



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30 pm

**Tuesday
25 June 2013**

**Town Hall, Main Road,
Romford**

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 DISCLOSURE OF PECUNIARY INTERESTS

Members are invited to declare any pecuniary interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any pecuniary 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 24 April 2013 and authorise the Chairman to sign them.

5 CLOSURE OF ACCOUNTS TIMETABLE 2012/13 (Pages 7 - 10)

Report attached.

6 EXTERNAL AUDIT PLAN 2012/13 - PENSION FUND AUDIT (Pages 11 - 36)

Report attached.

7 INTERNAL AUDIT INTERIM PROGRESS REPORT (Pages 37 - 62)

Report attached.

8 OUTSTANDING AUDIT RECOMMENDATIONS (Pages 63 - 78)

Report attached.

9 ANNUAL INTERNAL AUDIT REPORT (Pages 79 - 90)

Report attached.

10 ANNUAL GOVERNANCE STATEMENT (Pages 91 - 118)

Report attached.

11 ANNUAL REVIEW OF RISK MANAGEMENT (Pages 119 - 152)

Report attached.

12 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.

13 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.

14 SURTEES CONTRACT

The Committee will be given an oral update on this matter.

15 ANNUAL TREASURY MANAGEMENT REPORT 2012/13

**Ian Burns
Acting Assistant
Chief Executive**

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
24 April 2013 (7.30 - 8.08 pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (in the Chair), Frederick Osborne (Vice-Chair), Steven Kelly (In place of Roger Ramsey) and Frederick Thompson

Residents' Group Linda Hawthorn (In place of Clarence Barrett)

Labour Group Denis Breading

Apologies were received for the absence of Councillors Clarence Barrett and Roger Ramsey

Through the Chairman, announcements were made regarding emergency evacuation arrangements.

46 MINUTES OF THE MEETING

The minutes of the meeting held on 28 February, 2013 were agreed as a correct record and signed by the Chairman.

47 FRANCES BARDSLEY ACADEMY FOR GIRLS

Further to minute 33 the Group Director, Finance and Commerce confirmed that he had not received any response from Frances Bardsley School for Girls.

48 CHILDREN'S CENTRES

The Committee asked whether the outstanding recommendations from the review of the Children's Centre report had been implemented (Minute 36 refers.) Officers agreed to check and advise the Committee of the up dated position.

49 CLOSURE OF ACCOUNTS 2012/13

In respect of the closure of accounts (minute 37) the Committee had been advised that the Council had been unable to perform monthly payroll reconciliation between the payroll system and the main accounting Oracle R12 system. Officers informed the Committee that the situation was still not resolved. A test report had been run but it was still in development.

Similarly the issue of creating a separate bank account for the Pension Fund remained unresolved. It was officer's intention to ensure this was implemented and fully operational during the current financial year.

50 **'SAINTS AND SINNERS'**

At the last meeting the Committee had been advised that the work of the Borough's Fraud Team had been featured in the Saints and Sinners Television Programme. Officers were asked whether the Council received any payment for this as other authorities did receive payment. It appeared that the Council did not receive payment and officers were asked to look into why the Council didn't receive payment. The view of officers was that by being featured on the programme the Council received good publicity.

51 **UPDATE ON SURTEES CONTRACT**

The Committee was advised that all the issues arising from Mr Macdonald's complaints had been resolved. The issue with regard to service costs had been satisfactorily concluded and the full cost of services charges is now being fully recovered.

The complaint from Mr MacDonald had led to the Council reviewing the contract arrangements with Surtees for the supply and maintenance of aerial points and door entry systems. The existing contract was not advantageous to the Council and following recent advice from Council, and the weighing of the risks involved notice to terminate the contract had been served. The contractor has lodged an objection as they say the council have no right to terminate the contract. They have sought a meeting to discuss matters.

The Council wish to split the contract in to two separate contracts and a tender has already been issued for the maintenance of the door entry systems. For the T V aerials the Council were seeking a one year maintenance contract whilst we seek specialist advice as to the best way to proceed in the long term.

The Committee **noted** the report and asked that they receive a regular update on progress at every meeting.

52 **EXTERNAL AUDIT 2013/14 FEE LETTER.**

The Committee were informed that PricewaterhouseCoopers had submitted the External Audit 2013/14 Fee letter detailing their charges for the year. In total these were £253,059 a decrease of £4,300 from 2012/13.

The Committee **noted** the report.

53 ACCOUNTING POLICIES

Officers advised the Committee that the CIPFA Better Governance Forum had produced a tool-kit for local authority Audit Committees that recommended Members review accounting policies. These accounting policies would be included in the Statement of Accounts for 2012/13.

The application of accounting policies supported the implementation of the main accounting concepts of best practice. These ensured financial reports:

- Were **relevant** - providing appropriate information on the stewardship of authority monies?
- Were **reliable** - financial information could be relied upon and without bias, error, within the bounds of materiality and had been prudently prepared?
- Allowed **comparability** - the interpretation of financial reports was enhanced by being able to compare information across other accounting periods and other organisations.
- Were **understandable** - though financial reports had to contain certain information, they had to be understandable. For example the Council published summary accounts.
- Reflected **material** information - significant transactions must be incorporated in the financial reports.
- Were prepared on a **going concern** basis (the assumption that the authority would continue in operational existence for the foreseeable future)
- Were prepared on an **accruals** basis (accounts were prepared to reflect the benefit of goods and services received and provided, rather than when cash transactions occurred when invoices were paid in a later accounting period).

Officers informed the Committee that there were no significant amendments proposed in the draft code of practice for local authorities in 2012/13.

The Committee **noted** the accounting policies applicable to 2012/13.

54 FRAUD PROGRESS REPORT

The Committee were provided with an update on the work of the fraud team in the period ending April 2013. Officers were pleased to inform the Committee that Paul Wynn had returned from his secondment with the Department of Works and Pensions at the end of May. The Senior Investigator post in the Investigations team had been filled, but a new vacancy had occurred when the Auditor (Fraud) had left in March.

The income target for the Investigations Team of £51,740 would not be met as the income from the Proceeds of Crime was likely to be received in the following financial year.

The Committee identified one current case of non-benefit fraud, an allegation of accepting a bribe, which they wished to see further details. Officers advised that the case was still under investigation but would provide further details when the investigation had been concluded.

On being questioned officers informed the Committee that the income target for 2013/14 was £140,000 based on Proceeds of Crime recovery, this was a realistic target.

The Committee **noted** the report.

55 INTERNAL AUDIT REPORT

The Committee received a report on the work undertaken by the Internal Audit Team during the period 2 January to 28 March 2013. In this quarter 14 system audits had been completed, seven of which had received substantial opinions and seven Limited opinions. Limited opinions had been issued in respect of Oracle eBusiness, Network Permissions, Main Accounting, i-Expenses, i-Recruitment, i-Procurement and Payroll.

The Limited Assurance in respect of Network Permissions had been issued as the system of control was weak and there was evidence of non-compliance with the controls that did exist. The level of risk exposure was not acceptable.

Ten school audits had been completed with nine receiving Substantial Assurances and just one a Limited Assurance. The latter was Langtons Junior School.

A full report on all outstanding recommendations would be submitted to the June meeting of the Committee.

The report was **noted**.

56 INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE

Each year the Committee undertake a review of the Internal Audit Charter and Terms of Reference. This year the review had resulted in only minor changes.

Officers informed the Committee that the Government had launched new Public Sector Audit Standards which came in to effect from 1 April 2013. The next review would ensure we continued to comply with the most up to date standards.

After discussion the Committee **approved** the updated Internal Audit Charter and Terms of Reference as attached as Appendix 'A' to the report.

57 **ANNUAL REPORT OF THE COMMITTEE**

In accordance with best practice the Committee produced an Annual Report on its work for report to Council. This year the key highlights from the report were:

- The Committee had maintained its usual work plan based on its Terms of Reference but had also considered specific reports and assurances on: the progress with regards the objection to accounts action plan and related update on the outcome of a Leaseholder Valuation Tribunal.
- The Committee had received briefings on Fraud and Corruption, Risk Management and Housing Tenancy Fraud.
- The Committee had approved accounts compiled in accordance with the International Financial Reporting Standards.
- The Committee had approved the Annual Governance Statement.
- The Committee had requested follow up work or briefings from Head of Service regarding: Jacobs Contract; i-expenses and Purchase Card, Oracle System and Children's Centres.

The report provided details of the training received by the Committee and a forward plan for the forthcoming year.

The Committee **agreed** the Annual Report as submitted for submission to Council.

Chairman

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| | |
| <p>AUDIT COMMITTEE 25 June 2013</p> | <p>REPORT</p> |

| | |
|---------------------------|--|
| Subject Heading: | Closure of Accounts Timetable 2012/13 |
| | Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk |
| Policy context: | This report advises the Audit Committee of the progress to date in preparing for the Closure of Accounts 2012/13 |
| Financial summary: | There are no direct financial implications to the report. |

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 2011, the Council's Statement of Accounts must be approved and signed by the Group Director of Resources no later than 30th June 2013. The accounts must be published after the conclusion of the external audit of accounts; no later than 30th September 2013.

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 Resources no later than 30th June 2013.
- b) A verbal update on progress in preparing the statement of accounts will be given by officers on the night..
- c) The accounts must be considered and approved by the Audit Committee no later than 30th September 2013.
- d) The accounts must be published following the conclusion of the audit, no later than 30th September 2013.

REPORT DETAIL

1. Statement of Accounts 2012/13

- 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, there are no significant changes in accounting policies, the code of practice or to the internal systems and processes of the authority which affect the 2012/13 closedown. However, the main risks to this year's closedown process relate to the competing pressures of other projects such as One Oracle. Staff time has been diverted towards the achievement of other key deadlines with the associated risk that closedown activities would be delayed. As a consequence the closedown timetable slipped by approximately two weeks. However, progress has been made in recent weeks and it is still expected that the accounts will be delivered on time and in accordance with statutory deadlines.
- 1.3. In accordance with the Accounts and Audit (England) Regulations 2011, the completed accounts will need to be approved and signed by the Group Director of Resources no later than 30th June 2013.
- 1.4. The draft accounts will then be subject to audit by the Council's external auditors PricewaterhouseCoopers. Following the conclusion of the audit, the accounts must be approved by the Audit Committee and published no later than 30th September 2013.

IMPLICATIONS AND RISKS

Financial Implications and risks:

There are no direct financial implications arising from the publication of the 2012/13 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 2013.

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

[Background Papers List](#)

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| <p>AUDIT COMMITTEE 25 June 2013</p> | <p>REPORT</p> |

| | |
|---|---|
| Subject Heading: | EXTERNAL AUDIT PLAN 2012/13 PENSION FUND AUDIT |
| CMT Lead: | Andrew Blake Herbert |
| Report Author and contact details: | Contact: Mike Board Designation: Corporate Finance and Strategy Manager Telephone: (01708) 432217 E-mail address: Debbie.ford@havering.gov.uk |
| Policy context: | To note the External Audit plan for the Pension fund audit. |
| Financial summary: | This report sets out the planned area of work for the Pension Fund Audit. The indicative fee is £21,000 payable by the Pension Fund. |

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

The attached report, Appendix 1, advises the Audit Committee of the proposed 2012/13 External Audit Plan for the Pension Fund.

RECOMMENDATIONS

1. To note the auditors proposed scope and confirm that the committee is comfortable with the audit risks and approach.
2. Note the matters relating to fraud, and
3. Note the proposed audit fees for the year.

REPORT DETAIL

PricewaterhouseCoopers (PwC) are the current External Auditor for the London Borough of Havering, as appointed by the Audit Commission. This report deals with the audit of the Pension Fund.

This plan has been developed with the assistance of Council officers.

The attached plan contains the following sections to outline the External Auditors planned approach:

- Introduction and purpose of the audit plan
- Risk Assessment
- Audit approach
- Risk of Fraud
- The audit team and communications
- Timetable
- Audit Fees.

The broad approach to the audit work is set out in pages 4 and 5.

As set out in the Plan, the overall direction of the Fund's Investment Strategy is delegated to the Council's Pensions Committee. The Council acts as the administering authority for the Fund, and as such is accountable for the stewardship of the Fund. It is PwC's responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice.

IMPLICATIONS AND RISKS

Financial implications and risks:

The attached plan reflects the fee for the Pensions Fund element of the 2012/13 audit and is set out below:

| Element | 2012/13 Fee £ | 2011/12 Final Fee £ |
|--------------|------------------|---------------------------|
| Pension Fund | 21,000 | 35,000 |

The indicative fee is based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales.

The 40% savings reflect the outcome of the Audit Commission's procurement process to outsource the work of the audit practice, awarding five-year contracts to four private sector firms and their own internal efficiencies.

There are no other 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

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London Borough of Havering Pension Fund

DRAFT Audit Plan 2012/13

*Prepared for the Pension
Committee*

26 June 2013

Members of the Pension Committee
London Borough of Havering
Town Hall
Main Road
RM1 3BB

Ladies and Gentlemen,

We are pleased to present our Audit Plan for the London Borough of Havering Pension Fund, which shows how your key risks and issues drive our audit and summarises how we will deliver. We look forward to discussing it with you so that we can ensure we provide the highest level of service quality.

If you would like to discuss any aspect of our Pension Audit Plan please do not hesitate to contact any of the engagement team (contact details provided on page 12).

Yours faithfully,

PricewaterhouseCoopers LLP

Contents

| | |
|---|-----------|
| <i>Introduction</i> | 4 |
| <i>Risk assessment</i> | 6 |
| <i>Audit approach and Materiality</i> | 7 |
| <i>Risk of fraud</i> | 10 |
| <i>Your team and independence</i> | 12 |
| <i>Communicating with you and Timetable</i> | 14 |
| <i>Audit fees</i> | 16 |
| <i>Appendix - Other engagement information</i> | 17 |

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this plan

Our audit plan has been prepared to inform those responsible for the governance of the London Borough of Havering Pension Fund (“the Fund”) about our responsibilities as the external auditors of London Borough of Havering (“the Authority”) and how we plan to discharge them.

The London Borough of Havering acts as the administering authority for the Fund, and as such is accountable for the stewardship of the Fund. The responsibility for this stewardship is discharged on a day to day basis by the Pension Committee (“the Committee”). It is our responsibility to carry out an audit in accordance with the Audit Commission’s Code of Audit Practice (“the Code”).

This plan:

- is required by International Standards on Auditing (ISAs);
- sets out our responsibilities as external auditor under the Audit Commission’s requirements of the Authority’s Pension Fund;
- gives you the opportunity to comment on our proposed audit approach and scope for the 2012/13 audit;
- records our assessment of audit risks, including fraud, and how we intend to respond to them;
- tells you about our team; and
- provides an estimate of our fees.

We ask the Committee to:

- consider our proposed scope and confirm that you are comfortable with the audit risks and approach;
- consider and respond to the matters relating to fraud; and
- approve our proposed audit fees for the year.

Our work in 2012/13

We will:

- audit the statutory financial statements of the Fund assessing whether they provide a true and fair view;
- check compliance with International Financial Reporting Standards (IFRS);
- check compliance with the code of practice on local authority accounting;
- check whether the other information in the Annual Report is consistent with the Fund’s financial statements; and
- bring any significant control issues or other points of interest to the attention of management and the Committee as soon as practicable throughout the year.

Risk assessment

We considered the Authority's operations and assessed:

- risks that need to be addressed by our audit;
- how your control procedures mitigate these risks; and
- the extent of our financial statements and value for money work as a result.

Our risk assessment shows:

- those risks which are significant, and which therefore require special audit attention under auditing standards; and
- our response to significant and other risks, including reliance on internal and other auditors, and review agencies, if applicable.

Responsibilities

Officers and members of each local authority are accountable for the stewardship of public funds. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice ("the Code"), supplemented by the Statement of Responsibilities of Auditors and of Audited Bodies. Both documents are available from the Chief Executive or the Audit Commission's website.

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

Period covered by this plan

This plan outlines our audit approach for the period 1 April 2012 to 31 March 2013 over the London Borough of Havering Pension Fund.

Risk assessment

Risk Assessment Results

We have undertaken an audit risk assessment which guides our audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of your controls. Risks to the financial statements and our true and fair audit opinion are categorised as follows:

| | |
|-------------|--|
| Significant | Risk of material misstatement in the accounts due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year. |
| Elevated | Although not considered significant, the nature of the balance/area requires specific consideration. |
| Normal | We perform standard audit procedures to address normal risks in any material financial statement line items. |

Auditing Standards require us to include the following fraud risk as significant, relating to management override of controls as explained below.

Management override of controls

“Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.” ISA 240 paragraph 31

This is considered as part of our risk assessment below.

| Risk | Audit Risk | Reason for risk identification | Audit approach |
|---------------------------------|-------------|---|---|
| Management override of controls | Significant | On account of the potential link to fraud, auditing standards consider the risk of management override of controls to always be a significant risk. | <p>We will perform procedures to:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries; • review any accounting estimates for biases and evaluate whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; • perform ‘unpredictable’ procedures; and • may perform other audit procedures if necessary. |

Audit approach

Financial statements

Our audit of your financial statements is carried out in accordance with the Audit Commission's Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We are required to comply with them for the audit of your 2012/13 financial statements of the Fund.

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our audit approach is based on a thorough understanding of your Fund and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the financial statements into components. We assess the risk characteristics of each component to determine the audit work required.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

Materiality

We plan and perform our audit in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. Materiality depends on the size and/or nature of misstatements we identify, judged in the surrounding circumstances. In broad terms, omissions or misstatements of items are material if they could, individually or collectively, influence economic decisions taken on the basis of the financial statement by relevant users of the financial statements. As a rule of thumb we set overall materiality for the financial statements at around 2% of net assets but there may be other qualitative or quantitative factors that influence our professional judgement of what is material to the financial statements as a whole or to specific balance or disclosures.

ISAs require us to keep a record of identified misstatements in order to assess their impact on the financial statements both individually and in aggregate. In order to avoid the need to record differences which are clearly trivial, individually or in aggregate, to the financial statements as a whole we propose a *de minimis* level of £400,000 for formal reporting to the Committee. If any differences above this limit are not adjusted we ask the Committee to explain the reason for this in the letter of representation.

We may still bring smaller misstatements to your attention if they are associated with control deficiencies identified or if there is any indication of possible financial loss to the Fund.

Summary of our approach

This is not an exhaustive list of all the tests that we will perform, but summarises the main aspects:

| | Overall control environment | Investments assets and returns | Contributions | Benefits and membership |
|--|-----------------------------|--------------------------------|---------------|-------------------------|
| Governance controls | ✓ | ✓ | ✓ | ✓ |
| Administration and accounting controls | ✓ | ✓ | ✓ | ✓ |
| Service organisation controls | | ✓ | | |
| Analytical procedures | | ✓ | ✓ | ✓ |
| Detailed testing | | ✓ | ✓ | ✓ |
| Independent confirmations | | ✓ | | |

| Focus area | Planned response |
|--|---|
| <u>Investment assets and returns</u> | |
| Existence of investments | <ul style="list-style-type: none"> Understand the Committee and management monitoring controls, including reviewing Committee meeting minutes. Obtain independent confirmations of assets from the custodian and investment managers. Review audited internal controls reports on investment management and custody. |
| Valuation of investments | <ul style="list-style-type: none"> Test valuation of quoted investments against third party sources. Understand how the Committee and management validate asset values provided by investment managers for investments which are not quoted. Review valuations for pooled investment vehicles and any available internal controls reports. |
| Completeness of investments | <ul style="list-style-type: none"> Review the reconciliations of cash inflows and outflows from the Fund's bank account compared to contributions and other income, benefits and expenses and the movements in investments. Review the reconciliations performed in-house between investment manager and custodian assets. |
| Performance of investments reported is consistent with the financial statements | <ul style="list-style-type: none"> Complete an analytical review of investment returns for reasonableness compared with the Fund's benchmarks and other external indices. |
| Allocation of investments is in accordance with the Statement of Investment Principles ('SIP') | <ul style="list-style-type: none"> Review the allocation of investments compared with the requirements of the Statement of Investment Principles (SIP). |

| Focus area | Planned response |
|---|---|
| <u>Contributions</u> | |
| <p>Payment of employer contributions in accordance with the Rates and Adjustment Certificate and employee contributions per the prescribed rates for local government employees (England and Wales) (“the schedules”)</p> | <ul style="list-style-type: none"> • Review the controls over payroll and validate on a sample basis that these are operating as expected. • Undertake analytical review of contributions for reasonableness compared with the prior year, allowing for changes in membership, pay and rates of contributions. • Consider the monthly contributions received and investigate any unusual fluctuations. • Test on a sample basis that the contributions are calculated and paid in accordance with the relevant schedules. • Review the timing of the payment of contributions according to bank details compared with the requirements of the schedules. |
| <u>Benefits and membership</u> | |
| <p>Benefits are correctly calculated according to the local government regulations</p> | <ul style="list-style-type: none"> • Review the controls operated by the administration team (including over the pension payroll) and validate on a sample basis that these are operating as expected. • Undertake analytical review of pensions paid for reasonableness compared to the prior year, allowing for changes in membership and the effects of the pensions increase. • Consider the monthly total pensions paid and investigate any unusual fluctuations. • Perform substantive testing on a sample basis over material types of benefit payments. |
| <p>Membership statistics accurately reflect the membership of the Fund</p> | <ul style="list-style-type: none"> • Review the results of any pensioner existence checking exercise completed during the year. • Compare membership statistics and movements reported against the supporting data from the administration system and review for reasonableness compared with our expectations. |
| <u>Other areas</u> | |
| <p>Current assets and liabilities are appropriately accounted for</p> | <ul style="list-style-type: none"> • Review balances compared with the prior year and against our expectations from testing of income and expenditure. • Obtain independent confirmation of cash balances. • Review controls over cash movements and bank account authority levels. |
| <p>Related party transactions</p> | <ul style="list-style-type: none"> • Understand the controls that the Committee and management have over the identification of related parties and transactions with them. • Make specific enquiries for any transactions which look to be outside of the normal course of business. |

Risk of fraud

International Standards on Auditing (UK&I) state that we as auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

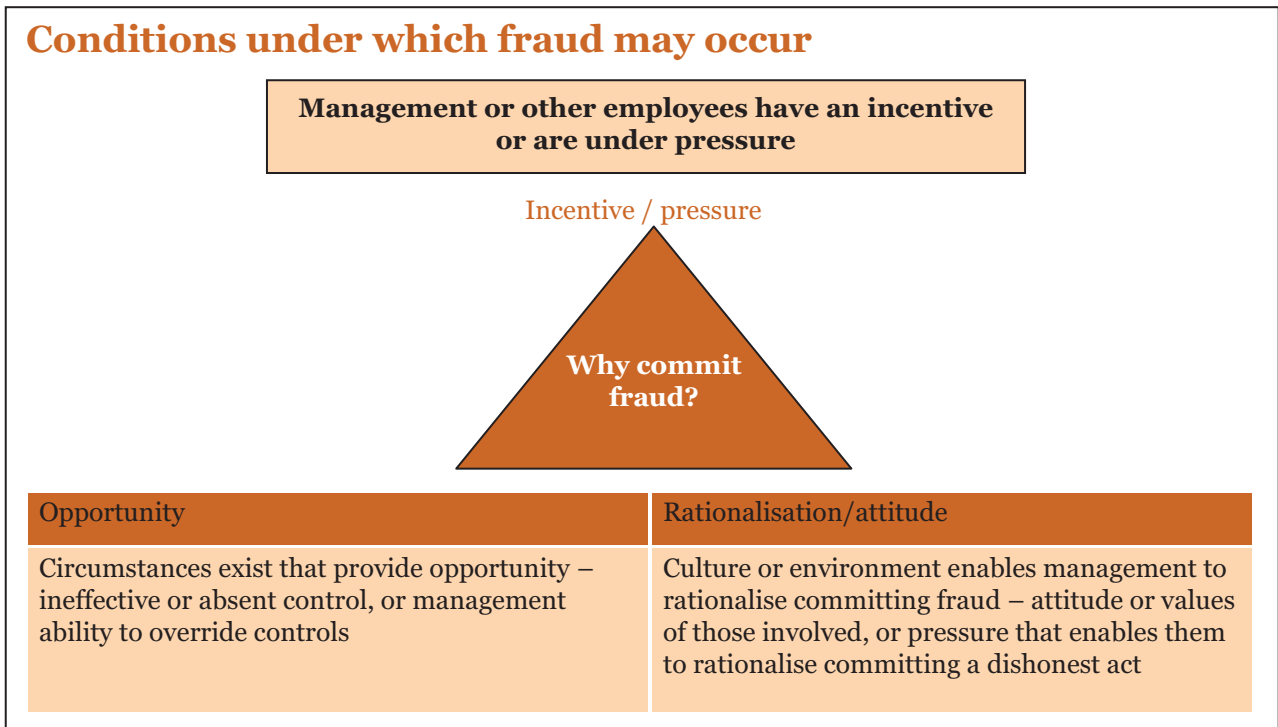
Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.



Your views on fraud

We would like to discuss with the Committee:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

If any cases of fraud, either actual, suspected or alleged, come to the attention of the Committee members, we should be informed so that we can perform appropriate procedures.

Your team and independence

Your audit team has been drawn from both our government and public sector and our pension assurance teams. Your audit team consists of the key members listed below:

Audit team

Responsibilities

Julian Rickett

Engagement Leader

Tel: 020 7804 0436

E: Julian.c.rickett@uk.pwc.com

Julian is responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the audit plan, the quality of outputs and signing of opinions and conclusions. Julian is also responsible for liaison with the Leader of the Council and the Executive as appropriate.

Jo Maguire

Pensions Director

Tel: 0113 289 4085

E: josephine.p.maguire@uk.pwc.com

Jo is responsible for ensuring the quality of our work is to the required standard from a pension's perspective and that we meet our commitments to you. Also responsible for liaison with the Members of the Pension Committee.

Christopher Longden

Pensions Manager

Tel: 0207 213 2384

E: christopher.longden@uk.pwc.com

Chris is responsible for providing technical guidance, and is responsible for managing the audit to ensure we meet the agreed timetable, resolution of matters arising, key liaison with senior management and managing our team.

Amit Patel

Audit Engagement Manager

Mob. (0)77152 11544

E: amit.m.patel@uk.pwc.com

Amit is responsible for leading our audit team on site during the interim and final audit fieldwork visits, for coaching and briefing our staff and for carrying out audit work in complex areas. The Engagement Manager will be the first point of call during the interim and final audit.

Independence and objectivity

As external auditors of the Authority we are required to be independent of the Authority in accordance with the Ethical Standards established by the Auditing Practices Board (APB). These standards require that we disclose to those charged with governance all relationships that, in our professional judgement, may reasonably be thought to bear on our independence.

We have a demanding approach to quality assurance which is supported by a comprehensive programme of internal quality control reviews in all offices in the UK. Our quality control procedures are designed to ensure that we meet the requirements of our clients and also the regulators and the appropriate auditing standards within the markets that we operate. We also place great emphasis on obtaining regular formal and informal feedback.

We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact the independence and objectivity of the audit team.

Relationships and Investments

Members and senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent auditors with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Communicating with you

Communications plan

ISA (UK&I) 260 (revised) 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the communications and at what stage when we expect to provide the Committee with the outputs of our audit.

| Stage of the audit | Output | Date |
|-----------------------------|--|----------------|
| Audit planning | Audit Plan | June 2013 |
| Audit Findings | <p>ISA (UK&I) 260 report incorporating specific reporting requirements, including:</p> <ul style="list-style-type: none"> • Any expected modifications to the audit report; • Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust; • Material weaknesses in the accounting and internal control systems identified as part of the audit; • Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures; • Any significant difficulties encountered by us during the audit; • Any significant matters discussed, or subject to correspondence with, Management; • Any other significant matters relevant to the financial reporting process; and • Written representation letter*. | September 2013 |
| Audit reports | Pension Fund Financial Statements | September 2013 |
| | Pension Fund Annual report | September 2013 |
| Other public reports | <p>Annual Audit Letter</p> <p>A brief summary report of our work, produced for Members and to be available to the public.</p> | October 2013 |

*The representation letter is signed by the Council and covers the requirements for the Fund as well.

Timetable

| <i>Month/Deadline</i> | <i>Audit activity</i> |
|---|--|
| 26 June 2013 | Review of Draft External Audit Plan by the Pensions Committee |
| March 2013 | Interim audit begins |
| July to August 2013 | Statement of Accounts audit |
| 30 September 2013 | Deadline for issue of the Audit Opinion on the Statement of Accounts |
| 30 September 2013 (Target date for issuing the Audit Opinion on the Pension Fund Annual Report) | Pension Fund Annual Report |
| September 2013 (date to be confirmed) | Planned date for issue of final version of ISA (UK&I) 260 Report to those Charged with Governance |
| 30 November 2013 | Deadline for issue of Annual Audit Letter |

Audit fees

The Audit Commission has provided indicative audit fee levels for the 2012/13 financial year. The base fee scale for our audit of the Fund is £21,000 (2011/12: £35,000)

The fees are not on a like for like basis as the 2011/12 fee includes a mandatory recharge paid to the Audit Commission, which is not required in 2012/13.

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, where planned, upon the work of internal audit;
- Agreeing the availability of staff whilst we are on site. Ensuring that staff are briefed so that they can pick up queries on work done by team members when the team members are not available;
- Discussing any unusual, new or complex transactions with us as they occur so that we can understand the detail and agree the necessary accounting treatment. Bringing unusual or potentially contentious items in the accounts to our attention as soon as possible;
- Providing us with named contacts for audit queries and for responding within an agreed timescale;
- Transaction listings are sufficiently detailed and are available to allow early sample testing to be carried out by the audit team;
- Evidence provided in relation to audit sample requests and answers provided to audit queries have been internally reviewed by the authority;
- Delays in producing the financial statements or missing and incomplete working papers are communicated to us two weeks before the start of the final audit;
- We are able to draw comfort from your management controls where applicable;
- We are required to review no more than a maximum of 3 draft financial statements;
- There are no accounting or auditing issues of a complex nature, which involve significant input of time from senior members of the team; and
- Accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

Should PwC be required to answer a formal question or objection raised by a local elector, the costs associated with that work would be additional to the fee quoted above.

Appendix - Other engagement information

The Audit Commission appoint us as auditors to the London Borough of Havering and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 7 More London, Riverside, London, SE1 2RT. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully

and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of the financial statements and their publication

ISA (UK&I) 560 (revised) places a number of requirements on us in the event of material events arising between the signing of the financial statements and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

Freedom of information act

In the event that, pursuant to a request which the London Borough of Havering has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The London Borough of Havering agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the London Borough of Havering shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the London Borough of Havering discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This report has been prepared for and only for London Borough of Havering in accordance with the Statement of Responsibilities of Auditors and of Audited Bodies (Local Government) published by the Audit Commission in March 2010 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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AUDIT COMMITTEE

25 June 2013

| | |
|---|--|
| Subject Heading: | Internal Audit Interim Progress Report |
| Report Author and contact details: | Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733 |
| Policy context: | To inform the Committee of the outcomes of the remaining 2012/13 audits. |
| 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 is an interim report to advise the Committee on the final 2012/13 audit plan reports issued since the last meeting.

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 interim update to the Committee regarding Internal Audit activity presented in four sections.

Section 1 Final Reports issued after 31st March 2013.

A summary of the work undertaken in quarter four, for which the final report was issued after the 31st March 2013, is included in this section of the report.

Section 2 Management Summaries

Summaries of all final reports issued.

Section 3 Schools Audit Work

A summary of schools final reports issued.

Section 4 Outstanding Audit Recommendations

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

IMPLICATIONS AND RISKS

Financial implications and risks:

Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report

Human 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 Audit Work finalised after 31st March.

- 1.1 Schedule 1 details the work completed in quarter four for which final reports were issued after the 31st March 2013. Details are listed in the table below and management summaries under Section 3 starting on the next page.
- 1.2 Reviews have also been undertaken on Information Governance – Service Area Control and Compliance and Provider Compliance.
- 1.3 A review was also undertaken on ISS Performance Management to support work by Management in this area.

SCHEDULE 1: 2012/2013 – Systems Audits Completed

| Report | Opinion | Recommendations | | | | Ref Below |
|----------------------------|-------------|-----------------|-----|-----|-------|-----------|
| | | High | Med | Low | Total | |
| Debt Management | Substantial | 0 | 1 | 0 | 1 | 2 (1) |
| Council Tax | Substantial | 0 | 3 | 2 | 5 | 2 (2) |
| Housing Benefits | Substantial | 0 | 0 | 0 | 0 | 2 (3) |
| Budgetary Control incl. CP | Substantial | 0 | 1 | 0 | 1 | 2 (4) |
| Accounts Payable | Substantial | 0 | 1 | 0 | 1 | 2 (5) |
| Accounts Receivable | Substantial | 0 | 2 | 1 | 3 | 2 (6) |
| Modern Governance | Substantial | 3 | 7 | 2 | 12 | 2 (7) |
| Release of Software | Limited | 3 | 0 | 0 | 3 | 2 (8) |
| Operating Systems | Limited | 4 | 2 | 0 | 6 | 2 (9) |
| Contracts & Procurement | Substantial | 0 | 1 | 0 | 1 | 2 (10) |

Section 2 Management Summaries

| | |
|-----------------|-----------|
| Debt Management | Ref 2 (1) |
|-----------------|-----------|

2.1 Background

2.1.1 The council has multiple services that generate an income. Many of these services are supplied before a payment is received, therefore creating a debt to the council. A list of the areas where debts are incurred, as identified during the audit, is attached as Appendix 1 of this report.

2.1.2 The Constitution outlines responsibilities with regards income collection.

2.1.3 The Council has a Corporate Debt Management Policy.

2.1.4 Levels of debt within the organisation are overseen by The Debt Management Board (DMB) chaired by Head of Customer Services.

2.1.5 In February 2013 a Senior Management restructure was launched part of this proposal is to bring all debt recovery activity into Finance/new Resources Directorate.

2.1.6 Summary of Audit Findings

2.1.7 The Corporate Debt Management Policy is being used as a guideline when invoicing and recovering debts. However it has been some time since the Corporate Debt Management Policy has been reviewed and updated.

2.1.8 Based on the work we have completed approximately 15 officers work across the organisation on income and debt recovery.

2.1.9 In the past four years the Group Director Resources has not been asked to approve any procedures within service area as required by the constitution.

2.1.10 Debt Management Board meetings showed a trend of debts generally being reduced.

2.1.11 It is noted that some services follow procedures that differ from the corporate policy.

2.1.12 Audit Opinion

2.1.13 As a result of this audit one medium priority recommendation relating to:

- Communicating potential points for consideration / action when implementing the planned new arrangements.

2.1.14 **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.

2.2 Background

2.2.1 Historically the provision of the Council Tax service was delivered by one dedicated team. In 2011 the administration of Council Tax was split into two main areas. Processing and administration of Council Tax is dealt with by the Contact Centre based at Mercury House who provides the customer facing element of the service. Back office functions have been retained by a team located at the Town Hall.

2.2.2 Summary of Audit Findings

2.2.3 Management information is not currently available from the Information @ Work system and so is being collated manually. Business Systems are working on producing a report to resolve this issue. No recommendation has been raised.

2.2.4 Instances of work that had already been processed were found within the Contact Centre in-tray. No recommendation is being raised as some feedback will be gathered to identify the scale of the issue.

2.2.5 Information relating to planning applications / completions for property extensions has not been reported to the Valuation Office since October 2011, changes in property bands may therefore not be being identified. Whilst this is not the responsibility of this team, there is a possible future impact on the services revenue.

2.2.6 Four accounts on the Academy system are not being billed for Council Tax, as a liable party has not been determined. Planning are conducting a review of the properties / accommodation located on this site. Council Tax will take appropriate action based on the results of this work. No recommendation has been raised.

2.2.7 There are discrepancies between the property numbers and bandings information held by the Valuation Office compared to the Academy system. These discrepancies are factored into reconciliations. No recommendation has been raised.

2.2.8 Clear roles, responsibilities and timescales for taking action on Data Tank and NFI issues have not been established.

2.2.9 Write offs are not being consistently processed in line with the procedure.

2.2.10 A local document retention policy for both hard copy and electronic data is not in place.

2.2.11 Staff that have left the Council still have access rights to the system. Reviews of users have not been happening, although a report is in the process of being generated for this to be completed. No recommendation has been made as this is already being resolved.

2.2.12 Declarations signed by staff to support notification of actions not permitted on the Academy system have not been extended to cover all users of the system.

2.2.13 Audit Opinion

2.2.14 As a result of this audit three medium and two low priority recommendations have been raised relating to the need for:

- Clarification over responsibilities for passing information to the Valuation Office; (*Medium Priority*)
- Clear roles and responsibilities for processing Data Tank / NFI changes on the system in a timely manner; (*Medium Priority*)
- Documentary evidence to support the write off and approval; (*Medium Priority*)
- A local document retention policy to be produced; (*Low Priority*) and
- Declaration forms for accessing Academy to be expanded to include all non-read only users outside of the Council Tax and Contact Centre teams to be completed. (*Low Priority*)

2.2.15 **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.

2.3 Background

2.3.1 In February 2013, a risk based approach to the assessment of housing benefit claims was adopted by the Council. Instead of a blanket approach for assessing all claims in the same way, Risk Based Verification (RBV) allows the level of checks undertaken to be determined by the level of risk that the claim poses.

2.3.2 The Council are using the Capita Risk and Verification Portal to assess claims.

2.3.3 Summary of Audit Findings

2.3.4 Limited resources are available to carry out the manual elements of the recovery process, causing a backlog in recovery. This issue has already been included in the Revenues & Benefits Action Plan to be reviewed in May 2013, so no recommendation has been raised.

2.3.5 Minor issues with the data upload from NatWest have resulted in presented cheques appearing on the unpresented cheques report. Due to the small number of claims being paid by cheque as well as regular monitoring and reconciliation of these cheques, no recommendation is being raised.

2.3.6 A local document retention policy is not in place. The same issue was highlighted as part of the Council Tax audit and recommendations made to resolve these issues. No additional recommendations have therefore been raised within this report.

2.3.7 Staff that have left the Council still have access rights to the system. The same issue was highlighted as part of the Council Tax audit and recommendations made to resolve these issues. No additional recommendations have therefore been raised within this report.

2.3.8 Declarations signed by staff to support notification of actions not permitted on the Academy system have not been extended to cover all users of the system. This issue has also been raised as part of the Council Tax report and so no recommendations have been raised.

2.3.9 Audit Opinion

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

2.3.11 **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.

2.4 Background

2.4.1 Budget monitoring is the responsibility of Cost Centre Managers (CCMs). An online forecasting system called CP (Collaborative Planning) was introduced in June 2012. This system has replaced the previous reliance on excel spread sheets to record and report monthly forecasts.

2.4.2 The CP system interacts with the Oracle Financials system to provide an integrated financial management solution.

2.4.3 Summary of Audit Findings

2.4.4 The introduction of new technologies in this process has strengthened the Council's budget monitoring and forecasting processes by ensuring that more timely data is available to CCMs. However, the process is still reliant on accurate forecasting by CCM's regarding activity in their service area and the Head of Service and Finance providing critical control mechanisms to detect, report and resolve inaccuracies and instances on non-compliance.

2.4.5 During 2012/13 instances of non-compliance have been identified and a report with recommendations presented to Corporate Management Team by Finance. This focus on compliance and ensuring efficient controls are operating is not a new challenge to the Council but one that is even more significant with the culture change towards self-service. As a result, some of the findings in this audit will be mitigated by the proposed recommendations in the CMT report, so no recommendations have been raised in these instances.

2.4.6 Management information available to identify instances of non-compliance is available, but is not currently being utilised, impacting on Operational Finance's resources.

2.4.7 Audit Opinion

2.4.8 As a result of this audit one medium priority recommendations relating to the need for the Completion status report to be utilised to monitor non-compliance.

2.4.9 **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.

2.5 Background

- 2.5.1 The Accounts Payable (AP) function became part of Internal Shared Services as part of the initial implementation of ISS in April 2011.
- 2.5.2 A Control Working Group was carried out for Accounts Payable for 11/12 that highlighted specific risk areas and potential solutions. One previous highlighted issue not yet fully resolved has been reiterated within this report.
- 2.5.3 Creditor payments through the Councils bank account for 2011/12 were a little over £420 million. Creditor payments as at 20/3/13 were a little under £345 million.
- 2.5.4 During 2012/13 the number of invoices being paid via the AP function has reduced due to the implementation of the IProcurement system. 21443 invoices were paid in the final three months of 2012/13, compared to 23727 in the previous three months.
- 2.5.5 The AP system is part of the One Oracle Project so the system will be upgraded to version 12 in November 2013.

2.5.6 Summary of Audit Findings

- 2.5.7 Financial Framework/ Procedures were last updated before introduction of Internal Shared Services. It is noted that all policy and procedural updates are now part of the One Oracle Project and will not be completed in advance.
- 2.5.8 Authorised signatories are not currently completed. Checks are carried out on payments over £50k
- 2.5.9 Supplier list contains multiple duplicates.

2.5.10 Audit Opinion

- 2.5.11 As a result of this audit one medium priority recommendation relating to:
- Financial Framework to be updated to include ISS processes.
- 2.5.12 **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.

2.6 Background

- 2.6.1 The Accounts Receivable (AR) function became part of Internal Shared Services as part of the initial implementation of ISS in April 2011.
- 2.6.2 A Control Working Group was carried out for AR for 11/12 that highlighted specific risk areas and potential solutions. Previous highlighted issues not yet resolved have been reiterated within this report.
- 2.6.3 The AR system is part of the One Oracle Project so the system will be upgraded to version 12 in November 2013. It should also be noted that a decision has been made to implement a corporate debt recovery team within the Resources Directorate which may also impact on the system going forward.
- 2.6.4 A total of 12,305 invoices have been raised by the Accounts Receivable team between April and September 2012, compared to 11,766 during the same period in 2011.
- 2.6.5 In September 2011 arrears totalled £7,724,810 compared to £5,663,016 at September 2012

2.6.6 Summary of Audit Findings

- 2.6.7 Procedures are not being updated when changes are made.
- 2.6.8 Declarations of Interest are not being completed by members of the Accounts Receivable Team.
- 2.6.9 Data Protection & money laundering training is not undertaken & procedures documented.
- 2.6.10 Spreadsheets are not being automatically uploaded to the system, meaning manual intervention is required. System improvements are now part of the One Oracle Programme.
- 2.6.11 End of month Head of Service reports are not being produced, this functionality is being built into new solution as part of One Oracle.
- 2.6.12 The Accounts Receivable system is not being reconciled on a daily basis; however developments in this area are now part of One Oracle.

2.6.13 Audit Opinion

- 2.6.14 As a result of this audit we have raised two medium and one low priority recommendations relating to:
- Procedures for the administration of Accounts Receivable to be completed; (*Low Priority*)

- Members of Accounts Receivable staff to sign Declarations of Interest; *(Medium Priority)* and
- Data Protection & money laundering training to be made available and procedures documented. *(Medium Priority)*

2.6.15 **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.

2.7 Background

- 2.7.1 Modern.gov is an application used within local government which has numerous facets designed to support council committee processes. Principal among these functions is the ability to bring together reports from various council services and effectively collate and present them in physical and electronic form to support council Committee Administration (this process, and its interaction with supporting technology, is mapped in Appendix 1). The application also acts as an interface for internal staff and members of the general public to interact with the uploaded media.
- 2.7.2 The focus of this audit is primarily on assessing the security in place on the Modern.gov application. In addition, the wider system in which Modern.gov operates will be assessed with a focus on both technical and operational elements.
- ### 2.7.3 Summary of Audit Findings
- 2.7.4 No application report could be provided to us of different modern.gov access permissions or views associated to each access Type.
- 2.7.5 The allocation of *Democratic Services Administrator* type privileges does not comply with the *Principle of Least Privilege* (POLP), at this level of application usage the distribution of access permissions is insufficiently granular.
- 2.7.6 Havering does not currently require third parties to sign a Code of Connection (CoCo) agreement, indicating compliance with the behavioural and security requirements of the council. Penetration testing at Newham identified weaknesses with the Modern.gov application system which may impact upon the application system build used at Havering council.
- 2.7.7 A Single Sign On (SSO) model is adopted which utilises the modern.gov interface with Microsoft Active Directory. All access to the application is granted on the operating system layer. The reliance on the operating system authentication does introduce a degree of risk, for instance unauthorised access is made possible if operating system access is granted and the workstation is left unattended.
- 2.7.8 The Committee Administration team have no involvement with the contractual elements governing the Modern.gov application even though as primary users they are best placed to appraise the level of service delivered by Modern Mindset.
- 2.7.9 The Application Control structure has not been formally mapped and a Fit for Purpose Review is not performed annually but it is a dynamic and constant process. The product is constantly evolving; the Committee Administration team works with Modern Mindset to develop the application.

- 2.7.10 The current build in use at Havering is Modern.gov 1250 - this is not the latest version. Currently the decision making process in relation to patch/update implementation lies with the Committee Administration team which may not have the necessary expertise to identify critical system updates.
- 2.7.11 The management of leavers is not informed by up to date intelligence on leavers, for example leaver reports from the Havering HR system. There is a risk that employees could use the login details of leavers to access Modern.gov resources, diminishing accountability.
- 2.7.12 Services were identified using old templates leading to information omissions, this being likely to be an issue relating to version control over report templates although clear guidance has been provided to services on approaches to handling exempt and confidential reports.
- 2.7.13 The current back-up policy for the server upon which Modern.gov sits is a daily backup which is retained for 10 days; this is a short term backup solution.
- 2.7.14 The service was unable to provide assurances that default passwords on the built-in generic Administrator account had been changed. This account only had Councillor type permissions which are limited.
- 2.7.15 Four Active Directory role groups were identified which were attributed to Modern.gov but did not have any permissions allocated to them.
- 2.7.16 **Audit Opinion**
- 2.7.17 As a result of this audit three high, seven medium and two low priority recommendations have been raised.
- 2.7.18 Recommendations related to the need for:
- 2.7.19 Committee Administration should liaise with the developer to identify with absolute clarity the specific capabilities of each user *Type*. Users should only be placed in role *Types* which reflect the specific application usage needs of their post. (*High Priority*)
- 2.7.20 A review should be performed of all Democratic Services Administrator access provided to users. There should be a valid business case for all administrator access issued which conforms to the Principle of Least Privilege. Access should be restricted to reflect role requirements. (*High Priority*)
- 2.7.21 Committee Administration should liaise with ICT and Modern Mindset to identify whether their build is affected by security weaknesses and, if required, the necessary action taken to mitigate these risks. A Code of Connection agreement with Modern Mindset should also be introduced. (*High Priority*)

- 2.7.22 The department should ensure it completes the transition to adopting Microsoft best practice guidelines as soon as possible. *(Medium Priority)*
- 2.7.23 Ownership for the contractual management over Modern.gov should be identified. The Committee Administration team should obtain a copy of the Service Level Agreement from ICT and play an active role in monitoring the service provide. *(Medium Priority)*
- 2.7.24 It would be beneficial to map application responsibilities out in the event of any unexpected personnel changes and clarity should be established as to which party is responsible for assessing the application fitness for purpose. *(Medium Priority)*
- 2.7.25 Modern Mindset should be contacted to ensure any patches/updates issued following the current implemented version do not fix a security weakness within the application. If a critical patch/update is identified it should be implemented with liaison with ICT and ensure that a proper Change Management process is followed. *(Medium Priority)*
- 2.7.26 Leaver management within the application system should be informed by leaver reports generated by the council's HR system. Frequent reconciliations should be performed to ensure unauthorised access is removed promptly. *(Medium Priority)*
- 2.7.27 The introduction of periodic user notifications (e.g. biannual) may be beneficial. As part of any periodic notifications it would be useful to reinforce end user usage of templates and ensure end users are using the correct version of templates. *(Medium Priority)*
- 2.7.28 The service should assess the appropriateness of the short term back-up solution in light of the criticality of the application system and appropriate action taken. *(Medium Priority)*
- 2.7.29 All generic passwords are changed. New passwords should be 'strong', confidential and stored securely in the event of application system failure. *(Low Priority)*
- 2.7.30 ICT should liaise with Modern Mindset to identify the purpose of the role groups attributed to Modern.gov that do not have any associated permissions. If there is no future requirement for the existence of these role groups they should be terminated. *(Low Priority)*
- 2.7.31 A **Substantial Assurance** opinion has been issued for the following reasons:
- Overall, the inherent risk of the application system to the organisation was not perceived as significant. The application has been implemented in its simpler form, thus reducing the associated risk. However, the Committee Administration team wishes to implement a partially decentralised model in the medium term future. Responsible officers

should be mindful that the risk profile of the application will change with this new model;

- Numerous strength areas were noted, these are identified on the overleaf page;
- In one case, where a critical high risk control weakness was identified mitigating controls were in place which reduced the level of risk; and
- DPA conflicts were identified in one case.

2.8 Background

2.8.1 As part of maintaining IT applications, software releases are issued by suppliers. These releases are often planned and can contain functionality upgrades or error clearance solutions.

2.8.2 Change control procedures are designed to ensure that no unauthorised changes (including releases of software) are made to IT systems. Failure to manage change control processes has resulted in critical failures in some large organisations; for example, recent failures in the banking sector have been well publicised.

2.8.3 Information and communications technology (ICT) is vital to the effective operation of all spheres of activity within the Council. In order to deliver services, the council utilises a large number of IT applications. These are managed by ICT Services, which use the following as best practice tools:

- ITIL (Information Technology Infrastructure Library), which defines the purpose of the change management process as 'controlling the lifecycle of all changes, enabling beneficial changes to be made with minimum disruption to IT services'.
- The security standard ISO17799, which includes systems development and maintenance within its 10 primary control areas. An operating system (OS) is a collection of software that manages computer hardware resources and provides common services for computer programs. The operating system is a vital component of the system software in a computer system.

2.8.4 Summary of Audit Findings

2.8.5 Various policies are in place, however, there are no detailed audit trail requirements and ICT analysts' practices vary.

2.8.6 There are no standard checklists in use or quality control system in place.

2.8.7 In respect of a documented audit trail:

- No standard audit trail process exists;
- There is no access to third party test plans or records; and
- There is over-reliance on e-mail accounts for document storage.

2.8.8 Audit Opinion

2.8.9 As a result of this audit three high priority recommendations have been raised.

2.8.10 Recommendations related to the need for:

2.8.11 A review of policies and procedures operated at both sites should be carried out with a view to all working to a single set of guidance. Once the single set

of guidance has been agreed a short training brief should be issued to all ICT Analysts.

2.8.12 The requirement to maintain an audit trail of activity, in relation to software releases, and the tools and locations to be used for this, should be explicit within the Joint Change Management Policy or a new joint Change Management Process.

2.8.13 A system of quality control is introduced.

2.8.14 As a result of our findings, the audit opinion is **Limited Assurance**.

2.9 Background

2.9.1 An operating system (OS) is a collection of software that manages computer hardware resources and provides common services for computer programs. The operating system is a vital component of the system software in a computer system.

2.9.2 The purpose of this operating system audit is to establish whether the configuration, security and management of the OS is effective, robust, in-line with corporate standards and policies and meets best practice. This audit focused on testing the operating systems of the two domain controllers (DC's) located at London Borough of Havering's Town Hall.

2.9.3 Three areas that were part of the original audit scope for this audit were either not tested or not tested in any detail. This was due to these areas already having been the subject of testing in the previous audit of Network Permissions. These areas are noted below. However, please refer to the audit on Network Permissions for the detailed findings and recommendations.

- Monitoring of Audit Logs:
- Audit Log Configuration Settings:
- Systems Administrators Access to the Domain Controllers:

2.9.4 Summary of Audit Findings

2.9.5 Corporate procedures have not been documented that cover all the key security functions, policies and standards and communicated to all personnel involved in the administration of security for the operating system

2.9.6 A process is not in place to ensure that individuals with security administration responsibilities are promptly kept informed of key system weaknesses and vulnerabilities through affiliation to relevant websites and security forums.

2.9.7 Best practice security standards have not been defined as the Council's corporate standard; neither have the operating system's configuration settings been set to high security on the domain controllers.

2.9.8 The operating system security parameters have not been correctly configured to offer adequate security protection to the system. This means that the configuration is not compliant with best practice.

2.9.9 Outputs from the Nessus reports need to be examined and the necessary action should be taken to guard against malicious hackers (or crackers) using open ports to attempt to exploit potential vulnerabilities.

2.9.10 The system configuration for the DCs did not receive prior approval from the relevant manager before, or after, their release into the production environment.

2.9.11 It was identified that warnings were not present when accessing the domain controllers and were only present on outward facing systems in the Demilitarised Zone (DMZ).

2.9.12 **Audit Opinion**

2.9.13 As a result of this audit five high and two medium priority recommendations have been raised.

2.9.14 Recommendations related to the need for:

2.9.15 Policies and procedures that detail the key security attributes of the network should be documented (i.e. system configuration settings, administrator access levels, remote access protocols and the process for audit log monitoring). Policies should be updated annually and made available to all relevant personnel involved in security administration and configuration of systems on the Council's network. (*High Priority*)

2.9.16 Officers involved in security administration for the Council should be signed up members of advisory and vulnerability websites, and the vulnerability reporting services of the Information Security for London (ISFL) WARP, which they are members, to ensure that they are promptly notified when system vulnerabilities and weaknesses are identified. (*High Priority*)

2.9.17 A review of the weak security settings, currently present on the DCs, should be performed immediately. A business case should be documented where it is deemed that changing a particular setting will have an impact on the stability of the system, which should also include what alternative method of security has been identified or whether the risk is to be accepted. (*High Priority*)

2.9.18 The automatic updates should be enabled and correctly managed by defining whether to be notified when new updates are available and choosing whether to install them or not. This process can also be managed through the Group Policy Object (GPO). The Windows firewall should be correctly enabled and configured on both domain controllers; c) The internet explorer zones for the user "stevensk" should have both the ActiveX script and Java permissions identified above disabled, unless there is a strong business case for maintaining this setting. (*High Priority*)

2.9.19 The Nessus reports should be examined on a monthly basis and the necessary action taken to rectify any weaknesses identified. Action taken to resolve issues should be appropriately recorded and where it is deemed that no action is required a detailed explanation of the reason for no action should be recorded and maintained in line with the Council's retention policy. (*High Priority*)

2.9.20 System configurations should always receive prior approval from the relevant senior manager before they are officially released into the production environment. (*Medium Priority*)

2.9.21 Warning banners should be present on all of the Council systems, notifying individuals that unauthorised access and inappropriate use of the system may result in subsequent prosecution. (*Medium Priority*)

2.9.22 Based on the work and testing performed, the operating system(s) has been given a **Limited Assurance** assessment due to the level of weakness identified within the control environment.

2.10 Background

- 2.10.1 In 2011/12 the Contract Procedure Rules were reviewed and amended. The threshold before which it is mandatory within Council Policy to seek support from the Internal Shared Service specialist procurement resources has been increased to £100k.
- 2.10.2 The threshold was increased as a result of a regional strategy for all boroughs, in London, to work towards aligning thresholds for going out to tender, in order to increase opportunities to procure in partnership. It was also considered that the cost of undertaking a full procurement process was at times greater than the financial benefit and was not sufficiently considering risk. In addition, to achieve savings, the back office support services in the Council have been reduced with the introduction of new technology and a move to a culture of manager self-service.
- 2.10.3 In 2012/13 the Council has implemented a new IProcurement system this will increase the control over expenditure and in particular the management information available to inform decisions and future strategy and efficiency in ensuring compliance.
- 2.10.4 **Summary of Audit Findings**
- 2.10.5 An analysis of the spend data available was undertaken as part of the audit , this showed that there were over 200 suppliers where overall spend of over £100k during 2012/13 who were not present on the contracts register. Going forward the IProcurement system will assist in identification of high expenditure with one supplier but a recent audit indicated that the service is not yet out of the implementation phase and onto Business as Usual so some controls are yet to be implemented.
- 2.10.6 Several services had no staff attendance at training supplied by Operational Procurement in 2011/12 when the Contract Procedure Rules were amended. This weakness in ensuring training is appropriately attended has been acknowledged by the organisation. All training is now booked, approved and attendance monitored via the Oracle Learning Management Module and although it is still line management that will enforce compliance the management information to support this is now complete and timely and with the introduction of self service workforce capability has become a focus for Senior Management. Heads of Service are responsible for ensuring that all officers are sufficiently skilled and trained to undertake corporate core activities. Failure by officers to comply with Council Policy is covered by the Council's disciplinary processes.
- 2.10.7 **Audit Opinion**
- 2.10.8 As a result of this audit one medium priority recommendation has been made relating to:
- Analysis of high spend suppliers to be carried out

2.10.9 **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 3 Schools Audit Work

Five Schools audits were undertaken in quarter four but the final report was issued after the 31st March 2013. 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.

Schedule 2: 2011/12 – School Audits Completed

| Report | Opinion | Recommendations | | | | Ref Below |
|-------------------------|-------------|-----------------|-----|-----|-------|-----------|
| | | High | Med | Low | Total | |
| Dame Tipping CE Primary | Substantial | 0 | 3 | 3 | 6 | N/A |
| Rise Park Infant School | Substantial | 0 | 3 | 0 | 3 | N/A |
| Rise Park Junior School | Substantial | 1 | 5 | 1 | 7 | N/A |
| Chafford | Substantial | 2 | 5 | 1 | 8 | N/A |
| Sanders Draper | Substantial | 2 | 5 | 3 | 10 | N/A |

Section 4 – Outstanding Recommendations Summary Table

Categorisation of recommendations

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

4.1 Outstanding Internal Audit Recommendations

| Review in | Area Reviewed | HoS Responsible | Outstanding | | | Position as at end May 13 | | |
|-----------|--|-----------------------------|-------------|----------|-----|---------------------------|-------------|------------------|
| | | | High | Medium | Low | In Progress | Not Started | Position Unknown |
| 2008/09 | Cemeteries & Crematorium | Housing & Public Protection | | 1 | | 1 | | |
| | | 2008/09 Total | | 1 | | 1 | 0 | 0 |
| 2009/10 | Climate Change | Culture & Community | | 1 | | 1 | | |
| | | 2009/10 Total | | 1 | | 1 | 0 | 0 |
| 2011/12 | Public Protection | Housing & Public Protection | | | 1 | 1 | | |
| 2011/12 | Remote Working | Business Systems | | 1 | | 1 | | |
| 2011/12 | Oracle Financials | Business Systems | | 3 | | 3 | | |
| 2011/12 | Crematorium – Grave Allocations & Record Keeping | Housing & Public Protection | | 4 | | 4 | | |
| 2011/12 | Education Computer Centre | Business Systems | 3 | 3 | | 6 | | |
| 2011/12 | Appointeeship & Deputyship | Adult Social Care | 1 | | | 1 | | |
| 2011/12 | Network Infrastructure | Business Systems | 1 | | | 1 | | |
| 2011/12 | Pensions | Shared Services | | 1 | | 1 | | |
| 2011/12 | i-Expenses & Purchase Cards | Group Director – F&C | 1 | | | 1 | | |
| 2011/12 | i-Expenses & Purchase Cards | Shared Services | 1 | 1 | 1 | 3 | | |

| Review in | Area Reviewed | HoS Responsible | Outstanding | | | Position as at end May 13 | | |
|----------------------|--------------------------------|------------------------------------|-------------|-----------|----------|---------------------------|-------------|------------------|
| | | | High | Medium | Low | In Progress | Not Started | Position Unknown |
| 2011/12 | Main Accounting | Shared Services | | 1 | | 1 | | |
| 2011/12 | Oracle Financials | Business Systems / Shared Services | | 3 | | 3 | | |
| 2011/12 Total | | | 7 | 17 | 2 | 26 | 0 | 0 |
| 2012/13 | Oracle Financials | Business Systems / Shared Services | | 2 | 2 | 4 | | |
| 2012/13 | Information Governance | ACE – Legal & Democratic Services | 1 | 1 | | 2 | | |
| 2012/13 | Network Permissions | Business System | 1 | | | 1 | | |
| 2012/13 | Parking: Cancellation of PCN's | Streetcare | | | 1 | 1 | | |
| 2012/13 | i-Recruitment | Strategic HR & OD | 1 | | | 1 | | |
| 2012/13 | Transport | Asset Management | | 1 | | 1 | | |
| 2012/13 | Modern Governance | ACE – Legal & Democratic Services | 1 | 3 | | 4 | | |
| 2012/13 Total | | | 4 | 7 | 3 | 14 | 0 | 0 |



AUDIT COMMITTEE

25 June 2013

Subject Heading:

Report Author and contact details:

Policy context:

Financial summary:

Outstanding Audit Recommendations

Vanessa Bateman
 Internal Audit & Corporate Risk Manager
 Tel: 01708 - 433733.
 E-mail : Vanessa.bateman@havering.gov.uk
 To advise the Committee on progress to implement the recommendations raised in prior years by internal audit.

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

Quarterly the Audit Committee receives updates regarding the outstanding audit recommendations. Annually a full review is undertaken and the latest position is presented to inform the Committee of the detail relating to outstanding recommendations.

Auditors are responsible for audit recommendations until they are implemented. The Report detail includes information about this year's process to update the recommendations and Appendix 1 contains the full list of outstanding recommendations.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise questions for management regarding progress.

REPORT DETAIL

As part of the new team structure implementation new processes have been put in place for a number of activities. Monitoring and update of outstanding audit recommendations is one of the first processes to be updated.

The annual full review of recommendations has taken place; all recommendations have been reviewed and updated. The auditors who raise the recommendations will now be responsible for monitoring and update when the deadline is reached. The Principal Auditor (Systems and Risk Management) is responsible for quality review of this work.

Management are asked to provide updates regarding recommendations and a sample is confirmed as complete via audit testing.

Following this year's annual review there are 42 recommendations on the outstanding list.

1 relates to 2008/2009.
1 relates to 2009/2010.
26 relate to 2011/2012.
14 relate to 2012/2013.

The results of this follow up have been reported to Heads of Service and Corporate Management Team.

The recommendations will continue to be followed up on a quarterly basis and summary tables presented to the other quarterly Audit Committee meetings.

IMPLICATIONS AND RISKS

Financial implications and risks:

None directly arising from this report, managers have the opportunity of commenting on audit recommendations 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. Resources to follow up audit work are included within the annual audit plan and provided within existing budgets.

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

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| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|----------------------------|-----|---|----------|--|--|--|
| 2008/ 2009 | PR0017 | Cemeteries and Crematorium | R8 | It is recommended that: 1) Work should be undertaken to collate the maps located elsewhere within the Authority and ensure that maps are in place for all sections of the Cemeteries; and 2) a separate project will need to be undertaken scan and preserve the maps to ensure that these are sufficiently safeguarded | M | Cemeteries & Crematorium Manager | Original - Mar 2010. Revised - Apr 2013. Revised - Mar 2018. | Update May 2013 - 1) This element of the recommendation will need to be included as part of a separate project for verifying and digitising the maps. 2) All existing maps have been either scanned or photographed and originals stored with Asset Management. Scans and photographs need to be indexed and this will be included in a separate project which will need to be resourced and funded. |
| 2009/ 2010 | CO0033 | Climate Change | R1 | It is recommended that the service consider the establishment of a formal protocol for input by the Environmental Strategy Team into Asset Management and construction standards / projects. | M | Head of Asset Management/ Energy Management Officer | Revised - Sept 2010. Revised - Dec 2010. Revised - Jan 2011. Revised - Sept 2011. Revised - Sept 2012. Revised - Nov 2012. Revised - Mar 2013. | The recommendation was reviewed by the Climate Change Working Group on 20.9.10 in the light of Cabinet's proposed deferral of LDF planning requirements for higher standards in new development. Revised protocol to be drafted by Head of Asset Management in conjunction with Head of RP&P. August 2012 Update - Draft protocol was presented to Climate Change Working Group - 24th July 2012. Some amendments were requested to be reported back to September meeting. January 2013 Update - HoS and Energy Management Officer are finalising criteria for presentation to the March 2013 meeting. May 2013 Update - No Update Received. |
| 2011/ 2012 | CC0024 | Public Protection | R2 | Confirmation to be sought from the Licensing Committee as to what information is required in future. | L | Licensing and Health and Safety Division Manager | Original - Mar 2012. Revised - Oct 2012. Revised - Apr 2013. | May 2013 Update - There hasn't been a full licensing committee meeting since last reported. When one is scheduled we will include the outstanding items. |
| 2011/ 2012 | CM0066 | Remote Working | R5 | Laptops should be configured to receive patch updates as soon as possible and any laptop returned to ICT should have patches updated as part of a standard process. | M | ICT Projects, Partnership & Policy Manager | Original - Feb 2012. Revised - Dec 2012. Revised - Apr 2014. | May 2013 Update - The project is progressing and SCCM patches are currently being tested within ICT. |
| 2011/ 2012 | CM0067 | Oracle Financials | R7 | The Council should identify the available capability for Oracle systems auditing and monitoring to identify auditing at user activity and database row change level. This should look to identify which fields would be beneficial to establish auditing of user activity on the system. | M | Systems Accountant, Financial Systems Control Team | Original - Mar 2012. Revised - Nov 2013. | May 2013 Update - Part of the London Wide Oracle project. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|--|-----|--|----------|---|---|--|
| 2011/ 2012 | CM0067 | Oracle Financials | R15 | Data input screens across the Oracle on Demand system should be reviewed to establish: <ul style="list-style-type: none"> Whether superfluous options/screens can be removed; and Where, in some cases, failure to complete fields which are not mandatory can lead to later errors. e.g. Accounts Receivable where the profile field is not mandatory and where failure to populate this field leads to payment rejections. This should be completed with a view to making some system input fields mandatory for completion to enhance data quality. | M | Transactional Services Manager | Original - Mar 2012. Revised - Dec 2012. Revised - Jun 2012. Revised - Nov 2013. | January 2013 Update - Following testing the profile field required cannot be made mandatory. Therefore a report is in development and will be available in March 2013 which will enable recovery to be progressed. May 2013 Update - Awaiting further investigation from CapGemini as part of One Oracle. |
| 2011/ 2012 | CM0067 | Oracle Financials | R17 | The Council should identify if address validation and postcode look up can be implemented within the system to improve the quality of address information that can be input into the Oracle on Demand system. | M | Transactional Services Manager Corporate & Business Applications Manager | Original - Mar 2012. Revised - Nov 2013. | May 2013 Update - This will be ongoing as part of the London Wide project. |
| 2011/ 2012 | CC0026 | Crematorium - Grave Allocations & Record Keeping | R2 | Regular management spot checks should be undertaken to ensure that the retention and completion of documents are in line with expectations. | M | Bereavement Services Manager | Original - Jul 2012. Revised - Jul 2013. | Update October 2012 - This recommendation is being introduced alongside the implementation of the new system. The Sequel upgrade has been put back and will not "Go Live" until July 2013. |
| 2011/ 2012 | CC0026 | Crematorium - Grave Allocations & Record Keeping | R3 | Training should be undertaken with all relevant staff to ensure that amendments to forms and processes have been suitably expressed to staff. | M | Bereavement Services Manager | Original - Jul 2012. Revised - Jul 2013. | Update October 2012 - This recommendation is being introduced alongside the implementation of the new system. The Sequel upgrade has been put back and will not "Go Live" until July 2013. |
| 2011/ 2012 | CC0026 | Crematorium - Grave Allocations & Record Keeping | R5 | The process for applying for, issuing, approving and commencing work on memorial permits should be reviewed. The memorial permit application form should be amended to accurately reflect this process | M | Bereavement Services Manager | Original - Sep 2012. Revised - Jul 2013. | Update October 2012 - This recommendation is being introduced alongside the implementation of the new system. The Sequel upgrade has been put back and will not "Go Live" until July 2013. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|--------------------------|-----------|--|-----|--|----------|-------------------------------------|--|---|
| 2011/ 2012 | CC0026 | Crematorium - Grave Allocations & Record Keeping | R6 | A more robust process for recording permit inspections due and completed should be implemented including where inspections identify that no memorial is in place. | M | Bereavement Services Manager | Original - Apr 2012. Revised - Sept 2013. | Update July 2012 - This review will be carried out as part of the review of working practices for the introduction of the upgrade of the EPILOG system to Sequel which is expected to be implemented by September 2013 (pending further discussions). A temporary resolution to the original issues is currently being implemented. |
| 2011/ 2012 | SC0059 | Educational Computer Centre | R2 | The ECC should develop a process for establishing and agreeing which of their services the school will be opting into the following year. The services and associated costs should be submitted to the Schools Health & Safety team by the 31st March in order to be included in the annual billing of schools. | M | Educational Computer Centre Manager | Original - Mar 2012. Revised - Mar 2013. Revised - Mar 2014. | May 2013 Update - The administrative processes for Traded Services has recently changed. In addition, the ECC Manager left in April 2013 and the current manager is working in an interim capacity. Schools have already brought into services for the current year. Will be looking at processes as part of this role. |
| Page 69 2011/ 2012 | SC0059 | Educational Computer Centre | R4 | Regular reviews should be undertaken to ensure that service provision is in line with those services opted into on the agreement. Any amendments to services should be documented, agreed and sufficiently updated where necessary in order to maintain an accurate list of services provided. Any additional charges incurred should be billed. | H | Educational Computer Centre Manager | Original - Apr 2012. Revised - Feb 2013. Revised - Jul 2013. | May 2013 Update - Work is underway between the ECC and Business Systems to identify the reports available from Supportworks. The teams will work together to identify a resolution to reporting on what support time has been used. Once reports are in place, these will be used to monitor service delivery. July 2013 for agreement as to the reports available from Supportworks and future sources of management information. |
| 2011/ 2012 | SC0059 | Educational Computer Centre | R5 | Sufficient records should be maintained to adequately document the outcome of data backs up. Records should be reviewed on a regular basis to ensure any unsuccessful back ups are investigated and rectified. | H | Educational Computer Centre Manager | Original - Apr 2012. Revised - Jan 2013. Revised - Jan 2014. | May 2013 Update - Looking at an automated process of reporting unsuccessful back ups. This isn't available under the current version of LGFL2 system so a manual process is being used. At present this is being checked during the on site visits if they buy into the service for visits. January 2014 for a automated process to be implemented. |
| 2011/ 2012 | SC0059 | Educational Computer Centre | R7 | Local performance indicators should be established and monitored on a regular basis to ensure poor performance does not go undetected. Performance should be monitored through regular one to ones. | M | Educational Computer Centre Manager | Original - Jun 2012. Revised - Sept 2012. | May 2013 Update - This will be implemented once the ECC Manager post has been filled. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|-----------------------------|-----|--|----------|---|---|---|
| 2011/ 2012 | SC0059 | Educational Computer Centre | R8 | Management information reports relevant to the ECC service should be built within the service desk support system. These reports should be regularly generated from the system and reviewed by management. | M | Educational Computer Centre Manager | Original - Sep 2102. Revised - Feb 2013. Revised - Jul 2013. | May 2013 Update - Work is underway between the ECC and Business Systems to identify the reports available from Supportworks. The teams will work together to identify a resolution to reporting on what support time has been used. Once reports are in place, these will be used to monitor service delivery. July 2013 for agreement as to the reports available from Supportworks and future sources of management information. |
| 2011/ 2012 | SC0059 | Educational Computer Centre | R9 | A review of the service should be undertaken in order to determine: <ul style="list-style-type: none"> • Available resources within the team; • Resources needed to deliver the current service provisions; • The cost of running the service; • Income generated through current services provided; and • Whether fees & charges are sufficient to cover the cost of service delivery; | H | ICT Commercial Services Manager | Original - Sep 2012. Revised - Apr 2013. Revised - Apr 2014. | May 2013 Update - The future of the service is reliant on the current project Romulus with Newham. Decisions will be made around the future of the ECC as part of this ongoing project. |
| 2011/ 2012 | SC0066 | Appointeeship & Deputyship | R8 | All accounts held with AIB should be transferred to Nat West. The Client Finance Manager should supply assurance to the Head of Finance and Procurement that the process has taken place and provide details of the reconciliation to the Treasury Manager & Capital Accountant. | H | Client Finance Manager | Original - Mar 2012. Revised - Sep 2012. Revised - Oct 2013. | Feb 2013 Update - Target date has been revised as although the process for arranging transfer is underway it has not yet been completed. Completion of this remains in control of RBS - Natwest Bank, but also dependent on provision of information and actions from other parties - e.g. Department of Work and Pensions and Insurance Companies. Latest estimate indicates that revised date may be viable. No identified risk to Clients or Council during this process. |
| 2011/ 2012 | CM0062 | Network Infrastructure | R3 | Management should urgently consider renewing or updating its corporate Firewalls. | H | Corporate Business Applications Manager | Original - Mar 2012. Revised - Nov 2012. Revised - Mar 2013. Revised - Aug 2013. | May 2013 Update - Migration to new firewalls in process. Work now 60% complete. Estimated completion now August 2013. |
| 2011/ 2012 | FC0099 | Pensions | R1 | Starters and leavers reports should be amended to allow easy identification of LGPS members. | M | Pensions Manager | Original - Jun 2012. Revised - Sept 2012. Revised - Nov 2013. | October 2012 Update - Reports being received from the relationship management team, which have some improvements, however they still don't highlight LGPS members. Other reports are being worked on the other reports and some have been produced but not finished. These reports remain on the list of jobs with Business Systems but are more likely to be implemented as part of the new Oracle project in November 2013. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|-----------------------------|-----|--|----------|--|--|---|
| 2011/ 2012 | CO0049 | i-Expenses & Purchase Cards | R2 | A reminder should be sent to all staff to highlight the areas of non compliance identified by this audit and communicate clearly their responsibilities. | H | Group Director Finance & Commerce | Original - July 2012. Revised - Sept 2012. Revised - Nov 2013. | May 2013 Update - all stakeholders in respect of the draft expenses guidance to be contacted for their agreement. Ensure a report is developed as part of One Oracle to identify and monitor the policy. |
| 2011/ 2012 | CO0049 | i-Expenses & Purchase Cards | R6 | Management should investigate potential solutions to clarify the different screens within iExpenses, in an attempt to reduce the likelihood of purchase card transactions being inadvertently claimed as a personal expense. | H | Transactional Team Lead | Original - Aug 2012. Revised - Sept 2013. | May 2013 Update - Business Systems progressing on the status of the work-round i.e. all PCard recs including 'Reimbursement to you' figure which is not '0', to be sent to Transactional Team Lead worklist. Discussions as part of One Oracle have taken place, mapping and parameters being set up. Further workshop to follow shortly. This will be tested by 6 Councils as part of One Oracle. |
| 2011/ 2012 | CO0049 | i-Expenses & Purchase Cards | R8 | A review of purchase card limits should be undertaken on an annual basis to ensure that limits, especially those with increased limits, are still necessary. | L | Transactional Team Lead / Cost Centre Managers | Original - Sept 2012. Revised - Nov 2013. | May 2013 Update - all stakeholders in respect of the draft expenses guidance to be contacted for their agreement. Ensure a report is developed as part of One Oracle to identify and monitor the policy. |
| 2011/ 2012 | CO0049 | i-Expenses & Purchase Cards | R9 | Management information to assist in the performance / monitoring of iexpenses should be produced once recommendations relating to clear roles and responsibilities, raised within this report have been implemented. | M | Head of Shared Service | Original - Sept 2012. Revised - Sept 2013. | May 2013 Update - Business Systems are being chased for progress on the status of the work-round i.e. all PCard recs including 'Reimbursement to you' figure which is not '0', to be sent to Transactional Team Lead worklist. Discussions as part of One Oracle have taken place, mapping and parameters being set up. Further workshop to follow shortly. This will be tested by 6 Councils as part of One Oracle. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|-------------------|-----|---|----------|--|--|---|
| 2011/ 2012 | FC0090 | Main Accounting | R1 | It is recommended that the requirements of ISS are clearly communicated and included in the Service Level Agreement (SLA). Compliance in this area must be monitored as for other areas of the SLA. All reconciliations: - have an agreed timetable that identifies appropriate intervals; - are identified against balance sheet codes, - are properly & fully documented, have a responsible owner, - are progressed to timetable in line with formal written procedures; - controls and monitoring are treated as part of their core business function; - balances confirmed and reported to management and Corporate Finance; and - issues must be reported to Corporate Finance. | M | Corporate Finance & Strategy Manager / Internal Shared Service | Original - Jun 2012. Revised - Aug 2012 Revised - Dec 2012. Revised - Sep 2013. | <p>May 2013 Update - Part 1 - Development of SLA (with Corporate Finance and Directorates) - In the longrun this will need to be developed in conjunction with the agreed requirements of Corporate Finance, but the requirements are clearly communicated by Shared Services in conjunction with Corporate Finance following the 2012/13 closure timetable. Any work to develop the SLA will be completed once One Oracle and Romulus projects conclude as the outcome of these will have a major effect of the content SLA.</p> <p>Part 2 - Compliance for all reconciliations -</p> <ul style="list-style-type: none"> - have an agreed timetable that identifies appropriate intervals. Responsible managers must ensure compliance with the requirements of reporting and documenting on the achievement of reconciling areas they are responsible for, the Systems and Reconciliation team do not carry out reconciliation or documentation checks, but monitor on a monthly basis that reconciliation owners stating they comply. - Corporate Finance monitor the Balance Sheet codes. ISS reports back to Corporate Finance for any balance sheet codes for which it is responsible. - Reconciliation monitoring is reported monthly through to Corporate Finance as part of the close down monitoring timetable, with issues identified and reported. |
| 2011/ 2012 | CM0067 | Oracle Financials | R7 | The Council should identify the available capability for Oracle systems auditing and monitoring to identify auditing at user activity and database row change level. This should look to identify which fields would be beneficial to establish auditing of user activity on the system. | M | Systems Accountant, Financial Systems Control Team | Original - Mar 2012. Revised - Nov 2013. | <p>August 2012 Update - Oracle GRC system and other solutions being looked at which would allow real time monitoring of Oracle as well as run reports for system auditing.</p> <p>September 2012 Update - Part of the London Wide project.</p> |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|-------------------|-----|---|----------|---|---|---|
| 2011/ 2012 | CM0067 | Oracle Financials | R15 | Data input screens across the Oracle on Demand system should be reviewed to establish: <ul style="list-style-type: none"> · Whether superfluous options/screens can be removed; and · Where, in some cases, failure to complete fields which are not mandatory can lead to later errors. e.g. Accounts Receivable where the profile field is not mandatory and where failure to populate this field leads to payment rejections. This should be completed with a view to making some system input fields mandatory for completion to enhance data quality. | M | Transactional Services Manager | Revised - Dec 2012. Revised - Mar 2013. Revised - Jun 2013. | Update July 2012 - System change for profile class is with Business Systems; it has been implemented in the test environment, but failed testing. The original developer has left Havering, but a new developer has taken over the call and is progressing the matter with the team lead for transactional team 2 in ISS. Supportworks F0793311 refers. <u>September 2012 Update</u> - Being Processed. <u>January 2013 Update</u> - Following testing the profile field required cannot be made mandatory. Therefore a report is in development and will be available in March 2013 which will enable recovery to be progressed. <u>May 2013 Update</u> - Awaiting further investigation from CapGemini |
| Page 73 | CM0067 | Oracle Financials | R17 | The Council should identify if address validation and postcode look up can be implemented within the system to improve the quality of address information that can be input into the Oracle on Demand system. | M | Transactional Services Manager Corporate & Business Applications Manager | Original - Mar 2012. Revised - Nov 2013. | August 2012 Update - To be dealt with under the joint procurement project. <u>September 2012 Update</u> - This will be ongoing as part of the London Wide project. |
| 2012/ 2013 | CM0078 | Oracle Financials | R3 | Management should review the use and purpose of the generic accounts that have been setup with access to the Oracle system so that: <ul style="list-style-type: none"> • The business reason and the users with access to the account has been documented for the generic accounts that require access to the system; • The Oracle system is configured to record the activity of the generic accounts so that it can be monitored; and • All other generic accounts are locked so that they are unable to gain access to the Oracle system. Furthermore, the access permissions should be reviewed to identify any conflicts of interest that exist through the use of generic accounts. | M | ICT Service Delivery Manager | Original - Feb 2013. Revised - Not provided. | Agreed. A review of the generic accounts will be carried out and, where necessary, the accounts will be suspended. <u>March 2013 Update</u> - IT Service Delivery Manager to review with System Support Manager; this work has been carried out, add in periodic review of generic accounts and add summary of what accounts we have. <u>May 2013 Update</u> - No Update Received. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|------------------------|-----|--|----------|------------------------------|---|--|
| 2012/ 2013 | CM0078 | Oracle Financials | R8 | Management should review the current reporting from the iRecruitment module of the Oracle Financials system to confirm that output reporting is adequate and that reports produced are required and support management requirements. | M | ICT Service Delivery Manager | Original - Feb 2013. Revised - Nov 2013. | Agreed – with action required by Internal Shared Services. Reporting is available for the iRecruitment module, however Internal Shared Services are responsible for determining the reports that are to be made available. Reporting will be configured once Internal Shared Services have identified and defined their requirement. May 2013 Update - All developments are now part of One Oracle. |
| 2012/ 2013 | CM0078 | Oracle Financials | R12 | Management should correct the Privacy Statement link on the external iRecruitment webpage so that users are directed to the Council's privacy statement. | L | ICT Service Delivery Manager | Original - Mar 2013. Revised - Nov 2013. | Agreed. This will be raised with Internal Shared Services. May 2013 Update - All developments are now part of One Oracle. |
| 2012/ 2013 | CM0078 | Oracle Financials | R13 | Management should request that the Oracle system is configured to display when a user has exceeded the number of failed login attempts and had their account locked | L | ICT Service Delivery Manager | Original - Mar 2013. Revised - Nov 2013. | Agreed. This will be raised with Oracle. May 2013 Update - All developments are now part of One Oracle. |
| 2012/ 2013 | CO0060 | Information Governance | R2 | The Information Governance Group should agree the key documents that make up the Council's Information Governance Framework. | M | Information Governance Group | Original - Jul 2012. Revised - Sep 2013. | May 2013 Update - Information Governance Group have identified the list of documents and these are being reviewed to ensure they are current. They will be made available on the webpage. May 2013 Update - The Information Governance Group will complete an interim measure to fulfil this recommendation in the short term and revisit the site when a new more functional intranet site is implemented. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|------------------------|-----|--|----------|--------------------------------|---|--|
| 2012/ 2013 | CO0060 | Information Governance | R3 | A dedicated Information Governance webpage should be set up on the Council's Intranet to pull together key information and to signpost users to appropriate guidance, training material and contacts. | H | Information Governance Group | Original - Jul 2012. Revised - Sep 2013. | May 2013 Update - Information Governance Group have identified the list of documents and these are being reviewed to ensure they are current. They will be made available on the webpage. May 2013 Update - The Information Governance Group will complete an interim measure to fulfil this recommendation in the short term and revisit the site when a new more functional intranet site is implemented. |
| 2012/ 2013 | CM0075 | Network Permissions | R7 | <ol style="list-style-type: none"> Ownership for the monitoring and maintenance of the QRadar system should be allocated. The responsible ICT users must receive adequate training to use the system effectively. Ownership should be clearly delegated for the monitoring of the audit logs of respective systems. If logs are not reviewed, then there is limited purpose to the data being collected. An audit log filtering strategy, which flags key events to the responsible users would turn the large repository of data into a useful resource to monitor key non-compliant/un-authorised changes on the domain controller. The ICT department should ensure that it remains in control of the audit log monitoring and review process and that this is not delegated to Internal Audit (this would compromise Internal Audit impartiality). High importance events that are not currently being audited (as listed above) should be risk assessed and the domain policy controller changed accordingly. ICT should ensure it has a clear audit | H | Unified Communications Manager | Original - Apr 2013. Revised - July 2013 | May 2013 Update - The Senior Information Governance officer to review the Security logs others will need to be identified to review System and Error logs also as to the maintainance of the system this sits with the server team and not security this needs to be actioned by the team lead. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|-----------|-----------|--------------------------------|-----|--|----------|---|--|--|
| | | | | policy in place to inform the audit logging process. This assessment should be linked to business impact level assessment of information sensitivity/value (services will need to be involved to identify the sensitivity and value of their data). This will provide clear guidance to ICT administrators on the application of resource level auditing policies. | | | | |
| 2012/2013 | CC0034 | Parking: Cancellation of PCN's | R6 | Checks should be carried out on a regular basis to ensure that the level of access to the Chipside system is appropriate for each member of staff and that access is disabled when a person is no longer a member of the team. | L | Business Unit Manager (Schemes & Challenges) | Original - Apr 2013. Revised - June 2013. | Update May 2013 - We have been undertaking the checks. However, the formality of a pro-forma to record when those checks were undertaken will be in place for June 2013. In light of recent changes within Customer Services, the new Team Leader for Streetcare will be providing me with a revised list of all their staff who require access to Chipside and have also briefed her on some of the security improvements we are implementing. |
| 2012/2013 | FC0107 | i-Recruitment | R1 | Quality and compliance checks of the iRecruitment process and all related documentation should be carried out on a regular basis. This should be defined by Strategic HR and agreed via the SLA with ISS. | H | Head of Human Resources and Organisational Development. | Original - May 2013. Revised - Aug 2013. | May 2013 Update - This requires additional resources to support this task which is subject to a CMT decision and funding. Will keep under review. |
| 2012/2013 | FC0104 | Transport | R7 | To prevent disputes over charges Service Level Agreements should be entered into with all departments / services that use Transport Services. | M | Fleet Manager | Original - May 2013. Revised - Aug 2013. | May 2013 Update - Held up due to the restructure of SC&L Commissioning. The SC&L lead person for commissioning is leaving the council. |
| 2012/2013 | CM0073 | Modern Governance | R3 | Committee Administration should liaise with ICT and Modern Mindset to identify whether their build is affected by security weaknesses and, if required, the necessary action taken to mitigate these risks. A Code of Connection agreement with Modern Mindset should also be introduced | H | Principal Committee Officer | Original - May 2013. Revised - Jun 2013. | May 2013 Update - CoCo Agreement has been forwarded to Modern Mindset for completion. |

| Year | Audit Ref | Name of Audit | Rec | Recommendations | Priority | Responsible Person | Dates Due | Position/Progress to date |
|---------------|-----------|-------------------|-----|---|----------|-----------------------------|---|---|
| 2012/ 2013 | CM0073 | Modern Governance | R6 | It would be beneficial to map application responsibilities out in the event of any unexpected personnel changes and clarity should be established as to which party is responsible for assessing the application fitness for purpose. | M | Principal Committee Officer | Original - May 2013. Revised - Jun 2013. | May 2013 Update - Part complete - As Administrator for the system I will take responsibility for assessing the application fitness for purpose, with Jacqui Barr acting as Deputy in my absence. The mapping document itself is still to be completed. |
| 2012/ 2013 | CM0073 | Modern Governance | R8 | Leaver management within the application system should be informed by leaver reports generated by the council's HR system. Frequent reconciliations should be performed to ensure unauthorised access is removed promptly | M | Principal Committee Officer | Original - May 2013. Revised - Jun 2013. | May 2013 Update - HR will be contacted to request periodic reports so leaver's access can be suspended. Implementation date put back a month. |
| 2012/ 2013 | CM0073 | Modern Governance | R10 | The service should assess the appropriateness of the short term back-up solution in light of the criticality of the application system and appropriate action taken | M | Principal Committee Officer | Original - May 2013. Revised - Jul 2013. | May 2013 Update - The initial completion was ambitious. The item requires more detailed discussions between Committee Admin and ICT to assess the back-up solution. |

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AUDIT COMMITTEE

25 June 2013

Subject Heading:

Annual Internal Audit Report

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 present a summary of the results of work completed by the Internal Audit team during 2012/13 as well as an opinion on the system of internal control.

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 presents the Committee with a summary of the work undertaken by the Internal Audit Team during 2012/13 as well as communicating key messages and an overall opinion on the system of internal control from the Internal Audit & Corporate Risk Manager as required by the Accounts and Audit Regulations 2011.

The information is contained within an Annual Report which is attached as Appendix 1 of this report.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

In accordance with the Accounts and Audit Regulations 2011 this report details the work undertaken to review the system of internal control and provides Senior Management and Members with assurance that an adequate system of internal control is in place within the London Borough of Havering.

The reports summarises the work undertaken by the Internal Audit team that supports the assurance provided and well as formally communicating key messages and issues including:

- Organisational Change; and
- One Oracle.

The report aims to summarise overall themes, however the findings of individual audits have also been included within quarterly reports to Audit Committee during the year.

IMPLICATIONS AND RISKS

Financial implications and risks:

The annual report summarises the work of the internal audit team over the past financial year and highlights key messages regarding the finding of audit work. The findings of individual reports are reported to Audit Committee as part of the quarterly reporting cycle. Thus, any audit recommendations arising from audits undertaken, and the audit opinion, have previously been considered by the Committee. Any Internal Control issues identified as part of this process will have been raised with managers, who have the opportunity of commenting on these before they are finalised. Failure to either implement at all or meet target date may have control implications, although these would be highlighted by any subsequent audit. It must be noted that this assurance provided is only based on the work undertaken by the team. 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:

Equality and Social Inclusion are key factors to consider in the review of Council's Strategies and other related policies and procedures are assessed to ensure the impact is appropriately identified. Equality and Diversity risks are included in individual audits in the plan, where risk area has a sufficient rating. Corporate controls in this area are also reviewed periodically.

BACKGROUND PAPERS

2012/13 Internal Audit Reports
2012/13 Progress Reports to Committee

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Havering
LONDON BOROUGH

INTERNAL AUDIT ANNUAL REPORT

2012 / 2013

CONTENTS

| | Page |
|--|-------------|
| 1. INTRODUCTION | 3 |
| 2. ASSURANCE STATEMENT | 4 |
| 3. WORK THAT SUPPORTS THE OPINION | 4 |
| 4. KEY MESSAGES | 6 |
| 5. INTERNAL AUDIT QUALITY ASSURANCE | 7 |

1. INTRODUCTION

- 1.1** In accordance with the Accounts and Audit Regulations 2011, a local authority is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. Proper practice is defined as the CIPFA Code of Practice for Internal Audit in Local Government 2006. In accordance with this Code the Head of Internal Audit is required to provide a written report to those charged with governance, to support the Annual Governance Statement, which should include an opinion of the overall adequacy and effectiveness of the Council's control environment.
- 1.2** The purpose of this report, therefore, 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 communicated internally, prior to its presentation to Committee and also available on the Council's website from mid June 2012, 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 2012/13 Internal Audit Plan, of 1576 days, was approved by the Audit Committee in February 2012. 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 weaknesses have been identified in 2012/13; however action has been taken or is planned 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** Section 3 of this 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** 680 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; however one full time team member reduced their working hours which impacted on delivery.
- 3.1.2** 493 days of the original systems plan were delivered. 31 audits were completed; two audits were moved to 2013/14 due to timing issues. A further 20 days were moved to follow up work, 55 to special projects and 46 to fraud investigations.

3.2 Computer Audit

- 3.2.1** 125 days of the plan was allocated to computer audit. Seven audits were completed. One audit was moved to 2013/14 due to timing issues so in total 116 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 300 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 420 days were delivered in year.
- 3.3.2 Pro-active – A budget of 130 days were assigned to pro-active audits. A risk based pro-active audit plan had been devised. Due to the additional reactive work 56 days were delivered by the end of the year. Three audits were completed.
- 3.3.3 Work to support Management in the prevention of Fraud has continued throughout 2012/13 both based on risk analysis and in areas identified through reactive and proactive work. The Fraud Strategy was reviewed and Corporate Management Team and Members reconfirmed their commitment to a zero tolerance to fraud.

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 June meeting the Audit Committee will receive a full list of all outstanding recommendations.
- 3.4.2 There were five 'limited assurance' reports in 2011/2012. Follow up work has been undertaken on these and on further reports at the request of the Audit Committee.
- 3.4.3 In 2012/13 a new approach to monitoring audit recommendations was undertaken. This process will be further developed in 2013/14 to further develop the proactive efforts of the team to work with managers after the audit to ensure risks are mitigated.

3.5 Schools

- 3.5.1 In 2012/13 24 schools were audited of which 22 were Substantial Assurance and two were Limited Assurance.
- 3.5.2 In 2012/13 the schools audit programme was updated to focus in on risk and also to account for the new Schools Financial Value Standard which replaced the Financial Management Standard in Schools.

3.6 Other Outside Assurances

- 3.6.1 The team provided an Audit Service to Homes in Havering up until 1st October 2012 when the housing function was brought back in-house. Five Audits were completed; some focussed Housing work has been completed to conclude the annual plan since October 2012 to assist with the reintegration of the service.

3.6.2 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 Work to implement a new approach to Risk Management took place throughout 2012/13. An Operational Risk Management Group met periodically to discuss risk issues and report back to Corporate Leadership Team as appropriate. Two key topics for 2012/13 were volunteers and car pooling. The Group also reviewed the Corporate Risk Register and Service Risk Registers.

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.

4. KEY MESSAGES

4.1 Organisational Change

4.1.1 As was concluded for 2011/12 many of the control weaknesses identified this year can be attributed to the pace of organisational change that has been required to achieve the savings targets.

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 historically occurred.

4.1.3 In implementing a Self Service Model the organisation has increased its reliance on its Managers to implement controls and ensure compliance is consistent within their team or service area. From an audit perspective assurances regarding compliance are often harder to acquire because control is now spread across the organisation.

4.1.4 While more reliance is being put on Managers to ensure controls are adequate and compliance is being adhered to there is a reasonable expectation that managers can, in turn, rely on a solid infrastructure of information to guide them in the right direction. However due to the pace of change in the organisation this has often meant that this infrastructure is out of date and / or difficult to navigate. A number of audit recommendations have been raised in this regard in 2012/13.

For example;

- The Intranet is not always as up to date or the information required can be difficult to locate;

- Policies, procedures and guidance in some areas are out of date and reference to processes that are no longer relevant;
- Corporate expectations are not always clear, outlined or enforced and consequences for non-compliance are not made explicit or acted upon;
- Where there are corporate expectations these are not always supported by enforcing mandatory training;
- Lack of clarity surrounding roles and responsibilities; and
- The move to self-service and the reduction in resources as a result of restructures/savings has led to quality checks being removed that were previously considered key controls.

4.2 Oracle

4.2.1 Various recommendations pertinent to Oracle were made during 2012/2013; some of which have been implemented during the year. However a number of these recommendations have not been implemented due to the One Oracle programme. As One Oracle covers a number of the key financial systems, which are material to the Statement of Accounts, management were advised that there are risks within the current control environment and management have accepted these risks.

4.2.2 Efficiency of the control environment has been a focus for 2012/13 for the team as reduced capacity means that efficiency will be key to maintaining a robust system of internal control. The One Oracle programme has provided some opportunities to develop system controls within modules as well as via a new module called Governance Risk Control Compliance. Although the implementation of new systems in 2013/14 will impact the systems of internal control in the short term this should be outweighed by longer term benefits.

4.3 Conclusion

4.3.1 The issues detailed above have been considered as part of the process to produce the 2012/13 Annual Governance Statement. These issues have been considered during the Annual Audit Planning Process and will also be picked up within individual audits as applicable during 2013/14.

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 94% of the 2012/13 Internal Audit Plan was delivered by 31st March 2013. The plan was flexible to accommodate the needs of management in a year of significant change. Three audits were deferred to the 2013/14 plan due to timing issues. The remainder of the plan was delivered in the first quarter of 2013/14.
- 5.2.2 The Audit Committee and Corporate Management Team receive performance reporting quarterly.

5.3 Internal Audit Reports & Assurance Levels Given

| Assurance Opinion | Number of Audits | % |
|-------------------|------------------|-----|
| Full | 3 | 5 |
| Substantial | 44 | 69 |
| Limited | 17 | 26 |
| Nil | 0 | 0 |
| Totals | 64 | 100 |

5.4 Audit Recommendations Made

| Recommendations | Number of Recs | % |
|-----------------|----------------|-----|
| High | 57 | 19 |
| Medium | 185 | 60 |
| Low | 64 | 21 |
| Totals | 306 | 100 |

5.5 Feedback from Auditees

| Rating | Number of Recs | % |
|------------------|----------------|-----|
| 5 (Very Good) | 194 | 51 |
| 4 (Good) | 144 | 38 |
| 3 (Satisfactory) | 40 | 10 |
| 2 (Poor) | 3 | 1 |
| 1 (Very Poor) | 1 | |
| Totals | 382 | 100 |

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 Performance Development Review process.

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 2013 and up to the date of approval of this statement.

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

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

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

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Underpinning the Vision are six Values, to which all officers are expected to work, in order to build a more effective organisation that serves local people and makes Havering a place where its residents are proud to live. The Council's Values were used to shape the Council's competency based appraisal framework. The Values are:

- One Council
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Performance Management

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- 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;
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Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. There is an intention to review policies and procedures at least annually however due to the pace of organisational change this has not been consistently achieved across the systems and processes and an action plan which includes improvements to the Council's intranet site which will strengthen the arrangements in this area also.

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.

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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.

Ombudsman

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2012/13, the Ombudsman made no finding of maladministration against the Council.

Training and Development

The Council has a commitment that every member of staff has an on-going Performance Development Review throughout the year as well as formal timescales for agreeing targets and objectives and outcomes. In 2012/13 the Learning and Development Strategy and Performance Development Review Framework have been fully implemented.

The Council's Oracle system captures performance, development and training information within modules meaning that system generated management information is available for both strategic and operational management of resources and decision making. It also allows for Senior Management to ensure that there is compliance within the organisation with regards corporate policy in this area and also efficiently provides assurance that mandatory training, required for officers to competently fulfil their roles, has been completed.

The Council's expectations and demands on Managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives. The timing of this years review of governance coincides with the end of the first year of the new performance approach so detailed outcomes were not available, the Governance Group noted to ensure that on-going work on the Governance Framework will cover this to gain necessary assurances. During 2012/13 a significant package of training has been identified and offered and this will continue to be developed going forward.

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 is tailored to their role.

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)

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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.

The Council is also committed to listening to resident's feedback through both formal and informal mechanisms. Over the last three years, Havering has carried out an annual major survey. In 2011, the *Your Council, Your Say* survey elicited 12,000 responses. That was followed in 2012 with the Spring Clean Survey, asking about the cleanliness of local streets, parks and town centres. Nearly 8,000 people responded and the survey has been used to inform the Cleaner Havering campaign. This year a new Your Council, Your Say survey is being undertaken.

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; the outcome from these audits is reflected in the Council's budget monitoring process and this ensure due account is taken of any shortfall in delivery as part of the budget setting process. At the time of approval of the Annual Governance Statement the programmes are being refocused to meet the current needs of the organisation following review of progress and new challenges.

Partnerships & Collaborative Working

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.

In addition to the HSP, there are a number of partnership boards in place such as the Community Safety Partnership, a Health and Wellbeing Board and the Children's Trust. There are also a number of other forums in existence in Havering including

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the Culture Forum, and many others.

The Council has for a number of years worked closely with neighbouring boroughs to share good practice and efficiency success. In response to the reduced funding for local government this work has expanded to consider stronger relationships that will yield cost savings to all parties. These initiatives involve shared procurements, Information Technology developments and shared Management posts.

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) who in 2012/13, consisted of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues. A new Senior Management Structure was proposed at the end of 2012/13 and will be implemented during 2013/14. To reflect the changes in responsibilities from April 2013 a new Director of Public Health has been appointed. The impacts on the Governance Framework have been considered as part of the restructure process and will be monitored into 2013/14 while the new structure is embedded.

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 including the code of conduct for Members.

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Audit Committee

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.

Adjudication & Review Committee

The Adjudication & Review Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, which will provide panels of three members to hear any complaints about the conduct of members

Overview and Scrutiny

The overview and scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations. The focus of their role is to provide a challenge to decisions made by the Executive and to assist in the development of policies. Currently there are seven Overview & Scrutiny Committees. At their meetings they also have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data. A Health and Wellbeing Board was established in 2012/13 in preparation for the new Public Health responsibilities from 2013/14.

Each year the Committees identify areas of the Council's work that they wish to consider in detail for which purpose task groups comprised of members of the committee are set up, research the issue with the assistance of staff and sometimes external bodies and report their findings and recommendations.

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 Resources in his statutory role as Section 151 officer. As part of the annual governance review the contents of CIPFAs Statement on the role of the Chief Financial Officer in Local Government and the Head of Internal Audit in Public Service Organisations, both published 2010, have been considered. 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. From April 2013 new Public Sector Internal Audit Standards exist and the service will be reviewed to ensure compliance with requirements.

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

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embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee.

Heads of Service maintain Service Risk Registers and identify their top risks as part of the annual service planning process. The strategic risks to the organisation are captured within a Corporate Risk Register. The Council has an Operational Risk Management Group that considers local or organisation wide risks. In 2012/13 this group has reviewed and commented on a sample of Service Risk Registers; a number of Corporate Risks and also considered emerging risk areas such as the new car pooling scheme and the use of volunteers.

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 2011/12 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 2011/12 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 2011/12 Annual Governance Statement, one, relating to Fraud, has been removed as although still a on-going threat to the public sector the Governance issues have been fully addressed at the end of March 2013. The other three issues have wide reaching implications and, although significant progress has been made, it is felt that these issues remain open.

The remaining 2011/12 issues are detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2013/14.

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| Significant Issue and action already taken | Planned action | CMT Lead |
|---|--|----------------------------------|
| <p>1. Information Governance – protection of personal data</p> <ul style="list-style-type: none"> ➤ Information Governance Group in place. ➤ Corporate wide roles and responsibilities agreed. ➤ Close working with other Boroughs. ➤ Action plan produced and monitored. ➤ Meeting the requirements for N3 (to NHS) connection for Social Care. ➤ Corporate Risk monitored. ➤ Audit work undertaken. | <p>Include Public Health in Governance Groups.</p> <p>Further communications campaign.</p> <p>Focus on risks around partners and suppliers.</p> <p>Implementation of audit recommendations.</p> <p>Voluntary assessment by Information Commissioner.</p> | <p>Group Director Resources.</p> |

| 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"> ➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery. ➤ 2012/13 savings targets achieved. ➤ Transformation programmes to deliver savings have been reviewed to ensure meet future requirements. ➤ Ongoing financial modelling and a risk-based approach to budget monitoring. ➤ Forecasting system now embedded into budget monitoring activity. ➤ Increased work on benefits of partnerships and collaborative working. | <p>Focus on extending governance arrangements embedded for local programmes to those that span multiple organisations.</p> <p>Specific monitoring arrangements being introduced to assess impact of changes in funding streams.</p> <p>Consideration of supply chain risks ensuring we have mechanisms to prevent financial loss through service interruption.</p> <p>Initial planning for longer term budget strategy to commence.</p> <p>Implementation of new senior management structure.</p> | <p>Group Director Resources.</p> |

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| <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"> ➤ Significant culture change achieved so far as part of transformation agenda. ➤ Internal Audit work to flag key areas of risk. ➤ Increased working with other organisations on key financial transformation means there will be increased resources to share in work going forward. | <p>Increased frequency is planned for review of governance framework.</p> <p>Monitoring of impact on governance framework of key changes including Senior Management Restructure; Public Health, One Oracle Programme and other partnership arrangements.</p> <p>Public Health to participate in Governance Groups.</p> <p>Consideration of need to an alternative plan where changes being implemented are far reaching and high risk, particularly with IT projects.</p> <p>More time on lessons learned to feed into new projects.</p> | Chief Executive |

One additional significant issue has been identified as a result of the 2012/13 review of the Council's Governance Arrangements.

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| <p>4. Compliance – ensuring that policy, procedure and roles and responsibilities are clearly defined and communicated to all and that compliance levels are maintained during period of significant change and reduced capacity.</p> <ul style="list-style-type: none"> ➤ 2012/13 audit work has identified some areas for improvement. ➤ Senior Management restructure has already focused on redefining and clarifying roles and responsibilities. ➤ In 2012/13 Corporate Management Team and the Audit Committee reiterated their support for zero tolerance strategy with regards fraud or corruption. | <p>Communications from Head of Human Resources and Organisational Development & Internal Audit.</p> <p>Corporate Management Team to consider compliance arrangements in context of governance framework.</p> <p>Improvements to Intranet to aid self service and clear communication.</p> <p>Review and update of key policies and procedures as key activity of every transformational project.</p> <p>Development and implementation of Management Development Programme.</p> <p>Audit work to provide assurance.</p> | <p>Chief Executive</p> |

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

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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 2013 and up to the date of approval of this statement.

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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. All statutory appointments have been established within the senior management structure in place during 2012/13 and within the new structure to be implemented in 2013/14. The Statutory Officers also provide advice to Members at all appropriate times.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. There is an intention to review policies and procedures at least annually however due to the pace of organisational change this has not been consistently achieved across the systems and processes and an action plan which includes improvements to the Council's intranet site which will strengthen the arrangements in this area also.

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.

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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.

Ombudsman

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2012/13, the Ombudsman made no finding of maladministration against the Council.

Training and Development

The Council has a commitment that every member of staff has an on-going Performance Development Review throughout the year as well as formal timescales for agreeing targets and objectives and outcomes. In 2012/13 the Learning and Development Strategy and Performance Development Review Framework have been fully implemented.

The Council's Oracle system captures performance, development and training information within modules meaning that system generated management information is available for both strategic and operational management of resources and decision making. It also allows for Senior Management to ensure that there is compliance within the organisation with regards corporate policy in this area and also efficiently provides assurance that mandatory training, required for officers to competently fulfil their roles, has been completed.

The Council's expectations and demands on Managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives. The timing of this years review of governance coincides with the end of the first year of the new performance approach so detailed outcomes were not available, the Governance Group noted to ensure that on-going work on the Governance Framework will cover this to gain necessary assurances. During 2012/13 a significant package of training has been identified and offered and this will continue to be developed going forward.

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 is tailored to their role.

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)

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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.

The Council is also committed to listening to resident's feedback through both formal and informal mechanisms. Over the last three years, Havering has carried out an annual major survey. In 2011, the *Your Council, Your Say* survey elicited 12,000 responses. That was followed in 2012 with the Spring Clean Survey, asking about the cleanliness of local streets, parks and town centres. Nearly 8,000 people responded and the survey has been used to inform the Cleaner Havering campaign. This year a new Your Council, Your Say survey is being undertaken.

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; the outcome from these audits is reflected in the Council's budget monitoring process and this ensure due account is taken of any shortfall in delivery as part of the budget setting process. At the time of approval of the Annual Governance Statement the programmes are being refocused to meet the current needs of the organisation following review of progress and new challenges.

Partnerships & Collaborative Working

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.

In addition to the HSP, there are a number of partnership boards in place such as the Community Safety Partnership, a Health and Wellbeing Board and the Children's Trust. There are also a number of other forums in existence in Havering including

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the Culture Forum, and many others.

The Council has for a number of years worked closely with neighbouring boroughs to share good practice and efficiency success. In response to the reduced funding for local government this work has expanded to consider stronger relationships that will yield cost savings to all parties. These initiatives involve shared procurements, Information Technology developments and shared Management posts.

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) who in 2012/13, consisted of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues. A new Senior Management Structure was proposed at the end of 2012/13 and will be implemented during 2013/14. To reflect the changes in responsibilities from April 2013 a new Director of Public Health has been appointed. The impacts on the Governance Framework have been considered as part of the restructure process and will be monitored into 2013/14 while the new structure is embedded.

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 including the code of conduct for Members.

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Audit Committee

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.

Adjudication & Review Committee

The Adjudication & Review Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, which will provide panels of three members to hear any complaints about the conduct of members

Overview and Scrutiny

The overview and scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations. The focus of their role is to provide a challenge to decisions made by the Executive and to assist in the development of policies. Currently there are seven Overview & Scrutiny Committees. At their meetings they also have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data. A Health and Wellbeing Board was established in 2012/13 in preparation for the new Public Health responsibilities from 2013/14.

Each year the Committees identify areas of the Council's work that they wish to consider in detail for which purpose task groups comprised of members of the committee are set up, research the issue with the assistance of staff and sometimes external bodies and report their findings and recommendations.

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 Resources in his statutory role as Section 151 officer. As part of the annual governance review the contents of CIPFAs Statement on the role of the Chief Financial Officer in Local Government and the Head of Internal Audit in Public Service Organisations, both published 2010, have been considered. 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. From April 2013 new Public Sector Internal Audit Standards exist and the service will be reviewed to ensure compliance with requirements.

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

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embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee.

Heads of Service maintain Service Risk Registers and identify their top risks as part of the annual service planning process. The strategic risks to the organisation are captured within a Corporate Risk Register. The Council has an Operational Risk Management Group that considers local or organisation wide risks. In 2012/13 this group has reviewed and commented on a sample of Service Risk Registers; a number of Corporate Risks and also considered emerging risk areas such as the new car pooling scheme and the use of volunteers.

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 2011/12 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 2011/12 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 2011/12 Annual Governance Statement, one, relating to Fraud, has been removed as although still a on-going threat to the public sector the Governance issues have been fully addressed at the end of March 2013. The other three issues have wide reaching implications and, although significant progress has been made, it is felt that these issues remain open.

The remaining 2011/12 issues are detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2013/14.

| Significant Issue and action already taken | Planned action | CMT Lead |
|---|--|----------------------------------|
| <p>1. Information Governance – protection of personal data</p> <ul style="list-style-type: none"> ➤ Information Governance Group in place. ➤ Corporate wide roles and responsibilities agreed. ➤ Close working with other Boroughs. ➤ Action plan produced and monitored. ➤ Meeting the requirements for N3 (to NHS) connection for Social Care. ➤ Corporate Risk monitored. ➤ Audit work undertaken. | <p>Include Public Health in Governance Groups.</p> <p>Further communications campaign.</p> <p>Focus on risks around partners and suppliers.</p> <p>Implementation of audit recommendations.</p> <p>Voluntary assessment by Information Commissioner.</p> | <p>Group Director Resources.</p> |

| 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"> ➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery. ➤ 2012/13 savings targets achieved. ➤ Transformation programmes to deliver savings have been reviewed to ensure meet future requirements. ➤ Ongoing financial modelling and a risk-based approach to budget monitoring. ➤ Forecasting system now embedded into budget monitoring activity. ➤ Increased work on benefits of partnerships and collaborative working. | <p>Focus on extending governance arrangements embedded for local programmes to those that span multiple organisations.</p> <p>Specific monitoring arrangements being introduced to assess impact of changes in funding streams.</p> <p>Consideration of supply chain risks ensuring we have mechanisms to prevent financial loss through service interruption.</p> <p>Initial planning for longer term budget strategy to commence.</p> <p>Implementation of new senior management structure.</p> | <p>Group Director Resources.</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"> ➤ Significant culture change achieved so far as part of transformation agenda. ➤ Internal Audit work to flag key areas of risk. ➤ Increased working with other organisations on key financial transformation means there will be increased resources to share in work going forward. | <p>Increased frequency is planned for review of governance framework.</p> <p>Monitoring of impact on governance framework of key changes including Senior Management Restructure; Public Health, One Oracle Programme and other partnership arrangements.</p> <p>Public Health to participate in Governance Groups.</p> <p>Consideration of need to an alternative plan where changes being implemented are far reaching and high risk, particularly with IT projects.</p> <p>More time on lessons learned to feed into new projects.</p> | Chief Executive |

One additional significant issue has been identified as a result of the 2012/13 review of the Council's Governance Arrangements.

| Significant Issue and action already taken | Planned action | CMT Lead |
|---|---|------------------------|
| <p>4. Compliance – ensuring that policy, procedure and roles and responsibilities are clearly defined and communicated to all and that compliance levels are maintained during period of significant change and reduced capacity.</p> <ul style="list-style-type: none"> ➤ 2012/13 audit work has identified some areas for improvement. ➤ Senior Management restructure has already focused on redefining and clarifying roles and responsibilities. ➤ In 2012/13 Corporate Management Team and the Audit Committee reiterated their support for zero tolerance strategy with regards fraud or corruption. | <p>Communications from Head of Human Resources and Organisational Development & Internal Audit.</p> <p>Corporate Management Team to consider compliance arrangements in context of governance framework.</p> <p>Improvements to Intranet to aid self service and clear communication.</p> <p>Review and update of key policies and procedures as key activity of every transformational project.</p> <p>Development and implementation of Management Development Programme.</p> <p>Audit work to provide assurance.</p> | <p>Chief Executive</p> |

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

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



AUDIT COMMITTEE

25 June 2013

Subject Heading:

Annual Review of Risk
Management

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.
E-mail : Vanessa.bateman@havering.gov.uk
To inform the Audit Committee of the
results of the annual review.

Policy context:

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 risk management 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 Risk Management.

2. To note the updated Corporate Risk Register, Appendix A.
3. To approve the Risk Management Strategy, Appendix B.

| |
|----------------------|
| REPORT DETAIL |
|----------------------|

1. In 2011/12 a detailed review of the Council's approach to Risk Management was completed by a Corporate Leadership Team working group. The focus since has been to implement this new approach.
2. The Risk Analysis Template has been implemented for all Corporate Risks and is submitted to Corporate Management Team for comment and challenge throughout the year.
3. Service Risk Registers are maintained by Heads of Service and risks are also included within the Annual Service Plans. The contents of both are subject to review by the Operational Risk Management Group during the year.
4. Periodically the full Corporate Risk Register is reviewed by Corporate Management Team. Additions and deletions to the Risk Register identified or proposed and agreed first by the relevant Corporate Management Team member and then by them as a collective.
5. The current Corporate Risk Register is included as Appendix A of this report.
6. A review of the Strategy has been completed in light of the comprehensive review last year the changes required this year have been minimal. The updated Strategy is included as Appendix B of this report.
7. Following Member approval of the Strategy, work continues to embed the new approach, particularly given the changes to Senior Management Structure in recent months.
 - Continue to attend Service Management Teams to workshop risk and support the implementation within new service areas (August);
 - Consider the training needs of management and produce an action plan (August); and
 - Undertake a review of all Service Risk Registers and supporting documentation (August).
8. The Corporate Risk Register will be presented again at the December meeting along with an update on the activity undertaken.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report. An annual review of Risk Management and the Risk Management Strategy are essential to ensure that the Council's approach to Risk Management is concurrent and is subject to examination by the Audit Committee.

Legal implications and risks:

There are no direct implications or risks from consideration of the Report. However, the corporate risk strategy inherently considers the whole gamut of risks affecting the Council including legal risks, and the review of that strategy may have indirect implications for the management of risks.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

None

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Corporate Risk Register

| Risk | | | Assessment | | | |
|------|--|--|------------|--------|--------------------------|---------------|
| No. | Risk Area & Lead Officers | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| 1 | Workforce Planning & Development CMT Lead – Cheryl Coppell CLT Lead – Caroline Nugent | Failure to develop and retain highly productive, fully competent and engaged staff, working within a fit for purpose and well integrated organisation, which will result in poor service delivery and inadequate outcomes for the community. | 1/4 | 3/4 | 3/16 (6/16) | Amber |
| 2 | Community Engagement & Communications CMT Lead – Cheryl Coppell / Cynthia Griffin CLT Lead – Mark Leech | Failure of the council to effectively engage, involve and communicate with the residents of the Borough, which is crucial for the achievement of the Living Ambition objectives and the Council's long-term financial sustainability. | 2/4 | 3/4 | 6/16 (6/16) | Amber |

| Risk | | | Assessment | | | |
|------|--|---|------------|--------|--|---------------|
| No. | Risk Area & Lead Officers | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| 3a | <p>Causing harm to people we owe a duty of care</p> <p>CMT Lead – Joy Hollister CLT Lead – Kathy Bundred / Paul Grubic</p> | <p>The Council exists to provide services to the residents of the Borough and has a duty of care particularly to the vulnerable in society. These are legislative responsibilities. We are also challenged with empowering residents with the ability to make choices with regards their own care under the personalisation agenda, whilst retaining responsibility for ensuring that their choices are not detrimental to their welfare.</p> | 2/4 | 3/4 | 6/16 (6/16) | Amber |
| 3b | <p>Causing harm to people we owe a duty of care</p> <p>CMT Lead – Cheryl Coppel / Andrew Blake-Herbert CLT Lead – Caroline Nugent / Mark Butler</p> | <p>The Council has a morale and legislative responsibility to its people resources and those visiting its premises. Failure to ensure the duty of care is fulfilled at all times may lead to harm to an individual.</p> | 1/4 | 3/4 | 3/16 (new - previously included within 3) | Amber |

| Risk | | | Assessment | | | |
|------|---|---|------------|------------|---------------------------|---------------|
| No. | Risk Area & Lead Officers CMT – Corporate Management Team CLT – Corporate Leadership Team | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| 4 | Business Growth & Investment CMT lead – Cynthia Griffin CLT Lead – Nigel Young | Business growth is a major Council priority. Jobs and incomes are key determinants of wellbeing and quality of life for residents and employees in the borough. The strength of our business base will also directly affect the Council's future income following the reform of local government finance. | 2/4 | 3/4 | 6/16 (9/16) | Amber |
| | Change Management CMT Lead – Cheryl Coppel CLT Lead – Caroline Nugent | Failure to manage the change that is occurring both externally and internally, in an efficient and effective manner, would mean that the organisation may fail / or would certainly struggle to achieve its objectives. | 2/4 | 4/4 | 8/16 (6/16) | Amber |

| Risk | | | Assessment | | | |
|----------|---|---|------------|--------|--------------------------|---------------|
| No. | Risk Area & Lead Officers | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| Page 126 | <p>CMT – Corporate Management Team CLT – Corporate Leadership Team</p> | | | | | |
| | <p>Business Continuity and Emergency Planning</p> <p>CMT Lead – Cynthia Griffin CLT Lead – Patrick Keyes / Geoff Connell</p> | <p>The Council must continue to operate and provide services to the community during incidents that impact on our ability to do so and the residents of the Borough will look to us to take appropriate action, working with partners, in an emergency.</p> | 1/4 | 3/4 | 3/16 (8/16) | Amber |
| | <p>Partnerships, Shared Services & Contractor Arrangements</p> <p>CMT Lead – Cheryl Coppel CLT Lead – CMT</p> | <p>Our supply chain is increasingly diverse, relationships with our suppliers or partnerships/working arrangements with other organisations are critical to service delivery and the broader achievement of our objectives.</p> | 3/4 | 3/4 | 9/16 (9/16) | Amber |
| 8 | <p>Financial Challenges</p> <p>CMT Lead - Andrew Blake -Herbert CLT Lead – Mike Stringer</p> | <p>The organisation faces a difficult future as changes to the way we are funded are implemented and reductions in funding available in some if not all areas occur.</p> | 2/4 | 4/4 | 8/16 (6/16) | Amber |

| Risk | | | Assessment | | | |
|------|---|--|------------|--------|--------------------------|---------------|
| No. | Risk Area & Lead Officers CMT – Corporate Management Team CLT – Corporate Leadership Team | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| 9 | Information Governance CMT Lead – Ian Burns CLT Lead – Geoff Connell | The Council fails to fulfil its legislative and moral responsibility to maintain the security and confidentiality of data it holds relating to individuals and an information breach occurs. | 3/4 | 4/4 | 12/16 (8/16) | Red |
| 10 | New health responsibilities and the impact on social care | The transfer of public health responsibilities to the Council, and changes to health commissioning (including GP clinical commissioning groups), will have major implications for the organisation, funding, procurement, and delivery of effective health and social care services. | 2/4 | 3/4 | 6/16 | Amber |
| 11 | Impact of 2012 Games | The Olympics provides a number of opportunities for the Council and Borough as a whole to exploit, it will also bring with it a number of impacts that will need to be managed during the period of the games. | 3/4 | 3/4 | 9/16 | Amber |

| Risk | | | Assessment | | | |
|------|---|---|------------|--------|--------------------------|---------------|
| No. | Risk Area & Lead Officers CMT – Corporate Management Team CLT – Corporate Leadership Team | Risk Description | Likelihood | Impact | Risk Rating (2012 score) | Traffic Light |
| 12 | Equalities & Diversity CMT Lead – Ian Burns CLT Lead – Caroline Nugent | Within society there are expectations for public bodies to lead the way and set the highest standards in equalities and diversity. These expectations are backed up by legislation (the Equality Act 2010 and, specifically, the Public Sector Equality Duty and) which requires us as an organisation to promote equalities and diversity and to avoid discrimination of every kind in the way it exercises all its functions. | 1/4 | 2/4 | 2/16 (6/16) | Green |
| 13 | One Oracle CMT Lead – Andrew Blake-Herbert CLT Lead – Sarah Bryant | Project fails to deliver the outcomes required, in terms of cost, efficiency, quality of service delivery, value for money; future shared service and cost sharing opportunities. | 2/4 | 3/4 | 6/16 (new) | Amber |



Haverling
LONDON BOROUGH

RISK MANAGEMENT STRATEGY

(Version 10. June 2013)

DRAFT

Contents

| | |
|--|---------|
| PURPOSE AND OBJECTIVES OF THE STRATEGY | 3 |
| RISK MANAGEMENT POLICY STATEMENT | 4 |
| APPROVAL, COMMUNICATION, IMPLEMENTATION AND REVIEW OF THE RISK MANAGEMENT STRATEGY | 5 |
| CONTEXT | |
| What is risk management?..... | 5 |
| Benefits of risk management..... | 5 |
| Risk management, emergency planning and business continuity | 6 |
| Risk management in projects and partnerships..... | 7 |
| Links to insurance..... | 7 |
| Strategic approach to risk management | 7 |
| IMPLEMENTATION OF RISK MANAGEMENT | |
| The risk management process | 8 |
| Stage 1 – Identification of the risks | 9 |
| Stage 2 – Analysing the risks..... | 9 |
| Stage 3 – Risk Profiling and prioritisation | 10 |
| Stage 4 – Action Planning..... | 11 |
| Stage 5 – Monitoring risk management | 12 |
| Reporting and escalating risks..... | 12 |
| ROLES AND RESPONSIBILITIES | 12 |
| Members..... | 12 |
| Audit Committee | 13 |
| Chief Executive and Management Team..... | 13 |
| Heads of Service | 14 |
| Operational Risk Management Group | 14 |
| Internal Audit..... | 14 |
| Individual Employees..... | 14 |
| Partners..... | 14 |
| CONCLUSION | 14 |
| Appendix 1 - Risk Analysis Template..... | 15 - 24 |

Purpose and objectives of the strategy

The purpose of this Risk Management Strategy is to establish a framework for the systematic management of risk,

The objectives of this strategy are: -

- a) Define what risk management is about and what drives risk management within the Council
- b) Set out the benefits of risk management and the strategic approach to risk management
- c) Outline how the strategy will be implemented
- d) Identify the relevant roles and responsibilities for risk management within the Council
- e) Formalise the risk management process across the Council
- f) Support successful working with other bodies and partner organisations.

The measurable outcomes of the strategy are: -

- a) Embed the risk management process to further strengthen the links between management of risk, performance within the organisation and the meeting of objectives.
- b) Degree of integration – as part of the annual review the progress to further integrate risk management into business processes will be considered and reported to Corporate Leadership Team.



RISK MANAGEMENT POLICY STATEMENT

London Borough of Havering's Risk Management Strategy ensures that for each Council function, activity, operation or service the level of risk is known, recorded and monitored. In each case, a conscious decision must be taken on how to manage that risk whether through controlling it, transferring it or tolerating it.

The Council's risk management strategic objectives are to:-

- Integrate risk management into the culture of the Council;
- Manage risk in accordance with best practice;
- Anticipate and respond to changing social, environmental and legislative requirements;
- Prevent injury, damage or losses and reduce the cost of risk; and
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Providing opportunities for shared learning on risk management across the Council;
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
- Incorporating risk management considerations into the Havering 2014 Transformation Programme and other projects; and
- Monitoring and reviewing arrangements on an on-going basis.

CHERYL COPPELL
CHIEF EXECUTIVE

Approval, communication, implementation and review of the risk management strategy

The Risk Management Strategy was subject to a detailed review in 2012 as part of full review into the Council's approach. For 2013 a less detailed review has been completed the main aim of which is to ensure the document remains current. Following approval by the Audit Committee it will be publicised and made available on the intranet.

An independent review is planned at the end of 2013/14 of Risk Management, to give assurance to Senior Management and Members.

Context

What is Risk Management?:

Risk Management is defined by the Institute of Risk Management as:

“Risk Management is the process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of failure.”

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives. Risks associated with these objectives can be managed and the potential impact limited, providing greater assurance that the Vision will be achieved.

Benefits of risk management

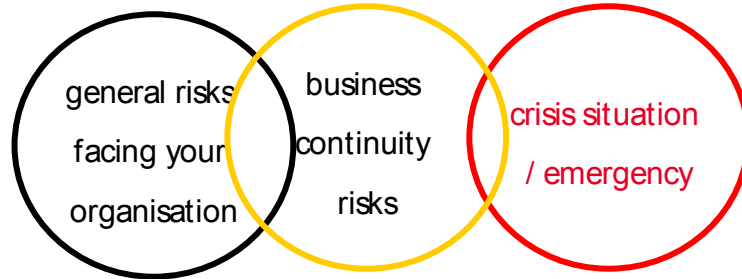
Successful implementation of risk management will produce many benefits for the Council. These include:

- Increased chance of achieving strategic objectives as key risks are identified, understood and managed.
- An organisation can become less risk averse (because risks are understood).
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance (can be demonstrated to stakeholders).

Risk management, emergency planning and business continuity

There is a link between these areas; however it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.

Risk management, Business continuity management, and Emergency planning



not all general risks will prevent service continuity

not all emergencies will prevent service continuity

- **Risk management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on our strategic objectives can be critical.
- **Business continuity management** is about trying to identify and put in place measures to protect your priority functions against potentially unforeseen risks that can stop your organisation in its tracks.
- **Emergency planning** is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue).

The Council has recognised there is a link between risk management, business continuity management and emergency planning and this is demonstrated by all three issues being led by the Group Director Finance on Commerce on behalf of Corporate Management Team.

Risk management in projects and partnerships

Risk management needs to be a key part of the ongoing management of projects and partnerships.

Project / Programme management - There is a consistent and robust approach to risk management used in projects, both at PID stage and throughout the entire project. Written guidance is available on the intranet.

Partnership - The approach taken is based largely on the approach used across the authority. Written guidance on Partnership Governance, including risk management is available on the intranet.

Link with insurance

Risk Management is integrally linked with insurance, but it is not solely about insurance. The authority regularly reviews its insurance arrangements and actively manages these with Risk Management in mind.

- Both our insurer and insurance specialist officers are actively involved in risk management activities;
- Regular reviews of insurance claims will be undertaken by the newly formed Operational Risk Management Group; and
- There is a learning culture encouraged from claims history.

Strategic approach to risk management

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial planning; policy making & review and performance management.

The linkages are as follows:

- Each priority identified in the Vision and key objectives is translated into the Council's Service Plans and are targets that the Council's activities will aim to achieve. During the lifetime of this plan there will be direct and indirect threats to these achievements and these are the risks.
- Measurement of performance against the corporate objectives, performance indicators and key tasks is achieved in a number of ways including:
 - Reporting and monitoring performance on a regular basis and escalating through the organisation as appropriate;
 - Cabinet portfolio holders review performance information relevant to their areas on a quarterly basis;
- Management of key strategic risks which could affect the delivery of the Council objectives / targets is undertaken by the Corporate Leadership Team;
- Service Plans feed from the strategic objectives of the Council, and explain how the Service helps to deliver the Council's objectives in respect of:

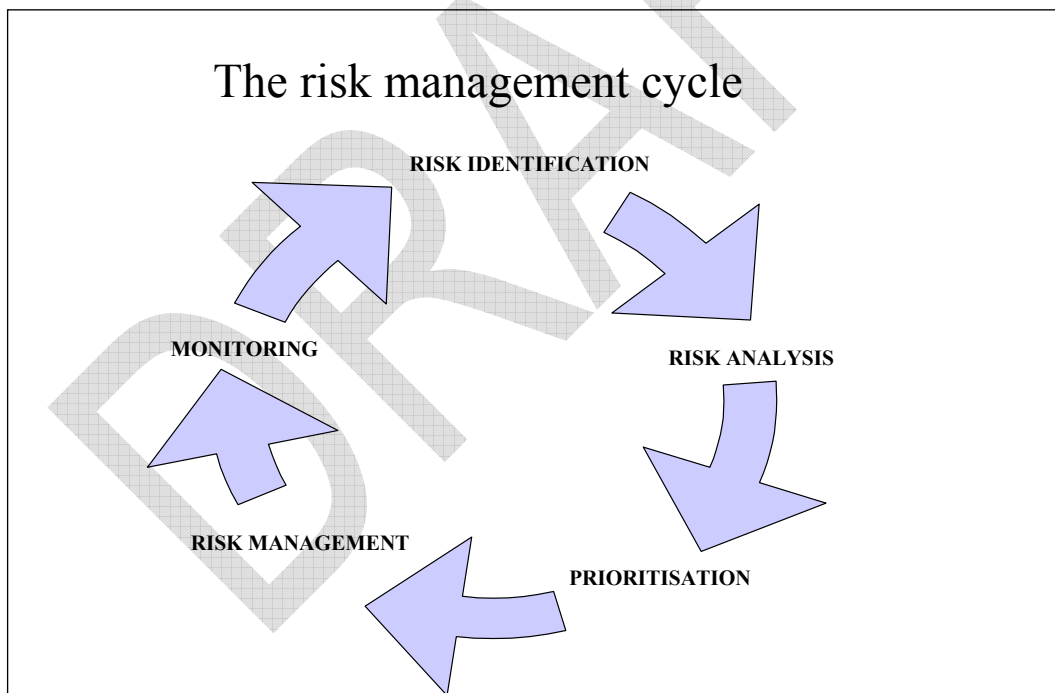
- The Corporate Plan; and
 - The Council's Vision and Values.
- An assessment of service risks forms part of all Service Plans, which is an identification and prioritisation of the most significant risks faced in delivering the key elements of the Service Plan, with actions identified to mitigate and manage these. These risks are managed as part of the action plans within the Service Plans.
 - Performance management is also cascaded down to individual employees via the performance and development review framework which ensures all employees have clear accountabilities and objectives linked to those of the service and the Council.

Implementation of Risk Management

The risk management process

Implementing the strategy involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1.

Figure 1: The risk management cycle



Stage 1 – Identification of the risks

The first step is to identify the 'key' risks that could have an adverse affect or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or organisation's key business objectives. It is important to consider the relevant Service Plan in a

broad context, considering the wider direction and aims of the service and what it is trying to achieve.

Various techniques can then be used to begin to identify 'key' or 'significant' business risks including: -

- A 'brainstorming' session;
- Own (risk) experience – what did we learn from previous mistakes?;
- Inspectorate or audit reports;
- Experiences of others - can we learn from others mistakes?; and
- Exchange of information/best practice with other authorities, organisations or partners.

The process for the identification of risk should be undertaken for projects, partnerships, service delivery planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

Stage 2 – Analysing the risks

The information that is gathered needs to be analysed. The council has a Risk Analysis template (with detailed guidelines) to guide Risk Owners through the process of analysis. (Appendix 1)

Each risk is logged on the respective risk register; these registers could be Corporate, against a specific Service Plan, or relating to a project or partnership. The purpose of the risk register is to store details of the risk, its likelihood and impact (see stage 3) and mitigation activity.

Stage 3 – Risk profiling and prioritisation

Following identification and analysis the risks will need to be evaluated according to the potential likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each risk.

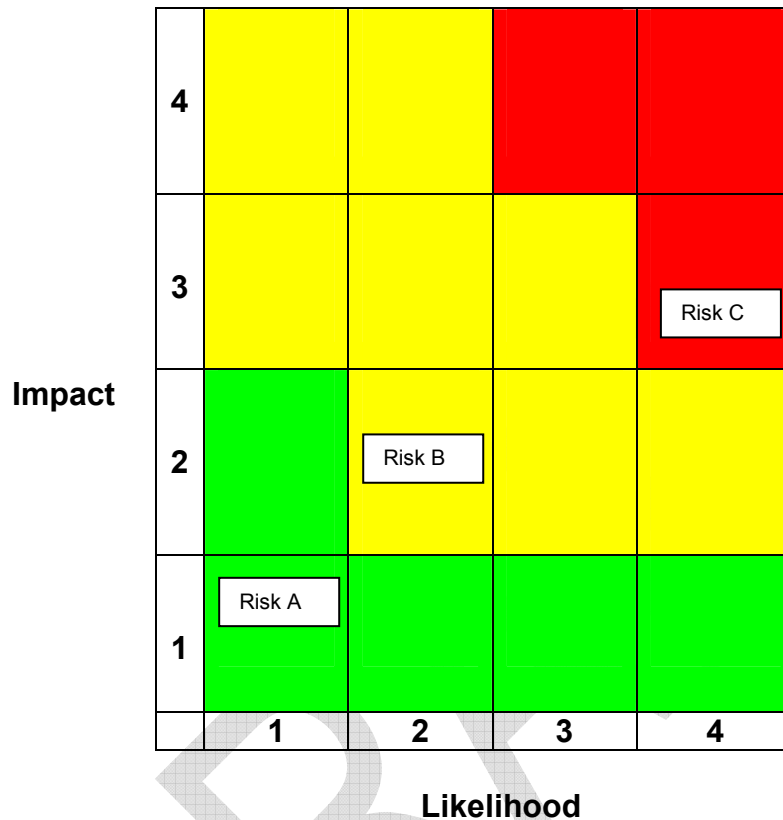


Figure 2: Example of the Council risk matrix

In order to profile/rate risks, the authority considers the next 3-5 years for strategic risks and 1-2 years for service level risks:

- The impact – this being the extent to which the issue (assuming it were to manifest itself to the degree defined in the consequences) would impact on the organisation’s ability to achieve its vision and priorities on the following scale:
 - 1 – low/negligible
 - 2 – medium
 - 3 – high
 - 4 – significant/extreme
- The likelihood – taking into account existing measures to manage the issue and (not those planned or not yet in operation) how likely is the impact to occur within the timeframe of the Corporate Plan on the following scale:
 - 1 – very unlikely

- 2 – unlikely but possible
- 3 – likely
- 4 – very likely

- When assessing the further action to take, along with a target risk rating, the Council will consider if there is:
 - significant scope for improvement of the risk response
 - moderate scope for improvement of risk response
 - sufficient risk response

The matrix is also constructed around 3 filters - these being red, amber and green. The red filtered risks are of greatest priority and require immediate attention. Amber risks should be reviewed and moderate risk mitigation action may be required. Green risks are likely to require no further action and should be monitored at 3-monthly intervals, in case the situation changes.

Stage 4 – Action Planning

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, tolerate, transfer or terminate the risk. Risks may be:-

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.

Tolerated - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc.

Terminated - By ending all or part of a particular service or project.

In many cases, existing controls will already be in place. It is necessary to evaluate these controls before considering further action. It may be that these controls are not being complied with or are 'out of date'.

The potential for controlling the risks will be addressed through Service Plans. Most risks can be managed – either by mitigating down the likelihood, impact or both. Few risks have to be transferred or terminated. The service plans will also identify the resources required to implement the controls, the timescale and monitoring arrangements.

Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the risk registers.

Consideration should also be given here as to the 'cost-benefit' of each control weighed against the potential cost / impact of the risk occurring. N.B. 'cost / impact' here includes all aspects including financial, resourcing, but also reputational.

Suggested matrix to use when determining cost/benefit of mitigating controls:

| | |
|---|---|
| High cost/low impact on mitigating risk | High cost/big impact on mitigating risk |
| Low cost/low impact on mitigating risk | Low cost/big impact on mitigating risk |

Stage 5 – Monitoring risk management

The Corporate Leadership Team is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. Directors and Heads of Service are responsible for ensuring that the key risks in the risk registers. It is recommended that the 'red risks' feature as a standing item on 'Head of Service' meeting agendas.

The Strategic and Service Plan risk registers should be reviewed regularly and where necessary risks re-prioritised. Risks should be amended so they reflect the current situation, obsolete risks should be deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives.

Reporting and escalating risks

Often, new risks will arise that have not previously been included on existing risk registers; or there may be emerging risks to consider. Also the environment in which the risks exist might change making some risks more critical or others less important. At least every quarter the respective risk registers should be updated to reflect this. If such risks require corporate ownership then they should be considered for inclusion in the strategic risk register. If service level management is more appropriate then the risk should be included in the respective Service risk register.

Some service risks have the potential to impact on the corporate objectives and these will often be the red risks on the matrix.

Corporate Management Team will report the headline red risks to the Audit Committee.

Roles and responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process.

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces and should consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them.

Audit Committee

To provide an independent assurance of the adequacy of the risk management framework and the associated control environment. In particular:

- To receive the annual review of internal controls and be satisfied that the Assurance Statement properly reflects the risk environment and any actions required to improve it.
- To receive regular reports covering implementation of the Council's Risk Strategy to determine whether strategic risks are being actively managed.
- To review and approve the Risk Management Strategy on an annual basis, or if significant changes require a revision of it.

Chief Executive, Corporate Management Team and Corporate Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff.
- To advise on the management of strategic and other significant risks.
- To ensure that the Policy and Strategy are communicated, understood and implemented by all Members, managers and staff and fully embedded in the Council's business planning and monitoring processes.
- To identify, analyse and profile high-level corporate and cross-cutting risks on a regular basis as outlined in the monitoring process.
- To report to Members on the management of corporate and other significant risks and the overall effectiveness of risk management controls.
- To ensure that appropriate risk management skills training and awareness is provided to all Members and staff.
- The Assistant Chief Executive Legal and Democratic Services is recognised as the officer champion for Risk Management.

Heads of Service

- Each Head of Service is individually responsible for proper monitoring of their Service Plan risk register, local action plan and the embedding of risk management into the business and service planning of their relevant service area.
- Be actively involved in the identification and assessment of service level risks resulting in an up to date Service Plan risk register and matrix.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.
- To implement approved action plans.
- To maintain the awareness of risks and feed them into the risk identification process.

Operational Risk Management Group

- To act as a forum for the sharing of best practice.
- Review and challenge Service and Corporate Risk Activity.

Internal Audit

- To provide assurance to the Council through an independent and objective opinion, on the control environment comprising risk management, control procedures and governance.
- To report to Members on the control environment.
- To provide an annual Audit Plan that utilises a reasonable evaluation of risk and an annual assurance statement to the Council based on work undertaken in the previous year.

Individual Employees

- To participate, where appropriate, in ongoing risk management within service areas, as part of the business planning process
- To actively manage risks and risk actions, where appropriate
- To demonstrate an awareness of risk and risk management relevant to role.

Partners

It is important that partners be brought into the risk management framework it is essential that accountabilities are adequately determined and that London Borough of Havering does not overlook any risks arising from its part in a joint venture or outsourcing. It is not possible to outsource the risk management process.

Conclusion

This strategy will set the foundation for integrating risk management into the Council's culture and formalise a process to be applied across the Council to ensure consistency and clarity.

The next annual review of this strategy is planned to take place by June 2014.



Havering

LONDON BOROUGH

RISK ANALYSIS TEMPLATE (April 2012 Version)

Risk: *The possibility of an event occurring that will have an adverse impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.*

| CONTENT | |
|--|-----------|
| | |
| Guidance on the Risk Analysis Template | 3 |
| | |
| Sample blank template | 7 |
| | |
| Appendix 1 Action Plan template | 10 |

DRAFT

Guidance on the Risk Analysis Template

This section presents each of the questions included in the template with advice and guidance on how to answer and what you should be considering.

| COMMON TERMS | |
|----------------------|--|
| Risk | The possibility of an event occurring that will have an adverse impact on the achievement of objectives. Risk is measured in terms of impact and likelihood. |
| Mitigation | Any action taken by management or other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. This is often called control. |
| Inherent risk | The risk before management takes action to reduce the impact and likelihood of an adverse event. |
| Residual risk | The risk remaining after management takes action to reduce the impact and likelihood of an adverse event. |
| Likelihood | How likely is the adverse event or issue to occur? |
| Impact | The extent to which the issue (assuming it were to manifest itself to the expected degree) would impact on the organisation's ability to achieve its objectives. |

The information at the top of the risk analysis document is so that it can be linked to the relevant risk register.

| | | | |
|-------------------------------|--|----------------|--|
| Risk Register: | | | |
| Reference: | | | |
| Date Completed/Updated | | | |
| Lead 1: | | Lead 2: | |

Risk Register – this will either be CORPORATE or the relevant SERVICE area will be input. It could also refer to a specific project or programme.

Reference – Relevant numerical or alpha numerical reference to the risk. Nb. You may want to give each risk a unique number and not reuse when risks are removed from the register as this will aid tracking.

Date Completed or Updated – this will provide an audit trail for changes and updates and ensure that the most recent version is used to update the relevant Risk Register.

Lead 1 – For the Corporate Risk Register this will be a CMT member for a Service Risk Register it will be the Head of Service.

Lead 2 – For the Corporate Risk Register this will be a (or more than one) Head of Service for the Service Risk Register it will be a Third Tier Officer.

| | |
|--|--------------------------|
| Question 1 | What is the risk? |
| <ul style="list-style-type: none"> • For a risk that has already been entered on the Risk Register use the description of the risk from the Risk Register. • For a new risk, or where no separate risk log is kept, provide a brief description of the risk in less than 100 words (you can then use this description when the risk is entered on your risk register). • Consider whether this is a risk that will always be apparent or whether this is temporary risk caused by a specific event such as new legislation or the introduction of new technology. | |

| | |
|---|---|
| Question 2 | What might cause the risk materialise? |
| <ul style="list-style-type: none"> • What would have to happen (or not happen) for your risk to change from a risk to an adverse event or issue? <p><u>Example:</u></p> <p>Risk: hot meals cannot be delivered to the elderly in inclement weather.</p> <p>Cause: bad weather; shortage of 4x4 cars; roads not gritted; staff not getting to work.</p> | |

| | |
|--|---|
| Question 3 | What is the anticipated impact and who will be affected? |
| <ul style="list-style-type: none"> • If the risk materialises what might happen? • Consider the direct and indirect impacts. The immediate direct impacts might be: lack of service provision or injury whereas longer term, indirect might be the councils reputation; financial burden of paying compensation etc. • Who will be affected: service users? Staff? The whole council? Members? • Using the same example as in question 3 the impact might range from : <ol style="list-style-type: none"> a) pensioner misses a days meals (direct) or b) pensioners family complain to local press and the council's reputation is damaged (indirect). | |

| | |
|--|--|
| Question 4 | Rate your risk using the 4x4 scoring method (this should be without taking into account any mitigation) |
| <ul style="list-style-type: none"> The 4x4 method is used as the corporate standard in Havering. More detail can be found on this in the councils Risk Management Strategy. <p><u>The impact</u> – this being the extent to which the issue/event would impact on the organisation’s ability to achieve its objectives on the following scale: 1 – Low/Negligible (short term effects / need to reallocate existing resources) 2 – Medium (short term effects / some additional resources required to resolve) 3 – High (ongoing but contained/localised effects / some additional resources required to resolve) 4 – Substantial/Extreme (ongoing wide reaching effects / high input of additional resources to rectify)</p> <p><u>The likelihood</u> – how likely is it that the adverse event will occur on the following scale: 1 – very unlikely 2 – unlikely but possible 3 – likely 4 – very likely</p> <ul style="list-style-type: none"> Based on the above descriptions you should rate your risk before you have put any mitigation in place. The scores you give are then multiplied which will give a score of anything between 1 and 16. This is the inherent risk score. | |

| | |
|---|---|
| Question 5 | What mitigation is currently in place and how effective is it? |
| <ul style="list-style-type: none"> You will need to briefly describe what mitigation is in place. There are different types of mitigating factors, some might be built into the system, or process e.g. authorisations and access levels; others will sit outside of the process e.g. regular staff training or procedure manuals. To assess how effective the mitigation is you will need to consider what assurance you have regarding its effectiveness. Examples of assurance are: recent audits or inspections; performance monitoring (such as PIs, monthly reports, reconciliations) or recent testing of emergency plans. Example - risk: cash maybe stolen from the till <ul style="list-style-type: none"> Mitigating Factor 1: Reconciliation is carried out at the end of each day. | |

- **How do you know this is effective?**

Annual audit testing has confirmed that this is being done effectively

| | |
|--|--|
| Question 6 | Taking into account the mitigation currently in place re-evaluate your risk score |
| <ul style="list-style-type: none"> • Using the same scoring method as for question 5, re-assess the likelihood of your risk occurring and what the impact might be <u>after</u> your mitigation is in place. If you have not been able to gain any assurance with regards to the effectiveness of your mitigation this may affect your score as you have no guarantee that your mitigating factors are working. | |

| | |
|---|--|
| Question 7 | Do you feel that more or less mitigation is needed? Before increasing or reducing mitigation you should consider the cost-benefits. |
| <ul style="list-style-type: none"> • Having considered your residual risk score you need to weigh up the benefits of increasing or reducing your mitigating factors. <p>You need to balance the cost of the mitigation (or of not mitigating) with the benefit gained. There will be one of 4 outcomes:</p> <ul style="list-style-type: none"> • High cost but low impact on mitigating risk • High cost but big impact on mitigating risk • Low cost and low impact on mitigating risk • Low cost big impact on mitigating risk <p>Applying the cost-benefit analysis should enable you to be clear on the value of the mitigation.</p> | |

| | |
|-------------------|--|
| Question 8 | If your risk remains in the red zone (scores 12+) after mitigation you will need to draft an action plan. |
|-------------------|--|

- The table below is from the Risk Management Strategy. In our example the risk was rated as 4 for likelihood and 3 for impact. When placed on the grid this would be in the Red Zone. This means that mitigation is needed to either reduce the likelihood or the impact (or both).

| | | | | | |
|---------------|----------|-------------------|----------|----------|----------|
| Impact | 4 | | | Risk | |
| | 3 | | | | |
| | 2 | | | | |
| | 1 | | | | |
| | | 1 | 2 | 3 | 4 |
| | | Likelihood | | | |

If the risk you are analysing is scored 12+ it is likely that an action plan will be needed to reduce the risk. The action plan is merely an outline of further mitigation that will be put in place, when it can be achieved and who will lead. A template can be found at the end of the Risk Analysis template. It may be useful to re-score the risk anticipating the effect of the planned new mitigating factors. This may enable you to assess whether the planned mitigation is likely to achieve the aim of reducing the score.

LONDON BOROUGH OF HAVERING RISK ANALYSIS

| | |
|-------------------------------|----------------|
| Risk Register: | |
| Reference: | |
| Date Completed/Updated | |
| Lead 1: | Lead 2: |

1. What is the risk?

2. What might make the risk materialise?

3. What is the anticipated impact and who will be affected?

4. Rate your risk using the 4x4 scoring method (this should be without taking into account any mitigation)

a) Likelihood =

b) Impact =

Risk score (a x b) = / 16

This is your inherent risk score.

5. What mitigation is currently in place and how effective is it?

- Mitigating Factor 1:

- How do you know this is effective?
- Mitigating Factor 2:
- How do you know this is effective?
- Mitigating Factor 3:
- How do you know this is effective?

Add more if necessary.

6. Taking into account the mitigation currently in place re-evaluate your risk score

a) Likelihood =

b) Impact =

Risk score (a x b) = / 16

This is your residual risk score.

7. Do you feel that more or less mitigation is needed? Before increasing or reducing mitigation you should consider cost-benefits.

8. If your risk remains in the red zone (scores 12+) after mitigation you may need to draft an action plan (appendix 1).

Appendix 1



RISK ACTION PLAN

| | | | |
|--------------------------|--|----------------|--|
| Risk Description: | | | |
| Reference: | | | |
| Lead 1: | | Lead 2: | |

| | REQUIRED ACTION | LEAD | TARGET DATE |
|---|-----------------|------|-------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |

Consider what the risk rating will be when your action plan has been implemented

a) Likelihood =

b) Impact =

Risk score (a x b) =

This is your target residual risk score.