 The following is a case summary from a case successfully prosecuted within the period of the report.

2.19 The case of Mrs X was referred to the Investigation Team by the Police who had reason to open a safe deposit box and found £27,500.00 belonging to her. Once the case was allocated, the Investigating Officer established that Mrs X was renting a property from her son while he lived next door in a property that she owned. Mrs X claimed benefit on the basis that she was in receipt of Income Support and owned one bank account. Enquiries uncovered several undeclared bank accounts containing income that she obtained from running an escort agency. Mrs X was prosecuted for creating a contrived tenancy. She received 12 months custodial suspended for 18 months and ordered to carry out 200 hours work in the community. In addition Mrs X repaid the Housing and Council Tax Benefit overpayment of £15, 600.

2.20 The case outcomes for the Internal Audit Fraud Team from January to March are detailed in table 2.21 below.

2.21

Case Outcomes	
Outcome	Qtr 2
Management Action Plan	10
Disciplinary	-
Dismissed	-
Resigned	-
Contract ended	-
Insufficient Evidence	-
No case to answer	2
Refund received	-
Property Recovered	-
Total	12

Audit Committee, 25 June 2012

2.22 The case outcomes for the Housing investigations from January to March are detailed in table 2.23 below.

2.23

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Q4 11-12
Tenancy Relinquished voluntarily (keys handed in)	8
Property recovered via court action	-
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	-
Total	8

E) Case Studies and Proactive Work

A Tenancy Audit was carried out in January in conjunction with Homes in Havering. The audit targeted 185 properties in the Rom Valley area and was well received by the tenants. Two tenancies are currently under investigation as a result of the audit.

2.24 Successful ongoing cases

Mr X claimed succession to the property on the basis that he had been residing with his late Grandmother for over 12 months before she died. Enquiries with neighbours and Adult Social Care indicated that the tenant had lived alone. Further investigations and checks on Mr X proved that he actually lived in another area and had never resided with the tenant. The matter was due to be heard in Court but due the weight of the evidence, Mr X decided to hand back the keys beforehand, resulting in the property being recovered and legal proceedings were avoided.

F) HB/CTB Fraud Overpayments

2.26 The value of fraudulent housing benefit overpayments generated by the team for the fourth quarter of the 2011/12 year are contained in table 2.27.

2.27

Fraudulent Overpayment	
Type	Qtr 4
Rent Rebate	88,629.84

Audit Committee, 25 June 2012

Rent Allowance	81,899.80
Council Tax Benefit	57,553.40
Total	228,083.04

G) Savings and Losses

2.28 When a fraud is committed there may be two elements to the financial consequences. There were no savings or losses identified for completed Internal Audit jobs in the period 3rd January 2012 to 30th March 2012.



Havering
LONDON BOROUGH

INTERNAL AUDIT ANNUAL REPORT

2011 / 2012

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1. INTRODUCTION

- 1.1** Under the Accounts and Audit Regulations 2011, the Council is required to conduct a review at least once per year of its systems of internal control.
- 1.2** The purpose of this report is to provide Members and Senior Management with a formal opinion as to the adequacy and effectiveness of the Council's internal control environment and to report on the performance of the internal audit service for the year. It will be available on the Council's internet site from mid June 2011, within the 25th June Audit Committee Agenda.
- 1.3** In accordance with proper practice the report is one of the sources of assurance used in the process to compile the Annual Governance Statement which is also a statutory requirement.
- 1.4** The 2011/12 Internal Audit Plan, of 1576 days, was approved by the Audit Committee in March 2011. Progress reports from the Internal Audit and Corporate Risk Manager are presented to the Committee at quarterly meetings.
- 1.5** During the year there is some flexibility needed to react to changes in risk, accommodate changes in the needs of management; the focus of audits may be changed or new audits included in the programme. The plan also makes provision for Internal Audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.
- 1.6** Whilst remaining an independent assurance function the Internal Audit team seek to maintain strong relationships with management to ensure that appropriate actions are agreed and implemented in a timely fashion. Protocols exist to outline the roles and responsibilities of both the Internal Audit team and management.

2. INTERNAL AUDIT ASSURANCE STATEMENT

- 2.1** In the Internal Audit & Corporate Risk Manager's opinion, the system of internal control is adequate and effective and processes to identify and manage risks are in place. In some areas significant weaknesses have been identified in 2011/12, however action has been taken by management to address this.
- 2.2** This opinion is based on a programme of audit work which was delivered:
- In accordance with the approved Internal Audit plan;
 - By suitably experienced and qualified auditors;
 - In accordance with the CIPFA* Code of Practice for Internal Audit in Local Government; and
 - To standards accepted by the Council's External Auditors.
- 2.3** The following has also been considered:
- The acceptance of audit recommendations and progress noted in year to implement required changes;
 - The results of follow up work on limited assurance audit areas; and
 - Whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk.
- 2.4** The next section of the report details the work completed by the team and the key issues arising.

3. WORK THAT SUPPORTS THE OPINION

3.1 Systems and Contract Audit

- 3.1.1 620 days of the approved plan were allocated to systems and contract audit. This plan was based on a full complement of staff in the team.
- 3.1.2 675 days of the systems plan were delivered. 45 audits were completed.
- 3.1.3 The assurance ratings on reports have changed during 2011/12 from Qualified and Unqualified to Nil, Limited, Substantial and Full Assurance. The aim of this change was to make the assurance more meaningful for management.

3.2 Computer Audit

- 3.2.1 112 days of the plan is allocated to computer audit. 7 audits were completed. Two audits were moved to 2012/13 due to timing issues so in total 87 days were delivered.

3.3 Fraud Work

- 3.3.1 Reactive Work and Special Investigations - At the commencement of the financial year a contingency of 315 days was provided to carry out

investigations into suspected fraud issues reported by management or via the fraud or whistle blowing hotline. Due to a larger than anticipated case load 333 days were delivered in year.

- 3.3.2 Pro-active – A budget of 105 days were assigned to pro-active audits. A risk based pro-active audit plan had been devised. Due to the additional reactive work 95 days were delivered by the end of the year. 10 audits were completed.

3.4 Follow Ups

- 3.4.1 Information regarding outstanding recommendations is reported as part of the quarterly report to Corporate Management Team and Audit Committee. At the September meeting the Audit Committee receive a full list of all outstanding recommendations.
- 3.4.2 In 2010/11 there were no 'qualified' reports. Follow up work has been undertaken on reports at the request of the Audit Committee. In 2012/13 a complete overhaul of the approach to monitoring audit recommendations is planned.

3.5 Schools

- 3.5.1 In 2011/12 24 schools were audited.
- 3.5.2 Due to a number of schools moving to Academy Status the three year audit plan for schools has reduced.

3.6 Other Outside Assurances

- 3.6.1 The National Non Domestic Rates administrative processes are undertaken by a third party on behalf of London Borough of Barking & Dagenham. Audit reports and assurances are reviewed by the Internal Audit & Corporate Risk Manager.
- 3.6.2 During 2011/12 the team provided an Audit Service to Homes in Havering.
- 3.6.3 Reports produced by other inspection bodies or assurance providers are also reviewed. Planned work is taken into account when the plan is produced and for unplanned inspections the plan is revised to avoid duplication in scope of work.

3.7 Risk Management Arrangements

3.7.1 During 2011/12 a Corporate Leadership Team Working Group reviewed the arrangements and have proposed some recommendations for improvement. The new approach will be implemented and embedded during 2012/13.

3.6 Review of Other Strategies

3.7.1 Other corporate arrangements and strategies such as the Internal Audit Strategy are reviewed annually and approved by Audit Committee. A number of policies are being reviewed at the time of drafting this report.

4. KEY MESSAGES

4.1 Organisational Change

4.1.1 Many of the significant control weaknesses identified during 2011/12 link back to the pace of organisational change. To achieve the savings required significant transformation activity has taken place during the last two years. Change is taking place both within Service areas and corporately at the same time. The workforce has reduced and many who have gone had a great deal of knowledge and experience.

4.1.2 The pace of change has been fast in some areas and although this has brought a number of benefits to the organisation the changes have impacted on the system of internal control. Significant savings have been achieved in 'back office' or Corporate Teams where control activity often occurred. Although responsibility always sat with management there were often control mechanisms that had evolved over time to manage risk. These were often costly and could not guarantee that the risk was managed efficiently.

4.1.3 The organisation increases its reliance on its Managers to implement controls and ensure compliance is consistent within their team or service area. To be successful this requires culture change within the organisation and this has always been part of Transformation 2014. From an audit perspective assurances regarding compliance are often harder to acquire because there is a reduction in corporate controls.

4.2 Oracle

4.2.1 A Computer audit of the new Oracle system relating to Payroll, Accounts Payable and Accounts Receivable was completed and 24 recommendations raised for management consideration. There was also systems audit work and proactive fraud work undertaken in year. As the three areas are considered to be key financial systems, they are material to the Statement of Accounts, management were advised that the control environment is not considered to be sufficient to mitigate risks. Control

Working Groups were established to identify recommendations and these have been agreed by Management and will be implemented in 2012/13.

4.3 Fraud

- 4.3.1 In 2011/12 the Council was targeted by fraudsters and an invoice was paid into a fraudulent bank account. An internal investigation took place and a Police investigation is on-going. The fraud is not directly a result of the new system and could have been prevented by compliance with the procedures implemented by management. To support Management in the prevention of Fraud a programme of training and awareness has been identified and approved based on a risk analysis of the organisation. As part of this programme the team will not only seek to ensure managers have identified risks but also remind employees and agency workers that approved procedures are there to manage risk.

4.4 Conclusion

- 4.4.1 The issues detailed above have been considered as part of the process to produce the 2011/12 Annual Governance Statement and have been identified as issues for monitoring by Senior Management. These issues have been considered during the Annual Audit Planning Process and will also be picked up within individual audits as applicable during 2012/13.

5. INTERNAL AUDIT QUALITY ASSURANCE

5.1 Liaison with Other Boroughs

- 5.1.1 The Internal Audit & Corporate Risk Manager, or an audit team member, also attends a London Audit Group, and other relevant training and networking events, to benefit from presentations and discussions on new emerging risk areas and again shares issues arising and best practice. The team also have informal links with teams in neighbouring boroughs.

5.2 Delivery of Planned Audit Work

- 5.2.1 90% of the 2011/12 Internal Audit Plan was delivered by 31st March 2012. The plan was flexible to accommodate the needs of management in a year of significant change. Three audits were deferred to the 2012/13 plan due to timing issues. The remainder of the plan was delivered in the first quarter of 2012/13.
- 5.2.2 The Audit Committee and Corporate Management Team receive performance reporting quarterly.

5.3 Feedback from Auditees

- 5.3.1 Following every audit, the managers receiving the audit report were also sent a feedback survey form. 99% of the feedback received rated the service satisfactory or above. All comments received from managers are

reviewed monthly and fed into the team's one to one meetings and the new PDR process.



Havering
LONDON BOROUGH

INTERNAL AUDIT ANNUAL REPORT

2011 / 2012

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1. INTRODUCTION

- 1.1** Under the Accounts and Audit Regulations 2011, the Council is required to conduct a review at least once per year of its systems of internal control.
- 1.2** The purpose of this report is to provide Members and Senior Management with a formal opinion as to the adequacy and effectiveness of the Council's internal control environment and to report on the performance of the internal audit service for the year. It will be available on the Council's internet site from mid June 2011, within the 25th June Audit Committee Agenda.
- 1.3** In accordance with proper practice the report is one of the sources of assurance used in the process to compile the Annual Governance Statement which is also a statutory requirement.
- 1.4** The 2011/12 Internal Audit Plan, of 1576 days, was approved by the Audit Committee in March 2011. Progress reports from the Internal Audit and Corporate Risk Manager are presented to the Committee at quarterly meetings.
- 1.5** During the year there is some flexibility needed to react to changes in risk, accommodate changes in the needs of management; the focus of audits may be changed or new audits included in the programme. The plan also makes provision for Internal Audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.
- 1.6** Whilst remaining an independent assurance function the Internal Audit team seek to maintain strong relationships with management to ensure that appropriate actions are agreed and implemented in a timely fashion. Protocols exist to outline the roles and responsibilities of both the Internal Audit team and management.

2. INTERNAL AUDIT ASSURANCE STATEMENT

- 2.1** In the Internal Audit & Corporate Risk Manager's opinion, the system of internal control is adequate and effective and processes to identify and manage risks are in place. In some areas significant weaknesses have been identified in 2011/12, however action has been taken by management to address this.
- 2.2** This opinion is based on a programme of audit work which was delivered:
- In accordance with the approved Internal Audit plan;
 - By suitably experienced and qualified auditors;
 - In accordance with the CIPFA* Code of Practice for Internal Audit in Local Government; and
 - To standards accepted by the Council's External Auditors.
- 2.3** The following has also been considered:
- The acceptance of audit recommendations and progress noted in year to implement required changes;
 - The results of follow up work on limited assurance audit areas; and
 - Whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk.
- 2.4** The next section of the report details the work completed by the team and the key issues arising.

3. WORK THAT SUPPORTS THE OPINION

3.1 Systems and Contract Audit

- 3.1.1 620 days of the approved plan were allocated to systems and contract audit. This plan was based on a full complement of staff in the team.
- 3.1.2 675 days of the systems plan were delivered. 45 audits were completed.
- 3.1.3 The assurance ratings on reports have changed during 2011/12 from Qualified and Unqualified to Nil, Limited, Substantial and Full Assurance. The aim of this change was to make the assurance more meaningful for management.

3.2 Computer Audit

- 3.2.1 112 days of the plan is allocated to computer audit. 7 audits were completed. Two audits were moved to 2012/13 due to timing issues so in total 87 days were delivered.

3.3 Fraud Work

- 3.3.1 Reactive Work and Special Investigations - At the commencement of the financial year a contingency of 315 days was provided to carry out

investigations into suspected fraud issues reported by management or via the fraud or whistle blowing hotline. Due to a larger than anticipated case load 333 days were delivered in year.

- 3.3.2 Pro-active – A budget of 105 days were assigned to pro-active audits. A risk based pro-active audit plan had been devised. Due to the additional reactive work 95 days were delivered by the end of the year. 10 audits were completed.

3.4 Follow Ups

- 3.4.1 Information regarding outstanding recommendations is reported as part of the quarterly report to Corporate Management Team and Audit Committee. At the September meeting the Audit Committee receive a full list of all outstanding recommendations.
- 3.4.2 In 2010/11 there were no 'qualified' reports. Follow up work has been undertaken on reports at the request of the Audit Committee. In 2012/13 a complete overhaul of the approach to monitoring audit recommendations is planned.

3.5 Schools

- 3.5.1 In 2011/12 24 schools were audited.
- 3.5.2 Due to a number of schools moving to Academy Status the three year audit plan for schools has reduced.

3.6 Other Outside Assurances

- 3.6.1 The National Non Domestic Rates administrative processes are undertaken by a third party on behalf of London Borough of Barking & Dagenham. Audit reports and assurances are reviewed by the Internal Audit & Corporate Risk Manager.
- 3.6.2 During 2011/12 the team provided an Audit Service to Homes in Havering.
- 3.6.3 Reports produced by other inspection bodies or assurance providers are also reviewed. Planned work is taken into account when the plan is produced and for unplanned inspections the plan is revised to avoid duplication in scope of work.

3.7 Risk Management Arrangements

3.7.1 During 2011/12 a Corporate Leadership Team Working Group reviewed the arrangements and have proposed some recommendations for improvement. The new approach will be implemented and embedded during 2012/13.

3.6 Review of Other Strategies

3.7.1 Other corporate arrangements and strategies such as the Internal Audit Strategy are reviewed annually and approved by Audit Committee. A number of policies are being reviewed at the time of drafting this report.

4. KEY MESSAGES

4.1 Organisational Change

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AUDIT COMMITTEE

25 06 2012

Subject Heading:

Annual Governance Statement

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.
E-mail : Vanessa.bateman@havering.gov.uk

Policy context:

The draft Version of the 2011/12 Annual Governance Statement for approval.

Financial summary:

N/A

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

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report updates the Committee on completion of the year end processes and the impact of this on the draft Annual Governance Statement (AGS).

RECOMMENDATIONS

1. To comment on the draft 2011/12 Annual Governance Statement, attached as Appendix 1, and the process to produce.

2. To approve the draft version of the 2011/12 Annual Governance Statement subject to changes made as a result of recommendation 1.

REPORT DETAIL

1. In December a report was submitted updating the Committee on the Council's Corporate Governance arrangements and the work of the officer Governance Group during the year.
2. The Council's constitution delegates the responsibility for approving the Annual Governance Statement to the Audit Committee.
3. Since the December meeting the following actions have been taken:
 - a. Heads of Service have provided signed "mini" governance returns confirming that appropriate governance arrangements are in place across all services of the Council.
 - b. Members of management team's have reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
 - c. These returns have been reviewed to ensure that all relevant issues have been identified and included in the draft AGS.
 - d. The results of the 2011/12 audit work have been formally reviewed as part of the production of the Annual Audit Report and Head of Internal Audit Opinion to identify any additional potential issues for inclusion on the AGS.
 - e. An electronic evidence file has been produced documenting the process and evidencing the assurances received.
 - f. The officer Governance Group have discussed the outcome of the above end of year actions and agreed the outcomes.
 - g. Senior Management has commented on the final version.
4. Of the four issues highlighted in the 2010/11 Annual Governance Statement, three, relating to Data Quality, Project Management and Contracts and Supply Chain Resilience, had been fully addressed at the end of March 2012, the remaining issue, Information Governance, has wide reaching implications and although significant progress has been made it is felt that the issue remains open.
5. Three new issues relating to Austerity, Pace of Organisational Change and Fraud have been included for 2011/12.

6. A draft version of the AGS is attached as appendix 1. The approved AGS will be signed by the Leader and Chief Executive and will be available to support the Council's Annual Accounts when published.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly. The risk relating to incorporating new best practice guidance into current governance arrangements is an increased expectation from stakeholders that is not delivered through the actions of the Council. However this risk is unlikely as the Council is committed to openness and transparency. The risks of not reviewing our arrangements against best practice are the Council not being viewed as open and transparent and the External Auditor assessing Corporate Governance adversely. Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

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. Equalities is a key factors to consider in the Council's Governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed to ensure the impact is appropriately identified.

BACKGROUND PAPERS

Cipfa/Solace – "Delivering Good Governance in Local Government" and the 2009/10 Annual Governance Statement.

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ANNUAL GOVERNANCE STATEMENT

This statement, from the Leader and Chief Executive, provides assurance to all stakeholders that within the London Borough of Havering processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the Borough.

Scope of responsibility

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The London Borough of Havering is committed to operating in a manner which is consistent with the principles of the CIPFA/SOLACE* Framework *Delivering Good Governance in Local Government*. This statement explains how London Borough of Havering has complied with these principles and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Borough of Havering for the year ended 31 March 2012 and up to the date of approval of this statement.

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The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below.

Vision and purpose

Living Ambition - for a better quality of life

In 2008 the Council launched 'Living Ambition' - a long-term strategy to improve still further the quality of life enjoyed by Havering's residents.

We want Havering's residents to enjoy the highest possible quality of life; and we are determined to make the most of our links to the heart of the Capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

The 'Living Ambition' agenda is being delivered by striving towards five goals which have been integrated into the Council's business planning processes:

Goal for the Environment – to ensure a clean, safe and green borough

Goal for Learning – to champion education and learning for all

Goal for Towns and Communities – to provide economic, social and cultural opportunities in thriving towns and villages

Goal for Individuals – to value and enhance the lives of our residents

Goal for Value – to deliver high customer satisfaction and a stable council tax

The vision has not changed; however since it was launched in 2008 there have been significant changes in the resources available in local government and the relationship between public services and the local communities. These changes are far from complete and pose new Governance challenges for the Council. The Council's Goals, policies and procedures, as a result, will continue to be subject to review to ensure that roles and responsibilities and the Council's expectations in terms of governance continue to be robust and clearly communicated both internally and externally.

Underpinning the Vision are six Values, to which all officers are expected to work, in order to build a more effective organisation and deliver the fundamental purpose of the organisation – to serve local people and make Havering a place where its residents are proud to live. The Council's Values are a key driver in the development of the new competency based appraisal framework which will be rolled out as part of the Council's Transformation Agenda. The Values are:

- One Council
- Learning from experience

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- Integrity
- You matter
- Can do
- Fair to all.

Performance Management

The performance management framework has several functions:

- Focussing priority setting around needs along with the priorities of the Council and the public;
- Ensuring relevant, timely and accurate information is available to measure and monitor performance and on which to base decisions;
- Ensuring high quality public services which provide high levels of value for money.

The Council's Corporate Plan 2011-14 is at the heart of the organisational performance management framework. It sets out the overall priorities and objectives of the organisation, and outlines the key activities that will be undertaken as well as the measures put in place to monitor delivery. Sitting underneath the Corporate Plan are Service level plans which outline in more detail the work that will be undertaken to achieve these objectives.

Performance management is therefore carried out at numerous levels of the organisation, from scrutiny by Members of the Quarterly Performance Report, Corporate Management Team, and individual performance management as part of the new PDR process, which supersedes the PDPA process.

The Overview & Scrutiny Committees also consider the performance reports – along with those that they have independently commissioned – and carry out their own reviews.

The Council's Annual Report, which reports on performance against the objectives of the organisation, is published on the website and is also produced for distribution as hard copy on request.

The Council's strategy and guidelines on Performance Indicator data quality lay down clear guidelines to the effect that all performance indicators must be reported to the same robust standard; any performance data that is to be considered for publishing can be subject to either internal or external audit.

The Council's financial management approach has broadly been led through its Medium Term Financial Strategy, which has customarily been produced in the Summer, ahead of the detailed budget process, setting out the approach to financial planning for the subsequent three financial years. In response to the Coalition Government's Emergency Budget, Cabinet has for the past two years agreed its medium term approach in July, with further minor refinements in February, following the announcement of the local government financial settlement. These proposals

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were subject to review by Overview & Scrutiny Committees, as well as consultation with the local community where appropriate.

The agreed savings proposals along with the results of market research into public opinion; the outcome of the resident's survey; studies of the needs in the Borough and the requirements of the Council's priorities; go to define the objectives in Service Plans produced by each Head of Service.

There are a number of strategies linked directly with the MTFs; this includes the Capital Strategy, the Corporate Asset Management Plan, the Risk Management Strategy, the ICT Strategy and the Workforce Planning Strategy. These are now refreshed to reflect any material changes, rather than solely on an annual basis.

Codes of Conduct

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. Officers are required to decline gifts and hospitality to ensure that they are not inappropriately influenced and Members are required to register any accepted as part of their declaration of interest. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. Periodically awareness campaigns occur to remind individuals of their responsibilities. The relevant Corporate Management Team member is tasked with ensuring that appropriate arrangements are in place and the systems are reviewed at least every three years by internal audit.

Financial Rules and Regulations

The Council has Financial and Contract Procedure Rules and Financial and Procurement Frameworks along with other policy and procedural documents in place to guide officers in their every day duties and ensure appropriate processes and controls are adhered to. Schemes of delegation are also in place to detail appropriate levels of responsibility. Compliance with the various financial rules and regulations is monitored by Management and considered during audits of systems and processes

Effective Audit Committee

The Audit Committee operates in accordance with the relevant CIPFA guidance. Its effectiveness is reviewed annually and an annual report is produced for the Committee. The Committee's terms of reference, outlined in the Constitution, contain responsibilities relating to internal control, external audit, and internal audit. During 2011/12 six members sat on the Audit Committee representing the Conservative, Residents and Labour Groups of the Borough. The Audit Committee meets five times per year. The Committee has an annual work plan and training programme and reports on its performance to Council annually.

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Compliance with laws, regulations and internal policies

The Constitution sets out the legal framework for decision making and the publishing of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, Finance and Human Resources staff clear every Cabinet, Council and Committee report and every Cabinet Member decision, for compliance with laws, policies and regulations. The Statutory Officers also provide advice to Members at all appropriate times. Statutory appointments have been made for Adults and Children and a Cabinet Member for Children has been appointed.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. Policies and procedures are reviewed at least annually.

Counter Fraud and Confidential Reporting

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The effectiveness of the arrangements in place is reviewed annually and results reported to the Audit Committee. Ad hoc promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is the Confidential Reporting (also known as Whistle blowing) policy which is communicated to staff via induction, the intranet and ad hoc awareness initiatives. The effectiveness of arrangements are reviewed annually and reported to Audit Committee. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

The Council also participates in the National Fraud Initiative (NFI), a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. Havering has been praised on their efforts with this exercise.

Complaints

A Corporate Complaints procedure exists to ensure that all standard complaints are effectively recorded and dealt with in the same way. The procedure is supported by the relevant technologies to ensure efficiency and requires officers nominated as 'Complaint Owners' to respond within set timescales. The process includes an escalation procedure where target timescales are not achieved.

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2011/12, the Ombudsman made one finding of maladministration by the Council: the Ombudsman has approved the action taken by the Council to remedy the maladministration.

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Training and Development

The Council has a commitment that every member of staff has a review and annual appraisal to discuss performance, targets and personal development. A new Learning and Development Strategy and Personal Development Review Framework have been developed during 2011/12 and will be implemented in 2012/13.

Training is provided to support the implementation of new systems, a variety of methods are applied to suit different individuals. In 2011/12 significant training was provided to enable staff to use the new Oracle system and to facilitate its' use by managers in the delivery of their services.

The Council has attained the Member Development Charter. A development programme to keep them up to date with changes and support their individual training needs is provided. Training is supplemented by information through briefings and bulletins. Their training includes are tailored to their role. In 2011/12 the Governance Committee approved an amendment to the Constitution that requires all Audit and Pensions Committee Members and their nominated substitutes to be appropriately trained to remain on the Committee.

Communication and Engagement

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. The wide number of forums take place to consult with all members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic) forum and the Inter Faith forum.

The Council maintains a website to provide information and a point of contact to the residents of the Borough. The publication 'Living' goes out to all households on a quarterly basis, promoting the work of the council and local people in making Havering a good place to live.

An extensive consultation process is carried out as part of the development of the MTFs and detailed annual budget. Views are sought through various media and the budget itself is subject to scrutiny through Cabinet and Overview & Scrutiny, Committees.

The public are also consulted on the budget proposals – this year using a sample of 3000 resident who had requested to be kept informed, over 500 responses were received to an online survey giving residents the opportunity to have input to the Council's budget proposals.

Partnerships

The Havering Strategic Partnership is the main overarching strategic partnership for Havering, consisting of a number of public and voluntary sector partners. The HSP works to ensure the delivery of the 'Living Ambition', the 20 year vision for the Borough.

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In addition to the HSP, there are a number of partnership boards in place such as the Community Safety Partnership, a shadow health and wellbeing board and the Children's Trust. There are also a number of other forums in existence in Havering including the Culture Forum, and many others.

A partnership toolkit was developed by the Council in 2009 to log and rank the partnerships to which resources are applied. The toolkit aims to promote a consistent approach to partnership working across the organisation and provide guidance and support to officers regarding the Council's requirements regarding Governance issues.

Transformation

A number of Transformation programmes are running within the organisation. The overall programme is monitored by the Corporate Management Team with the support of the Corporate Transformation Team. A Strategic Board exists for each programme. The Governance arrangements have been clearly defined for programmes and this is monitored for compliance. Soft audits are undertaken to verify benefits of the programmes and outcomes.

Review of effectiveness

The London Borough of Havering has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Governance Group within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based:

Constitution

The Monitoring Officer keeps the Constitution under continual review having delegated powers to make amendments arising from written reports, organisational changes, and legal requirements and to correct errors. Other amendments are considered by Governance Committee and Council.

Governance Group and Corporate Management Team

The Council's officer governance group is charged with reviewing the governance arrangements and monitoring any actions designed to improve the framework. Close links exist between this group and the Corporate Management Team (CMT), consisting of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate

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Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues.

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders, is charged with overseeing the organisation's governance arrangements.

Audit Committees

The Audit Committee are responsible for monitoring the work of Internal Audit regarding internal control. This monitoring is integral in the process to compile a robust Governance Statement. Significant Governance issues are escalated to the Governance Committee by the Chair of Audit Committee as required. The Audit Committee approves the Annual Governance Statement.

Standards Committee

The Standards Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, and three independent members i.e. individuals who have not been councillors or employees of the Council in the last five years or are a close relatives or friends of anyone who has. This Committee has a role in promoting and maintaining high standards of conduct by all members of the authority.

In accordance with the requirements of the Localism Act 2011, the Standards Committee will be abolished once any work outstanding as at 1 July 2012 has been disposed of. On 1 July, the Governance Committee will assume responsibility for maintaining Members' standards of conduct.

Overview and Scrutiny

The overview and scrutiny function reviews decisions made by Members. The focus of their role is to provide a challenge and to support the development of policies. At their meetings they have the opportunity to consider performance information; using monthly Members packs and other relevant performance data.

In 2011/12 specific activities, for example Day Opportunities for Learning Disabilities, were identified by overview and scrutiny and officers were asked to present performance and strategic information to task groups for discussion and challenge.

Internal Audit

Internal Audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In doing so Internal Audit supports the Group Director Finance and Commerce in his statutory role as Section 151 officer. Annually a Head of Internal Audit Opinion and annual report provide assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

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Risk Management

The responsibility for the system of internal control sits with management therefore each Head of Service is required to complete their own assessment and declaration with regards to the arrangements in place within their respective areas. These declarations have been considered when compiling this statement. The Council has embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee. In 2011/12 a Corporate Leadership Team working group reviewed the arrangements in place and made recommendations to strengthen the Council's approach. The Corporate Risk Register is owned by the Corporate Leadership Team, twelve strategic risks are identified and currently being monitored.

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently PricewaterhouseCoopers (PwC), is reported to the Audit Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2010/11 following similar opinions in previous. The results of all external reviews have also been considered in the process of compiling this statement.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

The issues identified in the 2010/11 Annual Governance Statement have been monitored by management throughout the year with review periodically to challenge actions and progress by both Corporate Management Team and the Audit Committee.

Of the four issues highlighted in the 2010/11 Annual Governance Statement, three, relating to Data Quality, Project Management and Contracts and Supply Chain Resilience, had been fully addressed at the end of March 2012. The remaining issue has wide reaching implications and, although significant progress has been made, it is felt that the issue remains open.

The remaining 2010/11 issue is therefore detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2012/13.

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Significant Issue and action already taken	Planned action	CMT Lead
<p>1. Information Governance</p> <ul style="list-style-type: none"> ➤ Officer Governance Group monitored work of Information Governance Group during 2011/12. ➤ Action plan in place. ➤ Included on Corporate Risk Register. ➤ Audit work underway. 	<p>Increased participation in Information Governance Group.</p> <p>Achievement of compliance with recognised Information Governance Toolkit.</p> <p>Awareness campaign and training.</p> <p>Further Audit work planned for 2012/13.</p>	<p>Group Director Finance & Commerce.</p>

In addition to this issue carried forward from 2010/11 the procedures to review and monitor Governance Arrangements to date in 2011/12 have highlighted three further issues:

Significant Issue and action already taken	Planned action	CMT Lead
<p>2. Austerity – having to maintain services with fewer resources.</p> <ul style="list-style-type: none"> ➤ Transformation 2014 has established a range of corporately managed, programmes to deliver savings. ➤ Ongoing financial modelling and a risk-based approach to budget monitoring. ➤ Robust Risk Management and Governance processes have been implemented for transformation. ➤ Impact is assessed as part of process to achieve of savings. 	<p>Re launch of Risk Management approach for Service Areas to increase efficiency and communication of risk.</p> <p>Intelligence gathering leading to assessment of impact of proposed change to local government funding on corporate financial position</p>	<p>Group Director Finance & Commerce.</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>3. Pace of Organisational Change – ensuring governance arrangements are revised and remain appropriate given the significant changes in the organisation.</p> <ul style="list-style-type: none"> ➤ People and Change programme part of Havering 2014 Transformation. ➤ Focus groups established to monitor and assess impact of significant changes (Public Heath, Homes in Havering). ➤ Corporate Management Team assessing impact of legislative changes to ensure organisation is prepared. ➤ New Ways of Funding group set up to assess impact of changes in local authority funding 	<p>Review for Officer Governance Group to provide assurance.</p> <p>Work to continuously improve the Internal Shared Service.</p>	Chief Executive
<p>4. Fraud – ensuring new and existing systems and processes are not vulnerable to fraud risks.</p> <ul style="list-style-type: none"> ➤ Investigation and management action regarding 2011/12 incident. ➤ E Learning of Fraud and Corruption launched. ➤ Fraud Risk Assessment and action plan produced. ➤ Training Plan produced. 	<p>Implementation of training plan.</p> <p>Monitoring and review of Risk Assessment.</p> <p>Targeted proactive work.</p> <p>Restructure of fraud resources.</p>	Group Director Finance & Commerce.

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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Chief Executive

DRAFT

* Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

<p>AUDIT COMMITTEE</p> <p>25 June 2012</p>	<p>REPORT</p>

Subject Heading:	Closure of Accounts Timetable 2011/12
	<p>Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk</p>
Policy context:	This report advises the Audit Committee of the progress to date in preparing for the Closure of Accounts 2011/12
Financial summary:	There are no direct financial implications to the report. However, the increased disclosure requirements relating to Infrastructure assets may require additional costs to be incurred in relation to the valuation and review of those assets.

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

- Clean, safe and green borough
- Excellence in education and learning
- Opportunities for all through economic, social and cultural activity
- Value and enhance the life of every individual
- High customer satisfaction and a stable council tax

SUMMARY

As required by the Accounts and Audit Regulations 2012, the Council's Statement of Accounts must be approved and signed by the Director of Finance and

Audit Committee 25 June 2012

Commerce no later than 30th June 2012. The accounts must be published after the conclusion of the external audit of accounts; no later than 30th September 2012.

RECOMMENDATIONS

The Committee is asked to note that:

- a) The Council's Statement of Accounts must be approved and signed by the Group Director of Finance & Commerce no later than 30th June 2012.
- b) A verbal update on progress in preparing the statement of accounts will be given by officers on the night.
- c) A copy of the accounts will be made available to members of the Committee as soon as they have been approved.
- d) The accounts must be considered and approved by the Audit Committee no later than 30th September 2012.
- e) The accounts must be published following the conclusion of the audit, no later than 30th September 2012.

REPORT DETAIL

1. Statement of Accounts 2011/12

- 1.1. At the time of preparing the report the statement of accounts were nearing completion. A verbal update will be given to the Committee on the night.
- 1.2. As previously reported to the Committee, this is the first full year in which the closure of accounts has been managed following the creation of Internal Shared Services and the implementation of the Oracle 12 suite of programmes. This was recognised and reported to the Committee as the most significant risk to the closure of accounts programme in 2011/12. There has been a significant amount of delay in completing this year's programme and a number of tasks remained outstanding and were awaiting completion at the time of preparing this report. However, progress has been made in recent weeks and it is expected that the draft accounts will be available for signing prior to the 30 June deadline..
- 1.3. As previously reported to this Committee, the statutory requirements for the approval and publication of the accounts have been amended by the Accounts and Audit (England) Regulations 2011. Once the accounts have been completed they will be approved and signed by the Group Director of Finance and Commerce no later than 30th June 2012.
- 1.4. The draft accounts will then be subject to audit, by the Council's external auditors PriceWaterhouse Coopers. Following the conclusion of the audit,

Audit Committee 25 June 2012

the accounts must be approved by the Audit Committee and published no later than 30th September 2012.

Financial Implications and risks:

There are no direct financial implications arising from the publication of the 2011/12 Statement of Accounts.

Legal Implications and risks:

Regulation 8 of the Accounts and Audit (England) Regulations 2011 require the approval and publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30th September 2012.

There are no apparent legal implications in noting the content of the Report.

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

Staff Contact: Mike Board
Designation: Corporate Finance and Strategy Manager
Telephone No: 01708 432217
E-mail address:mike.board@haverling.gov.uk

CHERYL COPPELL
Chief Executive

[Background Papers List](#)

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AUDIT COMMITTEE

25 June 2012

Subject Heading:

Annual Review of Fraud & Corruption

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.

Policy context:

E-mail : Vanessa.bateman@havering.gov.uk
To inform the Audit Committee of the results of the annual review.

Financial summary:

N/A

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

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report provides Members with details of the annual review of fraud and corruption arrangements as well as providing an update on developments during the last year and new initiatives going forward.

RECOMMENDATIONS

1. To note the work continuing to take place on Anti Fraud & Corruption.
2. To approve the Anti Fraud & Corruption Strategy, Appendix A.

REPORT DETAIL

1. The annual review of arrangements was undertaken in May 2012.
2. On 1st September 2011 the Housing Benefit Investigations Team was brought under the line management of the Internal Audit & Corporate Risk Manager in Finance & Commerce. Two additional temporary posts, funded by grant money, had just been established to tackle Housing Fraud. The longer term aim was to identify the benefits of creating a Corporate Fraud Team and if approved restructure the resources.
3. Due to the proposals that a Single Fraud Investigation Service, to be run by Department of Work and Pensions, is to be created no immediate plan to restructure the two teams into one has been progressed. However the fraud resources within Internal Audit were restructured in 2011/12 and the Investigations Team will be restructured in 2012/13. Both restructures aimed to ensure teams continued to meet the needs of the organisation and by improving consistency of grade and compatibility of the two structures it will mean the transition to a single Corporate Team will be straight forward should this be necessary in the future.
4. To inform how fraud resources are applied a risk assessment has been produced and presented to Corporate Management Team. This risk assessment has been used to ensure proactive efforts are focused in the highest risk areas, in particular where training and awareness is needed for teams and managers in specific areas. A programme of training will be delivered over the next six months and the risk assessment will be reviewed against the team's caseload and updated to include financial information.
5. In addition to the above an annual fraud campaign is run which includes reminders to all staff and posters displayed advertising the fraud hotline.
6. A review of our arrangements with regards Money Laundering was completed in March 2012 and the results of this have been fed into the risk assessment mentioned above.
7. A review of the Anti Fraud and Corruption Strategy has been completed. The updated Strategy is included as Appendix A of this report.
8. In response to the changes in legislation in 2011/12 a Bribery Policy has been produced and is with ACE Legal & Democratic Services for comment. The Council's policies relating to prosecution are also currently being refreshed to ensure they remain current and appropriate and give sufficient guidance to ensure consistency of approach. These policies will be approved by Corporate Management Team by September 2012.

9. The Audit Commission Report – Fighting Fraud Locally and other relevant publications and seminars are used as a source of information and guidance to which the Council’s arrangements are compared.
10. The Fraud Manual, available to guide the team on policy and procedure is reviewed and updated annually; the last review was completed in September 2011. Other guidance material, available on the intranet, for staff generally is currently being reviewed this includes the Council’s Whistle blowing Policy.
11. All permanent established fraud posts are currently filled by employees therefore all resources are subject to the Corporate Performance Procedures.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the Investigation teams often identifies losses which may be recouped by the Council. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

There are no direct implications or risks from consideration of the Report.

Human Resources implications and risks:

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

Equalities implications and risks:

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

BACKGROUND PAPERS

Audit Commission's - Protecting the Public Purse & Fighting Fraud Locally
Anti Fraud and Corruption Strategy 2011
The Red Book 2
Fraud Act 2006
Police and Criminal Evidence Act 1984
Regulation of Investigatory Powers Act 2000



ANTI FRAUD AND CORRUPTION STRATEGY

Version: May 2012



Haverling

LONDON BOROUGH

ANTI FRAUD & CORRUPTION POLICY STATEMENT

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

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

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

Cheryl Coppell
Chief Executive

1. INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Council has always sought to adopt a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability.
- 1.2 In adopting this strategy the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council.
- 1.3 This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.4 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, the Local Government Ombudsman, HM Revenue and Customs and other inspection bodies. These bodies are important in highlighting any areas where improvements can be made.
- 1.5 Fraud and corruption are defined by the Audit Commission as:
- Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain”.*
- Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*
- Fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to mislead or misrepresent”.*
- This strategy also covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*
- 1.6 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and their actions will not be tolerated.

2. CULTURE

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

improvements in systems of control are implemented to prevent a reoccurrence.

3. PREVENTION

3.1 The Role of Elected Members

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

3.2 The Role of Managers

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

3.3 Responsibilities of Employees

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

3.3.2 The Financial Procedure Rules clearly state:

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

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

3.4 Responsibilities of Contractors and Partners

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

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

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

3.4.4 Partnership working is a key focus for the Council and key to the achievement of corporate objectives and goals. Responsibilities will regards reporting fraud and corruption as well as the means to do so will continue to be

communicated during liaison meetings to ensure robust arrangements are in place. The Council will reconsider its membership of a partnership where the anti-fraud approach is not deemed to be sufficiently rigorous.

3.5 Conflicts of Interest

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

3.6 Role of Internal Audit

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

3.6.2 Internal Audit promote an anti-fraud culture and zero tolerance to fraud via workshops, training and presentations.

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

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

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

3.7 The Role of the Investigation Team

3.7.1 The Investigation Team is responsible for the investigation of welfare benefit fraud, council tax irregularities and social tenancy fraud, in accordance with the requirements of relevant legislation. In cases where employees are involved, they will work with Internal Audit and senior management to ensure that correct procedures are followed and that this strategy is adhered to.

3.8 The Role of External Audit

3.8.1 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting

fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity including arrangements designed to limit the opportunity for corrupt practices.

3.9 Co-operation with Others

3.9.1 The Council will keep under review arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity and as such links will be maintained with external agencies including:

- Metropolitan Police;
- London Audit Group;
- External Audit;
- Audit Commission;
- National Anti-Fraud Network;
- HM Revenue and Customs;
- Department of Works and Pensions;
- London Boroughs Fraud Investigation Group.

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

4. DETERRENCE

4.1 Prosecution

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

4.2 Disciplinary Action

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

4.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such

cases, if not referred to the police, will be referred to the standards committee or Group Leader, as appropriate.

4.3 Publicity

- 4.3.1 The Council's Head of Communications will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. S/he will also ensure that the results of any action taken, including prosecutions, are appropriately reported via our internal and external publications.
- 4.3.2 In cases where financial loss to the Council has occurred, the Council will seek to recover the loss and where appropriate advertise this fact.
- 4.3.3 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.
- 4.3.4 Regular reports will be made to the elected members and in particular the Audit Committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Strategic plan are reviews of system financial controls and specific pro-active fraud and corruption tests, spot checks and unannounced visits.
- 5.2 In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) to the Internal Audit and Corporate Risk Manager either by the person with whom the initial concern was raised or by the originator, which on occasions can be anonymous. This is essential to the strategy, and:
 - ensures the consistent treatment of information regarding fraud and corruption;
 - facilitates a proper and thorough investigation by an experienced audit team.
- 5.5 Investigations undertaken by Internal Audit, or other appropriate Officers, must comply with codes of practice and other regulated powers. All interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984 and the Regulation of Investigatory Powers Act 2000.

- 5.6 This process will apply to all the following areas:
- a) fraud/corruption by elected members acting in their official capacity;
 - b) internal fraud/corruption;
 - c) other fraud/corruption by Council employees, Agency Workers, Temporary employees on fixed term contracts;
 - d) fraud by contractors or consultants and their employees; and
 - e) external fraud (the public).
- 5.7 Any decision to refer a matter to the police will be taken by the Internal Audit and Corporate Risk Manager and where appropriate following consultation with the Finance and Commerce Group Director and the Council's Monitoring Officer.
- 5.8 Depending on the nature of an allegation under b) to e), the Internal Audit and Corporate Risk Manager or the Corporate Fraud Manager, will normally work closely with the Director concerned and Human Resources to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's disciplinary procedures will be used where necessary to facilitate a thorough investigation of any allegations of improper behaviour by employees.
- 5.10 The use of technology is an essential tool for Internal Audit in detecting and identifying misuse and abuse of IT systems. Blue Coat is a web-based reporting tool that enables Internal Audit and Business Systems to run reports to investigate and identify Internet use of staff. A protocol is in place to ensure forensic examinations, either planned or random, are performed to a high level of confidentiality and securely.
- 5.11 All investigations are recorded on a case management system. This allows management to, monitor investigations and receive regular performance reports.

6. AWARENESS AND TRAINING

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

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

7. CONCLUSION

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

8. STRATEGY REVIEW

- 8.1 This strategy will be reviewed annually and presented for approval by the Audit Committee.
- 8.2 The next review will be completed in April 2014.

9. KEY CONTACTS

Corporate Fraud Manager – Chris Nower ext 2617

Internal Audit & Corporate Risk Manager – Vanessa Bateman ext 3733

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AUDIT COMMITTEE

25 June 2012

Subject Heading:

Training plan for Audit
Committee

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.

Policy context:

E-mail : Vanessa.bateman@havering.gov.uk
To agree a training plan for the members
of the Audit Committee.

Financial summary:

N/A

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

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

The Pensions and Audit Committee have both given consideration to the importance of having adequately trained Members and substitute members. As a result a proposed amendment to the constitution was recently made.

This report outlines a planned approach to training for Audit Committee members.

RECOMMENDATIONS

1. To comment on the training plan within the report.
2. To approve the training plan, subject to any comments made.
3. To note that there will be an annual review of the training plan.

REPORT DETAIL

To ensure there is suitable cover for Audit Committee meetings substitute members have been identified and will be included in training provided going forward.

Party	Member	Substitute Member
Conservative	Cllr G Galpin (Chair)	To be confirmed
Conservative	Cllr R Ramsey	To be confirmed
Conservative	Cllr F Thompson	To be confirmed
Conservative	Cllr O Dervish	To be confirmed
Residents Group	Cllr C Barrett	To be confirmed
Labour	Cllr D Breading	Cllr Pat Murray

The skills self assessment completed as part of the annual review of the Committees effectiveness have been extended to cover substitute members and the outcomes reviewed to inform the training plan within this report.

The self assessments will be revisited annually going forward to monitor ongoing needs and the success of training. New members or substitute members will be asked to complete the self assessment on joining the Committee. If the knowledge or skills required to fulfil the role changes, due to a change in the responsibilities of the Committee, all members will be offered training at the earliest opportunity.

The table below outlines the areas of training required by the Committee Members and the frequency, timing and method of delivery.

Frequency	Contents	Method of Delivery	Timing
Once during term	Role of Audit Committee Role of Internal Audit Role of External Audit	One to one or Group session	On joining Committee
Once during term	Corporate Governance	Group session (yr 1)	June
Annual	Accounts and IFRS	Group session or one to one (yr 1) Drop in sessions (yr 2,3 & 4)	September

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Frequency	Contents	Method of Delivery	Timing
Annual	Fraud & Corruption <ul style="list-style-type: none">• Bribery• Money Laundering• Whistle blowing Housing Fraud Housing Benefit Fraud	Group session E Learning	December
Annual	Treasury	Group session	April
Annual	Risk Management & Internal Control	Group session (Yrs 1&3) E Learning (Yrs 2&4)	March

The constitution requires that all training be completed within six months of joining the Committee. In the first year Fraud, Treasury and Risk training would fall outside of the six months however it would be ensured that the training occurred prior to a related agenda item where the training was required to participate in the decision making.

IMPLICATIONS AND RISKS

Financial implications and risks:

None directly arising from this report, as most training is provided by officers and therefore does not incur a cost other than resources. Where external training is required this will be funded from current budgets. The existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in issues that arise not being addressed. Internal costs may be incurred should insufficient members or substitute members be available for a meeting as other members are not permitted to substitute and vote the risk of this occurring is increased.

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

None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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