



Havering

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

AUDIT COMMITTEE AGENDA

7.30 pm

**Wednesday
24 June 2015**

**Committee Room 3B -
Town Hall**

Members 6: Quorum 3

COUNCILLORS:

**Conservative
(2)**

Viddy Persaud (Chairman)
Frederick Thompson

**Residents'
(1)**

Julie Wilkes (Vice-Chair)

**East Havering Residents'
((1))**

Clarence Barrett

**UKIP
(1)**

David Johnson

**Independent
Residents'
(1)**

Graham Williamson

**For information about the meeting please contact:
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Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

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

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF PECUNIARY INTERESTS

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

Members may still disclose any pecuniary interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 11 March 2015 and authorise the Chairman to sign them.

5 CLOSURE OF ACCOUNTS TIMETABLE 2014/15 (Pages 7 - 10)

Report attached.

6 FRAUD PROGRESS REPORT 1 JANUARY TO 31 MARCH 2015 (Pages 11 - 26)

Report attached.

7 INTERNAL AUDIT PROGRESS REPORT 5 JANUARY TO 2 APRIL 2015 (Pages 27 - 42)

Report attached.

8 PAYMENT TO CONTRACTORS (ROAD AND PAVEMENT DEFECTS) 2014/15 (Pages 43 - 46)

Report attached.

9 OUTSTANDING AUDIT RECOMMENDATIONS (Pages 47 - 56)

Report attached.

10 ANNUAL GOVERNANCE STATEMENT (Pages 57 - 76)

Report attached.

11 ANNUAL AUDIT REPORT (Pages 77 - 96)

Report attached.

12 TRAINING PLAN FOR AUDIT COMMITTEE (Pages 97 - 102)

Report attached.

13 FORWARD PLAN FOR THE AUDIT COMMITTEE 2015/16 (Pages 103 - 108)

Report attached.

14 AUDIT PLAN 2015/16 (Pages 109 - 124)

Report attached.

15 ANTI-FRAUD AND CORRUPTION STRATEGY 2015 (Pages 125 - 136)

Report attached

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16 URGENT BUSINESS

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

17 EXCLUSION OF THE PUBLIC

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

18 ANNUAL TREASURY MANAGEMENT REPORT 2014/15

**Andrew Beesley
Committee Administration
Manager**

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3B - Town Hall
11 March 2015 (7.30 - 9.15 pm)**

Present:

COUNCILLORS:

Conservative Group	Frederick Thompson (in the Chair), Viddy Persaud
Residents' Group	Julie Wilkes (Vice-Chair)
East Havering Residents' Group	Clarence Barrett
UKIP Group	Philip Hyde
Independent Residents Group	Graham Williamson

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

27 MINUTES OF THE MEETING

The minutes of the meeting held on 2 December 2014 were agreed as a correct record and signed by the Chairman.

28 2013/2014 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

The Committee received an update on the position regarding the final version of the 2013/14 audit report of grant claims and returns and subsequent Action Plan for the 2014/15 process. There were only 2 grants which required audit certification in 2013/14. Both grants had now been certified with no amendment but the BEN01 claim had been subject to a qualification.

The Committee questioned the qualification given the degree of materiality of the extrapolated error. PWC explained that the Department of Works and Pensions required any grant to be qualified where an error had been found.

Officers explained that in addition to the two grants on the Audit Commission Index for 2013/14 two other Grant Funding Bodies had required grantees to engage an external auditor for 2013/14. These were the Teachers Pensions and the Decent Homes Grant. Officers had negotiated a fee with PWC for these two grants.

It was not possible to estimate how many grant funding bodies would require external audit certification from 2014/15 on wards so the council would be exposed to the risk of increased audit fees.

The Committee had:

1. **Reviewed** the outcome of the 2013/2014 grants claims process;
2. **Noted** the year-on-year grant claims performance: and
3. **Noted** the report.

29 **INTERNAL AUDIT PROGRESS REPORT - 29TH SEPTEMBER 2014 TO 4TH JANUARY 2015**

Officers informed the Committee that in quarter 3 ten system audits had been concluded together with seven school reports. A further eight were in progress. This work had been undertaken even though the team had been missing two full time members of staff. One auditor had been seconded to undertake fraud work and a second member of the team was on maternity leave. The vacancies had been held within the team as the audit service was undergoing an oneSource service review. It had, however, been necessary to procure some specialist computer audit for OneOracle which had reduced the shortfall.

The Committee expressed concern at the shortcomings highlighted in the system audit of the Team responsible for Payments to Contractors (Road & Pavement Defects). They were particularly concerned that that approval to extend the Miller Brothers contract had been given by the Head of Service but this approval had not been documented nor had an exception to Contract Procedure Rules been completed and approved by a Cabinet member.

The Committee also had questions concerning Long Term Sickness. The report suggested that between March 2013 and September 2014 there had been 366 instances of long term sickness, accumulating a total of over 38,000. The Committee were concerned that much of this could be a result of stress related to the pressures on staff following reorganisation and transformation. Officers advised that whilst stress was a major factor, it was more likely to be personal stress rather than work related.

The Committee was informed that changes had been introduced over the last four years which had ensured all line managers were trained in procedures.

As a result of this audit the Head of Service had requested a follow up audit in 2014/15.

The Committee has:

1. **Noted** the reports: and
2. **Requested** a report back on the Highway DSO' response to the recommendations following the Payments to Contractors (Road and Pavement Defects) system audit.

30 **FRAUD PROGRESS REPORT - 1ST OCTOBER TO 31ST DECEMBER 2014**

The Committee received a report detailing the work of the Internal Audit Corporate Fraud Team and Investigations Team from 1 October to 31 December 2014. In preparation for the transfer to the Single Fraud Investigation Service and the outcome of the oneSource service review officers had begun a process of cleanse and close on all active cases.

Officers had provided details of six successful cases for the Committee's information.

The Committee **noted** the report and the Corporate Fraud Proactive Audit Plan for 2014/15.

31 **BLUE BADGE AND NATIONAL FRAUD INITIATIVE 2012/13 - FINAL SUMMARY REPORT**

Officers had provided a report which gave an update regarding work performed as part of the National Fraud Initiative and the results of the matching exercises and investigations undertaken. The report also provided information regarding blue badge fraud.

The National Fraud Initiative (NFI) is a data matching exercise designed to help participating bodies identify possible cases of fraud and detect and correct any consequential impact or loss. The core of the NFI is the matching of data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud, housing tenancy and blue badge fraud

As at 31 December 2014 these had amounted to £262,393 of which £172,266 had been recoverable by the Council.

In October 2013 data relating to Blue Badges had been supplied to the Audit Commission and the data matched to Department of Works and Pension deceased persons. Following investigations of the 632 matches, 438 badges had been cancelled and letters sent to the executors asking for the badges to be returned.

There were 11,455 blue badges on issue from the 1st January 2012 till the 31st December 2014. Since 1st April 2014, 3,536 blue badges had been issued.

The Council had undertaken two exercises since last August which had resulted in 10 badges being seized. It was intended that parking services would continue this clampdown on a daily basis from now on.

The Committee:

1. **Asked** officers to arrange for publicity of the successful exercises; and
2. **noted** the report.

32 **INTERIM AUDIT PLAN 2015/16**

Officers had prepared an interim audit plan for 2015/16. The service review for internal audit had been completed, but the restructure had not been launched for consultation. The interim plan had been developed based on the actual internal audit resources available at the time the plan had been developed. This could be subject to change as part of the restructure.

The Committee have approved the interim plan but instructed officers to ensure a full year plan was submitted to the next meeting in June.

33 ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Each year a review of the effectiveness of the Audit Committee had been undertaken. The results of the Review had been reported and the Committee:

1. **Noted** the outcome of the review;
2. **Agreed** that the reporting on risk once a year was sufficient for their needs;
3. **Agreed** that members of the Committee would consider their individual training needs and highlight to officers any areas where additional training was required;
4. **Agreed** that as a minimum an additional meeting of the committee be scheduled each year;
5. **Agreed** that a briefing note and link to the whistleblowing policy be provided to all members;
6. **Agreed** that assurance that appropriate actions had been taken following all audit work;
7. **Agreed** that a private meeting with both the external and Internal auditors, without management be arranged annually;
8. **Agreed** to consider any additional contents required in the annual report; and
9. **Agreed** that an independent review of effectiveness be undertaken next year.

34 ANNUAL REPORT OF THE AUDIT COMMITTEE

The Committee received the draft Annual Report which would be submitted to the next appropriate Council meeting. The Annual Report was in the usual format and there were no areas which required change.

The Committee had, therefore, agreed the report for submission to Council.

35 CORPORATE RISK REGISTER

The Committee had received a report with an update on the Strategic Risks the organisation currently faced, the ratings applied to them, and the mitigations and planned actions identified and documented through the risk management activity of the council.

The Committee have **noted** the contents of the report and the risk register.

36 ACCOUNTING POLICIES 2014/15

The Committee received a report which presented the accounting policies applicable to the financial year 2014/15 and reflected in the published statement of accounts. Officers had advised that there were no significant changes this year. Some minor changes had been made to the policies including the deletion of the policy on Carbon Reduction Commitment, as Havering was no longer required to participate in Phase 2 of the Government scheme.

The other change on would which the Committee had questions was the policy to disclose a de-minimus for accruals being raised manually to £25,000. Officers had confirmed that this would reduce the number of transactions but not affect the bottom line.

PWC informed the Committee that officers would have to prove that the changes were not material to them.

The Committee **noted** the report.

37 CLOSURE OF ACCOUNTS TIMETABLE 2014/15

Officers reported on progress in closing the accounts for 2014/15.

PWC had presented their external audit plan for 2014/15. They advised that although it was not included in the plan they may need to consider Complex Supplier Arrangements as regulators had highlighted this as a priority.

The Committee **noted** the report.

38 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.

39 TREASURY MANAGEMENT UPDATE - QUARTER 3 2014/15

The Committee have received an update on the position of Treasury Management for the third quarter of 2014/15. The Committee have noted that the Council still have ample cash flow available but that this position would change towards the end of the financial year.

The Committee have **noted** the report.

40 SURTEES CONTRACT

Officers advised that a full report would be submitted to the next meeting in June.

Chairman

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AUDIT COMMITTEE 24 June 2015	REPORT

Subject Heading:	Closure of Accounts Timetable 2014/15
	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk
Policy context:	This report advises the Audit Committee of the progress to date in preparing for the Closure of Accounts 2014/15
Financial summary:	There are no direct financial implications to the report.

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

Havering will be clean and its environment will be cared for ☐

People will be safe, in their homes and, in the community ☐

Residents will be proud to live in Havering ☒

SUMMARY

As required by the Accounts and Audit Regulations 2011, the Council's Statement of Accounts must be approved and signed by the Group Director of Communities and Resources no later than 30th June 2015. The accounts must be published after the conclusion of the external audit of accounts; no later than 30th September 2015.

RECOMMENDATIONS

The Committee is asked to note that:

- a) The Council's Statement of Accounts must be approved and signed by the Council's Chief Financial Officer; the Group Director of Communities and Resources no later than 30th June 2015.
- b) A verbal update on progress in preparing the statement of accounts will be given by officers on the night.
- c) The accounts are planned to be considered and approved by the Audit Committee on 24th September 2015.
- d) The accounts must be published following the conclusion of the audit, no later than 30th September 2015.

REPORT DETAIL

1. Statement of Accounts 2014/15

- 1.1. At the time of preparing the report the statement of accounts were nearing completion. A verbal update will be given to the Committee on the night.
- 1.2. As previously reported to the Committee, there are no significant changes to the code of practice which affect the 2014/15 closedown. However, the following matters have required either a change in process or accounting policy in the year.
 - a) Re-consolidation of Foundation and Voluntary aided schools.
 - b) Mid-year re-launch of the latest version of One Oracle.
 - c) First year of accounting for oneSource.

These matters have been concluded successfully without significant delay to the timetable.

- 1.3. In more recent weeks progress has been limited by technical problems with the report writing facility of One Oracle. This has served to delay the programme by approximately 10 days although the accounts are still expected to be delivered on time and in accordance with statutory deadlines.
- 1.4. In accordance with the Accounts and Audit (England) Regulations 2011, the completed accounts will need to be approved and signed by the Group Director of Communities and Resources no later than 30th June 2015.
- 1.5. The draft accounts will then be subject to audit by the Council's external auditors PricewaterhouseCoopers. Following the conclusion of the audit, the

accounts must be approved by the Audit Committee (on 24th September 2015) and published no later than 30th September 2015.

2. Early Closedown 2017/18

- 2.1 In 2017/18 the statutory closedown period will be brought forward by one month (i.e. closure and production of the statement of accounts by 31st May and conclusion of the audit by 31st August).
- 2.2 Officers are currently planning to introduce changes to the closedown timetable in 2015/16 in order to “dry run” the early closedown timescales from that year. The implications of these changes will be the subject of a more detailed report later in the year.

Financial Implications and risks:

There are no direct financial implications arising from the publication of the 2014/15 Statement of Accounts.

Legal Implications and risks:

Regulation 8 of the Accounts and Audit (England) Regulations 2011 require the approval and publication of the Statement of Accounts after the conclusion of the audit but in any event no later than 30th September 2015.

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

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

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CHERYL COPPELL
Chief Executive

Background Papers List

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AUDIT COMMITTEE

24 June 2015

Subject Heading:

Fraud Progress Report
1st January to 31st March 2015

CMT Lead

Deborah Hindson
Acting Managing Director oneSource

Report Author and contact details:

Vanessa Bateman: Internal Audit &
Corporate Risk Manager
Tel: 01708 433733
email: vanessa.bateman@oneSource.co.uk

Policy context:

To advise the Committee of the work and performance of the Council's anti fraud and corruption resources and update on recent developments with regards the resources.

Financial summary:

This report details information relating to fraud and special investigations. There are no direct financial implications arising from this report which is for information only.

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

Havering will be clean and its environment will be cared for	□
People will be safe, in their homes and in the community	□
Residents will be proud to live in Havering	□

SUMMARY

This report advises the Committee of the work of the Internal Audit Corporate Fraud Team and the Investigations Team from 1st January to 31st March 2015.

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 to the cases highlighted or the performance of the respective teams.

REPORT DETAILS

1. FRAUD RESOURCES UPDATE

1.1 Single Fraud Investigation Service

- 1.1.1 The transfer process for Havering employees to Department of Work and Pensions (DWP) was completed on 31st March 2015. Seven of the eight employees in scope were transferred. One Investigator has moved into the new oneSource Fraud Team.
- 1.1.2 At the end of March circa 100 live benefit fraud cases were transferred to the DWP.

1.2 OneSource Structure and Transfer

- 1.2.1 The restructure was completed and the new structure launched on 1st April.
- 1.2.2 Alongside the transfer of Housing Benefit Fraud to DWP the team coordinated the transfer of all other live cases including Housing Fraud, Proceeds of Crime and the Corporate Fraud and Special Investigations into the new oneSource team. There were also circa 10 Benefit Fraud cases where the legal process was too progressed to transfer to DWP so these cases were retained to be completed by the oneSource team and, once finalised, transferred. The DWP agreed to release ex-employees involved in these cases as required to attend court as witnesses.
- 1.2.3 As part of the implementation of the oneSource Fraud Structure there have been discussions and risk assessments regarding the new Fraud Strategy for Havering; this work will continue in April and the outputs will be presented to members for approval.

2. CORPORATE FRAUD TEAM: UPDATE JANUARY TO MARCH

2.1 Delivery of the Anti-Fraud and Corruption Strategy

- 2.1.1 Work has been delivered to further develop a fraud aware workforce through an ongoing programme of training. During quarter four, training was provided on the Prevention and Detection of Fraud as part of the corporate induction.
- 2.1.2 The Corporate Fraud Team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through advice and guidance to management on specific risk, control and compliance issues.

The number of requests for advice and assistance to Directors and Heads of Service in Quarter 4 was 57, of which 55 were completed at year end.

- 2.1.3 The Team also participates in the learning and sharing of best practice through the National Anti-Fraud Network and actively works with neighbouring boroughs to share learning and appropriate data.

2.2 Proactive Fraud Investigations

- 2.2.1 The Corporate Fraud Team's proactive fraud work comprises three elements:

- A programme of proactive fraud audit investigations;
- Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

- 2.2.2 The proactive work plan for 2014/15 is shown in the table in Appendix A. During quarter four progress was made on the plan with five proactive audits completed in the year.

2.3 Reactive Fraud Cases: JANUARY TO MARCH

- 2.3.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 4 2014/15						
Team	Cases at start of period	Referrals received	Referrals rejected/ overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	16	11	0	4	9	14

- 2.3.2 The table below provides information on the sources of fraud referrals to the Corporate Fraud Team.

Source of Referrals & Fraud Reports Quarter 4 2014/15	
Number of Referrals/ Type	IA Fraud Reports Qtr 4
Anonymous Whistleblower	2
External Organisations / Members of the Public	1
Internal Departments	8
Total	11

- 2.3.3 The table below shows the number and categories of potential Corporate Fraud cases at the end of the Quarter 4, compared to the quarter 3 totals.

Reports by Category		
Potential Fraud	Previous Cases Qtr 3	Current Cases end of Qtr 4
PC – Misuse and Abuse	2	0

Breach of Code of Conduct	4	4
Breach of Council Procedures	3	5
Misuse of Council Time	1	0
Direct Payments	4	0
Theft	1	0
Disabled Facility Grant	1	0
Money Laundering	0	2
Total	16	11

2.3.4 The table below shows the case outcomes for the Internal Audit Corporate Fraud Team from January to March 2015.

Case Outcomes	
Outcome	Qtr 4
Management Action Plan	3
Resigned	4
Disciplinary	1
No case to answer	4
Withdrawn Application	1
Total	13

2.4 Savings and Losses

2.4.1 The investigations carried out by the Corporate Fraud team provide the Council with value for money through:

- The identification of monies lost through fraud and the recovery of all or part of these sums; and
- The identification of potential losses through fraud in cases where the loss was prevented.

2.4.2 The table in Appendix B shows the savings and losses identified during 2014/15.

2.5 Fraud Cases Completed

2.5.1 The table below shows the number of cases at the start and end of the year, cases completed each quarter and the outcomes.

Reactive Workload Completed			
	Cases	Not Proven	Successful
2013/14 C/F	13		
Q1	13	3	4
Q2	25	11	12
Q3	11	7	9
Q4	11	4	9
	73		
2014/15 C/F	14		
	59	25	34

15 of the reactive workload cases are as a result of whistle-blowers.

2.5 Outcomes from reactive cases

2.5.1 The table below communicates the outcome of the cases completed in 2014/15.

Reactive Workload Outcomes	
Management Action Plan	11
Resigned	6
Disciplinary	9
Dismissal	2
No Case To Answer	25
Withdrawn Application	4
Reduced Direct Payment	1
Prosecution	1
Total	59

2.6 Schedule of completed proactive audits

2.6.1 The table below communicates the proactive audits that were completed in the year and what quarter they were finalised.

Proactive Workload Completed	
Q1	Expenses
Q1	Home Ownership
Q1	Dismissed/Redundant/Agency
Q4	LD Residential Care
Q4	Blue Badges

2.7 Advice and Assistance

2.7.1 The table below details the requests for advice and assistance that have been received by the team in 2014/15 and the source of the request.

Advice & Assistance		
	Cases	C/F
Directors	57	2
Local Authority	17	0
Fraud Hotline	32	4
	106	6

2.7.2 The team have completed 59 Reactive Cases, five Proactive Audits, 55 Advice and Assistance to Directors, 17 Advice and Assistance to Local Authorities including the Police and 28 Fraud Hotline reports.

126 recommendations have been made to services of which 118 have been implemented and eight are not due until later in the year.

3.1 BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JANUARY TO MARCH 2015

3.1.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 4 2014/15						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases of Fraud not Proven	Success -ful Cases	Cases at end of period
HB & CTS	246	120	91	103	44	128
HT	74	17	-	40	11	40
TOTAL	320	137	91	143	55	168

3.1.2 The table below provides information on the sources of fraud referrals made to the Housing Benefit, Council Tax and Housing Tenancy fraud sections during the period.

Source of Referrals & Fraud Reports Quarter 4 2014/15			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	52	7	59
External Organisations / Members of the Public	8	2	10
Internal Departments / Whistleblowers	25	3	28
Social Landlords (inc HiH)	10	5	15
Data Matching / Proactive initiative	25	-	25
Total	120	17	137

3.1.3 The table below shows the categories of the potential Housing Benefit and Council Tax Benefit fraud referrals in the period.

Referrals by Category	
Potential Fraud	Quarter 4 14/15
Capital	6
Income from Other Sources	7
Living Together	37
Non-Dependant	3
Non-Resident/vacated	10
Working	8
Contrived	7
Tenancy Fraud	14
Other	28
Total	120

- 3.1.4 The table below shows the categories of the potential Housing Fraud referrals in the period.

Referrals by Category	
Potential Fraud	Qtr4 14/15
Subletting	6
Not main/principal home	8
Fraudulent RTB	1
Fraudulent Housing Register Application	2
Total	17

- 3.1.5 The table below shows the current benefit caseload by category.

Current Cases by Category	
Potential Fraud	As at end of March 2015
Capital	17
Contrived Tenancy	2
Income from Other Sources	7
Living Together	37
Non-Dependant	1
Non-Resident/vacated	19
Working	5
Non Commercial Tenancy	1
Other	9
Tenancy Fraud	28
Financial Investigation	2
Total	128

- 3.1.6 The table below summarises the number and types of successful outcomes for cases completed by the benefits fraud team during the period.

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	4	-	2
Working & Claiming	3	-	1
Living Together	2	2	5
Non Residence	-	1	-
Contrived Tenancy	1	-	2
Other Income	-	-	-
Non Dependants	-	1	-
Total	10	4	10

- 3.1.7 The case outcomes for the Housing investigations from January to March 2015 are detailed in table below.

Successful Outcomes (Note: Cases may have multiple outcomes)	
Outcome Type	Qtr4 14/15
Tenancy Relinquished voluntarily (keys handed in)	5
Property recovered via court action	-
Right to Buy stopped	3
Housing Register application withdrawn	2
Homeless application stopped	1
Total	11

3.2 Successful Benefit and Housing Fraud Cases.

Details of three successful benefit prosecution cases are provided below.

- 3.2.1 The success of the “living together” prosecutions has been a result of joint working with the police and obtaining warrants to search the premises of the fraudsters involved. During the course of the investigations, enquiries had established that these claimants, who were in receipt of benefits as lone parents, were actually residing with an undisclosed partner. However, this type of case can be extremely difficult to prove in Court beyond reasonable doubt. In four of the cases this quarter, Council Investigators were able to gain access to the homes of the claimants and obtain crucial evidence leading to guilty pleas, subsequently avoiding the cost of a trial. The joint overpayment of benefits in all five cases totalled £257,106.77 and sentences awarded were suspended custodial and unpaid work.

One of these defendants, Ms X, had accrued a total overpayment of £98,737.50 and was facing a prison sentence. The judge in this case made the unusual decision to defer sentencing pending the repayment of 50% of the overpaid benefit. When she returned to Court, Ms X had been able to raise £25,000 which repaid the Housing Benefit element of the overpayment. She also received a 15 month custodial sentence suspended for two years and 100 hours unpaid work.

- 3.2.2 In November 2012 prosecution proceedings began against Mr X and Ms Y whereby Ms Y had claimed benefit as a lone parent while residing with Mr X, the father of her children. Furthermore, Mr X owned the property where Ms claimed Housing Benefit stating that he was her landlord. The couple maintained throughout the investigation that there was no relationship but in-depth enquiries revealed that the couple had applied together to be foster carers. When summonsed to appear at the Magistrates’ Court, only Ms Y appeared. She pleaded guilty at Crown Court to defrauding LBH and the DWP of £131,000 and received a suspended custodial sentence of 18 months with 200 hours unpaid work and a six month curfew. A warrant was issued for Mr X’s arrest who had sold his house and disappeared with the proceeds. The team were then notified in September 2014 that Mr X had been found and taken into custody. In February 2015, Mr X pleaded guilty to

his part in the deception and received an immediate custodial sentence of 27 months.

- 3.2.3 A former member of LBH staff was prosecuted for their part in a contrived tenancy fraud. Mrs X owned a property in the borough but claimed to be the landlord in order that her husband could rent it from her and claim Housing Benefit. This continued for five years when she advised Council Tax that she had moved into the property. Her husband then advised the Benefit Department that he had moved to another address in the borough where he claimed benefit. In reality, he continued to live with his wife and their children and sublet the rented property. Mr X was a known criminal who was (and still is) wanted by the Metropolitan Police.

Mrs X's property and the rented property were raided simultaneously by Council Investigators and the Police. Mr X was not found at either property, although his belongings were found at the home of his wife. In the rented flat, the bedroom door was locked and inside personal effects were discovered belonging to a third party, evidence that Mr X was subletting this property. Following her arrest, Mrs X was subject to a disciplinary and dismissed from LBH. Both Mr & Mrs X were summonsed for their respective parts in the contrivance, but Mr X has never appeared. The case against Mrs X was eventually concluded and she received a 12 month community service order including 100 hours unpaid work. A warrant for the arrest of Mr X remains outstanding

Details of three successful housing tenancy cases are detailed below

- 3.2.4 Information was received that Miss Z was not residing at her high rise council flat. Fob usage was infrequent and security photos showed a male using the key. Whenever the property was visited there was no reply and cards were not responded to. A check of Miss Z's accounts showed that most transactions were taking place in East Ham. From details regarding the tenant on the system, Miss Z appeared to be a vulnerable person and, in order to make contact with Miss Z, the investigator contacted her family who claimed to be estranged from her but were able to provide details of her partner. Further investigations into the whereabouts of the partner revealed an address in East Ham. Council officers visited the property and found Miss Z residing there. Initially Miss Z claimed to be staying with her partner over the Christmas period but after talking to the couple it was established that Miss Z was residing in East Ham on a permanent basis and using her Council flat for storage purposes. Having received assurances that she would be given time to collect her property, Miss Z agreed to relinquish her tenancy and handed back her keys four weeks later.
- 3.2.5 Information was received from the Police that, upon issuing an arrest warrant, they had found a male, Mr X, resident at the property who was not the legal tenant. During the initial period of the investigation, although Mr X was in custody, the property appeared to be used but visits from Council Officers did not receive a response. An early morning visit was carried out and the door was opened by a female who initially claimed to be the tenant's mother. The female eventually advised officers of her true identity and address. She stated that she had been asked by the tenant's mother to pop

in and keep an eye on the flat. Officers were allowed access and found men's clothing inside the property and documentation belonging to the male who the Police had originally found there. Further information was received from the Police that the tenant had been released and bailed to another address. Mr X was found at the address stating that he was staying between his mother's and girlfriend's addresses. He was called in for interview and, after questioning, admitted that he had not been living at his Council property for a while. He had intended to carry out the Right to Buy (RTB) but it was pointed out that he would not be eligible to carry out the RTB as he had not been residing there. He could either surrender his tenancy or be given a Notice to Quit & Notice of Seeking Possession in respect of the non-residency. Mr X decided to surrender his tenancy and handed back the keys three weeks later.

3.2.6 Two offers of housing were retracted following referrals from the public.

Mr X had been offered a two bedroom property on the basis that he was residing with his partner and their child. Enquiries established that the partner had moved to a women's refuge with their child. Following liaison with the Housing Needs Team, Mr X was contacted and advised that his partner had returned. Further enquiries confirmed that the partner was in fact still residing at the refuge and the offer was subsequently withdrawn.

Mrs Y had been offered a property on the basis that she lived with her children. The referral stated that Mrs Y was not staying with a family member but residing in another borough and that her children had been made subjects of a special guardianship order. Enquiries with the other borough failed to provide an address for Mrs Y but checks through Social Services confirmed that the children were no longer residing with her and on this basis the offer of the three bedroom property was withdrawn.

3.3 HB/CTB/CTS Fraud Overpayments

3.3.1 The value of fraudulent housing benefit overpayments generated by the team for the fourth quarter of 2014/15 and the year to date are contained in table below.

Fraudulent Overpayment		
Type	Qtr 4	To date
Rent Rebate	£162,321.72	£611,772.02
Rent Allowance	£173,060.09	£637,904.18
Council Tax Support	£66,164.57	£229,764.40
Total	£401,546.38	£1,479,440.60

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications or risks arising directly from this report which is for information only.

However, 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 benefits to which claimants are not entitled to, which are to be recovered by the Council. It should be noted that both the transfer to SFIS and the outcome of the oneSource service review will have financial implications. These will be separately assessed and raised through the appropriate channels as required.

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.

Appendix A: Corporate Fraud Proactive Audit Plan 2014/15

Description	Risks	Plan days	Qtr 4 Status
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	In progress
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	In progress
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Final Report
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	In progress
Blue Badge	Identification of procedures to ensure records retained and maintained and badges are recovered following death. That badges are used in accordance with the legislation.	10	Final Report
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in system particularly with Charities and 'Pop Up Shops'	20	Delayed due to Restructure of service team
Direct Payment Assessments	This to include the assessment and payment calculations and follow ups with the Care Assessors to establish processes and evaluate controls.	15	Planned
Employee Applications	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false	20	Planned

Description	Risks	Plan days	Qtr 4 Status
	qualifications; or false CVs.		
Procurement of Services	False payments to contractors for house modifications, either by internal or external persons or companies including, but not limited to: violation of procedures; manipulation of accounts; records or methods of payment; failure to supply; failure to supply to contractual standard.	15	Planned
Debt Avoidance	This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities (do not include SPD from question 4.1); rent arrears; false declarations; false instruments of payment or documentation.	15	Planned
Payroll	This includes, but is not limited to: the creation of non-existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.	30	Planned
NFI	The match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already or approaching 18 years of age. This may or will make the SPD invalid.	30	Planned
	TOTAL	215	

Appendix B: Savings, Losses and Potential Recoveries 2014/15

Case details	Quarter reported	Savings Identified	Losses Identified	Details
Application for Disabled Facility Grant	Qtr 1	£9,895		Applicant submitted a quote from what appeared to be a bogus contractor. When challenged to provide evidence of the contractor applicant withdrew the Disabled Facilities Grant Application.
False Declaration for Disabled Facility Grant	Qtr 1	£30,000		Applicant declared not to have any assets or other income. Investigation proved owns another property and has rental income. Court sentence applied.
PCN's paid for on Purchase Card	Qtr 1	£110		Employee's work related parking fines paid via the Council's Purchase Card.
Possible Theft - RS	Qtr 1	£25.00		Employee falsified a receipt and a medical letter to obtain an additional £25.00 expense claim.
Direct Payment Fraud - Mrs R	Qtr 1	£11,090	£24,170	Mrs R did not maintain a dedicated bank account or timesheets and double handed care did not correspond with carer's invoices. Reassessment of care reduced to single handed care package of 2:25 hours per day annual saving to the Council of £11,090.
Application for Disabled Facility Grant	Qtr 2	£700		Council's prosecution costs following court sentence.
7 Blue Badges	Qtr 2	£7,000		7 Blue Badges - estimated savings by Audit Commission minimum £1k each.
Care Home	Qtr 3	£8,314.56		Internal Audit advice to Directors recovered outstanding sums owed to the Council

Case details	Qtr reported	Savings Identified	Losses Identified	Details
Direct Payments	Qtr 3	£8,388		Payments made to an ironing company. Care plan cancelled.
Fairkytes	Qtr4	£641.00		Unpaid debts by a dance group
Duplicates	Qtr4	£2,293		Duplicate Retrospective Orders and Payments to an adult care company not identified
Car Home	Qtr4	£1,341.86		Internal Audit advice to Directors additional recovery of outstanding sums owed to the Council
Duplicates	Qtr4	£20,241.50		Partnership duplicate payments
Duplicates	Qtr4	£3,490.20		Duplicate Retrospective Orders and Payments to and adult care company not identified
Duplicates	Qtr4	£2,055.00		Duplicate Retrospective payment to a mini cab company recovered.
Disabled Facility Grant	Qtr4	£26,500		Reassessed and presenting with different needs and reduction to DFG.
Total		£130,030.12	£24,170	£24,170 loss cannot be recovered by the Council.

Key:

Savings: Refers 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.

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

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AUDIT COMMITTEE 24 June 2015

Subject Heading:	Internal Audit Progress Report 5 th January 2015 to 2 nd April 2015
CMT Lead:	Deborah Hindson Acting Managing Director oneSource
Report Author and contact details:	Phil Harris, Principal Auditor (Systems & Risk Management) Tel: 01708 432616. E-mail: phil.harris@onesource.co.uk
Policy context:	To inform the Committee of progress to deliver the approved audit plan in quarter four of 2014/15.
Financial summary:	N/A

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

Havering will be clean and its environment will be cared for	[x]
People will be safe, in their homes and in the community	[x]
Residents will be proud to live in Havering	[x]

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 5th January to 2nd April 2015.

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. The report is presented in five sections.

Section 1 Background and Resources

Details of the service's resources are included for information.

Section 2 Audit Work 5th January to 2nd April 2015

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

Section 3 Key Performance Indicators

The actual performance against target for key indicators is included.

Section 4 Changes to the Approved Audit Plan

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

Section 5 Outstanding Audit Recommendations

The details of the status of all outstanding recommendations are included within tables for information. A full list of the outstanding audit recommendations will be reported separately to the Committee at the meeting.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

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. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report. Any implications or risks arising from the planned restructure of the service will be picked up under the change management procedures and identified within the restructure report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

Final Audit Reports issued in the period
Audit Recommendations Monitoring Schedule

Section 1: Background and Resources

- 1.1 Excluding the Internal Audit & Corporate Risk Manager the established structure of the team delivering this work is five full time equivalent posts. The structure of the team is used to determine the number of days in the audit plan. During quarter four the team had one vacancy as an auditor has been seconded to undertake fraud work. A second member of the team is currently on maternity leave.
- 1.2 The team undertake risk based systems audits, review grant claims, provide consultancy advice for new and developing systems, provide assurance with regard to compliance with policy and procedure, undertake school probity audits and for, 2014/15, are also undertaking audit health checks on schools on behalf of the Head of Learning and Achievement. The schools work generates an income for the team.
- 1.3 Vacancies within the team are being held as the audit service is currently pending restructuring following the oneSource service review. At the end of March a shortfall of 74 days was recorded against the 2014/15 plan. Further information about the changes in the audit plan is included in section four of this report.
- 1.4 The table below shows the budgetary information for the systems audit resources within Internal Audit (including one third of the Internal Audit & Corporate Risk Manager).

REVENUE BUDGET FOR 2014/15	
Expenditure	
Salaries	£221,676
Other Costs (incl. recharges)	£44,985
Income	(£40,000)
Net cost of team	£226,661

- 1.5 The forecast outturn for 2014/15 is currently within the allocated budget due to the vacant post and the maternity leave costs being lower than if the post holder was present.
- 1.6 In quarter four some of this salaries budget has been redirected to fund the audit of One Oracle as this was a necessary area of assurance for the Annual Report.

Section 2: Audit Work 5th January to 2nd April 2015

- 2.1 At the end of March 20 assignments had been completed and 17 were in progress but had not reached final report stage.
- 2.2 The table below details the final reports issued in quarter four. Details are listed in the table and management summaries for the two system reports are included under Appendix A: Risk Based Systems Audit Report Summaries.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
Systems Audit						
Environmental Protection & Housing	Limited	2	2	2	6	A (1)
Housing Rents	Limited	3	7	0	10	A (2)

- 2.4 There are no schools audit summaries included in this quarter's report as the health checks are not included in the same way as the tri-annual audits completed by the team. During quarter four there were 18 school health check audits completed and reports issued. There were also another seven schools that had received health checks and draft reports issued but not finalised.
- 2.5 Work nearing completion at the end of March included eight risk based systems audits and two computer audits:
- Waste Contract Management;
 - Members' Allowance Payments
 - Council Tax;
 - Housing Benefit and Council Tax Support;
 - One Oracle - PwC Review;
 - Service Charges and Service Charge Contributions to Major Work;
 - Responsive Maintenance;
 - Manor Green Pupil Referral Unit;
 - Third Party Connection; and
 - Malware.

Section 3: Key Performance Indicators

- 3.1 The table below details the profiled targets and the performance to date at the end of March 2014. The total number of audits, where there will be a standard approach to deliverables, for 2014/15 is 54.

Performance Indicator	Quarter 4 Target	Quarter 4 Actual
Percentage of Audit Plan Delivered	99	90
Number of Briefs Issued	54	53
Number of Draft Reports Issued	54	41
Number of Final Reports Issued	54	37

- 3.2 Although the number of reports is currently below target, there are several reviews at the final stage of fieldwork.

Section 4: Changes to the Approved 2014/15 Audit Plan

- 4.1 There were no further changes to the 2014/15 Audit Plan, however any audits not completed for presentation with the Annual Report were moved to the 2015/16 Audit Plan, the latest version of which will be presented at the Meeting.

- 4.2 There were also five audits that were not undertaken during 2014/15 due to timing issues and were therefore moved to the 2015/16 Audit Plan:
- Car Pool Scheme;
 - Pupil Place Planning;
 - Remote Access (Draft ToR issued);
 - Offsite Storage (Draft ToR issued); and
 - ID Smart Cards.

Section 5: Outstanding Recommendations Update

- 5.1 Internal audit follow up all recommendations with management when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.
- 5.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high priority recommendations.
- 5.3 The current level of implementation is shown in table in paragraph 5.5 on the following page.
- 5.4 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:
- | | |
|---------|--|
| High: | Fundamental control requirement needing implementation as soon as possible |
| Medium: | Important control that should be implemented |
| Low: | Pertaining to best practice |

5.5 Outstanding Audit Recommendations

			No. of Recommendations in the Original Report				Position as at 02/04/15	
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress
11/12	iExpenses & Purchase Cards	Internal Shared Services	Limited	5	3	1	8	1 ♦
2011/12 Totals				5	3	1	8	1
12/13	iProcurement	Internal Shared Services	Limited	0	2	1	2	1 ♦
12/13	Transport	Asset Management	Substantial	1	4	2	5	2
12/13	Debt Management	Exchequer Services	Substantial	0	1	0	0	1 ♦
12/13	Accounts Payable	Internal Shared Services	Substantial	0	1	0	0	1 ♦
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	1 ♦
2012/13 Totals				1	9	3	7	6
13/14	Tenancy Management	Homes & Housing	Limited	0	14	0	13	1
13/14	Compliance with Corporate Policy: Fees and Charges	Finance / Asset Management	N/A	0	2	0	1	1
2013/14 Totals				0	16	0	14	2
14/15	Gas Safety (Building Services)	Homes & Housing	Substantial	1	4	3	4	4
14/15	Gas Safety (Home Ownership)	Homes & Housing	Limited	3	2	0	3	2
14/15	TMO's	Homes & Housing	Limited	3	4	0	5	2
14/15	Payments to Contractors (Road & Pavement Defects)	StreetCare	Limited	3	4	3	9	1
14/15	Housing Rents	Homes & Housing	Limited	3	7	0	7	3
2014/2015 Totals				13	21	6	28	12
Totals				19	49	10	57	21

♦ Implementation of these recommendations has been dependent on the implementation of the One Oracle system which went live in August 2014.

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APPENDIX A: RISK BASED SYSTEMS AUDIT REPORT SUMMARIES

Environmental Protection & Housing	Schedule A (1)
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1.1 Introduction

1.1.1 The audit of Public Protection forms part of the agreed 2014/2015 Internal Audit plan. A review of Public Protection has not been undertaken for some time and therefore it has been included in the 2014/2015 Audit Plan.

1.1.2 Public Protection in Havering comprises the Council's Environmental Health, Licensing and Trading Standards functions.

1.1.3 Complaints / service requests are received within the Environmental Protection and Housing Division of Public Protection regarding:

- private sector housing disrepair and living conditions (including overcrowding);
- houses in multiple occupation (HMOs);
- land, air and water pollution;
- statutory nuisances (such as noise); and
- other public health matters (including drainage, pest advice etc.).

1.1.4 Environmental Protection and Housing have to investigate these complaints in accordance with legislation, the principal Acts being:

- Environmental Protection Act 1990;
- Housing Act 2004;
- Public Health Acts; and
- Prevention of Damage by Pests Act 1949.

1.1.5 The following service requests have been received in the Environmental Protection & Housing Division over the past three years:

Service Request	2010 - 2011	2011 -2012	2012 - 2013
Smoke, Odour, Dust & Light	327	309	385
Air Quality	36	42	41
Contaminated Land	62	83	51
Housing	553	634	592
Filthy & Verminous Premises	48	75	136
Drainage	230	141	96
Noise	1,119	950	715
TOTALS	2,375	2,234	2,016

1.2 Objectives and Scope

1.2.1 The objective of the audit is to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within the Environmental Protection & Housing Division of Public Protection. The system of internal control operates to:

- Ensure compliance with legislation, sector specific guidance, best practice and the organisations policies and procedures;
- Ensure that functions of the Environmental Protection & Housing Division are administered in an effective manner; and

- Produce accurate, relevant and timely management information.
- 1.2.2 The audit will concentrate on examining the internal control environment applied to mitigate the following potential risks:
- Delivery of service is not in accordance with relevant legislation, sector specific guidance, best practice and the organisation's policies and procedures
 - Service requests are not being recorded, prioritised and / or processed correctly;
 - Mechanisms and indicators to facilitate performance monitoring are not established, poor performance is not detected; and
 - Decisions are based on incomplete, inaccurate or untimely management information.

1.3 Summary of Audit Findings

- 1.3.1 At the time of the review the service did not have a strategy document that ensures it is compliant with legislation and service requirements. However, the Environmental Protection & Housing Divisional Manager is in the process of developing a Service Summary / Mission Statement.
- 1.3.2 There are several procedure documents in operation at present. However, most are currently under review by the Environmental Protection & Housing Divisional Manager.
- 1.3.3 The majority of documents do show Document Owner, Effective Date, Review Date and Version Number. However, there are some documents that don't possess this information; it is therefore not possible to ascertain who the document owner is in the event of a query, or if the document is the current version.
- 1.3.4 Staff have been trained with necessary training. However, there have been process issues which are currently being addressed via PDR's and weekly / monthly meetings. The Environmental Protection & Housing Divisional Manager has also implemented a 'Standard Objective' for all her staff to ensure that all cases and actions allocated within APP are progressed appropriately.
- 1.3.5 Inconsistent address details for Private Sector Housing (Environmental Health) and Public Protection are shown on the Council's Website.
- 1.3.6 The Council's Website details what action the Council will undertake in respect of a Statutory Nuisance e.g. Noise but it's a bit vague in other areas.
- 1.3.7 The Duty System does not prioritise work; therefore 'Quick Win' cases are being dealt with first and possibly more important cases are not being acted upon in a timely manner. The Environmental Protection & Housing Divisional Manager is aware and is currently addressing this matter.
- 1.3.8 An original random sample of 20 HMO properties was selected to be checked on APP to ensure that inspections had been undertaken in accordance with service requirements and all necessary information had been recorded on APP in a consistent manner (using Service Request and

Housing screens appropriately). Due to inaccuracies found in all of the first 15 cases the remaining five were not tested.

- 1.3.9 The results of this testing have been forwarded to the Environmental Protection & Housing Divisional Manager and the Environmental Health Officer to follow up.

1.4 Audit Opinion

- 1.4.1 A Limited Assurance has been given on the system of internal control:

- 1.4.2 The audit makes 2 high, 2 medium and 2 low priority recommendations that aim to mitigate the risks within the above audit findings.

- 1.4.3 Recommendations relate to:

- The procedure documents currently under review by the Environmental Protection & Housing Divisional Manager to be amalgamated into a single procedure document / manual [Low];
- Procedure documents to be annotated with: Document Owner, Effective Date, Review Date and Version Number. These documents should then be reviewed and updated regularly [Medium];
- The contact details for Private Sector Housing (Environmental Health) and Public Protection should be updated on the Council's Website [Low];
- The internet should be updated to show what action, if any, the Council will undertake in respect of a particular Service Request [Medium];
- The results of this testing is followed up and corrective action undertaken [High]; and
- The inspection of HMO's to be monitored and corrective action undertaken to ensure inspections are carried out in accordance with legislative and service requirements [High].

2.1 Introduction

2.1.1 Housing Rents was previously the responsibility of Homes in Havering. When the service was brought back in house in October 2012, the administration of Housing Rents was split between two directorates. The initial elements of the process, such as setting up and maintaining rent accounts previously sat within the Resources directorate, with the collection of income and debt recovery elements of rents under the Children, Adults & Housing directorate. As a result of recent reporting changes, all teams now sit within Children, Adults & Housing.

2.1.2 As at the 18th December 2014 the Council had 9737 properties (excluding private sector properties) that generate income totaling £1,140,316.63 per week.

2.2 Objectives and Scope

2.2.1 The audit of Housing Rents was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

2.2.2 The audit was undertaken to provide assurance on the effectiveness of the system of internal control operating around the process of administering Housing Rents.

2.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:

- Non-compliance with local & legislative requirements;
- Over reliance on manual rather than system controls;
- Unauthorised amendments to accounts;
- Accounts not being updated with relevant changes / in a timely manner;
- Payments not being coded to the correct account;
- Tenants not being informed of charges / changes to charges;
- Rent accounts being incorrectly set up / not set up in a timely manner;
- Payments not being collected in full or at the right time;
- Debts not being recovered in a timely manner (Inc. former tenants arrears).
- Inappropriate write off of debts;
- Lack of robust audit trails to support transactions;
- Poor performance not being detected and rectified;
- Decisions are made based on incomplete, inaccurate or untimely management information; and
- Data not being protected from loss, damage or unauthorised disclosure.

2.3 Summary of Audit Findings

2.3.1 Housing rents relates to the letting of properties and the collection of rent and service charges for those properties. The process is delivered by a network

of teams whose individual roles feed into the overall process. Delays, work pressures and errors within one team can impact of the effectiveness of the process. At present, a mechanism to allow teams to liaise over potential operational issues has not been established.

- 2.3.2 In January 2014, the rental charge for Council properties was recalculated as part of the annual HRA budget setting process. At the same time, a decision was made to apply 'target rents' (in theory bringing council and housing association rents in line over time) to properties as they become void.
- 2.3.3 All properties and charges are recorded on a spreadsheet by the Rent Account Team. This spreadsheet is used annually by Finance to calculate the following year's charges and is uploaded into the OHMS system so that once a property is let the system can automatically apply the relevant charges.
- 2.3.4 When a property becomes available for let, an advert is produced which sets out the rent and service charge information for the property. Charges are taken from the Rent Account spreadsheet which is distributed to teams at the beginning of the year. Testing found a large number of adverts where the property charges did not align with the target rent and service charges for that property. Further discussion found that this was caused by misinterpretation of the spreadsheet data.
- 2.3.5 Whilst the OHMS system will apply the correct rent and service charges, there is a significant risk of the Council receiving adverse criticism for advertising properties at the wrong rate. If the tenant opts for an automated payment method such as direct debit, the error may be picked up early when the tenant notices a discrepancy in the payment amount. However, if the tenant does not pay by direct debit, there is an increased reliance on the tenant to pay the correct amount. For that reason, if the tenant pays the charges recorded on the advert and any subsequent documentation that may contain inaccurate charge information, the tenant will begin to incur arrears if the advertised rent and service charges are lower than the actual amounts. Only when arrears reach the relevant parameters will recovery action be instigated.
- 2.3.6 Whilst compliance checks are undertaken within the Lettings Team, more direct performance monitoring of individual staff members has not been embedded to monitor staff performance and compliance with expectations.
- 2.3.7 The Rent Account Spreadsheet is the main source of information on which the system data is built. Whilst charges in the system cannot be amended by anyone outside of the Rent Account Team, the spreadsheet is distributed to teams for information purposes. The audit identified that the spreadsheet was not protected from unauthorised amendment. As this spreadsheet is used by other teams to produce key documents, controls must be in place to safeguard the accuracy of the information.
- 2.3.8 The Council has a team of two part time officers whose role is dedicated to recovering debts for former tenants. This process is complicated by the fact that in most instances former tenants no longer live within the borough and a forwarding address is rarely available. Locating tenants can be time

consuming and requires the Council to pay to access external data. If and when tenants are located, established recovery processes are in place. Once exhausted, any court action also incurs the Council costs. The statute of limitations on debt recovery can impact on the ability for the Council to recover funds. Managing the existing debts, along with new debts, can be difficult and decisions must be made on the cost effectiveness of recovery. At the time of the audit the team was focusing on debts over six years old.

2.3.9 When debts can no longer be recovered, a write off request is produced. The reason for the write off is recorded within the request which is then passed to the team manager and the Housing Services Manager for approval. This process is intended to ensure that debts are not unnecessarily written off; however the review discovered one request that stated no evidence of previous recovery was found. Given that the level of former tenant arrears debts continues to grow and to reduce the potential for debts to be written off on the basis that they are statute barred, a risk based approach to recovery action should be adopted, including the need for regular review to ensure that accounts are being progressed through the appropriate recovery stages.

2.3.10 Write offs are classified to explain the reason for the debt being written off. This information is recorded on the write off request form, but is not recorded within the OHMS system therefore there is no management information available that allows the reason for write offs to be analysed.

2.3.11 Measurable performance indicators for the Rent Account Team have not been identified and as a result, measuring the performance of the team is difficult to assess. Performance indicators relevant to the Lettings Team are in place, but additional data is being captured that is not included in the existing performance monitoring process. Including this additional information in the Homes and Housing Service's regular performance monitoring arrangements would allow the performance of the team to be accurately measured.

2.3.12 Staff are aware that they are not permitted to access accounts of friends or family members, however this is largely communicated verbally and there is no evidence to support staff acceptance of this expectation.

2.4 Audit Opinion

2.4.1 Whilst there are adequate controls within Housing Rents there are sufficient control weaknesses to put the system objectives at risk. Therefore only **Limited Assurance** can be placed on system of internal control.

2.4.2 The audit makes three high and seven medium priority recommendations. The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations comprise:

- The need for operational meetings between teams to be held, allowing a forum for communicating and resolving operational issues (Medium);
- The need for performance monitoring at an individual level to be introduced within the Lettings Team to ensure compliance and performance can be monitored (Medium);

- The need for property adverts to be subject to secondary review until such time that assurance can be gained that properties are being advertised with the correct rent and service charges (High);
- The need for the Income Team to be notified of the potential consequences of the errors made on the property adverts, to ensure that they are suitably informed when looking at enforcement of accounts that may have been affected by this error (Medium);
- The need for the Rent Account spreadsheet to be password protected (High);
- The need for a review to ensure that all former tenant accounts with arrears are moving through the recovery process (High);
- The need for write off data to be used to monitor the reasons by which the Council is writing off former tenant debts (Medium);
- The need to identify useful performance indicators for the Rent Account Team (Medium);
- The need for data being collected within the Lettings Team to be included in the existing performance monitoring process (Medium); and
- The need for evidence to be retained to support officers' acceptance of the rules regarding accessing accounts of friends and family (Medium).

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AUDIT COMMITTEE 24 June 2015

Subject Heading:	Payment to Contractors (Road and Pavement Defects) 2014/2015 Follow up
CMT Lead:	Andrew Blake-Herbert
Report Author and contact details:	Chris Layton Group Manager Highways Services Tel: 01708 - 432983. E-mail chris.layton@havering.gov.uk
Policy context:	To advise the Committee on progress to implement the recommendations from the Payment to Contractors (Road and Pavement Defects) audit.
Financial summary:	N/A

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	□
Residents will be proud to live in Havering	X

SUMMARY

Significant progress has been made to address the issues and implement recommendations raised by the Payment to Contractors (Road and Pavement Defects) 2014/15 audit report.

Of the three high, four medium and three low priority recommendations raised in the report, two high, four medium and three low priority recommendations have been implemented at the time of the follow up.

Progress has been made towards the remaining two, however officers are seeking advice from procurement colleagues as to whether these additional checks are now required.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise questions for management regarding recommendations.
3. To sanction officers' decision to cease trading with Miller Bros. Ltd. who are out of contract by the date specified in this report.

REPORT DETAIL

In January 2015 a final report was issued to management following the audit of Payments to Contractors (Road and Pavement Defects) 2014/15, in accordance with the 2014/15 Internal Audit Plan.

As a result of the audit three high, four medium and three low priority recommendations were raised. All recommendations were agreed by management at the time of issuing the final report.

The management summary for this audit was presented to Audit Committee in March 2015 as part of the Internal Audit progress report. Members requested an update regarding this report at the next meeting.

The results are summarised below:

- Nine recommendations had been completed at the time of the follow up (1, 2, 3, 4, 6, 7,8, 9 & 10); and
- One recommendation was being progressed at the time of the audit visit (5).

The follow up indicates that significant progress has been made in implementing recommendations and therefore addressing the majority of the risks identified by the original audit.

It was management's original recommendation to continue using Miller Bros. Ltd. as the service provider on the highways maintenance support contract until October 2016 to align with the other highways term maintenance contracts. During this period officers were to carry out an option appraisal on the most effective and efficient way to package all of the term maintenance contracts.

Following advice from colleagues in procurement it was recommended that we cease trading with Miller Bros. Ltd. with immediate effect. However, after seeking further legal advice it was decided to issue notice to terminate in

October 2016 in line with the original contract documents due to implied contract rights.

Following the advice and support from colleagues in procurement and legal services officers will ensure that all future contract monitoring arrangements will be fully compliant with current procurement policy and rules.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks.

Legal implications and risks:

There could possibly be a legal challenge under EU procurement legislation if the Authority continues to trade with a company after its contract had expired.

Human Resources implications and risks:

There are no Human Resource implications and risks.

Equalities implications and risks:

No risk considered

BACKGROUND PAPERS

Audit Committee report Payment to Contractors (Road and Pavement Defects)
2014/15

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AUDIT COMMITTEE 24 June 2015

Subject Heading:	Outstanding Audit Recommendations
CMT Lead:	Deborah Hindson Acting Managing Director oneSource
Report Author and contact details:	Phil Harris, Principal Auditor (Systems & Risk Management) Tel: 01708 432616 Email: phil.harris@onesource.co.uk
Policy context:	To advise the Committee on progress to implement the recommendations raised in prior years by Internal Audit.
Financial summary:	N/A

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

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

SUMMARY

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

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

RECOMMENDATIONS

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

REPORT DETAIL

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

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

Following this year's annual review there are 21 recommendations on the outstanding list.

1 relates to 2011/2012.
6 relate to 2012/2013.
2 relate to 2013/2014.
12 relate to 2014/2015.

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

IMPLICATIONS AND RISKS

Financial implications and risks:

None directly arising from this report. Managers have the opportunity to comment on audit recommendations before they are finalised. In accepting audit recommendations, 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. Any implications or risks of the planned restructure of the service will be picked up under the change management procedures and identified within the restructure report.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None

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Outstanding Recommendations

Year	Audit Ref.	Name of Audit	Rec No	Recommendation	Priority	Responsible Officer	Implementation Dates		Position / Progress to Date
							Original	Latest Revised	
11/12	CO0049	iExpenses & Purchase Cards	9	Management information to assist in the performance / monitoring of iExpenses should be produced once recommendations relating to clear roles and responsibilities, raised within this report have been implemented.	M	Head of Shared Service	30/09/12	30/06/15	<p>May 2013 Update - 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.</p> <p>January 2014 Update - Still awaiting One Oracle implementation for the reporting and sign off of the reports. The date for One Oracle implementation is not yet known and will not be known until about mid February.</p> <p>Currently with Havering's ICT - to investigate if any personal expense can be automatic forwarded to the Havering iExpense Transaction agent work list within One Oracle, which is currently where iExpenses not approved with 20 days is forwarded and investigated.</p> <p>December 2014 Update - Currently IT still investigating if possible on the One Oracle system. Currently working on a dashboard report in One Oracle to show mileage and amounts. Change request with Capgemini for amount to be included as miles currently show on the report.</p> <p>April 2015 Update - Not followed up at this review as the revised implementation date is June 2015.</p>
12/13	FC0108	iProcurement	1	The Financial Framework should be updated to take into account the existence of iProcurement and the role this plays in procuring goods/services.	L	Operational Manager ISS	31/12/13	30/06/15	<p>July 2013 Update - will not be progressed until clear on One Oracle processes and have a stable system in place.</p> <p>September 2014 Update - The Financial Framework is being reviewed following the formation of oneSource. The review will take into account the alignment of processes within Havering and Newham and the implications of the One Oracle implementation.</p> <p>April 2015 Update - In the process of updating all documents.</p>
12/13	FC0104	Transport	1	Procedure Manuals should be developed and maintained for all processes within the administration of the Transport Section. All process documentation should be subject to regular review and appropriate version control should be established documenting the author and date of review.	M	Fleet Manager	31/07/13	31/12/15	<p>May 2013 Update - A procedure manual for Vehicle Fleet replacements has been completed. Other procedure manuals are still in progress.</p> <p>August 2014 Update - Revised implementation dates due to Transport Standards (policy) changing in line with FORS Bronze & Van Excellence.</p> <p>April 2015 Update - Revised implementation dates due to Transport Standards (policy) changing in line with FORS Bronze & Van Excellence. Delayed due to restructuring and change in staff roles, expected new manuals by December 2015</p>
12/13	FC0104	Transport	7	To prevent disputes over charges Service Level Agreements should be entered into with all departments / services that use Transport Services.	M	Fleet Manager	31/05/13	31/03/16	<p>May 2013 Update - Held up due to the restructure of SC&L Commissioning. The SC&L lead person for commissioning is leaving the council.</p> <p>July 2013 Update - revisions to the charging model have been drafted and are to be presented shortly to the relevant Group Directors for sign off.</p> <p>September 2013 Update - This is currently being discussed at Head of Service / Director level with the aid of the strategic finance partner.</p> <p>August 2014 Update - Revised implementation dates due to Transport Standards (policy) changing in line with FORS Bronze & Van Excellence.</p> <p>April 2015 Update - Group Directors and relevant HoS representing commissioning and delivery functions met in 2014 and agreed to maintain the current charging model, albeit with some adjustments, pending a future review. The Head of Learning & Achievement has recently initiated a review of transport arrangements so the SLA will be further revisited upon the outcome of this.</p>

Outstanding Recommendations

Year	Audit Ref.	Name of Audit	Rec No	Recommendation	Priority	Responsible Officer	Implementation Dates		Position / Progress to Date
							Original	Latest Revised	
12/13	CO0057	Debt Management	1	As a result of the implementation of a central debt recovery team, the following should be considered/actioned: Update of constitution around income and roles and responsibilities; Other governance documents (such as Financial Framework) clearly communicate the services/Corporate Teams role; Full review of Corporate Debt Management Policy; Consideration of the future role of the Debt Management Board; Service Level Agreements to be arranged with all services where debt will be recovered by central team which clearly outline roles and responsibilities; Establish best approach to recovering each type of debt covering system used and process, local issues the service raise, and at what point it is most efficient for debt to transfer to Corporate Team; Some work with Services to determine cause of bad debt to feed into the above, preventative controls within service regarding client id verification or credit checks may mitigate some risks in some areas; Investigate need for procurement process for corporate bailiff contracts, credit referencing and tracing agencies etc; Policy, guidance and training to be provided to all staff recovering debt this will include data protection training.	M	Director of Exchequer and Transactional Services - oneSource	31/03/14	30/09/15	December 2014 Update - This has been delayed due to implementation of oneSource and that it is now progressing but a realistic deadline is September 2015.
12/13	FC0109	Accounts Payable	1	Financial Framework to be updated to include processes for payments through Internal Shared Services.	M	Operational Manager ISS	30/04/14	30/06/15	April 2015 Update - In the process of updating all documents.
12/13	CO0052	Contracts & Procurement	1	Analyses of suppliers with high spend to be completed to ascertain whether: 1) contracts are needed that aren't currently in place; 2) contracts exist but have not been appropriately recorded within the contracts register; and/or 3) the service has failed to comply with the contract procedure rules for expenditure over the threshold. Appropriate action should be taken based on findings.	M	Corporate Procurement Group	31/03/14	30/04/15	May 2014 Update - The implementation of One Oracle continues to be delayed. Once live and bedded in, this recommendation will prioritised. Go live is planned for August 2014. December 2014 Update - One Oracle has been implemented and there is now a period of consolidation to convey to internal officers and our suppliers to use iProc as the preferred way to undertake transactions. We will be undertaking a push over the coming months to increase the level of transactions so that we have meaningful data that we can use. We will undertake a review at the end of the financial year and produce a report end of April 2015 to analyse the data. April 2015 Update - This recommendation is to be followed up during the year.

Outstanding Recommendations

Year	Audit Ref.	Name of Audit	Rec No	Recommendation	Priority	Responsible Officer	Implementation Dates		Position / Progress to Date
							Original	Latest Revised	
13/14	HH0027	Tenancy Management	11	The updated Management Agreement with TMOs to be formally agreed and signed off by all relevant parties.	M	Community Support Services Manager.	31/01/14	30/06/15	<p>Update Jan 2015 - The MMA is nearly completed and in consultation with the TMOs. A meeting should be held within the next couple of weeks to look at finalising.</p> <p>April 2015 Update - The MMA is nearing completion with the progress of each chapter as follows: Chapter 1 - Needs site plans, Update of supervision notice policy and procedure, TMOs providing current constitution Chapter 2 - Revising wording on condensation Chapter 3 - Finalised Chapter 4 - Adding a paragraph on CCTV then finalised Chapter 5 - Awaiting schedules 2 & 3 from TMO consultant, Calculations – answered question on uplift on 23 April, Chapter 6 - Sending Marina's comments to TMOs 24 April, Chapter 7 - Awaiting response regarding complaints procedure from Corporate Complaints Chapter 8 - KPIs – Review at meeting on 30 April</p>
13/14	CO0074	Compliance with Corporate Policy: Fees & Charges	1	The Corporate Charging Policy to be amended to: (i) be explicit in the requirement for services to have local charging policies (ii) contain a timeframe for the development and approval of local charging policies (iii) differentiate between policy and procedural guidance and contain the requirements of the local charging policy	M	Corporate Finance & Strategy Manager	30/04/15	31/03/16	<p>April 2015 Update - The Corporate charging policy remains the default position for the setting of fees and charges. Where departments have varied from the corporate policy they are expected to adopt a local charging policy . Departments will be reminded of this requirements as part of the annual budget cycle (i.e. when reviewing fees and charges) . Revisions to the Corporate charging policy will be also be considered and revised as required prior to the issue of any budgetary guidance.</p>
14/15	CAH001	Gas Safety (Building Services)	1	The Landlords Gas Safety Policy should be reviewed and updated to ensure it is line with current legislation and service requirements and to be LBH Homes and Housing Gas Safety Policy. The Policy document should then be submitted to and approved by the Head of Service.	M	Building Services Engineer	31/12/14	30/06/15	<p>December 2014 Update - This is with legal services as they are looking at a way to get our officers authorised warrant holders under EPA without the need to change the Constitution but will require delegation from the public protection area. Waiting for further advice.</p> <p>April 2015 Update - The new procedures relating to the EPA method of gaining entry too hard to access properties have yet to be agreed. The EPA method has been approved by both our legal and environmental health departments. The notice of delegation of responsibility for functions document needs to be signed by Andrew Blake Herbert, Group Director, Assistant Director or Head of Service delegating functions. As soon as this has been approved and signed by the appropriate officers, I will arrange to respond to these recommendations and include timeframes.</p>
14/15	CAH001	Gas Safety (Building Services)	2	The updated Landlords Gas Safety Policy should be included on the Councils / Homes and Housing internet page.	L	Building Services Engineer	31/01/15	30/06/15	
14/15	CAH001	Gas Safety (Building Services)	3	Building Services Team Procedures to be reviewed and updated to take account of current service requirements.	M	Building Services Engineer	31/12/14	30/06/15	
14/15	CAH001	Gas Safety (Building Services)	5	The Building Services Engineer undertakes Contract Monitoring Training	L	Maintenance Manager	31/03/15	30/06/15	<p>April 2015 Update - The Maintenance Manager is looking for appropriate contract monitoring training.</p>

Outstanding Recommendations

Year	Audit Ref.	Name of Audit	Rec No	Recommendation	Priority	Responsible Officer	Implementation Dates		Position / Progress to Date
							Original	Latest Revised	
14/15	CAH001	Gas Safety (Home Ownership)	2	Procedures are documented that show the processes to follow when a gas certificate is coming up to its expiry date or if a leaseholder has not had a gas safety check. Procedures should then be regularly reviewed and updated where required. To ensure that the inspection is undertaken consideration should be given to using the contractors used by Building Services to undertake the inspection and then recharging the leaseholders.	H	Home Ownership Manager	30/11/14	30/06/15	April 2015 Follow Up - Procedures have been reviewed and have been awaiting the result of a tribunal case before being finalised. The tribunal case was successful and procedures will now be finalised.
14/15	CAH001	Gas Safety (Home Ownership)	3	Urgent action is undertaken to ensure that the gas safety inspections have been undertaken and copies of the gas safety certificates are obtained for the outstanding 1092 leaseholders.	H	Home Ownership Manager	30/11/14	30/06/15	December 2014 Update - Following a further advert in AT the Heart, we have received more gas certificates. We currently have 282 properties where leaseholders have not provided us with a current certificate. A spreadsheet is being sent to Judge and Priestly with details of the outstanding cases and a letter will be sent by end of next week (19.12.14). In addition a further advert has been put in the Winter edition of At the Heart. April 2015 Follow Up - Cross referencing has been completed and is being undertaken again to ensure Private Housing Solutions are continuing to update their records. Judge & Priestley have written to the remaining leaseholders and these have been followed up. Test case was taken to tribunal and successful. Checks have been carried out on eighty properties recorded as having no gas, to ensure that this is the case.
14/15	SC0088	TMO's	2	A process to map the risks LBH need to manage with regard TMOs, areas that require monitoring and starting objectives should be developed prior to agreeing the MMA.	H	TMO Co-ordinator	31/03/15	30/06/15	April 2015 Update - An external consultant is now not being used and priority has been given to the finalising of the MMA
14/15	SC0088	TMO's	6	Expectations over calculation of leaseholder charges should be made in the MMA and guidance provided to TMOs to ensure uniformity of charging.	M	TMO Co-ordinator / Home Ownership Manager	28/02/15	30/09/15	April 2015 Update - Not yet started.
14/15	CCE007	Payments to Contractors (Road & Pavement Defects)	5	Financial stability checks should be undertaken on the contractor to ensure that the contractor is not facing financial difficulty and if they are contingency plans should be drawn up.	H	Highways DSO Manager	28/02/15	31/08/15	May 2015 Update - In progress.
14/15	CC0046	Housing Rents	1	Periodic meetings should be arranged to allow teams to highlight / resolve operational issues that may impact on the other teams involved in administering the process.	M	Community Support Services Manager	30/04/15	30/06/15	May 2015 Update - Adhoc meetings have been arranged by the Rent Account team to meet and talk to other Housing departments, although regular quarterly meetings are not currently being arranged. This recommendation is being driven forward by the new Head of Housing Services.

Outstanding Recommendations

Year	Audit Ref.	Name of Audit	Rec No	Recommendation	Priority	Responsible Officer	Implementation Dates		Position / Progress to Date
							Original	Latest Revised	
14/15	CC0046	Housing Rents	2	Performance monitoring at an individual officer level, rather than just the team level at present, should be introduced within Lettings to ensure performance issues and /or training needs can be identified.	M	Housing Options Manager,	27/02/15	31/07/15	May 2015 Update - The relevant performance indicator relates to processing times. Information is available in OHMS to monitor progression times at a team level, however, extracting this information at an individual level needs further investigation.
14/15	CC0046	Housing Rents	10	All staff should complete a one of declaration to accept that they have been notified of the rules regarding accessing accounts or friends, family members or neighbours.	M	Head of Homes and Housing	31/03/15	31/07/15	May 2015 Update - Declarations of Interest will be amended to include clear instructions regarding permitted involvement in work which has a conflict of interest.

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AUDIT COMMITTEE

24 June 2015

Subject Heading:

Annual Governance Statement

CMT Lead

Deborah Hindson
Acting Managing Director oneSource

Report Author and contact details:

Gillian Clelland
Interim Director of Finance
Tel: 0203 373 1447
Gillian.clelland@onesource.co.uk

Policy context:

The draft version of the 2014/15 Annual Governance Statement for comment and approval.

Financial summary:

N/A

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	X
Residents will be proud to live in Havering	X

SUMMARY

This report informs the Committee of the purpose of producing the draft Annual Governance Statement (AGS), the timetable for its production and the main roles and responsibilities of those charged with corporate governance.

The report will also update the Committee on significant governance issues raised as part of the 2013/14 AGS and the status of these issues and of new issues arising as part of the 2014/15 AGS process.

RECOMMENDATIONS

1. To comment on the draft 2014/15 Annual Governance Statement, attached as Appendix 1, and the process to produce it.
2. To agree the draft version of the 2014/15 Annual Governance Statement subject to any changes made as a result of recommendation one.

REPORT DETAIL

1. The Accounts and Audit Regulations (England) 2011 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement is prepared in accordance with 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2012) which has been given 'proper practices' status by the Department for Communities and Local Government through non statutory guidance in respect of the requirement for local authorities to prepare an Annual Governance Statement.
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The internal audit annual report forms a key element of the review, as does the Council's work on risk and performance management.

4. The Annual Governance Statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
 - the Council's policies are implemented in practice;
 - high quality services are delivered efficiently and effectively;
 - the Council's values and ethical standards are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and other published performance information are accurate and reliable;
 - human, financial, environmental and other resources are managed efficiently and effectively.
5. The statement is required to disclose any issues that the Council consider to be significant governance issues. The issues identified in the 2013/14 Annual Governance Statement, the information governance agenda, austerity, pace of organisational change and compliance, have been monitored by management and the Governance Group throughout the year with review periodically by the Corporate Management Team and the Audit Committee. These issues have now been fed into the Governance Group's work programme to be progressed. Three new significant governance issues have been identified through the review of effectiveness:
 - Clarity and understanding of the Scheme of Delegation;
 - Non-compliance with procedures and expectations around declarations of interest; and
 - Changes in the assurance framework arising from reduced capacity.

Actions to address each of these governance issues are set out in the statement and progress will be monitored throughout the year.
6. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer and member signing the statement on behalf of the Council. The Council's Constitution delegates the responsibility for approving the AGS to the Audit Committee. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
7. The officer Governance Group, chaired by the Group Director, Communities and Resources, is responsible for monitoring and reviewing all aspects of corporate governance and driving the AGS process. The group meets quarterly, ensuring that the framework and process to produce the AGS is fully embedded within the Governance Group's annual timetable and agenda. This group has been reviewed and reinvented in 2014/15 and a report in December advised the committee of the changes made.

8. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
9. A draft version of the AGS is attached as appendix 1.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

The Authority is statutorily obliged to conduct an annual review into the effectiveness of its systems of internal control prepared in accordance with proper practices. The Annual Governance Statement complies with that requirement and therefore there are minimal risks in ensuring that the Statement is progressed as per the recommendations.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report. Equalities is a key factors to consider in the Council's governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed to ensure the impact is appropriately identified.

BACKGROUND PAPERS

Delivering Good Governance in Local Government (CIPFA/SOLACE) and the 2014/15 Annual Governance Statement.

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ANNUAL GOVERNANCE STATEMENT

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

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at the London Borough of Havering for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

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

The governance framework

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

Our Vision for the Borough – Clean, Safe and Proud

The Council has a three point vision for Havering:

- Havering will be clean and its environment looked after for future generations.
- People of all ages will be safe, in their homes and in the community.
- Residents will be proud to live in Havering, where we respect each other, value our traditions and work together to improve our quality of life.

To achieve this vision, the Council will support the local community with direct investment in the services and projects that matter most to local people, use its influence to attract investment to Havering, while preserving 'green Havering' and its quieter communities, and lead by example, by running a low cost, high standard local authority.

The organisation's Values

The work of the Council and its staff is anchored in the organisation's Values. After an extensive period of engagement with staff, the Council's Values have been re-defined and simplified this year by the people who work here:

- Be positive;
- Respect Others; and
- Work Together.

Corporate Performance Framework

The Corporate Performance Framework has several functions:

- To focus on priorities, which have been set according to the needs of the Council and the public;
- To ensure relevant, timely and accurate information is available to measure and monitor performance to support decision making; and
- To ensure high quality public services that provide value for money.

The Council's Corporate Plan 2011-14 has been at the heart of the organisational Corporate Performance Framework. It sets out the overall priorities and objectives of the organisation and outlines the key activities that will be undertaken as well as the measures put in place to monitor delivery. Sitting beneath the Corporate Plan are service plans, which outline in more detail the work that will be undertaken to achieve the corporate objectives. Market research into public opinion, the outcome of the residents' survey, studies of needs in the Borough and the requirements of the Council's priorities also help to define corporate and service plan objectives.

During 2014/15, the Council engaged in a process of refreshing the Corporate Plan and the service planning process and template in readiness for 2015/16. The refreshed Corporate Plan was endorsed by Cabinet in March 2015 and sets out the Council's new Vision **Clean | Safe | Proud** and the activities that the Council will undertake to support our community, use our influence and lead by example.

The Council's new approach will be to "get there, together":

- We will **support our community** by spending your money on the things that matter most to residents - like clean, safe streets and protecting people in need. We will support local firms to grow and create jobs and we will energise our towns to improve the quality of life in Havering.
- We will **use our influence** to bring more jobs, homes, schools and transport to Havering. We will use our planning powers to balance the growth of business centres with the protection of 'green Havering' and its quieter communities. We will encourage local people to do the right things - keep Havering tidy, be good neighbours and lead healthier lives.
- We will **lead by example** by running a low cost Council that respects residents by using their money wisely. We will work with others to reduce costs, we will help people to do business with us at any time of the day or night and we will hold ourselves to the high standards residents expect from us.

The annual service planning process for 2015/16, which has been undertaken during quarter four of 2014/15, has included the following enhancements to the approach taken in previous years:

- The narrative at the beginning of service plans has been more focused on the outcomes the service is seeking to achieve and on clarifying the 'golden thread' between the Corporate Plan, the service's target outcomes and what this means for individual teams within services.
- The addition of a section analysing key volumetrics and recent trends in demand for services as well as projecting forward how demand for services is expected to change in the future and setting out the service's plans for mitigating / managing this.
- Increased use of benchmarking to inform target setting.
- The introduction of a more sophisticated approach to performance thresholds, with the blanket approach of $\pm 10\%$ replaced by the setting of specific tolerances for each individual performance indicator as part of the annual service planning process.

- More robust scrutiny and challenge of performance indicators and targets, with the Council's new Overview and Scrutiny Board participating in this process for the first time this year.
- The introduction of a quarterly review, progress monitoring and change control process, making Service Plans 'live' documents that will be revisited and refreshed throughout the year in light of changing and emerging priorities.

The Corporate Performance Framework operates at a number of different levels throughout the organisation. For example, in addition to the Corporate Management Team (CMT) and Members scrutinising the quarterly Corporate Performance Reports, individual performance management takes place as part of the Performance Development Review (PDR) process within the Council's two Directorate Management Teams and oneSource.

The Overview and Scrutiny Committees also consider the quarterly Corporate Performance Reports, together with any other reports that they have commissioned, and carry out their own independent reviews.

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

There are clear guidelines around data quality to ensure that all performance indicators are reported to the same robust standard. Methodology statements are in place in respect of all the corporate performance indicators in order to ensure that changes in personnel do not impact on the manner in which performance data is collected and analysed, and any performance data can be subject to either internal or external audit. Regular data quality reports are produced and regular data cleansing is carried out in respect of key areas such as Adults' and Children's Social Care.

The Council's financial management approach has in the past broadly been led through its Medium Term Financial Strategy (MTFS), which had customarily been produced in the summer, ahead of the detailed budget process, setting out the approach to financial planning for the subsequent three financial years. A new financial strategy was developed by the Council's new administration following the May 2014 elections. The strategy reflected the ongoing reductions in Government funding and focussed on balancing the Council's MTFS over a two year period. The proposals were subject to review by the Overview and Scrutiny Committee and options impacting upon service delivery were subject to extensive public consultation prior to the approval of the Budget and the MTFS in early 2015.

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

Additional strategies are now also being developed that will support the ethos and delivery of the MTFS, such as the development of an Early Help, Intervention and Prevention Strategy.

Codes of Conduct

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. All officers, regardless of their employment status, are required to adhere to the Code of Conduct and to decline gifts and hospitality to ensure that they are not inappropriately influenced. Members are required to register within their declaration of interest any gifts and hospitality accepted. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. In 2014/15 the Employee Code of Conduct was updated and launched to ensure that there was awareness of all requirements and of responsibilities. The relevant Corporate Management Team member is tasked with ensuring that appropriate arrangements are in place for declarations and the systems are reviewed periodically by internal audit.

Financial Rules and Regulations

The Council has Financial and Contract Procedure Rules and Financial and Procurement Frameworks along with other policy and procedural documents in place to guide officers in their everyday duties and ensure appropriate processes and controls are adhered to. The iProcurement system makes use of authorisation limits which are built into the management hierarchies rather than being manually checked before transactions are processed. Transactions are gradually being migrated onto this new system. Compliance with the various financial rules and regulations is monitored by management and considered during audits of systems and processes. Reports are available to managers through the One Oracle dashboards to enable monitoring and transparency of specific financial delegations.

Effective Audit Committee

The Audit Committee operates in accordance with the relevant CIPFA guidance. The Committee's terms of reference set out in the Constitution contain responsibilities relating to internal control, external audit and internal audit. Members are expected to serve a four year term on the Committee to ensure consistency; they also nominate named substitute members who receive the same level of induction and ongoing training to ensure there is sufficient expertise at every meeting to challenge officers. During 2014/15 six members sat on the Audit Committee representing the Conservative, Residents and Labour Groups of the Borough. The membership mirrors the political make up of the Council. The Audit Committee met four times in 2014/15 and has an annual work plan made up of regular and specific agenda items. Its effectiveness is reviewed annually and an annual report is produced to communicate the Committee's performance to Council. As a result of the annual review, the committee will meet five times in 2015/16 to ensure that its meeting agendas remain manageable.

Compliance with laws, regulations and internal policies

The Constitution sets out the framework for decision making and the publication of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies and achieves value for money.

Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, finance and human resources staff, as well as the Corporate Diversity Advisor, review every Cabinet, Council and Committee report and every Cabinet Member decision for compliance with laws, policies and regulations. The statutory officers also provide advice to Members at all appropriate times. Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice.

Counter Fraud and Confidential Reporting

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The effectiveness of the arrangements in place was reviewed in 2013 and in 2014/15 the service has been subject to a full service review as part of the oneSource integration. A oneSource Fraud Structure was launched on 1st April 2015. Responsibility for investigating and prosecuting housing benefit fraud has moved to the Department for Work and Pensions with effect from 1 April 2015; this will impact on the future fraud strategy and focus of resource and will be considered when the new strategy is developed.

The work of the service and achievement of the corporate fraud strategy is monitored by the Audit Committee. Ad hoc promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is the Confidential Reporting (also known as Whistleblowing) Policy which is communicated to staff via induction, the intranet and ad hoc awareness initiatives. The effectiveness of arrangements is reviewed annually as part of a wider review of anti-fraud and corruption. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

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

Complaints

A Customer Complaints Policy and Procedure exists to ensure that all standard complaints are effectively recorded and dealt with in the same way. The Council's approach to dealing with complaints has been reviewed and strengthened in 2014/15 and this new approach will be embedded in the early months of 2015/16. Appropriate procedures are also in place to ensure that statutory complaints relating to adults' and children's social care are dealt with in accordance with the relevant regulations. These procedures are supported by the relevant technologies to ensure efficiency and streamlined processes and include an escalation procedure if a complainant remains dissatisfied.

Ombudsman

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2014/15, the Ombudsman made no finding of maladministration against the Council.

Training and Development

The Council has a commitment that every member of staff has an ongoing Performance Development Review throughout the year as well as formal timescales for agreeing targets and objectives and outcomes.

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

The Council's expectations and demands on managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives.

The Council has attained the Member Development Charter. A development programme to keep Members up to date with changes and support their individual training needs is provided, with training is tailored to individual roles. Training is supplemented by information through briefings and bulletins.

Communication and Engagement

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. A wide number of fora take place to consult with members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic) forum and the Inter Faith forum. The Council also has a small Community Engagement Team which focuses on community development but also supports and seeks to maximise engagement in key corporate consultation exercises.

The Council maintains a website to provide information and services to the residents of the Borough. The publication 'Living in Havering' is distributed to all households on a quarterly basis, promoting access to services and raising the profile of the work done by the Council and local people to make Havering a good place to live. This is augmented with regular emailed bulletins on a host of subjects to tens of thousands of subscribers, as well as communication through a host of other channels, from social media to poster sites and the local press.

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

The public are also consulted on the Council's future priorities. Over the past three years, there have been two 'Your Council, Your Say' surveys asking local people for their opinions on current services and their future priorities. There has also been a stand alone survey considering the cleanliness of the Borough. Between them, these surveys have attracted approximately 27,000 responses. Most recently, the Council's budget consultation exercise in 2014 was extremely comprehensive surveying views on the overall budget priorities, as well as specific savings

proposals. The feedback in these surveys informed the 'Clean, Safe, and Proud' Vision and Corporate Plan.

Transformation

The Council's original transformation programme running from 2010 to 2014 has been replaced with a comprehensive approach to delivering further savings as part of the Council's mainstream activity. A number of new programmes/projects have been initiated to deliver savings required to close the budget gap to 2018. In many cases these comprise a reduction in service delivery or reduction in grant funding. All activity and savings are being reported by heads of service to the Programme Director for Corporate and Customer Transformation. These reports feed into an overall delivery plan which is compiled and monitored by the Programme Director and reported to the Corporate Management Team. Full oversight and strategic decision making is held by the Corporate Management team who review progress against the overall plan on a monthly basis and also the position on budgets and benefit achievements to ensure any risks are identified early and mitigations put in place.

Focus has now turned to Council-wide staff engagement to uncover and develop new ideas to close the remaining budget gap.

Partnerships and Collaborative Working

There are a number of partnership boards in place such as the Community Safety Partnership, the Health and Wellbeing Board and the Children's Trust. There are also a number of other fora in existence in Havering including the Culture Forum, a range of equality and diversity forums and many others.

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

oneSource

In April 2014 the Council's shared back office service with the London Borough of Newham was launched, resulting in significant changes to the governance framework. A Joint Committee has been established to oversee the partnership arrangements and a shared management structure established with officers from both councils having executive responsibilities delegated to them within the two Constitutions via the Scheme of Delegation.

One Oracle

In 2011 the Council implemented a number of key financial systems within Oracle. During 2014/15 the Council implemented a second version of Oracle along with five other boroughs. This project provided the opportunity to share costs of implementation and ongoing costs of administering, developing and maintaining the systems. The London Borough of Newham will install One Oracle in 2015/16.

Review of effectiveness

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

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

Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are considered by the Governance Committee and Council. The oneSource management structure was reflected in the Constitution in April 2014 and a comprehensive update of the Constitution will take place in 2015/16.

Governance Group

The Council's officer Governance Group is charged with reviewing the governance arrangements and monitoring any actions designed to improve the framework. Close links exist between this group and the Corporate Management Team (CMT) who receive reports from the group after every meeting. In 2014/15 the group was expanded to include colleagues from across the organisation representing corporate services as well as those who deliver public facing services. One of the main outcomes of the group each year is to facilitate the effective production of this statement. The group at the end of March 2015 had identified a comprehensive list of issues and actions to address and progress towards task completion was being closely monitored.

Corporate Management Team and Corporate Leadership Team

In 2014/15 there have been significant changes in the senior management structure of the Council. The Corporate Management Team has reduced and consists of a part-time Chief Executive and two full time Directors. The back office services are managed for both Havering and Newham by the Managing Director of oneSource with a number of other members of the Corporate Leadership Team now having a dual role across the two organisations.

Governance Committee

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

Audit Committee

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

Adjudication and Review Committee

The Adjudication and Review Committee, which is made up of nine Councillors other than the Leader and limited to only one Cabinet member, provides panels of three Members to hear any complaints about the conduct of Members. The Adjudication and Review Committee also have a role in considering Stage Three complaints by members of the public.

Overview and Scrutiny

The Overview and Scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations. The focus of their role is to provide a challenge to decisions made by the Executive and to assist in the development of policy.

In late 2014 a review of the Overview and Scrutiny arrangements was undertaken which led to a revision of its governance structure.

An overarching Board has been established which undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued.

The Board has subsumed the role of the former Value Scrutiny Committee which oversaw general management matters. The remaining six Overview and Scrutiny Committees have become sub-committees of the new Overview and Scrutiny Board. The Board's membership is politically balanced but includes the Chairmen of the Overview and Scrutiny sub-committees amongst others.

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data.

Each year Overview and Scrutiny is tasked with identifying areas of the Council's work that it wishes to consider in detail, for which purpose task groups comprised of members of the Board and its sub-committees are set up to research the issue with the assistance of officers and sometimes external bodies and report their findings and recommendations.

Internal Audit

Internal Audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In doing so Internal Audit supports the Group Director, Communities and Resources in his statutory role as Section 151 Officer. Annually a Head of Internal Audit Opinion and annual report provide assurance to officers and Members regarding the system of

internal control; this assurance has also been considered in the production of this statement.

Risk Management

The responsibility for the system of internal control sits with management therefore each Head of Service is required to complete their own assessment and declaration with regard to the arrangements in place within their respective areas. For 2014/15 these will in some instances be gathered via work shopping with the management team for the service. These declarations from services have been considered when compiling this statement. The Council has embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by the Audit Committee. The 2014/15 review was delayed pending the implementation of new oneSource structure which will provide more dedicated resources focused on supporting management with risk management.

Heads of Service maintain Service Risk Registers and identify their key risks as part of the annual service planning process. The strategic risks to the achievement of the Authority's objectives are captured within a Corporate Risk Register. The Council has an Operational Risk Management Group that considers local or organisation wide risks. In 2014/15 this group has reviewed and commented on a sample of Service Risk Registers and all of the Corporate Risks. The Corporate Risk Register was last reviewed by CLT and approved by CMT, before being presented to the Audit Committee in March 2015.

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently PricewaterhouseCoopers (PwC), is reported to the Audit Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2013/14 following similar opinions in previous years. The results of all external reviews have also been considered in the process of compiling this statement.

Certain services across the Council also engage in sector-led improvement initiatives. For example, in December 2014 Children's Services participated in a Child Sexual Exploitation (CSE) peer review as part of a London-wide Directors of Children's Services initiative. The findings of this are being used to inform the services provided and improvement plans and are driving the work of the Havering Safeguarding Children Board's (HSCB's) CSE Subgroup.

During 2014/15 the Council also asked the Chartered Institute of Housing to undertake a 'root and branches' review of Housing Services. The review took place over the course of a month and completed in December 2014. As a result of the findings, a Housing Management Board has been established, which is overseeing the action plan that is delivering against the recommendations.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team

and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

The issues identified in the 2013/14 Annual Governance Statement have been monitored by management and the Governance Group throughout the year with review periodically to challenge actions and progress by both the Corporate Management Team and the Audit Committee. The four issues which related to the Information Governance Agenda, Austerity, Pace of Organisational Change and Compliance have all been high risk areas in recent years and have wide reaching implications for the governance framework. During the process to produce the Annual Governance Statement for 2014/15 it has been decided that a more focused approach and operational action plan in this area is required and the new Governance Group was tasked with embedding their work and the work to produce this statement within the everyday operations of the Council through efficient and effective channels of communication and reporting. The four previous issues have now been fed into the Governance Group's work; they will therefore be closed and a new set of issues have been identified.

Significant Issue and action already taken	Planned action	CMT Lead
1. Scheme of Delegation Issues with the scheme of delegation were identified following the amendments to include oneSource. ➤ Some work to review the scheme of delegation has been undertaken to ensure oneSource delegations have been accurately captured and are comprehensive.	➤ Governance training to be proactive from 2015/16 to ensure clarity of role and responsibility; ➤ Full review of Constitution and delegations planned; ➤ Audit work around effectiveness and efficiency of delegations.	Managing Director, oneSource

Significant Issue and action already taken	Planned action	CMT Lead
2. Declarations of Interest There have been instances identified of failings by officers to	➤ Implement on-line process;	Managing Director,

<p>comply with expectations regarding declarations.</p> <ul style="list-style-type: none"> ➤ Project to implement on line process; ➤ Improvement to process thorough inclusion of third tier manager in sign off; ➤ Updated and re-launched code of conduct; ➤ Disciplinary action taken in areas of non compliance identified in 2014/15. 	<ul style="list-style-type: none"> ➤ Review of process and procedure in light of move to on-line; ➤ Audit work to provide assurance. 	oneSource
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Significant Issue and action already taken	Planned action	CMT Lead
<p>3. Assurance – as a result of reduced capacity the organisation's approach to ensuring compliance with policy and procedure has had to shift. Compliance issues have identified gaps in this assurance framework that need to be addressed.</p> <ul style="list-style-type: none"> ➤ New Governance Group approach established; ➤ New audit structure vision is around assurance; ➤ A review of reporting effectiveness has been undertaken. 	<ul style="list-style-type: none"> ➤ Implement new audit structure and oneSource vision; assurance model ➤ Continue to develop the role and effectiveness of the new Governance Group. 	Chief Executive

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

Signed:

Leader of the Council

Chief Executive

AUDIT COMMITTEE 24 June 2015

Subject Heading:	Annual Audit Report
CMT Lead:	Deborah Hindson Acting Managing Director oneSource
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 433733 vanessa.bateman@havering.gov.uk
Policy context:	To present a summary of the results of work completed by the Internal Audit team during 2014/15 as well as an opinion on the system of internal control.
Financial summary:	N/A

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

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

SUMMARY

This report presents the Committee with a summary of the work undertaken by the internal audit team during 2014/15 as well as communicating key messages and an overall opinion on the system of internal control from the Internal Audit & Corporate Risk Manager as required by the Accounts and Audit Regulations.

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

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

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

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

- Organisational Change;
- One Oracle; and
- Declarations of Interest

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

IMPLICATIONS AND RISKS

Financial implications and risks:

The annual report summarises the work of the internal audit team over the past financial year and highlights key messages regarding the finding of audit work. The findings of individual reports are reported to Audit Committee as part of the quarterly reporting cycle. Thus, any audit recommendations arising from audits undertaken, and the audit opinion, have previously been considered by the Committee. Any internal control issues identified as part of this process will have been raised with managers, who have the opportunity of commenting on these before they are finalised. Failure to either implement at all or meet target dates may have control implications, although these would be highlighted by any subsequent audit. It must be noted that this assurance provided is only based on the work undertaken by the team. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

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

BACKGROUND PAPERS

2014/15 Internal Audit Reports
2014/15 Progress Reports to Committee

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**INTERNAL AUDIT ANNUAL
REPORT
Including
ANNUAL ASSURANCE
STATEMENT
2014 / 2015**



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

1. INTRODUCTION

- 1.1 The purpose of this report is to:
- (i) document and communicate internal audit's overall opinion on the overall adequacy and effectiveness of the Council's control environment, commenting on significant matters and key themes;
 - (ii) summarise the audit work from which the opinion is derived; and
 - (iii) document the performance of the internal audit service.
- 1.2 The Accounts and Audit (England) Regulations 2011 require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. Proper practice is defined within the Public Sector Internal Audit Standards and corresponding Local Government Application Note.
- 1.3 The Public Sector Internal Audit Standards requires the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, which should include an opinion of the overall adequacy and effectiveness of the Council's control environment.
- 1.3 Reporting the work of internal audit to the Audit Committee provides the Committee with an opportunity to review and monitor its activity and gain assurance that its internal audit function is fulfilling its statutory obligations. This is an essential component of corporate governance. The Audit Committee receives quarterly reports regarding internal audit and Fraud activities and outcomes during the year.
- 1.4 In 2014/15 the internal audit service, including the Council's fraud resources, became part of the shared back office with the London Borough of Newham working under the banner of oneSource. The service was scheduled to be reviewed and restructured in the first year of oneSource. At the end of 2014/15 the service review is complete but only the fraud service restructure has been implemented. In 2014/15 the computer audits continued to be delivered by members of the audit team from Newham, as had been the contractual agreement pre oneSource. In 2015/16 the audit team will be restructured and a oneSource service delivered to both Councils by one team.
- 1.5 Our opinion is based on the work of the audit service during the 2014/15 financial year. We are grateful for the co-operation and support we have received from all those who have engaged with and supported the audit process.

2. ANNUAL ASSURANCE STATEMENT

Control Environment

- 2.1 The management of the Council is responsible for ensuring that the organisation operates in accordance with the law and proper standards,

that public funds are safeguarded, properly accounted for, and used economically, efficiently and effectively.

- 2.2 The management of the Council is also responsible for ensuring that there is a sound system of internal control, which includes arrangements for managing risk. The three key elements of the Council's control environment comprise: internal control, governance, and risk management arrangements. These three elements help ensure that the Council's strategies, plans, priorities and objectives are met and that policies and procedures are complied with in order to minimise risk to a reasonable level.

Internal Audit Effectiveness

- 2.3 As a prerequisite for giving an assurance opinion on the overall adequacy and effectiveness of the Council's control environment, the Head of Internal Audit is required to confirm the effectiveness of the internal audit service and its resultant fitness for purpose to carry out work that informs the annual opinion statement.
- 2.4 In 2014/15 the audit service has held a vacancy in the structure due to the pending restructure. A further team member has also been on maternity leave. When planning for the year it was envisaged that the oneSource restructure would launch during the year and shortfalls to deliver the plan would be addressed post launch of the new structure. As noted above the restructure did not occur in year therefore there was a shortfall in resources to deliver the plan in year and some action to mitigate this was taken; further details are provided later in this report.
- 2.5 The service review undertaken by an independent team within oneSource in 2014/15 has sought to bring together the best of both the Havering and Newham services but also ensure the new service is striving towards best practice in the most efficient and effective manner. As a result of the service review and plans to implement a new structure there has been little service development in Havering during 2014/15.
- 2.6 In 2013/14 the Internal Audit and Corporate Risk Manager undertook an exercise to compare the internal audit function to the new Public Sector Internal Audit Standards which came into effect on 1 April 2013. The new standards were issued by CIPFA and are based on the Institute of Internal Auditors' International Standards and are mandatory. They are designed to underpin the internal audit arrangements within the Council and set standards for good practice. There has been no deviation from the service's procedures therefore this evaluation remains current. A full review against the Public Sector Internal Audit Standards will take place in 2015/16 for the new oneSource team.
- 2.7 The Internal Audit and Corporate Risk Manager is therefore able to report for 2014/15 a significant level of compliance with the Public Sector Internal Audit Standards and considers the internal audit service to be effective. No significant deviations from the Public Sector Internal Audit Standards

were identified which warrant inclusion in the Council's Annual Governance Statement. The main restriction to the service has been the vacancies within the team however this is seen as a short term loss made to facilitate the longer term gains for the Council and the service of the oneSource partnership.

Internal Audit Independence

- 2.8 The Internal Audit and Corporate Risk Manager confirms that there have been no matters arising which have threatened the independence of the internal audit function during 2014/15.
- 2.9 Whilst remaining an independent assurance function the internal audit team seek to maintain strong relationships with management to ensure that appropriate actions are agreed and implemented in a timely fashion. Protocols exist to outline the roles and responsibilities of both the internal audit team and management.

Basis of Assurance Opinion

- 2.10 Our assurance opinion is based on the work carried out by internal audit during the year which was planned to give sufficient assurance on the management of risks within Havering Council.
- 2.11 The 2014/15 Internal Audit Plan, of 844 days, was approved by the Audit Committee in June 2014. This does not include the resources deployed on reactive and proactive fraud work which is referred to in 4.2 below. Progress reports from the Internal Audit and Corporate Risk Manager are presented to the Committee at quarterly meetings.
- 2.12 During the year there is some flexibility needed to react to changes in risk or accommodate changes in the needs of management; the focus of audits may therefore be changed or new audits included in the programme. The plan also makes provision for internal audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.

Communication of the Annual Assurance Statement

- 2.13 The provision of an annual assurance statement is a key duty of the Internal Audit and Corporate Risk Manager and is timed to support the production of the Council's Annual Governance Statement.
- 2.14 It will be communicated internally, prior to its presentation to Committee and will also be available on the Council's website from June 2014, within the Audit Committee Agenda.

3. ANNUAL ASSURANCE STATEMENT FOR 2014/15

- 3.1 In the Internal Audit and Corporate Risk Manager's opinion, the system of internal control is satisfactory and processes to identify and manage risks are in place. The system of internal control has been weakened in recent years, as has previously been reported, and reasons are reiterated again in section five.
- 3.2 The Council continues to face significant challenges in future years, however the Corporate Management Team clearly understands these challenges and their continued impact on corporate governance and there are systems and processes in place to manage risk. In some areas audited in 2014/15 weaknesses have been identified; however action has been taken or is planned by management to address these. There is reduced capacity in services to action audit recommendations; the team strive to highlight efficient and effective controls for services to consider and ways that greater efficiency can be achieved through more effective management of risk. This message is consistent with prior year reports and will continue to be a challenge into 2015/16. More efficient and effective assurance provision is at the heart of the design of the new oneSource structure.
- 3.3 There are increased demands on internal audit to provide assurances and support management in effective management of risk. The call for compliance work is greater since the introduction of self service, in particular from senior management. Capacity in the service going forward will not meet all the demands placed upon it. The new oneSource structure will bring many advantages in terms of capacity and resilience. However, the team will have a reduced capacity overall compared to the individual services that it replaces and will have to respond to the demands of both organisations that have very different risk tolerances and control environments, so the aspiration of control and therefore assurance convergence is not yet materialising. This issue is well understood by management and will be a key risk area for the Head of Audit going forward.
- 3.4 In 2014/15 the Council did invest in activities designed to strengthen the governance framework of the organisation. A new Governance Group has been formed and one of the key roles of this group is ensuring a joined up approach to governance related issues which will have a positive impact on the control environment. This work will continue to embed in 2015/16. In addition the service review of the audit service, which includes insurance and risk Management as well as the fraud resources, has determined that specialist risk management resources would be beneficial to embed risk management more robustly across both parent organisations. This will also be beneficial to the system of internal control by being preventive which should reduce the burden on the service for reactive work when risks materialise.

- 3.5 This opinion is based on a programme of audit work which was delivered:
- In accordance with the approved Internal Audit Plan;
 - By suitably experienced and qualified auditors;
 - In accordance with the Public Sector Internal Audit Standards; and
 - To standards accepted by the Council's external auditors.
- 3.6 The following has also been considered:
- The acceptance of audit recommendations and progress noted in year to implement required changes;
 - The results of follow up work on limited assurance audit areas; and
 - Whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk.
- 3.7 Section 4 of this report details the work completed by the team and the key issues arising.

Inherent qualifications to the assurance opinion

- 3.8 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness.

4. WORK THAT SUPPORTS THE OPINION

4.1 Systems Audit and Computer Audit

- 4.1.1 Appendix A contains details of the audit plan with the status and outcome of each audit.

4.2 Fraud Work

Reactive Work and Special Investigations:

Reactive Workload Outcomes		Outcome
Management Action Plan	11	
Resigned	6	Fraud
Disciplinary	9	
Dismissal	2	Fraud
No Case To Answer	25	
Withdrawn Application	4	Fraud
Reduced Direct Payment	1	Fraud
Prosecution	1	Fraud
Total	59	

- 4.2.4 At the commencement of the financial year a contingency of 275 days was provided to carry out investigations into suspected fraud issues reported by management or via the fraud or whistle blowing hotline. Due to a larger than anticipated caseload 340 days were delivered in year.

Pro-active:

Proactive Workload Completed	
Q1	Expenses
Q1	Home Ownership
Q1	Dismissed/Redundant/Agency
Q4	LD Residential Care
Q4	Blue Badges

- 4.2.5 Appendix B details the status of the proactive fraud plan.
- 4.2.6 Work to support management in the prevention of fraud has continued throughout 2014/15 both based on risk analysis and in areas identified through reactive and proactive work. A number of fraud awareness training sessions were provided and a Fraud Response Plan produced.

Advice & Assistance		
	Cases	C/F
Directors	57	2
Local Authority	17	0
Fraud Hotline	32	4
	106	6

- 4.2.7 £130,030.12 savings were identified and recovered through corporate fraud activity during 2014/15 and £24,170 losses identified and not recovered.
- 4.2.8 The Corporate Fraud Team tracked the completion of all 126 recommendations made to services in 2014/15, of which 118 have been implemented and eight are not due until later in the year

4.3 Follow Ups

- 4.3.1 The audit team track the completion of all audit recommendations. Information regarding outstanding recommendations is reported as part of the quarterly report to Audit Committee. Annually the Audit Committee receive a full list of all outstanding recommendations.
- 4.3.2 There were six 'limited assurance' reports in 2013/14. Follow up work was undertaken on five of these during 2014/15. Two of the follow ups were reported under one report; therefore only four reports were reported to Audit Committee during 2014/15.

4.4 Schools

- 4.4.1 Seven schools were audited in 2014/15 of which six were given 'substantial assurance' and one was given a 'nil assurance'. The school given a 'nil assurance' will be followed up during 2015/16.
- 4.4.2 The schools audit programme has been adapted throughout the year to take into account new and emerging risks.
- 4.4.3 During 2014/15 the undertaking of the school's health checks transferred from education finance to internal audit. As part of the traded services on offer to all authority maintained schools within the borough, schools are able to buy in an audit health check. The health checks provide schools with an independent assurance between their triennial audits. These have been very well received by the schools.

4.5 Other Outside Assurances

- 4.5.1 Reports produced by other inspection bodies or assurance providers are also reviewed. Planned work is taken into account when the plan is produced and for unplanned inspections the plan is revised to avoid duplication in the scope of work.

4.6 Risk Management Arrangements

- 4.6.1 Work to implement a new approach to risk management took place throughout 2014/15. An Operational Risk Management Group met periodically to discuss risk issues and report back to Corporate Leadership Team as appropriate. The Group also reviewed the Corporate Risk Register and Service Risk Registers.

4.7 Review of Other Strategies

- 4.7.4 Other corporate arrangements and strategies such as the Internal Audit Strategy are reviewed annually and approved by Audit Committee. Most strategies were not reviewed in 2014/15 and this is an early task planned as the new teams are formed post restructure. The strategies remained current for 2014/15 and there were no major changes required.

5. KEY MESSAGES

5.1 Organisational Change

- 5.1.1 As was concluded for the last three years within this report, many of the control weaknesses identified this year can be attributed to the pace of organisational change that has been required to achieve the savings targets. Teams across the Council have become smaller and the self service model has led to changes in the control environment. Gaining assurance regarding compliance continues to be a challenge and often an ad hoc task rather than part of the system of internal control. Compliance work undertaken by audit has indicated non-compliance within systems

and processes. Balancing the risks against the cost of the control environment continues to be a challenge for senior management. In 2014/15 the most significant change was the creation of oneSource, however as a result of the service reviews there will be significant redesign of processes to ensure value for money. As long as risk remains at the forefront of the redesign of process then the system of internal control can strengthen even with reduced capacity. Internal audit will need to be at the forefront of the work supporting managers and providing assurances with regards the achievement of objectives.

- 5.1.2 Audit work and investigations into suspected fraud often conclude that basic controls are lacking from processes including lack of segregation of duties or quality checks by management. This issue will be picked up as part of our fraud awareness and training plan.

5.2 One Oracle

- 5.2.1 The One Oracle implementation in 2014/15 provided some opportunity to strengthen the system of internal control; collaborative working with other organisations reduces the input required to update and maintain the governance framework and encourages sharing of best practice. Key financial audits in 2014/15 have reviewed the control environment; some work was still ongoing when this report was prepared. An external review of the configuration and segregation of duties in the system was also completed at the end of 2014/15 which will also provide both a good level of assurance but also some recommendations to further improve the controls. The Oracle Module Governance, Risk, Compliance and Control would further strengthen the control environment and work to consider the benefits of this is underway. Internal audit has worked alongside relevant services to review this and will continue to do so going forward.

5.3 Declarations of Interest

- 5.3.1 In 2014/15 it was noted that a theme had developed in recent years with regard to the need to strengthen the robustness of the process regarding declarations of interest and the understanding within the organisation of what is acceptable. The Council has set the tone in accordance with its Fraud Strategy, Code of Conduct and Disciplinary Policy and taken action against those identified as not behaving in a manner fit for an officer in public service. This issue has been reported to the Governance Group and an action plan has been developed. The risks and issues in this area will also continue to be monitored and assurance provided by internal audit.

5.4 Conclusion

- 5.4.1 The issues detailed above have been considered as part of the process to produce the 2014/15 Annual Governance Statement. These issues have also been considered during the annual audit planning process and will also be picked up within individual audits as applicable during 2015/16.

6. INTERNAL AUDIT QUALITY ASSURANCE

6.1 Liaison with Other Boroughs

- 6.1.1 The Internal Audit and Corporate Risk Manager or an audit team member, attends the London Audit Group and other relevant training and networking events in order to benefit from presentations and discussions on new emerging risk areas and share issues arising and best practice. The team also have informal links with teams in neighbouring boroughs and due to oneSource links with the London Borough of Newham these have been strengthened.

6.2 Delivery of Planned Audit Work

- 6.2.1 90% of the 2014/15 Internal Audit Plan was delivered as at 2nd April 2015. The plan was flexible to accommodate the needs of management. Five audits have been deferred to the 2015/16 plan due to timing issues. The remainder of the plan is expected to be delivered in the first quarter of 2015/16.
- 6.2.2 The Audit Committee and Corporate Management Team receive performance reporting quarterly.

6.3 Internal Audit Reports & Assurance Levels Given in 2014/15

Assurance Opinion	Number of Audits	%
Full	1	3
Substantial	20	54
Limited	9	24
Nil	1	3
N/A	6	16
Totals	37	100

6.4 Audit Recommendations Raised in 2014/15

Recommendations	Number of Recs	%
High	29	21
Medium	84	63
Low	21	16
Totals	134	100

6.5 Feedback from Auditees

Rating	Number of Replies	%
5 (Very Good)	131	70
4 (Good)	48	26
3 (Satisfactory)	8	4
2 (Poor)	0	0
1 (Very Poor)	0	0
Totals	187	100

Following every audit, the managers receiving the audit report were sent a feedback survey form. 100% of the feedback received rated the service satisfactory or above. All comments received from managers are reviewed monthly and fed into the team's one to one meetings and the new Performance Development Review process.

**APPENDIX A: POSITION OF THE 2014/15 INTERNAL AUDIT PLAN
AS AT 31/03/2015**

	Audit Title	Status End Qtr4	Report Assurance
Corporate	Prepaid Cards	Final	Substantial
	Use of Volunteers	Removed	
	Car Pool Scheme	Moved to 15/16 Plan	
	North East Purchasing Organisation (NEPRO)	Final	N/A
	Talent Link	Final	N/A
	Governance Review	Final	N/A
Culture, Community & Economic Dev.	Youth Services	Final	Substantial
	Environmental Protection & Housing	Final	Limited
	Waste Contract Management	Draft	
	Payments to Contractors (Road & Pavement Defects)	Final	Limited
	Carbon Reduction Commitment	Final	N/A
Resources (Finance & Commerce)	Council Tax (13/14)	Final	Substantial
	Housing Benefit (13/14)	Final	Substantial
	Budgetary Control (13/14)	Final	Substantial
	Main Accounting (13/14)	Final	Substantial
	Accounts Receivable (13/14)	Final	Substantial
	Payroll (13/14)	Final	Substantial
	Pensions (13/14)	Final	Substantial
	Bankers Automated Clearing System	Final	Limited
	Long Term Sickness	Final	Nil
	Council Tax	Fieldwork Commenced	
	Housing Benefit & Council Tax Support	Fieldwork Commenced	
	Construction Industry Scheme	Final	Substantial
	Accounts Payable (Pre One Oracle Implementation)	Final	Substantial
	Accounts Receivable (Pre One Oracle Implementation)	Final	Substantial
	Payroll (Pre One Oracle Implementation)	Final	Substantial
	Main Accounting (Pre One Oracle Implementation)	Final	Substantial
	Accounts Payable	Fieldwork Commenced	
	Accounts Receivable	Fieldwork Commenced	
	Payroll	Fieldwork Commenced	
	Pensions	Fieldwork Commenced	
	Budgetary Control incl. Collaborative Planning	Fieldwork Commenced	

	Audit Title	Status End Qtr4	Report Assurance
	Main Accounting	Removed	
	ISS - Post One Oracle	Removed	
	One Oracle - PWC Review	Fieldwork Commenced	
	i-Procurement	Removed	
	Members Allowance Payments	Final	Limited
Children, Adults & Housing	Housing Capital	Final	Substantial
	Housing Allocations	Final	Limited
	Housing Rents	Final	Limited
	Contracts & Procurement	Removed	
	TMO's	Final	Limited
	Gas Safety Regulations (Building Services)	Final	Substantial
	Gas Safety Regulations (Home Ownership)	Final	Limited
	Service Charges	Draft	
	Development - Special Purpose Company to Deliver Housing	Fieldwork Commenced	
	Responsive Maintenance	Fieldwork Commenced	
	Children & Families Bill	Final	N/A
	Out of Area Placements	Removed	
	Adult Safeguarding	Removed	
	Adult Commissioning	Removed	
	Special Educational Needs - C&FG Act	Removed	
	Pupil Place Planning	Moved to 15/16 Plan	
	Manor Green Pupil Referral Unit	Fieldwork Commenced	
Schools	Benhurst Primary	Final	Substantial
	Squirrels Heath Infant	Final	Substantial
	Towers Junior	Final	Substantial
	St. Edwards CE Primary	Final	Substantial
	Brady Primary	Final	Substantial
	Parklands Junior	Final	No
	St Patricks RC Primary	Final	Substantial
IT Audits	PARIS	Final	Limited
	End to End Service, Data Centre & Disaster Recovery	Removed	
	Remote Access	Moved to 15/16 Plan	
	Off Site Storage	Moved to 15/16 Plan	
	3 rd Party Connections	Fieldwork Commenced	
	ID Smart Cards	Moved to 15/16 Plan	
	Compliance with 10 Steps of Cyber Security	Removed	

	Audit Title	Status End Qtr4	Report Assurance
	Malware	Fieldwork Commenced	
	Operating Systems Follow Up	Final	Substantial
Follow Ups	Audit Recommendations	On-going	N/A
	Information Governance	Final	Substantial
	Tenancy Management	Final	Substantial
	LAC Placements	Final	Substantial
	Emergency Assistance Scheme	Final	Full

DEFINITIONS OF ASSURANCE LEVELS

For each risk based audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

- Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- Substantial:** While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- Limited:** Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
- No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

PRIORITY OF RECOMMENDATIONS

Recommendations are made to mitigate weaknesses identified in the system of control. Recommendations are categorised into three levels of priority to ensure that those addressing areas of significant risk are implemented as a priority. The three categories comprise:

- High:** Fundamental control requiring implementation as soon as possible.
- Medium:** Important control that should be implemented.
- Low:** Pertaining to best practice.

Appendix B: Corporate Fraud Proactive Audit Plan Progress 2014/15

Description	Risks	Plan days	Qtr 4 Status
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	In progress
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	In progress
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Final Report
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	In progress
Blue Badge	Identification of procedures to ensure records retained and maintained and badges are recovered following death. That badges are used in accordance with the legislation.	10	Final Report
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in system particularly with Charities and 'Pop Up Shops'	20	Delayed due to Restructure of service team
Direct Payment Assessments	This to include the assessment and payment calculations and follow ups with the Care Assessors to establish processes and evaluate controls.	15	Planned
Employee Applications	This could involve any applications, including attempts to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.	20	Planned

Description	Risks	Plan days	Qtr 4 Status
Procurement of Services	False payments to contractors for house modifications, either by internal or external persons or companies including, but not limited to: violation of procedures; manipulation of accounts; records or methods of payment; failure to supply; failure to supply to contractual standard.	15	Planned
Debt Avoidance	This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities (do not include SPD from question 4.1); rent arrears; false declarations; false instruments of payment or documentation.	15	Planned
Payroll	This includes, but is not limited to: the creation of non-existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties .	30	Planned
NFI	The match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already or approaching 18 years of age. This may or will make the SPD invalid.	30	Planned
	TOTAL	215	

AUDIT COMMITTEE

24 June 2015

Subject Heading:	Training Plan for Audit Committee
CMT Lead	Deborah Hindson Acting Managing Director oneSource
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 433733 vanessa.bateman@havering.gov.uk
Policy context:	To agree a training plan for the members of the Audit Committee.
Financial summary:	N/A

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	X
Residents will be proud to live in Havering	X

SUMMARY

This report outlines a planned approach to training for Audit Committee members in 2015/2016 and the basis on which the training is being provided.

Members and Substitute members can request training at any time and a needs analysis will be completed and used 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.
3. To note that there will be an annual review of the training plan and the changes to the original four year plan approved in 2014 ref (1) and (2) in the report.

REPORT DETAIL

1. Below is an outline of the areas relevant to the Audit Committee's Terms of Reference:

- Statement of Accounts including International Financial Reporting Standards;
- Treasury Management;
- The role of the Audit Committee in Local Government;
- The role of Internal and External Auditors
- Risk Management and Internal Control;
- Corporate Governance including the Annual Governance Statement;
- Internal Fraud and Corruption risks including Bribery Act and Money Laundering;
- External Fraud risks; and
- Confidential Reporting (Whistle Blowing).

2. An extract from the constitution regarding training and membership is included below:

Part 4 – Committee Procedure Rules paragraph 17 Training and continuity of membership of certain committees

(a) In the interests of business continuity, each Group and Group Leader shall ensure that any Member appointed to a place allocated to that Group on each of the Committees referred to in the following table shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed.

(b) Each Group and Group Leaders shall strive to avoid making changes to their representation on the Committees referred to in the table for as long as possible and shall accordingly seek to ensure that their members remain on the particular committee for the period indicated:

Committee	Period
Adjudication and Review	At least two years
Audit	Full four year term
Licensing	At least two years
Pensions	Full four year term
Regulatory Services	At least two years

(c) For the Audit, Pensions, Regulatory Services and Adjudication and Review Committees, Groups shall nominate members other than those appointed to the respective Committees to be “designated substitutes”, to attend a meeting in the event that an appointed member is unable to do so. “Designated substitutes” shall participate in the same training opportunities as appointed members. Non nominated members may not act as substitutes.

(d) This rule shall operate without prejudice to the ability of the Council and the Adjudication and Review Committee to require changes in membership where to do so is appropriate for other reasons, or to comply with statutory requirements.

3. A skills analysis was completed for all members and nominated substitutes in 2014 to identify any specific training needs. Members and substitute members can request at any time a briefing on an agenda item.
4. The most appropriate method of delivery will be selected based on the development or learning need. This is likely to be officer briefings (verbal or written), e learning or training with external specialists. The Committee will also receive ad-hoc briefings from the relevant officer on new topics relevant to the Committee’s role.
5. Substitute Members will be invited to attend all training and in some circumstances the training may be offered to all Members, where it is considered relevant.
6. Regular reports on training will be presented and details will be included in the Annual Report of the Committee.
7. The table below outlines the plan for 2015/16.
8. There have been two changes to the approved training plan:
 - Following the transfer of responsibility for investigation of housing benefit fraud to the Department for Work and Pensions, housing benefit will no longer be covered as part of the fraud briefing; and
 - Unless there are significant changes on which members need to be updated, treasury management will take place once per term rather than annually.

Frequency	Contents	Method of Delivery	Timing
Annual	Statement of Accounts	Drop in sessions	September
Once per term unless significant changes	Treasury	Group session	n/a for 2015/16
Annual	Fraud & Corruption <ul style="list-style-type: none">• Bribery• Money Laundering• Whistle blowing• Housing Fraud	Group session	December 2015
Annual	Risk Management & Internal Control	E Learning or off-line briefing	February 2016
Twice during term	Corporate Governance	Group session	May 2016

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.

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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AUDIT COMMITTEE

24 June 2015

Subject Heading:

Forward Plan for the Audit Committee 2015/2016

CMT Lead:

Deborah Hindson
Acting Managing Director oneSource

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 433733.
vanessa.bateman@oneSource.gov.uk

Policy context:

To agree a draft forward plan for the Audit Committee.

Financial summary:

N/A

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	X
Residents will be proud to live in Havering	X

SUMMARY

The Forward Plan (appendix A) provides a summary of the expected agenda items at each of the next five planned Audit Committee Meetings.

Training relevant to the agenda and based on priority is identified for each Meeting.

RECOMMENDATIONS

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

REPORT DETAIL

1. The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:
 - To consider and monitor the Authority's risk management and internal control environment;
 - To focus audit resources;
 - To receive and approve the Annual Statement of Accounts;
 - To monitor performance of internal and external audit; and
 - To monitor proactive fraud and corruption arrangements.
2. The Audit Committee is currently planned to meet on four occasions during the current financial year. An additional meeting was requested as a result of the Annual Review of the Audit Committee's Effectiveness as it was deemed that the agendas were getting unmanageable and the meetings were too far apart. This additional meeting will take place in May 2016. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with reports from the Council's external auditor. The Audit Committee will often also add an item to there agenda relating to follow up of a specific issue.

IMPLICATIONS AND RISKS

Financial implications and risks:

None arising directly from this report. 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. Agendas not being well planned could hinder the effectiveness of the Committee.

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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AUDIT COMMITTEE – FORWARD PLAN / TRAINING

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
25 th September 2015	<ul style="list-style-type: none"> • Approval of annual Statement of Accounts 2014/15 • Report to those charged with Governance • Response to Auditors' Report to those charged with Governance • Internal Audit Progress Report Q1 • Fraud Progress Report Q1 • Update of Corporate Risk Register • Treasury Management Update Q1 • Internal Audit Charter and Terms of Reference (<i>usually presented in March but delayed awaiting restructure</i>) • Internal Audit Strategy (as for Charter) 	Accounts (training will be separate session before evening of committee).
1 st December 2015	<ul style="list-style-type: none"> • Annual Audit Letter • Closure of Accounts Timetable • Internal Audit Progress Report Q2 • Governance Update • Fraud Progress Report Q2 • Annual Review of Fraud & Corruption • Treasury Management Update Q2 • Annual Review of Risk Management 	Fraud specific topic TBC
2 nd March 2016	<ul style="list-style-type: none"> • 2014/15 Audit Report of Grant Claims and Returns • External Audit Plan 2015/16 • Update Corporate Risk Register • Internal Audit Draft Plan and Strategy. • Internal Audit Charter and Terms of Reference. • Internal Audit Progress Report Q3 • Fraud Progress Report Q3 • Annual Review of Audit Committee Effectiveness • Treasury Management Update Q3 • Closure of Accounts Timetable 2015/16 • Accounting Policies 2015/16 	Risk Management
10 th May 2016	<ul style="list-style-type: none"> • Fraud Progress Report Q4 • Internal Audit Progress Report Q4 • Treasury Management Update Q4 • Outstanding Audit Recommendations 	Fraud specific topic TBC

	<ul style="list-style-type: none"> • Annual Report of the Audit Committee 	
June 2016	<ul style="list-style-type: none"> • Internal Audit Annual Report 2015/16 • Annual Governance Statement 2015/16 • Committee Forward Plan • Member Training Plan • Accounts Closure Update • Treasury Management Annual Report 	Corporate Governance



AUDIT COMMITTEE

24 June 2015

Subject Heading:	Audit Plan 2015/16
CMT Lead:	Deborah Hindson Acting Managing Director oneSource
Report Author and contact details:	Vanessa Bateman, Internal Audit & Corporate Risk Manager Tel 01708 433733 vanessa.bateman@onesource.co.uk
Policy context:	To inform the Committee of the proposed audit plan for 2015/16.
Financial summary:	N/a

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

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	X
Residents will be proud to live in Havering	X

SUMMARY

This report provides the Audit Committee with a proposed audit plan for 2015/16. It includes the interim plan which was presented in March 2015 and notes any minor changes to that plan that have occurred in quarter one.

At the time of producing this report the service review for internal audit had been completed however the restructure had not been implemented therefore the Audit Strategy is pending review once the resources available to deliver the plan are confirmed.

RECOMMENDATIONS

1. To approve the 2015/16 audit plan.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

1. Introduction

- 1.1 The Internal Audit Service is part of oneSource and was identified in the first year of service reviews. The service review is complete and this has considered the audit service required by the two partner authorities and the structure required to deliver this service. It has made recommendations regarding how efficiencies can be achieved but these are yet to be implemented. A structure has been proposed but the change management process has not yet been completed.
- 1.2 An interim plan covering the first quarter of 2015/16 was presented and approved by the Committee at the previous meeting in March. A full year plan had not been produced due to the fact that work to review the strategy and number of days of resource available were dependent on the restructure which had yet to be implemented
- 1.3 Implementation of the new structure will take place over the coming months. Pending that implementation, an audit plan for the remainder of the year has been prepared based on existing levels of resources and is presented for the Committee's approval. As always, the audit plan will be responsive to changing risks and priorities during the year. It may be necessary to present a revised plan to the Committee later in the year, once details of the resources that will be available under the new structure have been finalised and the audit strategy has been reviewed.
- 1.4 Work to deliver the 2015/16 interim audit plan commenced in April 2015 and the work delivered against the plan will be presented to the September Committee in line with the quarterly reporting cycle.

2. Developing the 2015/16 Audit Plan

- 2.1 The methodology used to develop this plan focused on the quantification of the risks associated with the London Borough of Havering's objectives in consultation with key officers. The process has identified a number of audit areas that will require attention in year but focused on highlighting the areas where priority is needed.
- 2.2 As part of the planning process, assurances planned or available from other sources are considered and some risk areas have been proposed for inclusion in the proactive audit plan which will be delivered by the Fraud Team, whose auditors will be a link between the two teams in the new structure helping ensure that the objectives of both the audit and fraud strategies are achieved in an efficient and effective manner.
- 2.3 In addition, for the development of the 2015/16 audit plan there have been meetings with colleagues working in Newham to discuss shared and converging systems and processes and the opportunity to provide increased assurances with reduced audit input. Although opportunities are evident, as expected the two organisations are very different and levels of risk vary so the majority of the audit plans remain separate. However even for these audits, sharing of expertise will be beneficial.
- 2.4 The draft plan has been circulated to senior management for comment.

3. Proposed Plan

- 3.1 The audit plan has been developed to provide maximum assurance using the internal audit resource available. Considering the resources that are available during 2015/16 and expected utilisation rates, the full oneSource plan contains 2,148 days. 560 days have been allocated to Havering Audits and 110 days to auditing oneSource services across both authorities.
- 3.2 Appendix A attached to this report contains the proposed audit plan for 2015/16. The complete oneSource audit plan, including Newham audits, is presented for information.

IMPLICATIONS AND RISKS

Financial implications and risks:

The costs related to delivery of this audit plan will be met from within the 2015/16 budget for the Audit Service. The resources available are sufficient to review all the high risk areas identified in the planning process as well as allowing the team to undertake some probity work. There are risks associated with not having an adequate audit provision to provide assurance and protect the organisation from loss.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report. Risk relating to the change management process within the service will be managed under the relevant policy and procedure.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

None

oneSource Audit Plan 2015/16

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
oneSource LBN/LBH	ICT	25	Data Centre	2	Audit intelligence	IT audit
oneSource LBN/LBH	ICT	25	Disaster Recovery	3	Has not been audited recently	IT audit
oneSource LBN/LBH	Exchequer & Transactional Services (oneSource)	30	NNDR	4	Has not been audited recently	Fundamental Financial Systems
oneSource LBN/LBH	Exchequer & Transactional Services (oneSource)	30	Council Tax Collection	2	Has not been audited recently.	Fundamental Financial Systems
Havering	Asset Management (oneSource)	20	Capital works in schools	1 -> 3	High value/high profile capital project	Procurement/Commissioning/ Contracts
Havering	Cross Cutting	20	Assurance on mitigations identified for Corporate Risks	Q3	TBC - following next review of the CRR and the review of Service Risk Registers in Service Plans in May/June 2015.	Strategic Risk
Havering	Cross cutting	20	Car Pool	1	New policy implemented in 1415	Strategic and Operational Risks
Havering	Cross cutting	15	Complaints	4	New approach 2015/16	Strategic and Operational Risks
Havering	Cross cutting	15	Compliance with procurement rules	1 -> 3	Service to be determined	Compliance review

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Havering	Cross cutting	10	Declaration of Interests	4	Issues of failure to declare interests and lack of awareness of responsibilities identified in 2014/15 actions by Governance Group but need to ensure effective.	Compliance review
Havering	Cross cutting	15	Follow up audits	1	Follow up of limited assurance reports from 1415	Strategic and Operational Risks
Havering	Cross cutting	5	Grant claims	1	Some returns require Internal Audit sign off	Assurance regarding accuracy and completeness of return and compliance with corporate approach
Havering	Cross cutting	15	I Procurement	1	Issues with duplicate payments detected and new version implemented in 1415	Strategic and Operational Risks
Havering	Cross cutting	15	NEPRO system		New system to control the engagement of consultants implemented 1415	Strategic and Operational Risks
Havering	Cross cutting	20		2	New system implemented, new oneSource approach. Some Governance issues in 2014/15.	Strategic and Operational Risks

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Havering	Cross cutting	5	Recommendation Monitoring	1	Progress to implement all audit recommendations is tracked and results are reported to CMT and audit committee	Strategic and Operational Risks
Havering	Cross cutting	20	Savings Programme	3	Assurance required that processes around benefits realisation are robust. Overall governance but detailed review of two savings areas.	Strategic and Operational Risks
Havering	Exchequer & Transactional Services (oneSource)	5	Governance Risk Control Compliance	1	This module is part of one oracle and has significant control possibilities if properly deployed and utilised	Consultancy/Advice
Havering	Exchequer & Transactional Services (oneSource)	20	Council tax collection	3	Has not been audited recently	Fundamental financial system
Havering	Homes and Housing	15	Private Sector Leasing	1	New team/strategy established 1415	Strategic and Operational Risks
Havering	ICT (oneSource)	15	Remote access	1	Confirming that there are adequate security controls around remote access to the council's network.	IT audit
Havering	ICT (oneSource)	11	Prior year IT audits		To complete prior year audits	

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Havering	ICT (oneSource)	24	Contingency	2,3&4	Scope yet to be determined	Strategic and Operational Risks
Havering	ICT (oneSource)/ Asset Management (oneSource)	15	ID Smart Cards	1	This was a 14/15 audit not started prior to April 2015	Operational Risks
Havering	ICT /Procurement (oneSource)	15	Off Site Storage	1	Confirming that there are adequate arrangements for off site storage of records and management of these records.	Strategic and Operational Risks
Havering	Learning and Achievement	15	Catering Services	4	In 2014/15 there was a investigation that identified significant failings in this area. Management have requested assurance that the new system of internal control implemented is efficient and effective.	Strategic and Operational Risks
Havering	Learning and Achievement	10	Pupil Place Planning	1	To ensure that a robust approach is applied to forecasting the demand for school places in the Borough in future years.	Strategic and Operational Risks

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Havering	oneSource Human Resource	15	TALENT LINK	15	New system in 14/15 N.B. In the proactive plan there is also some days allocated to recruitment fraud.	Strategic and Operational Risks
Havering	School Audit Health checks	15	School audit Health checks	1	Traded Service with schools	Strategic and Operational Risks
Havering	School Audit Health checks	50	School audit Health checks	2,3 & 4	Traded Service with schools	Strategic and Operational Risks
Havering	Schools	25	School audits	1	Rolling programme of schools audits	Strategic and Operational Risks
Havering	Schools	50	School audits	2,3 & 4	Rolling programme of schools audits	Strategic and Operational Risks
Havering	Service TBC	5	Governance Review of one service area to inform Annual Governance Statement	4	Assurances required by s151 as part of the governance framework. Requests have been received from Heads of Service to give independent assurance on how they operate and compliance with rules. Outcome would inform AGS and also good practice and lessons learned would be shared with others.	Corporate Governance
Havering	ICT (oneSource)	5	Follow Up Audit Recommendations	2,3&4	From Limited or Nil Assurance Audits	

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Adults	10	Care Act 2014 - consultancy	1	New legislation	Consultancy/Advice
Newham	Adults	2	Newham Health Protection Sub-Committee	1,2,3 & 4		Consultancy/Advice
Newham	Adults	15	Client Affairs	1	Due to sensitivity, this is audited annually	Corporate Governance
Newham	Adults	20	Mental Health Safeguarding	2	At request of service.	Strategic and Operational Risks
Newham	Adults	15	Brokerage	4	Not audited before	Strategic and Operational Risks
Newham	Adults	20	Scheduled reviews	3	Part of operating model that has not been examined	Strategic and Operational Risks
Newham	Adults	15	Home Adaptation and Independent Living Team – Disabled Facilities Grant	2	Transferred to Adults in 2013	Strategic and Operational Risks
Newham	Adults	15	Managed Account Service – management and monitoring of pre-paid cards	2	Service taken back in house from outsourced provider.	Strategic and Operational Risks
Newham	Adults	5	Azeus case management system	4	New application.	IT audit
Newham	Adults	20	Independent Living Support Services	3	Not audited before	Procurement/Commissioning/Contracts
Newham	Adults	10	Better Care Fund	4	New activity	Strategic and Operational Risks

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Adults	15	Access Team – application of the ordinary residence policy	2	At request of service.	Strategic and Operational Risks
Newham	Asset Management (oneSource)	15	School expansions and new builds	3	High value/high profile capital project	Procurement/Commissioning/ Contracts
Newham	Children's Safeguarding	15	Business Continuity Planning	1	Legislative duty to ensure that the council can continue to deliver its functions in an emergency	Strategic and Operational Risks
Newham	Children's Safeguarding	15	No recourse to public funds (NRPF)	1	In consultation with service.	Strategic and Operational Risks
Newham	Children's Safeguarding	50	Schools census returns	1	Concerns were identified with the accuracy of data during an audit of excluded children	Strategic and Operational Risks
Newham	Children's Safeguarding	10	Troubled Families payments by results return	1,2,3 & 4	To carry out certification.	Compliance review
Newham	Children's Safeguarding	20	Children in Need Section 17 payments	2	Risk of overspend	Strategic and Operational Risks
Newham	Children's Safeguarding	20	Disabled Children and Leaving care placements	3	Audit intelligence	Strategic and Operational Risks
Newham	Children's Safeguarding	20	Emergency Duty Team	4	Requested by Service (Adults)	Strategic and Operational Risks
Newham	Children's Safeguarding	20	Panel processes	4	Audit intelligence	Strategic and Operational Risks

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Children's Safeguarding	15	Amber contact EBU	3	Audit intelligence	Strategic and Operational Risks
Newham	Children's Safeguarding	15	Childview application	3	IT application review	IT audit
Newham	Community and Environment	20	Capital Monitoring	1	Lack of forecasting identified in period 8 budget monitor	Procurement/Commissioning/ Contracts
Newham	Community and Environment	20	Contract Management of activeNewham	1	Ensuring that the council has appropriate contract monitoring arrangements	Procurement/Commissioning/ Contracts
Newham	Community and Environment	15	Stores	4	Audit intelligence	Fundamental Financial Systems
Newham	Community and Environment	15	Repairs on Local Space equity properties	2	Audit intelligence	Strategic and Operational Risks
Newham	Children's Safeguarding	15	Library buildings - contract management	2	Refurbishment expenditure planned.	Procurement/Commissioning/ Contracts
Newham	Community and Environment	15	Traffic Management Orders	4	These are essential for collection of parking income.	Strategic and Operational Risks
Newham	Children's Safeguarding	20	Community Hubs - contract monitoring	4	Ensuring that the council has appropriate contract monitoring arrangements	Strategic and Operational Risks
Newham	Human Resources/Organisational Development (oneSource)	10	Talentlink	3	New application.	IT audit
Newham	Cross cutting	20	Agency staff vetting	1	Compliance review	Compliance review
Newham	Cross cutting	15	Compliance with procurement rules	1	Service to be determined	Compliance review

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Cross cutting	20	Overtime	3	Compliance review	Compliance review
Newham	Cross cutting	15	Interface	2	Rolling programme of interface reviews	Fundamental Financial Systems
Newham	Cross cutting	100	Consultancy/ contingency	1	To respond to emerging risks.	Consultancy/Advice
Newham	Cross cutting	40	Data Matching	1	Continuous audit	Strategic and Operational Risks
Newham	Cross cutting	150	Follow up audits	1	All audit recommendations should be followed up to confirm they have been implemented.	Strategic and Operational Risks
Newham	Cross cutting	15	Grant claims	1	To carry out grant certifications	Compliance review
Newham	Cross cutting	75	Prior year audits	1	To complete prior year audits	Strategic and Operational Risks
Newham	Cross cutting	25	Legal re-charges	3	Intelligence	Strategic and Operational Risks
Newham	Enforcement and Safety	15	Emergency Planning	1	Has not been audited for some years	Strategic and Operational Risks
Newham	Exchequer & Transactional Services (oneSource)	7	Employee advances	1	Audit intelligence	Fundamental Financial Systems
Newham	Exchequer & Transactional Services (oneSource)	40	Housing Benefits audits (2)	2,3 & 4	Complex area, with significant expenditure.	Fundamental Financial Systems

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Exchequer & Transactional Services (oneSource)	15	BACS transmission files	3	Risk that BACS transmission files can be tampered with if access is not strictly controlled	Fundamental Financial Systems
Newham	Exchequer & Transactional Services (oneSource)	30	Council Tax Collection	2	Has not been audited recently.	Fundamental Financial Systems
Newham	Exchequer & Transactional Services (oneSource)	15	Northgate Revenues and Benefits application review	4	Has not been audited recently	IT audit
Newham	Finance (oneSource)	4	Newham People's Trust Fund	1	Yearly examination	Corporate Governance
Newham	Finance (oneSource)	10	1Oracle Ops Board	1,2,3 & 4	Attendance at the 1Oracle operational board	Fundamental Financial Systems
Newham	Housing	15	Shared equity scheme	4	New	Strategic and Operational Risks
Newham	Housing	15	Houses in multiple occupation licensing	3	Intelligence	Strategic and Operational Risks
Newham	Housing	20	Clienting the Repairs and Maintenance Service	4	Intelligence	Strategic and Operational Risks
Newham	Housing	15	Housing Register	4	Intelligence	Strategic and Operational Risks
Newham	Housing	15	Capital Monitoring	2	Intelligence	Strategic and Operational Risks
Newham	Housing	15	Leaseholder charges	2	Intelligence	Strategic and Operational Risks
Newham	Housing	15	Online housing register	3	Intelligence	IT audit

Council	Directorate /Service	Days	Audit name	Quarter	Reason for inclusion	Type of audit
Newham	Human Resources/ Organisational Development (oneSource)	10	Mediation	1,2,3 & 4		Consultancy/Advice
Newham	ICT (oneSource)	15	Remote access	1	Confirming that there are adequate security controls around remote access to the council's network	IT audit
Newham	ICT (oneSource)	20	Software licences	4	Has not been audited recently	IT audit
Newham	ICT (oneSource)	15	Private Branch Exchange	3	Audit intelligence	IT audit
Newham	Corporate Services	15	Customer complaints system	4	Application review	IT audit
Newham	Planning and Regeneration	15	Atherton Leisure Centre - capital monitoring	1	High value/high profile capital project	Procurement/Commissioning/ Contracts
Newham	Planning and Regeneration	20	Community Infrastructure Levy	4	New activity	Strategic and Operational Risks
Newham	Schools	140	Schools audits	1	Rolling programme of schools audits	Strategic and Operational Risks

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AUDIT COMMITTEE

24 June 2015

Subject Heading:	Anti-fraud and Corruption Strategy 2015
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Contact Emma Vick oneSource Fraud Manager 02033739793;email emma.vick@newham.gov.uk
Policy context:	To advise the Committee current Anti-fraud and Corruption Strategy of the Council's Corporate Fraud team
Financial summary:	This report details information on the Council's Anti-fraud and Corruption Strategy, designed to minimise loss through fraud
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 current Anti-fraud and Corruption Strategy of the Internal Audit Corporate Fraud Team for 2015/16.

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 with regards to the Anti-fraud and Corruption Strategy.

Anti-Fraud and Corruption Strategy

February 2015

Date Last Reviewed:	February 2013
Approved by:	Cabinet
Date Approved:	
Version Number:	3.0
Review Date:	February 2015
Document Owner:	Director of Finance
Post Holder:	Deborah Hindson
EQIA Assessed:	N/A
Reference No:	15/16

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Anti-Fraud & Corruption Strategy

Introduction

The Anti-Fraud and Corruption Strategy outlines the London Borough of Havering's firm commitment to minimising the risk of loss to the organisation resulting from fraud and corruption both internally and externally.

Scope

The Strategy is designed to:

- encourage prevention
- promote detection
- ensure effective investigation
- prosecute offenders where appropriate

There is an expectation and requirement that all Members, employees, consultants, contractors, partners and service users be fair and honest and, if able to do so, provide help, information and support to assist any investigation of fraud and corruption.

This strategy explains how the Corporate Fraud Team will deliver this commitment and provides advice on how concerns relating to fraud and corruption can be raised.

In adopting this strategy the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council.

This strategy document sets out the Council's arrangements to fight Fraud and Corruption and is aligned to the Local Government Strategy – Fighting Fraud Locally.

The Strategy is set out under three headings:

- **Acknowledge**
- **Prevent**
- **Pursue**

Acknowledge

To implement robust arrangements in this area it is important to first acknowledge and then understand the risks faced by the organisation.

The Council has recognised these risks and has dedicated resources in place to support Management and the organisation in achieving their shared objectives.

The dedicated resources within the organisation review relevant publications and attend seminars to ensure they are aware of emerging and changing risks and participate in London wide groups that seek to increase collaboration and share best practice

Prevent

Having acknowledged the risks the organisation faces action is continuously being taken to prevent and detect fraudulent or corrupt activity.

Roles and Responsibilities / Accountability

The Council expects all individuals and organisations associated with it to be honest and fair in their dealing with Council and its service users. Members and managers are expected to lead by example in this respect, observing the Principles of Public Life as expressed by the Nolan Committee:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Employee Responsibilities

Employees have an essential role in the prevention of fraud and corruption within their daily duties and general conduct. All employees should be aware of and understand the Council's rules and regulations set out in the Employees Code of Conduct and Financial Framework.

Employees who suspect a fraud or irregularity have a duty to report their concerns. Where such concerns exist, individuals are asked to make a note of all relevant details, such as what was said, time and place and the names of individuals involved. Suspicion of fraud or irregularity should be reported immediately to either your:

- Line Manager
- Head of Service
- Group Director

Employees can also in accordance with the Council's Whistleblowing Policy report concerns direct to the Fraud Manager or the Corporate Fraud Team. Anyone wishing to report a concern should be aware that every effort will be made to preserve confidentiality.

It is essential that employees do not do any of the following:

- Contact the suspected perpetrator to determine facts
- Discuss the case, suspicions or allegations with anyone outside the Council (including the Press).
- Discuss the case/evidence/details with anyone within the Council other than those listed above.

Management Responsibilities

Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's policies, procedure rules, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the code of conduct through the induction process.

Managers are expected to strive to create an environment in which their staff feels able to approach them with any concerns they may have about suspected irregularities.

Management must ensure that levels of internal check and control are in place to safeguard against the risk of fraud and corruption. Internal Audit and Corporate Fraud support management in considering risks within their areas, including the risk of fraud, and ensuring that appropriate controls are applied to prevent and detect fraud.

Managers who suspect a fraud or irregularity in their work area or have received a concern from an employee or member of the public should:

- Not attempt to undertake a formal investigation as this may damage any Internal Audit or criminal enquiry.
- When receiving the concern obtain as much information as possible, including any evidence.
- Report the matter immediately to the Fraud Manager or Corporate Fraud Team.

Members responsibilities

As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.

Elected members sign to confirm that they have read and understood the national code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Chief Executive reminds Members annually of important points in relation to their role as a Councillor in relation to prevention and detection of fraud and corruption.

Audit Committee

Ownership of this Strategy and corporate oversight for fraud and irregularity is maintained by the Audit Committee. The Committee receives quarterly fraud update reports regarding investigation caseload. The Group Director of Finance is responsible for ensuring an annual review is undertaken of the Anti-Fraud & Corruption Policy and Strategy.

Regulations and Legislation

Each employee is governed in their work by the Council's procedure rules, Financial Framework, Procurement and Contract Rules and other codes of conduct and policies. They are also governed by the code of conduct. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council.

The monitoring of the Council's arrangements with regards fraud and corruption is delegated to the Audit Committee and the Fraud Manager has direct access to the Chief Executive, the s151 Officer and Members.

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. As well as governing operations, the regulations form a key component of the internal control environment, following and applying these creates a strong platform from which to combat the risk of fraud and corruption.

Current legislation of direct relevance includes, but not restricted to:

- Fraud Act 2006
- Theft Act 1968 and 1978
- Bribery Act 2010
- Computer Misuse Act 1990

The Council has in place various other relevant policies regarding fraud and corruption:

- Employee Code of Conduct
- Financial Framework/Regulations
- Contract Standing Orders
- Whistleblowing Policy
- Declarations of Interest Policy
- Business Systems Policy
- Disciplinary Policy
- Anti-Bribery Policy

Culture of Zero Tolerance

The culture of the Council has always been one of openness and the core values of accountability and probity support this. The Council's culture therefore supports its opposition to fraud and corruption and actively seeks to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts.

The organisations culture is critical in the fight against fraud. This strategy communicates a strategic approach of zero tolerance to Fraud and Corruption by;

- Publishing that fraud and corruption will not be tolerated
- Encouraging a strong anti-fraud culture
- Taking robust action when fraud and corruption are identified
- Taking action to maximise financial recovery for the Council
- Delivery of Anti-Fraud Awareness Campaign fraud awareness training sessions

Publicity

The Council actively seeks to publicise both internally and externally successes of its Anti-Fraud and Corruption Strategy in order to deter potential future fraudsters.

Training and Awareness

Annually there is an Anti-Fraud campaign to publicise and support the Council's on-going awareness programme both internally and externally. Fraud awareness training is presented by the Corporate Fraud Team to any team meeting and managers are encouraged to request this training. There is also currently an E learning package which all employees are expected to complete.

Detection

The Internal Audit Team undertake a programme of systems and proactive fraud audits as part of the Annual Audit Plan, incidences of fraud and recommendations to improve the system of internal control are highlighted to management.

The Council participates in the National Fraud Initiative (NFI) which matches data from across public sector organisations to detect fraud. Although service areas are responsible for dealing with the results of the data match the process is overseen by the Fraud Manager. The results of the NFI are reported to Corporate Management Team. Other data matching exercises to look at specific areas of risk are also conducted most recently for Single Person Discounts and Housing Tenancy Fraud.

The use of technology is an essential tool for Internal Audit in detecting and identifying misuse and abuse of IT systems. Blue Coat is a web-based reporting tool that enables Internal Audit and Business Systems to run reports to investigate and identify Internet use of staff. A protocol is in place to ensure forensic examinations, either planned or random, are performed to a high level of confidentiality and securely.

The Corporate Fraud Team works in partnership with other Local Authorities and organisations such as Dept. of Works and Pensions, UK Border Agency and the Metropolitan Police.

The Council will continue to subscribe to the work with the National Anti Fraud Network (NAFN) to ensure access to all intelligence sources.

The Council has a Confidential Reporting or 'Whistleblowing Policy' to enable all individuals internal to the organisation or those working within organisations working in partnership or on our behalf the opportunity to report concerns. Annual campaigns are carried out to continuously focus staff awareness of the whistleblowing policy.

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

The Council will only use, or share data with other organisations where the law allows it to do so, in line with the principles of the Data Protection Act 1998.

Pursue

Investigation

The Corporate Fraud Team is responsible for the investigation of all allegations of fraud and corruption against the Council.

Investigations undertaken by the Corporate Fraud Team, must comply with codes of practice and other regulated powers. All interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984 and the Regulation of Investigatory Powers Act 2000.

This process will apply to all the following areas:

- Fraud/corruption by elected members acting in their official capacity
- Internal fraud/corruption by Council employees, Agency Workers, Temporary employees on fixed term contracts
- Fraud by contractors or consultants and their employees
- External fraud (the public)

All allegations of fraud will be investigated by the Corporate Fraud Team to ensure total independence and use of relevant expertise.

As part of any investigation, the Council will ensure that:

- Any allegation is dealt with promptly and confidentially.
- All evidence collected is recorded, stored securely and safely.
- Interviews undertaken by Corporate Fraud are conducted fairly and in line with the appropriate legislation.
- Human Resources and Legal Services are consulted where appropriate.
- Relevant Directors and managers are informed of the progress of the investigation as appropriate.
- All investigations are conducted in a timely manner.

The investigation will consider whether:

- Disciplinary action against any employee involved.
- Civil or criminal prosecution action.
- The matter should be referred to the Police.
- Changes are required to the Council's procedures.
- Any other action should be recommended.

At the conclusion of our investigation, the investigating officer will report their findings to the relevant managers, Director, Head of Human Resources and where appropriate Section 151 Officer. Any decision to prosecute or to refer a matter to the police will be taken, in accordance with the relevant policy, by the Fraud Manager and where appropriate following consultation with the Group Director of Finance, Legal Services and the Council's Monitoring Officer. Where necessary, the individual who is subject to the investigation will be informed by the Head of Human Resources of the outcome in writing and advised of what action, if any is to be taken. Detailed guidance for auditors relating to the conduct of investigations are included in the Corporate Fraud manual.

When fraud or corruption has occurred because of a breakdown or weakness in the Council's systems or procedures, Managers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

Prosecution

The Council has adopted a Prosecution & Sanctions Policy and the Council's this ensures consistency, whilst recognising that it may not always be in the public interest to refer cases for criminal proceedings. Any matters considered for prosecution will be subject to the Code for Crown Prosecutors, the evidential test

and the Public Interest test.

Disciplinary Action

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

Members will face appropriate action under this strategy if they are found to have been involved in fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such cases, if not referred to the police, will be referred to the Councils Monitoring Officer; Governance Committee or Group Leader, as appropriate.

Conclusion

The Council sets and maintains high ethical standards and a culture of openness, with core values of accountability and transparency. This strategy fully supports the Council's desire to maintain an honest Council, free from fraud and corruption.

The Council has in place a network of rules, policies, systems and procedures to assist it in the fight against fraud and corruption. These arrangements will be subject to continuous review to ensure they continue to be fit for purpose and adapt as required as risks change.

In addition the Council will seek assurance from External and Internal Audit to ensure best practice is followed and sufficient resources are available to manage the Council's risk.

Further Support, Tools and Guidance

The latest version of the Anti Fraud and Corruption Strategy and all of our documents can be obtained from by contacting the Corporate Fraud Manager – Emma Vick on 02033739793 email emma.vick@newham.gov.uk or by visiting our intranet pages: <https://intranet.havering.gov.uk/index.aspx?articleid=11676>

