



# Haverling

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

## AUDIT COMMITTEE AGENDA

<b>7.30 pm</b>	<b>Thursday 26 September 2013</b>	<b>Committee Room 3A - Town Hall</b>
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Members 6: Quorum 3

**COUNCILLORS:**

<b>Conservative ( 3 )</b>	<b>Residents' ( 1 )</b>	<b>Labour ( 1 )</b>	<b>Independent Residents' ( 0 )</b>
Georgina Galpin (Chairman) Roger Ramsey Frederick Thompson	Clarence Barrett	Denis Breading	TBA

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

## AGENDA ITEMS

### 1 CHANGES TO THE COMMITTEE MEMBERSHIP

To note the changes to the Committee's membership following the special meeting of the Council on 4 September, 2013.

### 2 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.

### 3 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

### 4 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.*

### 5 MINUTES OF THE MEETING (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 25 June 2013 and authorise the Chairman to sign them.

### 6 ANNUAL STATEMENT OF ACCOUNTS 2012/13 (Pages 7 - 10)

Report attached. A copy of the Statement of Accounts is to follow.

### 7 REPORT TO THOSE CHARGED WITH GOVERNANCE - INTERNATIONAL STANDARD OF ACCOUNTING (ISA) 260 (Pages 11 - 14)

Report attached, with appendices 'A' and 'B' to follow.

### 8 RESPONSE TO AUDITORS: REPORT TO THOSE CHARGED WITH GOVERNANCE - INTERNATIONAL STANDARD OF AUDITING (ISA) 260 (Pages 15 - 16)

Preliminary report attached. Final response to be circulated.

**9 FRAUD PROGRESS REPORT** (Pages 17 - 28)

Report attached.

**10 INTERNAL AUDIT PROGRESS REPORT** (Pages 29 - 48)

Report attached.

**11 OUTSTANDING AUDIT RECOMMENDATIONS** (Pages 49 - 58)

Report attached.

**12 ANNUAL REVIEW OF AUDIT COMMITTEE TRAINING** (Pages 59 - 64)

Report attached.

**13 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.

**14 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.

**15 TREASURY MANAGEMENT UPDATE - QUARTER 1 2013/14**

**Andrew Beesley  
Committee Administration  
Manager**

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**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Town Hall, Main Road, Romford  
25 June 2013 (7.30 - 9.00 pm)**

**Present:**

**COUNCILLORS:**

**Conservative Group** Georgina Galpin (in the Chair) Roger Ramsey and Frederick Thompson

**Residents' Group** Clarence Barrett

**Labour Group** Denis O'Flynn (In place of Denis Breading)

Apologies were received for the absence of Councillors Denis Breading and Frederick Osborne.

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

**1 MINUTES OF THE MEETING**

The minutes of the meeting held on 24 April, 2013 were agreed as a correct record and signed by the Chairman.

**2 'SAINTS AND SINNERS'**

Further to minute 50 the Committee were advised that officers had contacted the London Borough of Croydon and confirmed that they had not received a fee for appearing on 'Saints and Sinners.' However, they had made a charge for the TV Company to film in their Council Chamber.

Officers were satisfied with the good publicity the Council received from the programme.

**3 FRAUD PROGRESS REPORT**

Officers advised the Committee that the case of non-benefit fraud identified at the last meeting had proven to be no case to answer.

**4 CLOSURE OF ACCOUNTS TIMETABLE 2012/13**

Further to minute 49 officers advised the Committee that a new account had been created for the Pension Fund and this was being utilised to make

payments to pensioners. The other elements of the account would be activated once One Oracle was introduced in full.

The Committee were informed that there were no significant changes in accounting policies this year similar to those which affected the 2012/13 closedown. The main risk to this year's closedown process related to competing pressures of other projects such as One Oracle. Staff time had been diverted towards the achievement of other key deadlines with the associated risk that close down activities would be delayed.

Officers informed the Committee that despite a two week slippage it was expected that the deadlines would be met. Officers confirmed that draft accounts would be with the Group Director, Resources for sign off by Friday, 28th June.

The next meeting of the Committee was scheduled for 26 September to allow the Committee to consider and approve the final accounts before they were published, by no later than 30 September 2013.

## 5 **EXTERNAL AUDIT PLAN 2012/13 - PENSION FUND AUDIT**

PricewaterhouseCoopers (PWC) presented their audit plan for the Pension Fund. This year the cost would be £21,000, as compared to £35,000 last year. This saving reflects the outcome of the Audit Commission's procurement process to outsource the work of the audit practice.

The work in 2012/13 would be to:

- 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 was 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.

In response to a specific question PWC confirmed they would not be looking directly at how the Pension Fund was governed, but would look at what systems were in place to ensure all governance issues were adequately covered.

The Committee **noted** the report.

## 6 INTERNAL AUDIT INTERIM PROGRESS REPORT

Officers had submitted an interim report covering the final 2012/12 audit plan reports. 10 system audits had been completed in quarter 4 and all but two had received substantial opinions. The two exceptions were Release of Software and Operating Systems, both of which received limited opinions.

In answer to questions from the Committee concerning accounts payable, officers confirmed that controls were now in place to try and prevent duplicate payments and with the move to i-procurement the risk would be reduced even further.

The Committee expressed their concerns at the use of technical terms in the three IT related reports. If they were to find the reports useful they needed to be able to understand all the terms and not require detailed explanations. Officers agreed to relay these comments to the report authors. Surprise was expressed at the number of recommendations in respect of Modern Governance. Officers explained that the London Borough of Newham who undertook the IT related audits for the Council had been using Modern Governance for much longer than the Council and therefore their systems were more fully developed. By responding to the recommendations the Council would be able to better utilise the software.

The report was **noted**.

## 7 OUTSTANDING AUDIT RECOMMENDATIONS

Officers provided the usual update on outstanding recommendations. There were 42 recommendations on the list:

- 1 relating to 2008/9,
- 1 relating to 2009/10,
- 26 relating to 2011/12, and
- 14 relating to 2012/13.

The Committee asked that officers work with the Head of Service for Cemeteries and Crematorium to bring a report back to the next meeting to clarify the position.

Previously the Committee had been advised that all accounts held, by Appointeeship & Deputies, with the AIB would be transferred to Nat West by the beginning of the year. This does not appear to have been completed yet. Officers have been asked to report back to the next meeting.

Subject to reports back on the items indicated the report was **noted**.

## 8 ANNUAL INTERNAL AUDIT REPORT

Each year the Internal Audit & Corporate Risk Manager prepares for the Committee's approval a summary of the results of work completed by the

Internal Audit team during the preceding year, as well as an opinion on the system of internal control.

In 2012/13 two key issues were identified. The first related to Organisational Change. As in 2011/12 many of the control weaknesses identified could be attributed to the pace of organisational change. The pace of change had been fast in some areas and although this had brought benefits to the organisation the changes had impacted on the system of internal control. Significant savings had been achieved in 'back office' or Corporate teams where control activity historically occurred.

While more reliance was being put on Managers to ensure controls were adequate and compliance was being adhered to there was a reasonable expectation that managers could, 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 had often meant that this infrastructure was out of date and / or difficult to navigate. A number of audit recommendations had been raised in this regard in 2012/13.

For example;

- The Intranet was not always as up to date or the information required could be difficult to locate;
- Policies, procedures and guidance in some areas were out of date and reference to processes that were no longer relevant;
- Corporate expectations were not always clear, outlined or enforced and consequences for non-compliance were not made explicit or acted upon;
- Where there were corporate expectations these were 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 had led to quality checks being removed that were previously considered key controls.

The second key issue was Oracle. Various recommendations pertinent to Oracle had been made during 2012/13; some of which had been implemented during the year. However a number of these recommendations had not been implemented due to the One Oracle programme. As One Oracle covered a number of the key financial systems, which were material to the Statement of Accounts, management were advised that there were risks within the current control environment and management had accepted these risks.

Efficiency of the control environment had been a focus for 2012/13 for the team as reduced capacity meant that efficiency would be key to maintaining a robust system of internal control. The One Oracle programme had 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 would impact the



systems of internal control in the short term this should be outweighed by longer term benefits.

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

The Committee **noted** the report.

## 9 **ANNUAL GOVERNANCE STATEMENT**

The Committee received a report updating them on the completion of the year end processes and the impact of this on the draft Annual Governance Statement. In December the Committee had received an update. Since then the following actions had been taken:

- a. Heads of Service had provided signed “mini” governance returns confirming that appropriate governance arrangements were in place across all services of the Council.
- b. Group Directors had reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
- c. These returns had been reviewed to ensure that all relevant issues had been identified and included in the draft AGS.
- d. A review had been completed against CIPFA’s 6 Principles of Good Governance.
- e. The results of the 2012/13 audit work had been formally reviewed as part of the production of the Annual Audit Report and the Head of Internal Audit Opinion had identified any additional potential issues for inclusion on the AGS.
- f. An electronic evidence file had been produced documenting the process and evidencing the assurances received.
- g. The officer Governance Group had discussed the outcome of the above end of year actions and agreed the outcomes.
- h. Senior Management had commented on the draft version.

The 2011/12 Annual Governance Statement had highlighted four issues. Of these only one had been fully addressed, i.e. that relating to fraud. The three remaining issues: Information Governance, Austerity and the Pace of Organisational Change all had wide reaching implications and although significant progress had been made in each area it was felt, by officers, that these issues remained open.

One new issue relating to compliance had been included for 2012/13.

The Committee **approved** the draft version of the 2012/13 Annual Governance Statement as submitted.

10 **ANNUAL REVIEW OF RISK MANAGEMENT**

Officers had carried out the annual review of risk management arrangements as well as providing an update on developments during the last year and new initiatives going forward.

The Committee questioned the change in risk as identified in Risk 9 – Information Governance. Officers explained that this was a recognition that there were potentially 2,500 points of failure, i.e. members of staff, and that the penalties for failure had increased significantly.

The Committee:

1. **Noted** the work continuing to take place on Risk Management;
2. **Noted** the updated Corporate Risk Register; and
3. **Approved** the Risk Management Strategy.

11 **EXCLUSION OF THE PUBLIC**

*The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.*

12 **SURTEES CONTRACT**

Officers informed the Committee that Notice to Terminate the contract had been served on Surtees. In response Surtees had started High Court proceedings for a determination as to the end date of the contract. The Council and Surtees were now going to arbitration to resolve matters.

The Committee asked that they be regularly updated on progress.

13 **ANNUAL TREASURY MANAGEMENT REPORT 2012/13**

The Committee noted details of the Councils investments for the year ended 31 March, 2013. They were pleased to note that the Council had complied with its legislative and regulatory requirements.

The report was **noted**.

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Chairman

# AUDIT COMMITTEE

26 September 2013

# REPORT

**Subject Heading:**

Annual Statement of Accounts 2012/2013

**Report Author and contact details:**

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

**Policy context:**

**Financial summary:**

N/A

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

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

## SUMMARY

The Council's Statement of Accounts is required to be published after the conclusion of the external audit of accounts; no later than 30<sup>th</sup> September 2013. At this stage our auditors, PricewaterhouseCoopers expect to issue an unqualified opinion on the Statement of Accounts.

**RECOMMENDATIONS**

The Committee is asked to:

- a) Approve the Statement of Accounts confirming that no amendments are required to be made to the accounts in respect of the items set out in the auditors report.
- b) note that the audited accounts must be published by 30<sup>th</sup> September 2013.

**REPORT DETAIL**

**1. Statement of Accounts 2012/13**

Our auditors, PricewaterhouseCoopers have completed their audit of the Statement of Accounts and expect to issue an unqualified opinion. A formal report on their findings is included as item 2 on the agenda.

Appendix A; the draft Statement of Accounts will be circulated prior to the meeting incorporating any changes agreed with the auditors.

Following approval by this Committee, the accounts must be signed by the Chair of the Committee and the Group Director of Finance and Commerce.

**IMPLICATIONS AND RISKS**

**Financial Implications and Risks:**

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

**Legal Implications and risks:**

Regulation 8 of the Accounts and Audit regulations require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30<sup>th</sup> September 2013.

**Human Resources Implications and risks:**

None arising directly

**Equalities and Social Inclusion Implications and risks:**

None arising directly

**BACKGROUND PAPERS**

Working papers for the statement of accounts.

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# AUDIT COMMITTEE

26 September 2013

# REPORT

**Subject Heading:**

**Report To Those Charged With  
Governance  
International Standard of Auditing  
(ISA) 260**

**Report Author and contact details:**

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

**Policy context:**

**Financial summary:**

N/A

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

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

## SUMMARY

The draft ISA 260 report from the external auditor PWC will be circulated (as Appendix A) to members prior to the meeting. It summarises their findings from the 2012/13 audit to date. It sets out key findings that will be considered by the auditors when considering their opinion, conclusion and certificate. The draft Letter of representation is included as appendix B.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2013.

**RECOMMENDATIONS**

To note the contents of the Report to Those Charged with Governance (ISA260) and the draft Letter of Representation and consider any issues raised by the external auditor.

**REPORT DETAIL**

Regulation 11 of the Accounts and Audit regulations require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30<sup>th</sup> September 2013.

The draft report from the external auditor summarises their findings from the 2012/13 audit to date. It sets out key findings that will be considered by the auditors when considering their opinion, conclusion and certificate. The Committee is also asked to consider the draft Management letter setting out the assurances required of the Group Director of Finance and Commerce by the auditors.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2013.

**IMPLICATIONS AND RISKS**

**Financial Implications and Risks:**

There are no financial implications or risks arising directly from this report. Any financial consequences arising from the outcome of the audit of accounts and recommendations set out by the external auditor will be addressed as part of the Council's response.

**Legal Implications and risks:**

On the basis that there are no specific issues raised by the external auditor, there are no legal implications arising directly from this report.



**Human Resources Implications and risks:**

None arising directly

**Equalities and Social Inclusion Implications and risks:**

None arising directly

**BACKGROUND PAPERS**

Working papers for the statement of accounts.

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# AUDIT COMMITTEE

# REPORT

26 September 2013

**Subject Heading:**

**Response to Auditors: Report To Those Charged With Governance International Standard of Auditing (ISA) 260**

**Report Author and contact details:**

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

**Policy context:**

**Financial summary:**

N/A

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

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

## SUMMARY

The draft ISA 260 report from the external auditor PWC will be considered by the Committee as Item 2 to this agenda. A separate report from Management will be circulated to the Committee prior to the meeting setting out their responses.

**RECOMMENDATIONS**

To consider and note the responses from management to the “To Those Charged With Governance (ISA260)” and the draft Letter of Representation and consider any issues raised.

**REPORT DETAIL**

A detailed response will be circulated to the Committee prior to the meeting.

**IMPLICATIONS AND RISKS**

**Financial Implications and Risks:**

There are no financial implications or risks arising directly from this report. Any financial consequences arising from the outcome of the audit of accounts and recommendations set out by the external auditor will be addressed as part of the Council’s response.

**Legal Implications and risks:**

On the basis that there are no specific issues raised by the external auditor, there are no legal implications arising directly from this report.

**Human Resources Implications and risks:**

None arising directly

**Equalities and Social Inclusion Implications and risks:**

None arising directly

**BACKGROUND PAPERS**

Working papers for the statement of accounts.

# AUDIT COMMITTEE

26 September 2013

**Subject Heading:**

Fraud Progress Report

**Report Author and contact details:**

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

**Policy context:**

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

**Financial summary:**

This report details information relating to fraud and special investigations.

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

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

**SUMMARY**

This report advises the Committee of the work of the Investigations Team and the Internal Audit Fraud Team from 1<sup>st</sup> April 2013 to 28<sup>th</sup> June 2013.

**RECOMMENDATIONS**

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

## REPORT DETAIL

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

Section 1. Resources & Direction of Travel

Section 2. HB/CTB Fraud Work, Housing Tenancy & Internal Audit Fraud Work

- A) Case Load
- B) Referrals & Fraud Reports
- C) Current Case Load
- D) Outcomes
- E) Case Studies and Proactive Work
- F) HB/CTB fraud overpayments
- G) Savings & Losses

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

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

### **Legal implications and risks:**

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

### **Human Resources implications and risks:**

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

### **Equalities implications and risks:**

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

## BACKGROUND PAPERS

None.

**Section 1 Resources & Direction of Travel**

- 1.1 The vacancy in the Internal Audit Fraud Team has been filled by a secondment from the Systems Audit Team. The investigations team permanent structure is fully resourced, in quarter one an additional resource funded by grant money and income was in place to assist in managing the caseload.
- 1.2 The forecast outturn for 2013/14 for the both teams is within the allocated budget.

**Section 2 Fraud Cases April to June**

**A) Case Load**

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

2.2

<b>Caseload Quarter 1 2013/14</b>						
<b>Team</b>	<b>Cases At start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Cases Fraud not Proven</b>	<b>Cases Successful</b>	<b>Cases at end of period</b>
HB/CTB	388	215	98	63	22*	420
HT	81	21	0	11	4	87
Corporate	14	17	0	5	11	15
<b>TOTAL</b>	<b>483</b>	<b>253</b>	<b>98</b>	<b>79</b>	<b>37</b>	<b>522</b>

\* the figures in this table differ from the totals in 2.16 due to Housing cases that related in a benefit overpayment being identified but no Housing Benefit related sanction was given for this fraud.

**B) Referrals & Fraud Reports**

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

2.4

<b>Source of Referrals &amp; Fraud Reports Quarter 1 2013/14</b>				
<b>Number of Referrals/ Type</b>	<b>HB/CTB Referrals</b>	<b>HT Referrals</b>	<b>IA Fraud Reports</b>	<b>Overall Total</b>
Anonymous	101	-	-	101
External Organisations / Members of the Public	15	9	0	24
Internal Departments Whistleblowers	55	4	17	76
Social Landlords (inc HiH)	14	8	-	22
Data Matching / Proactive initiative	30	-	-	30
<b>Total</b>	<b>215</b>	<b>21</b>	<b>17</b>	<b>253</b>

2.5 The table at para. 2.6 shows the categories of the potential Housing Benefit/Council Tax Benefit fraud referrals in the period.

2.6

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 1 13/14</b>
Capital	5
Contrived Tenancy	8
Income from Other Sources	24
Living Together	81
Non-Dependant	15
Non-Resident/vacated	25
Other welfare benefits	1
Working	34
Non Commercial Tenancy	2
Other	4
Single Person Discount	-
Tenancy Fraud	16
<b>Total</b>	<b>215</b>



2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports in the period.

2.8

<b>Reports by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 1 13/14</b>
PC – misuse and Abuse	4
Misuse of Council Time	-
Misuse of Council Asset	-
Misuse of Council Vehicle	-
Breach of Code of Conduct	1
Breach of Council Procedures	10
Falsification of Records	-
Theft	1
Receipt of Bribe	-
Direct Payment Fraud	
Safeguarding	1
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	-
<b>Total</b>	<b>17</b>

2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud referrals in the period.

2.10

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 1 13/14</b>
Subletting	8
Not main/principal home	9
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	1
Fraudulent RTB	1
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	2
Fraudulent Homeless Application	-
<b>Total</b>	<b>21</b>

**C) Current Caseload**

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

2.12

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of June 2013</b>
Capital	21
Contrived Tenancy	20
Income from Other Sources	34
Living Together	153
Non-Dependant	17
Non-Resident/vacated	55
Other welfare benefits	1
Working	58
Non Commercial Tenancy	4
Other	3
Single Person Discount	11
Tenancy Fraud	43
<b>Total</b>	<b>420</b>

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

2.14

<b>Current Cases by Category (non benefit)</b>	
<b>Potential Fraud</b>	<b>As at end of June 2013</b>
PC – misuse and Abuse	4
Misuse of Council Time	-
Misuse of Council Asset	-
Breach of Code of Conduct	-
Breach of Council Procedures	8
Misuse of Blue Badge	-
Accepting Bribe	-
Theft	-
Safeguarding	-
Direct Payments	3
Overpayment Recovery	-
<b>Total</b>	<b>15</b>

**D) Outcomes**

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

2.16

<b>Successful Outcomes</b>			
<b>Sanction/ Offence Type</b>	<b>Administrative Penalties</b>	<b>Cautions</b>	<b>Prosecutions</b>
Capital	1	-	2
Working & Claiming	-	2	-
Contrived Tenancy	-	-	3
Living Together	-	1	5
Income from other sources	-	-	-
Non Residence	1	-	4
Other			
<b>Total</b>	<b>2</b>	<b>3</b>	<b>14</b>

2.17 The case outcomes for the Internal Audit Fraud Team from April to June are detailed in table 2.18 below.

2.18

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 1</b>
Management Action Plan	8
Contract ended	-
Resigned	-
Disciplinary	3
Insufficient Evidence	2
Prosecution	-
No case to answer	3
Refund received	-
Property Recovered	-
Cancelled	1
<b>Total</b>	<b>17</b>

2.19 The case outcomes for the Housing investigations from April to June are detailed in table 2.20 below.

2.20

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Q1 13-14</b>
Tenancy Relinquished voluntarily (keys handed in)	3
Property recovered via court action	1
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	1
Homeless Duty discharged	-
Housing Register application withdrawn	-
Temporary accommodation withdrawn	-
Prosecution	-
<b>Total</b>	<b>5</b>

**E) Case Studies and Proactive Work**

2.21 The following are successful benefit prosecution cases a verbal update will be provided regarding a further case the details of which can not be put into the public domain.

2.22 A raid by the Investigation Team along with Police Officers led to the arrest of the claimant and her partner for cannabis cultivation as well as benefit fraud offences. Evidence had been obtained to show that Miss X was residing with her undeclared partner. During the search at the property, officers discovered that the electricity supply had been bypassed in order support the cultivation of cannabis plants. Miss X had, therefore, already been convicted of drug offences by the time she was sentenced at Court in June for benefit offences. She received an immediate custodial sentence of 12 weeks.

2.23 An investigation revealed that Mr Y had failed to declare his inheritance of £80,000 and continued to claim Housing and Council Tax Benefit. Even when the offence was proved to Mr Y, he remained reluctant to repay his overpayment of £22,000, preferring to repay in instalments. A financial investigation was opened to restrain Mr Y's accounts. When Mr Y became aware of this at Court, Mr Y repaid the entire overpayment within two days. He also received a community order of 100 hours of unpaid work and ordered to pay costs £1,100 for failing to declare his true financial circumstances.

2.24 The following are successful housing cases a verbal update will be provided regarding a further case the details of which cannot be put into the public domain.

2.25 A council tenant received a custodial sentence as a result of not residing at his property and incurring a benefit overpayment of £14,000. A tenancy fraud enquiry established that Mr Z had been sub-letting his flat while residing with his partner and their children. At Court, the prosecuting solicitor advised the Magistrates that the tenant had been sub-letting the property

while receiving Housing Benefit and emphasised the Local Authority's stance of being unable to allocate this flat to a person in need as well as the cost of housing people in temporary accommodation. Mr Z received an immediate six week custodial sentence.

2.26 A sub-tenant, who had been residing in a council flat since 1996 handed back the keys in April following a raid by the Police and Investigation Officers. The original tenant, Mr C left the flat and moved to Wales in 1997 allowing his friend Mr M to stay on there. An enquiry established that Mr M had pretended to be Mr C when a tenancy audit took place. A credit search showed Mr M at the property although tenancy records still held Mr C at the address. During the raid, Mr M's property and correspondence was found at the flat including a letter from Mr M to the CAB where he claimed to be at the property illegally. He also admitted this in interview. Mr C was interviewed by officers from Flintshire in Wales. He admitted to leaving the property without notifying Havering Council or the utility companies and claimed to have told his friend to notify the Council that he would not be returning. A prosecution file has been prepared to deal with this case in Court.

2.27 The National Fraud Initiative (NFI) Single Person Discount (SPD) data match results are:

2.28 **SPD Housing Benefit & Non Housing Benefit to Electoral Roll**

Internal Audit issued 416 letters relating to Housing Benefit and Non Housing Benefit matching the Electoral Roll where Single Person Discount appeared to no longer apply.

325 of the 416 (78%) letters were responded to and returned allowing the Council to update their systems with the most relevant information.

320 of the letters were reviewed and 267 (84%) were proven as no longer eligible for the SPD discount applied. The expected Council Tax income is stated by the Council Tax Team as £94,460.88

2.29 **SPD Rising 18s**

Internal Audit issued 160 letters regarding people approaching and having reached the age of 18 listed as living at a property where SPD was claimed.

120 of the 160 (75%) letters were responded to and returned allowing the Council to update their systems with the most relevant information and amend the accounts accordingly.

Of the 120 letters returned to Internal Audit 32 (27%) were proven as no longer eligible for the SPD discount applied. The expected Council Tax income is stated by the Council Tax Team as £11,801.43.

2.30 In total the NFI SPD data match is expected to raise additional revenue of £106,262.31 not previously identified.

2.31 Tenancy Audit of Council houses on the Briar Road Estate took place on Friday 17<sup>th</sup> & Saturday 18<sup>th</sup> May. The audit covered 270 properties with follow up visits taking place in June. Preliminary enquiries have been made on 9 addresses although, to date, no properties have been recovered.

**F) HB/CTB Fraud Overpayments**

2.32 The value of fraudulent housing benefit overpayments generated by the team for the first quarter of the 2013/14 year to date are contained in table 2.33.

2.33

<b>Fraudulent Overpayment</b>		
<b>Type</b>	<b>Qtr 1</b>	<b>Year to date</b>
Rent Rebate	185,276.65	185,276.65
Rent Allowance	149,263.89	149,263.89
Council Tax Benefit	48396.67	48396.67
<b>Total</b>	<b>382,937.21</b>	<b>382,937.21</b>

**G) Savings and Losses**

2.34 When a fraud is committed there may be two elements to the financial consequences. The table below details the savings and losses identified in the period 1 April 2013 to 28 June 2013.

Definitions of terms in table 2.35:

**Losses** - These are the sums of money that the audit determined have been lost or stolen.

**Savings** - refer to the amounts of money that the detection of the fraud has prevented being lost. A prime example of this would be the discount on a right to buy. If we prevent the sale then we prevent the discount being given and thereby we save the Council money.

**Management to recover** - These are the actual sums of money which management can take action to recover from those "lost".

2.35

Case details	Savings identified	Losses Identified	Management to recover	Details
Mismanagement of contracts		£2,250.00		Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	£59,172.77		£59,172.77	Final invoice overcharge.
Mismanagement of contracts	£13,800.00		£13,800.00	Asbestos Removal Company and Asbestos Waste Remover unable to verify waste removal. Legal recovery.
NFI 2010/11	£11,801.43		£11,801.43	SPD to over 18s recovery
NFI 2010/11	£94,460.88		£94,460.88	SPD to Electoral Roll recovery
	<b>£179,235.08</b>	<b>£2,250.00</b>	<b>£179,235.08</b>	

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## AUDIT COMMITTEE

26 September 2013

<b>Subject Heading:</b>	Internal Audit Progress Report
<b>Report Author and contact details:</b>	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
<b>Policy context:</b>	To inform the Committee of progress to deliver the approved audit plan in quarter one of 2013/14.
<b>Financial summary:</b>	N/a

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

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

### SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1<sup>st</sup> April 2013 to 28<sup>th</sup> June 2013.

### RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of officers where required.

**REPORT DETAIL**

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

**Section 1 Background and Resources**

Some information about resources is included for information.

**Section 2 Audit Work 1<sup>st</sup> April to 28<sup>th</sup> June**

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

**Section 3 Management Summaries**

Summaries of all final reports issued in the period.

**Section 4 Schools Audit Work**

A summary of schools final reports issued in the period.

**Section 5 Key Performance Indicators**

The actual performance against target for key indicators is included.

**Section 6 Changes to the Approved Audit Plan**

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

**Section 7 Outstanding Audit Recommendations**

The details regarding status of all outstanding recommendations are included within tables for information.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

**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 Background and Resources**

- 1.1 Excluding the Internal Audit & Corporate Risk Manager the established structure consists of eight full time equivalent (FTE) posts. Three dedicated to proactive and reactive fraud and special investigations and five to systems, schools, follow up etc. Two members of staff work reduced hours, one being 0.66 FTE and the other 0.8 FTE. This is reflected in the number of days in the approved plan for 2013/14.
- 1.2 The Auditor (fraud) in the Audit Team left the team in March. Following a recruitment process a member of staff from the systems team was seconded to work within the fraud and special investigations team. The systems team post was then filled at the beginning of June, with a fixed term post holder. The post is now vacant, as the post holder resigned. It is likely that this post will be held vacant for 2013/14 until the Audit Fraud post is filled with a new permanent post holder.
- 1.3 This report relates to the work of the five audit posts, the outputs from the fraud resources are reported in the fraud progress report along with the results of the investigations team.
- 1.4 The table below includes budget information. This budget is for both the Internal Audit and Insurance Teams. The Insurance Team has 4.2 FTE, the salaries for 3.2 are reflected in the service budget currently as the budget is yet to be realigned to reflect the changes since Homes in Havering were brought back in house.
- 1.5 Income is generated by audit by selling services to Schools, other income relates to Insurance.

<b>REVENUE BUDGET FOR 2013/14</b>		
<b>Expenditure</b>	<b>Income</b>	<b>Non-controllable</b>
573,560	-102,700	-470,840

- 1.6 The forecast outturn for 2013/14 is currently within the allocated budget.

**Section 2 Audit Work 1<sup>st</sup> April 2013 to 28<sup>th</sup> June 2013.**

- 2.1 At the end of June 17% of the audit plan had been delivered. This was against a target for the period of 20%.
- 2.2 At the end of June three assignments had been completed and seven were in progress but had not reached the final report stage. Monthly targets are in place for the team and monitored closely.
- 2.3 Schedule 1 details the work completed in quarter one. Details are listed in the table below and management summaries under Section 3 starting on the next page.

**SCHEDULE 1: 2013/2014 – Systems Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Mayrise	Limited	5	9	0	14	3 (1)
Traded Services Follow up	Substantial	1	0	0	1	3 (2)
Education Computer Centre Follow Up	Limited	3	6	0	9	3 (3)

- 2.4 Work in progress includes:
- Risk Based Systems Audits – Information Governance: Service Area Control & Compliance, Information Governance: Provider Compliance, Tenancy Management, LAC Placements, Troubled Families Programme, ASC Income Work, AXIS Pension System and LACHS.
  - School Audit – Crownfield Junior, Gidea Park Primary, St. Marys Catholic Primary and Wykeham Primary.

## **Section 3 Management Summaries**

<b>Mayrise</b>
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<b>ref 3 (1)</b>
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### **3.1 Background**

3.1.1 Mayrise is an application system used to manage and administer several areas of operational activity for the Highways service. The application consists of several modules, each one dedicated to a functional area, for example:

- **Mayrise Street Works** – used for the management of street maintenance
- **Mayrise Street Lighting** – used for the management of lit street furniture

3.1.2 The scope of the audit comprises assurance on both the application and infrastructure levels (application back-ups, server capacity management and failover solutions), as both affect the successful operation of Mayrise.

### **3.1.3 Summary of Audit Findings**

#### **3.1.4 Application System Ownership**

- Ownership over the application was unclear. Ambiguity in relation to ownership can weaken overall control.
- An overreliance was identified on one officer for the administrative duties for Mayrise Street Lighting. Absence of a contingency may prevent service delivery if this officer cannot perform their duties.

#### **3.1.5 User Access Management:**

- Incomplete user credentials are held within the system, potentially preventing actions from being linked to a user.
- The Lighting module does not apply access time limitations for non-permanent staff.
- Ownership over access termination was unclear for the Lighting module.
- Users are deleted rather than suspended when they leave, which may compromise the application audit trail.
- Eleven leavers were identified with live access. This may be a consequence of the timing of the audit coinciding with a departmental restructure.

#### **3.1.6 Password Policies and Controls:**

- The 'Robust Password' requirement was not enabled for either module; consequently, passwords are 'weak' and vulnerable to attack.
- The necessity for the user to change the Supervisor defined password upon first login is not enforced, compromising the account.

#### **3.1.7 Application of Permissions Controls and Segregation of Duties:**

- Default full permissions are allocated to new users, which must then be adjusted by the custodian.
- Several cases were identified where inappropriate permissions in high risk areas had been allocated to users.

- Cases were identified where officer access was required but not currently enabled.
- Permissions were identified in the User Configuration Report that were enabled for users and the custodian was not aware of the presence or impact of the functionality within the module.
- Inappropriate permissions allocation has previously materialised into control failures in relation to the National Street Gazetteer (NSG).

#### 3.1.8 Administrator Access Controls:

- Normal users are granted Supervisor permissions for both Mayrise Lighting and Street Works modules. Thirteen users in Lighting and nine users in Street Works were identified with these permissions. The allocation of these permissions does not align with the Principle of Least Privilege .
- In the case of Mayrise Street Works, Supervisor privileges were granted to users that perform an authorising function (e.g. authorising works outside of set criteria). This does not comply with the Principle of Least Privilege as these users are not responsible for creating or maintaining new users.
- Currently, the system owner is not required to authorise Supervisor access for either module.

#### 3.1.9 Contract Management

- Both the Service and ICT were contacted to provide a Service Level Agreement and contract. Both parties stated that they did not have this documentation.
- The developer, Mayrise Ltd., is occasionally required to access the council's network for maintenance reasons. At the time of the audit a pro-forma Code of Connection (CoCo) document, which governs the behaviour of the third party while accessing council resources, had been drafted and a copy provided. However, this has not been agreed and signed.

#### 3.1.10 Training, Procedures and User Manuals

- On the job training is provided to users of both Mayrise modules.
- Mayrise Street Works users have a video training program, supported by a procedural document (created in 2009), which shows how the application is used as a part of specific processes. The training guide did not include a table of contents, which limits usefulness.
- Mayrise Lighting training is also limited to the specific functionality required by non-custodian officers and there is currently only very limited training material present.
- Application usage guidance is built into the help section of the application for both modules. Whilst this information is useful it is not put into context as to how the application is used to perform specific processes.

#### 3.1.11 Audit Trail

- Both modules have audit logging in place for monitoring user access; however, due to resource limitations these logs are not monitored.

- Mayrise Street Works does not appear to have audit logging to record actions within the application. Nevertheless, key information was held by the application providing a degree of accountability. An audit history, recording module settings changes, was present in the Street Works application.

#### 3.1.12 Data Backup & Restoration

- Backups are managed by Tivoli Storage Manager. The current retention schedule is set so a back-up is created every day and is retained for 10 days. If a backup is not made in line with the schedule the last back-up will be retained for 365 days. In practice, back-ups are only being held for 10 days, which is a short-term back-up solution.

#### 3.1.13 Capacity Planning

- There is currently no monitoring/reporting facility to flag the risk of full capacity being reached. ICT informed us of plans to migrate the application to third party Xerox servers.

#### 3.1.14 Contractual Contingencies

- ICT confirmed that no Escrow agreement is in place supporting the Mayrise application system. Consequently, if the developer goes into liquidation the council would have no access to the source code, meaning the application could no longer be changed or developed.

#### 3.1.15 Management of External Threats

- Mayrise Street Lighting Data Entry:
- The maintenance of all lit street furniture is performed by Volker Highways. The custodian flagged ongoing data input errors on the part of Volker Highways for an 18 month period although these have reduced in quantity in recent time. There is currently no service level agreement to stipulate the expected quality of data entered by Volker Highways.
- Mitigating controls are in place, which help to manage this risk.

#### 3.1.16 Application Performance and Embedded Controls

- Key Job Setting configurations were assessed. At the time of the audit, the module configuration enables users to change the call or log time.
- Functionality to 'delete invoiced charges' is present; this may impact on financial reporting. This setting has been enabled.
- The 'Restrict the Fields Contractors can Edit on Faults Screen' option is not currently enabled. Consequently, contractors can change standing data and therefore may manipulate this information to show improved performance when undertaking works.

#### 3.1.17 Management of Mobile Hardware

- Audit was informed that Mayrise inspectors have been trialing iPads to access the Mayrise application. Mobile Iron is used to implement password policies on the iPads. The following concerns were identified in relation to the Mobile Iron configuration:
  - No complex characters are required for the password.



- The Password Type criterion is currently set to 'don't care' meaning alphanumeric 'strong' password selection is not enforced.
- IPad password configuration is set so the IPad password cannot be reset:

### **3.1.18 Audit Opinion**

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

3.1.20 Recommendations related to the need for:

3.1.21 Application System Ownership:

- A suitable officer should take ownership of the application including control within the system and control over the data held by the system and assess the risk of only having one officer with the required process knowledge for Mayrise Lighting. (*High Priority*)

3.1.22 User Access Management:

- All current users should be reviewed and the name field should disclose the forename and surname of all users.
- The user creation/deletion process should be formalised in a procedural document, which is signed off by the system owner. The document should reflect best practice and the custodians should follow this procedure.
- The System Owner should establish if there is a licence model in place and the restrictions of this model. If this model does exist a user management policy should be established to identify how the service will manage users within the constraints of the licence.
- Mayrise Ltd. should be contacted to establish the impact of deleting users on Mayrise records. To maintain accountability the service should not perform any actions which results in the deletion of key data.
- The Lighting custodian must incorporate active management of users into their tasks. This is a fundamental part of the custodian role.
- The relevant custodians should ensure all identified leavers are removed from the application user database. The emphasis should lie with line managers to inform the custodians of the necessity to terminate access.
- Periodic reconciliations should be performed to ensure that unauthorised users do not have application access. (*High Priority*)

3.1.23 Password Policies and Controls:

- Robust passwords should be enabled in both modules and users must be required to change their password upon first login and this requirement should be formalised in the procedure for creating new users. (*High Priority*)

3.1.24 Application of Permissions Controls and Segregation of Duties:

- All users performing a custodian function should be fully aware that user permissions should be suitably restricted to align with job requirements.

- A review should be performed of all user access permissions in both the Mayrise Street Works and Lighting modules. The actual job requirements of user groups should be defined and access permissions to the application should be changed to reflect only these job requirements.
- Mayrise should be contacted for further guidance, enabling the use of built in permissions reports to manage Mayrise system access. (*High Priority*)

3.1.25 Administrator Access Controls:

- The permissions associated to Supervisor access should be reviewed and restricted. In the case of the authorisation function the custodian should establish whether this permission can be provided without full Supervisor permissions.
- User access permissions should reflect the tasks users are required to perform as part of their role. If Supervisor access is required to perform legitimate tasks, and these permissions cannot be used without Supervisor access, then mitigating controls should be introduced.
- All Supervisor access should be authorised by the system owner in writing. (*High Priority*)

3.1.26 Contract Management

- A copy of the contract should be located and reviewed to ensure it is still fit for purpose.
- A service level agreement should be established with Mayrise Ltd. and periodically monitored (e.g. quarterly), to ensure that the level of service adheres to that expected.
- ICT should forward the Code of Connection agreement to Mayrise Ltd. and request them to confirm compliance with the CoCo terms, when accessing the council's network. (*Medium Priority*)

3.1.27 Training, Procedures and User Manuals

- The responsible custodians must ensure that all key application processes are clearly documented. Current training material should be reviewed to ensure that all key processes are suitably documented.
- Training officers should be mindful of describing the wider system to temporary officers and flagging actions that should not be performed.
- Mayrise Ltd. should be contacted and asked to forward an up to date reference manual for the application system. (*Medium Priority*)

3.1.28 Audit Trail

- The module access audit logs should be periodically reviewed to assess any suspicious behaviour.
- The custodian should contact Mayrise to establish whether audit information can be obtained for Mayrise Street Works. (*Medium Priority*)

3.1.29 Data Backup & Restoration

- The service should assess the appropriateness of the short term back-up solution, in light of the criticality of the application system and the information it holds as a longer term retention solution may be more

appropriate, enabling changes made over a greater period of time to be 'rolled back' in the application database. *(Medium Priority)*

3.1.30 Capacity Planning

- In line with current ICT plans, when the Mayrise application is migrated to Xerox servers a monitoring provision should be enabled to flag when the application server nears full capacity. *(Medium Priority)*

3.1.31 Contractual Contingencies

- The service should perform a risk assessment on the risk posed by the developer going into liquidation, leaving the service without any capability to update or amend the application system. If the risk is deemed unacceptable, the developer should be contacted to establish whether an Escrow agreement can be drawn up. *(Medium Priority)*

3.1.32 Management of External Threats

- The Mayrise Lighting custodian should continue to review the quality of data entry by Volker Highways. The service should consider implementing a Service Level Agreement (SLA) to communicate data entry quality expectations to Volker Highways. *(Medium Priority)*

3.1.33 Application Performance and Embedded Controls

- The Lighting module custodian should review the Job Settings configuration to ensure they align with his control expectations.
- The 'Allowed to delete invoiced charges' setting should be assessed to establish whether it is required and the risk posed. If there is no business case for using this setting it should be disabled.
- The Lighting custodian should review the 'Restrict the Fields Contractors can Edit on Faults Screen' setting to assess whether this can be used to distort contractor performance information. If there is no business case for using this setting it should be disabled. *(Medium Priority)*

3.1.34 Management of Mobile Hardware

- The Mobile Iron password policy should be reviewed in line with the risk appetite of the ICT department. All passwords implemented on council devices should be 'strong' passwords. *(Medium Priority)*

3.1.35A **Limited Assurance** has been issued as the system of control for the successful operation of this service and the protection of council data is weak; there is evidence of non-compliance with the controls that do exist. The level of risk exposure is not acceptable.

<b>Traded Services Follow up</b>	<b>ref 3 (2)</b>
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## **3.2 Background**

3.2.1 In October 2012 an audit of Traded Services commenced. The objective of the audit was to provide assurance regarding the internal controls around the provision of services offered to schools.

3.2.2 This audit reviewed the following key risk areas:

- Strategy;
- Rules and Procedures;
- Financial;
- Reputational; and
- Management Information & Reporting.

3.2.3 As a result of the audit one high priority recommendation was raised and a 'Limited Assurance' was provided to management.

3.2.4 The recommendation related to the need for the administrative processes around the traded service function to be reviewed. In response to the recommendation, management highlighted that a new online system was being purchased. In addition to this, a new post had been created within the service, to take over responsibility for progressing these issues. In response to the recommendation, two deadlines were agreed. The first was to implement the new online system by January 2013 and the second, to fulfil the new post by February 2013.

### **3.2.5 Progress on Implementation**

3.2.6 The formal follow up has just been completed. The review has established that this recommendation has been implemented.

### **3.2.7 Conclusion**

3.2.8 The introduction of the new system is relatively new to the traded services process and will need time to embed itself into the culture of both the schools and the traded services. There is a need to continue to develop the processes around this new system and to clearly set out roles and responsibilities; however, progress has been made to address the risks identified during the original audit and therefore the assurance provided from the audit work has been amended to a 'Substantial Assurance'.

### **3.3 Background**

3.3.1 In September 2011 an audit of the Education Computer centre commenced. The objective of the audit was to provide assurance regarding the internal controls around the services provided to schools.

3.3.2 The audit reviewed the following key risk areas:

- Compliance, inc Policies and Procedures;
- Financial / Reputational; and
- Access to Information / Management Information (including Data Quality) & Reporting.

3.3.3 As a result of the audit three high and six medium priority recommendations were raised and a 'Limited Assurance' was provided to management. All of the recommendations were agreed at the time of issuing the final report and deadlines for all but one were prior to the 30<sup>th</sup> September 2012, with the exception of one due on the 31<sup>st</sup> March 2013.

### **3.3.4 Progress on Implementation**

3.3.5 A formal follow up has just been completed and progress against all actions was reviewed. Where actions had been completed by management evidence to support this was gathered.

3.3.6 The results are also summarised below:

- Three recommendations have been completed at the time of the follow up (1, 3 & 6);
- Four recommendations have been partially implemented and further work is required to fully mitigate the risks (2, 4, 5 and 8); and
- Two recommendations are yet to be progressed (7 and 9).

Extended implementation dates have been identified for the six recommendations that are overdue and outstanding.

### **3.3.7 Conclusion**

3.3.8 The follow up indicates that limited progress has been made in implementing recommendations and therefore limited action has been undertaken to address the risks identified by the original audit. However it must be noted that the current Interim Educational Computer Centre Manager only took over the role in April 2013, so has had limited time to progress the outstanding recommendations inherited from the previous manager.

3.3.9 Due to the limited progress in implementing recommendations the assurance provided from the audit work remains at a 'Limited Assurance'.

**Section 4 Schools Audit Work**

- 4.1 By March 2013 each school should have completed a self-assessment against the Schools Financial Value Standard (SFVS). Unlike the previous Financial Management Standard in Schools (FMSiS) the SFVS does not require formal sign off with a pass or fail outcome
- 4.2 During quarter one the team has tailored the audit programme to ensure that they support both the school and Council in having confidence in the assurances that are produced and provided at year end. They have also reviewed the schools audit programme to ensure it still focuses appropriately on risk areas.
- 4.3 Three Schools audits were finalised by the end of June. Results of the audits are included in Schedule 2 below.
- 4.4 Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

**Schedule 2: 2013/14 – School Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Branfil Primary	Substantial	0	2	2	4	N/A
Squirrels Heath Junior	Substantial	1	3	2	6	N/A
St. Albans Catholic Primary	Substantial	2	2	1	5	N/A

**Section 5 – Key Performance Indicators**

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

<b>Audit Plan Delivered (%)</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	18									
Cumulative Target	20	30	37	45	53	63	70	80	90	99

At the end of June 2013 the team is just behind being on target.

<b>KPI 01 - Briefs issued</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	24									
Cumulative Target	12	19	25	32	38	44	48	50	50	50

At the end of June the team were 12 briefs ahead of target. The team have concentrated on issuing briefs so that the Internal Audit & Corporate Risk Manager can input into the reviews prior to her maternity leave.

<b>KPI 02 – Draft Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	3										
Cumulative Target	6	10	17	24	30	36	41	44	37	50	

At the end of June the team were 3 draft reports behind target.

<b>KPI 03 – Final Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	3										
Cumulative Target	2	6	12	18	25	31	34	37	42	46	50

At the end of June the team were one final report ahead of target. There are no concerns regarding completion of the plan at this time.

**Section 6 – Changes to the Approved 2013/14 Audit Plan**

In April 2013 the Audit Committee approved an Annual Audit Plan for the 2013/14 financial year totalling 1435 days.

As the Systems team post will be held vacant for 2013/14 until the Audit Fraud post is filled with a new permanent post holder the number of days in the plan has therefore been reduced by 120 days to 1315.

The table below provides a summary of the audits removed from, and added to, the 2013/14 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

<b>Audit Title</b>	<b>Days</b>	<b>Revised Days</b>	<b>Directorate</b>	<b>Reason</b>
Partnership / Shared Governance	20	0	Corporate	Deleted from Plan as CMT will be looking at this from a Risk Management perspective
Compliance with Corporate Policy	20	10	Corporate	Original allocation reduced when scope set. However additional compliance audit has been identified.
Fees & Charges	15	5	Corporate	Scope of work reduced
Pool Car Scheme	0	10	Corporate	Added to 2013/14 plan.
Compliance with Corporate Policy: Sickness Review	0	10	Corporate	Added to 2013/14 plan.
PDR Assurance	0	8	Corporate	Added to 2013/14 plan.
Income Management incl. Cash	15	0	Culture, Community & Economic Development	Deleted from 2013/14 plan due to vacant post.
Budget Monitoring	15	0	Culture, Community & Economic Development	Deleted from 2013/14 plan due to vacant post.
Debt Recovery	15	0	Culture, Community & Economic Development	Deleted from 2013/14 plan due to vacant post.
Tenancy Management	0	27	Culture, Community & Economic Development	Added to 2013/14 plan.
Housing Rents	0	15	Culture, Community & Economic Development	Added to 2013/14 plan.
Income	15	0	Resources	Deleted from 2013/14 plan



**Audit Committee 26 September 2013**

<b>Audit Title</b>	<b>Days</b>	<b>Revised Days</b>	<b>Directorate</b>	<b>Reason</b>
Management incl. Cash				due to vacant post.
Budget Monitoring	15	0	Resources	Deleted from 2013/14 plan due to vacant post.
IT Performance	10	0	Resources	Deleted from plan as this is included in Computer Audit Plan.
Main Accounting	10	5	Resources	At PWC's request a shortened review of Main Accounting will be undertaken in October prior to the implementation of One Oracle.
Accounts Payable	15	5	Resources	At PWC's request a shortened review of Accounts Payable will be undertaken in October prior to the implementation of One Oracle.
Accounts Receivable	15	5	Resources	At PWC's request a shortened review of Accounts Receivable will be undertaken in October prior to the implementation of One Oracle.
Payroll	15	5	Resources	At PWC's request a shortened review of Payroll will be undertaken in October prior to the implementation of One Oracle.
Main Accounting	0	5	Resources	End of Year review following implementation of One Oracle.
Accounts Payable	0	10	Resources	End of Year review following implementation of One Oracle.
Accounts Receivable	0	10	Resources	End of Year review following implementation of One Oracle.
Payroll	0	10	Resources	End of Year review following implementation of One Oracle.
Income Management incl. Cash	15	0	Children, Adults & Housing	Deleted from 2013/14 plan due to vacant post.
Budget Monitoring	15	0	Children, Adults & Housing	Deleted from 2013/14 plan due to vacant post.

**Audit Committee 26 September 2013**

<b>Audit Title</b>	<b>Days</b>	<b>Revised Days</b>	<b>Directorate</b>	<b>Reason</b>
Debt Recovery	15	0	Children, Adults & Housing	Deleted from 2013/14 plan due to vacant post.
Looked After Children - Placements	0	15	Children, Adults & Housing	Added to 2013/14 plan.
Children's Centre Probity Programme	15	0	Children, Adults & Housing	Audit cancelled due to possible restructures / amalgamations.
Troubled Families Programme	15	10	Children, Adults & Housing	Budget reduced when scope of audit work defined.
Public Health	20	0	Children, Adults & Housing	Audit cancelled due to service restructure. To be included in next years plan.
ASC Income Work	0	10	Children, Adults & Housing	Added to 2013/14 plan.
Mayrise	0	15	Computer	Added to 2013/14 plan.
I-Procurement Follow Up	3	10	Resources	Additional days allocated as a more in depth follow up to be undertaken.
Traded Services Follow Up	0	1.5	Children, Adults & Housing	Added to 2013/14 plan.
Oracle Financials Follow Up	0	3	Computer	Added to 2013/14 plan.
Education Computer Centre Follow Up	0	1.5	Resources	Added to 2013/14 plan.
Traffic & Parking Control: PCN Cancellation	0	3	Culture, Community & Economic Development	Added to 2013/14 plan.
Follow Up Contingency	16	0		Follow Up Contingency budget used to accommodate increase in follow up reviews.
Contingency	25	5		Contingency budget reduced to accommodate increase in planned work.
	334	214	120	

## Section 7 – 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

### 7.1 Outstanding Internal Audit Recommendations

Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end June 2013		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2008/09	Cemeteries & Crematorium	Regulatory Services		1		1		
		<b>2008/09 Total</b>		<b>1</b>		<b>1</b>	<b>0</b>	<b>0</b>
2009/10	Climate Change	Asset Management		1		1		
		<b>2009/10 Total</b>		<b>1</b>		<b>1</b>	<b>0</b>	<b>0</b>
2011/12	Public Protection	Regulatory Services			1	1		
2011/12	Oracle Financials	Internal Shared Services / Business Systems		3		3		
2011/12	Crematorium – Grave Allocations & Record Keeping	Regulatory Services		3		3		
2011/12	Education Computer Centre	Business Systems	2	3		5		
2011/12	Appointeeship & Deputyship	Adult Services	1			1		
2011/12	Network Infrastructure	Business Systems	1			1		
2011/12	Pensions	Internal Shared Services		1		1		
2011/12	i-Expenses & Purchase Cards	Group Director -Resources	1			1		
2011/12	i-Expenses & Purchase Cards	Internal Shared Services	1	1	1	3		
2011/12	Main Accounting	Internal Shared Services		1		1		
2011/12	Contracts & Procurement	Finance & Procurement		1		1		
		<b>2011/12 Total</b>	<b>6</b>	<b>13</b>	<b>2</b>	<b>21</b>	<b>0</b>	<b>0</b>

Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end June 2013		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2012/13	Information Governance	Monitoring Officer / Legal & Democratic Services	1	1		2		
2012/13	Oracle Financials	Business Systems / Internal Shared Services		1	1	2		
2012/13	Network Permissions	Business Systems		1		1		
2012/13	Electronic Document Management System	Business Systems		1		1		
2012/13	Electronic Document Management System	Monitoring Officer / Legal & Democratic Services		1		1		
2012/13	i-Procurement	Internal Shared Services		1		1		
2012/13	Pensions	Group Director – Resources & Governance Group		1		1		
2012/13	Payroll	Group Director – Resources & Governance Group		1		1		
2012/13	i-Recruitment	Strategic HR & OD	3			3		
2012/13	i-Recruitment	Internal Shared Services		1		1		
2012/13	Transport	Asset Management		2		2		
2012/13	Modern Governance	Monitoring Officer / Legal & Democratic Services	1			1		
2012/13	Modern Governance	Business Systems			1	1		
2012/13	Accounts Receivable	Group Director – Resources & Governance Group		1		1		
<b>2012/13 Total</b>			<b>5</b>	<b>12</b>	<b>2</b>	<b>19</b>	<b>0</b>	<b>0</b>

## AUDIT COMMITTEE

26 September 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 and annually a full report is provided.

Following presentation to the September Audit Committee, members requested a further full review of all outstanding recommendations from 2011/2012. This review has been undertaken and the latest position is presented to inform the Committee of the detail relating to these outstanding recommendations.

Auditors are responsible for audit recommendations until they are implemented.

Appendix 1 contains the full list of outstanding recommendations from 2011/2012.

## **RECOMMENDATIONS**

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

## **REPORT DETAIL**

A full review of 2011/2012 recommendations reported to Audit Committee has taken place; all recommendations have been reviewed and updated. The auditors who raise the recommendations are now responsible for monthly 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 review 21 recommendations relating to 2011/2012 are on the outstanding list.

The recommendations will continue to be followed up and summary tables will be presented at later 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	Head of Service	Comments	Position/Progress to date
2011/ 2012	CC0024	Public Protection	R2	Confirmation to be sought from the Licensing Committee as to what information is required in future.	L	Regulatory Services	Original - Mar 2012. Revised - Oct 2012. Revised - Apr 2013. Revised - Sep 2013.	<b>May 2013 Update</b> - No full licensing committee meeting has been held since previous follow up. All outstanding items will be included at the next scheduled meeting in September.
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	Internal Shared Services	Original - Mar 2012. Revised - Aug 2013. Revised - Nov 2013.	<b>August 2012 Update</b> - 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. <b>September 2012 Update</b> - Part of the London Wide project. <b>July 2013 Update</b> - On hold until One Oracle
2011/ 2012	CM0067	Oracle Financials	R15	Data input screens across the Oracle on Demand system should be reviewed to establish: · 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	Internal Shared Services	Original - Mar 2012. Revised - Dec 2012. Revised - Mar 2013. Revised - Jun 2013. Revised - Nov 2013.	<b>January 2013 Update</b> - 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. <b>May 2013 Update</b> - Awaiting further investigation from CapGemini <b>July 2013 Update</b> - On hold until 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	Internal Shared Services / Business Systems	Original - Mar 2012. Revised - Aug 2013. Revised - Nov 2013.	<b>July 2013 Update</b> - On hold until One Oracle

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Year	Audit Ref	Name of Audit	Rec	Recommendations	Priority	Head of Service	Comments	Position/Progress to date
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	Regulatory Services	Original - Jul 2012. Revised - July 2013. Revised - Mar 2014.	<p><b>October 2012 Update</b> - 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. The original responses given are still valid but the implementation date will now be July 2013 in line with the delivery of Sequel.</p> <p><b>July 2013 Update</b> - The Sequel upgrade has been put back till December. This recommendation has been implemented in part but will be completed once Sequel is implemented. Sample sizes for spot checks are being defined. Statutory forms are already fully checked and sample sizes for non statutory docs and forms are being defined according to their risk profile. We are currently scanning burial interment notices and papers ready for them to be attached to Sequel. These forms are often used for queries so there is benefit in scanning them. Future scanning of other documents is under review and where appropriate forms and documents will be scanned for future use. All work will be completed for the beginning of the new financial year, pending implementation of Sequel system.</p>
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	Regulatory Services	Original - Sep 2012. Revised - July 2013 Revised - Mar 2014.	<p><b>October 2012 Update</b> - 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. The original responses given are still valid but the implementation date will now be July 2013 in line with the delivery of Sequel.</p> <p><b>July 2013 Update</b> - Some work has been completed on this but it will not be fully completed until Sequel is implemented as we need to include any relevant fields that will be introduced with the new system. This will link to the new implementation date for Sequel. All work will be completed for the beginning of the new financial year, pending implementation of Sequel system prior to this point.</p>

Year	Audit Ref	Name of Audit	Rec	Recommendations	Priority	Head of Service	Comments	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	Regulatory Services	Original - Apr 2012. Revised - Sept 2013.	<b>July 2012 Update</b> - 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. A temporary resolution to the original issues is currently being implemented. <b>July 2013 Update</b> - Other issues have come to light as part of the review of this process: Inspections of existing memorials has highlighted that some memorials have been erected without a permit. This raises two main concerns as the memorial may not comply with cemetery regulations and payment of the permit fee will have been missed. Staff checking new memorial installations have found some memorials have been fixed in the incorrect position. It is recognised that although the permit application needs to be revised, the procedure needs a full review and this will need to be carried out in conjunction with Stonemasons. 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	Business Systems	Original - Mar 2012. Revised - Mar 2013. Revised - Mar 2014.	<b>May 2013 Update</b> - The administrative processes for Traded Services has recently changed. In addition, the ECC Manager left in April 2013. 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.
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	Business Systems	Original - Apr 2012. Revised - Jan 2013. Revised - Jan 2014.	<b>May 2013 Update</b> - Looking at an automated process of reporting unsuccessful back ups. This isn't available under the current version of LGFL2 system. Currently this is a manual process. 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	Business Systems	Original - Jun 2012. Revised - Sep 2012. Revised - Feb 2013. Revised - Dec 2013.	<b>May 2013 Update</b> - This will be implemented once the ECC Manager post has been filled.

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Year	Audit Ref	Name of Audit	Rec	Recommendations	Priority	Head of Service	Comments	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	<b>Business Systems</b>	Original - Sep 2012. Revised - Feb 2013. Revised - Jul 2013.	<b>May 2013 Update</b> - Work is underway between 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. <b>July 2013 Update</b> - No update received.
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"> <li>• Available resources within the team;</li> <li>• Resources needed to deliver the current service provisions;</li> <li>• The cost of running the service;</li> <li>• Income generated through current services provided; and</li> <li>• Whether fees &amp; charges are sufficient to cover the cost of service delivery;</li> </ul>	H	<b>Business Systems</b>	Original - Sep 2012. Revised - Apr 2013. Revised - Apr 2014.	<b>May 2013 Update</b> - 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	<b>Adult Services</b>	Original - Mar 2012. Revised - Sep 2012. Revised - Jan 2013. Revised - Aug 2013.	<b>February 2013 Update</b> - Revise to complete 31/10/13 due to poor response and communication from Nat West- This needs to be urgently addressed with Corporate Finance. It is fortunate that despite the original crisis, Allied Irish Bank have continued to provide an excellent service and there has been no loss to the clients. <b>July 2013 Update</b> - All clients now have a Nat West Account (166 active accounts in total with funds of £5.1m). 36 accounts remain open at AIB with funds of £220K in total. We await the Nat West account switching team to move DD's and SO's and the balances. Then we will close the accounts and instruct the DWP and Private Pension companys to switch credits to Nat West. Anticipated completion by the end of August.
2011/ 2012	CM0062	Network Infrastructure	R3	Management should urgently consider renewing or updating its corporate Firewalls.	H	<b>Business Systems</b>	Original - Mar 2012. Revised - Nov 2012. Revised - Mar 2013. Revised - Aug 2013.	<b>May 2013 Update</b> - Work now 60% complete. Estimated completion now August 2013. <b>July 2013 Update</b> - Still progressing and estimated completion date still August 2013.

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Year	Audit Ref	Name of Audit	Rec	Recommendations	Priority	Head of Service	Comments	Position/Progress to date
2011/ 2012	FC0099	Pensions	R1	Starters and leavers reports should be amended to allow easy identification of LGPS members.	M	Internal Shared Services	Original - Jun 2012. Revised - Sep 2012. Revised - Aug 2013. Revised - Nov 2013.	<b>October 2012 Update</b> - We are still only getting reports from the relationship management team, however, recently there have been some improvements made to them. They still don't highlight LGPS members, however payroll are now inputting all new starters including schools and we have reverted back to them providing a new starter form. Leavers are still the same but once again now that payroll are inputting all leavers including schools we should get the information. Paul Butler, Bhushan and myself have worked on the other reports and some have been produced, these are not finished and the work with Croydon as impacted on the delivery of this. 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.
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 Resources	Original - Jul 2012. Revised - Sep 2012. Revised - Nov 2013.	<b>May 2013 Update</b> - 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	Internal Shared Services / Business Systems	Original - Aug 2012. Revised - Sep 2013. Revised - Nov 2013.	<b>May 2013 Update</b> - 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 Sharron Harris 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	Internal Shared Services / Heads of Service	Original - Sep 2012. Revised - Aug 2013. Revised - Nov 2013.	<b>May 2013 Update</b> - 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	Internal Shared Services	Original - Sep 2012. Revised - Sep 2013. Revised - Nov 2013.	<b>May 2013 Update</b> - 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 Sharron Harris 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.

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Year	Audit Ref	Name of Audit	Rec	Recommendations	Priority	Head of Service	Comments	Position/Progress to date
2011/ 2012	FC0090	Main Accounting	R1	<p>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:</p> <ul style="list-style-type: none"> <li>· have an agreed timetable that identifies appropriate intervals;</li> <li>· are identified against balance sheet codes,</li> <li>· are properly &amp; fully documented, have a responsible owner,</li> <li>· are progressed to timetable in line with formal written procedures;</li> <li>· controls and monitoring are treated as part of their core business function;</li> <li>· balances confirmed and reported to management and Corporate Finance; and</li> <li>· issues must be reported to Corporate Finance.</li> </ul>	M	<b>Internal Shared Services</b>	<p>Original - Jun 2012. Revised - Aug 2012. Revised - Dec 2012. Revised - Sep 2012. Revised - Nov 2013.</p>	<p><b>May 2013 Update</b> - Part 1 - Development of SLA - 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 these will have a major effect of the content SLA. Part 2 - Compliance for all reconciliations: 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 monitor on a monthly basis that reconciliation owners 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 timetable, with issues identified and reported.</p>
2011/ 2012	CO0044	Contracts & Procurement	R3	<p>Corporate Management Team to be provided with an annual report at the end of the financial year which identifies suppliers used within each directorate and the amount spent.</p>	M	<b>Finance &amp; Procurement</b>	<p>Original - Jun 2013. Revised - Sep 2013.</p>	<p><b>July 2013 Update</b> - Due to OO &amp; Romulus projects we have slowed down the supplier take up &amp; roll out of iProc. The maximisation of this system is the key component to extract MI on our spend &amp; suppliers so at the moment the level of transactions is not substantial enough to glean meaningful data.</p>



## AUDIT COMMITTEE

26 September 2013

**Subject Heading:**

Annual Review of for Audit  
Committee Training

**Report Author and contact details:**

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

**Policy context:**

E-mail : Vanessa.bateman@haverling.gov.uk  
To review the training attended for  
2012/13 and agree a training plan for the  
members of the Audit Committee.

**Financial summary:**

N/A

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

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

### SUMMARY

This report advises of training provided to the Audit Committee in 2012/13 and the plan for 2013/14. The Members are in the last year of their four year appointment to the Committee so their training requirements are relatively low and determined by a timetable approved in 2012.

The new substitute member on the Committee has been given an induction to the role and an assessment of any immediate training needs

completed. The replacement for Cllr Frederick Osborne will also be offered the same opportunity.

Members and Substitute Members can request training at any time and a needs analysis has been completed and used in the past to guide the focus of training.

## RECOMMENDATIONS

1. To comment on the training plan within the report.
2. To approve the training plan, subject to any comments made.

## REPORT DETAIL

The Audit Committee consists of six experienced Councillors:

- Cllr Georgina Galpin (Chair);
- Cllr Frederick Osborne (resigned June 2013 Council will appoint a replacement October 2013);
- Cllr Roger Ramsey;
- Cllr Frederick Thompson;
- Cllr Clarence Barrett; and
- Cllr Denis Breading.

Members appointed to Audit Committee generally serve for the full four year term to ensure consistency of membership. Three of the current members sat on the Audit Committee prior to the last election in 2010. A needs analysis has been completed for all members and this fed into the 2012/13 training programme.

All members and substitute members who join the committee mid-term are offered an induction and their training needs assessed.

To ensure there is suitable cover for Audit Committee members unable to attend meetings political parties have been asked to identify substitute members who are now also invited to attend any training provided.

Substitute Members:

- Cllr Steven Kelly;
- Cllr Lesley Kelly (appointed June 2013);
- Cllr Eric Munday;
- Cllr Linda Hawthorn; and
- Cllr Pat Murray



**Audit Committee, 26 September 2013**

In addition training is often extended to all Council members where it is felt appropriate, usually where the topic is Fraud & Corruption.

In 2012 the Committee approved a timetable of training that identified the planned frequency and timing of training within the members four year appointment to Committee. As the term progresses the requirement for training reduces, however at any point all members can request training and the Chair takes an active role in determining any additional or unplanned training or briefings that are required.

The table below indicates the training that has taken place in 2012/13 and the attendance at each session.

<b>Timescale</b>	<b>Session</b>	<b>Coverage</b>	<b>Attendance</b>
June	Fraud	Housing Fraud	Cllr Georgina Galpin Cllr Fred Osborne Cllr Linda Hawthorn Cllr Roger Ramsey Cllr Frederick Thompson Cllr Denis O'Flynn Cllr Ron Ower
December	Fraud	General Fraud Update	Cllr Georgina Galpin Cllr Clarence Barrett Cllr Denis Breeding Cllr Wendy Brice-Thompson Cllr Roger Ramsey Cllr Frederick Thompson
February	Risk Based Verification	New approach to Benefits assessment	Cllr Georgina Galpin Cllr Denis Breeding Cllr Frederick Osborne Cllr Frederick Thompson
June	Fraud	Brief update on Single Fraud Investigation Service and Officers recent secondment to Department of Work & Pensions	Cllr Georgina Galpin Cllr Roger Ramsey Cllr Clarence Barrett Cllr Linda Hawthorn Cllr Frederick Thompson

The table below indicates the training that is plan until election.

<b>Timescale</b>	<b>Session</b>	<b>Coverage</b>	<b>Attendance</b>
September	Finance	Introduction of interim Internal Audit & Corporate Risk Manager & Annual Statement of Accounts / Treasury Management	Audit Committee & Substitute Members
December	Fraud	Corporate	All Members
February	Risk Management	Corporate Risk Register	Audit Committee & Substitute Members
April	Governance	Annual Governance Statement process and actions plan	Audit Committee & Substitute Members

The overall training plan for the Committee will be reviewed in advance of the next election and individual needs of the new Committee will be assessed post election to inform the training programme for 2014/15.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

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

### **Legal implications and risks:**

None arising directly from this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report.

**BACKGROUND PAPERS**

None

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