



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.00 pm	Tuesday 27 September 2016	Committee Room 3A - Town Hall
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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:
James Goodwin 01708 432432
james.goodwin@OneSource.co.uk**

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 INTERESTS

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

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

4 MINUTES OF THE MEETING (Pages 1 - 8)

To approve as correct the minutes of the meeting held on 30 June 2016 and authorise the Chairman to sign them.

5 ANNUAL ACCOUNTS 2015/16 (Pages 9 - 12)

Report attached.

6 REPORT OF THOSE CHARGED WITH GOVERNANCE - INTERNATIONAL STANDARDS OF AUDITING -(ISA) 260 (Pages 13 - 18)

Report attached.

7 ANNUAL GOVERNANCE STATEMENT (Pages 19 - 34)

Report attached.

8 HEAD OF ASSURANCE QUARTER 1 PROGRESS REPORT: 4TH APRIL 2016 TO 3RD JULY 2016 (Pages 35 - 50)

Report attached.

9 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.

10 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.

11 TREASURY MANAGEMENT UPDATE QTR 1 (Pages 51 - 58)

**Andrew Beesley
Committee Administration
Manager**

Public Document Pack Agenda Item 4

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
30 June 2016 (6.30 - 7.05 pm)**

Present:

COUNCILLORS:

Conservative Group Viddy Persaud (in the Chair) Frederick Thompson

Residents' Group Julie Wilkes (Vice-Chair)

**East Havering
Residents' Group** Clarence Barrett

UKIP Group Phil Martin (In place of David Johnson)

**Independent Residents
Group** Graham Williamson

Apologies were received for the absence of Councillor David Johnson.

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

1 HEAD OF ASSURANCE FOR ONESOURCE

The newly appointed Head of Assurance for Onesource, David Hogan, was introduced to the Committee. David was currently Head of Internal Audit, Counter Fraud and Risk at the London Borough of Bexley.

The Committee welcomed David to the meeting and looked forward to a long working relationship.

The Committee also placed on record their appreciation for the work undertaken by Sandy Hamburger the Interim Audit and Risk Manager and wished her well for the future.

2 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 10 May 2015 were agreed as a correct record and signed by the Chairman.

3 STATEMENT OF ACCOUNTS 2015/16

Since the report had been prepared the Statement of Accounts for 2015/16 had been finalised and signed by the Chief Executive. A copy of the accounts had been published on the Council's website.

Officers had highlighted two main issues.

- The launch of the finance transformation review in April 2016 which had led to resources being redirected to that process at key points of the closedown programme;
- A delay in the Capital closedown programme as a consequence of additional testing requirements associated with an upgrade in the Asset Register and staff vacancies in the capital accounting team. Capital remained the most complex year end procedure and had a major impact on the financial statements.

Despite these issues the early cut off dates had been achieved and the Pension Fund accounts completed by 31 May.

The Committee were advised that both Havering and Newham Councils had the services of Ernst & Young as External Auditors, although they were two separate teams, and Bexley used Grant Thornton. In three years time Councils would have the opportunity to choose their own external auditors and there might be an opportunity to reduce costs by all three boroughs employing the same auditors and adopting similar practices.

The Committee noted the report.

4 ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement (AGS) updated the Committee on progress against the significant governance issues monitored during 2015/16, the status of those issues and the new issues arising from the 2015/16 AGS for monitoring in 2016/17.

The Council must review its systems of internal control and governance annually and assure itself that its internal control environment was effective. The assurance framework set out the sources of assurance that were relied upon on to enable preparation of the Annual Governance Statement. These included the work of the internal auditors and of directors and managers within the Council who had 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 Head of Audit opinion set out in the internal audit annual report formed a key element of the review, as did the Council's work on risk and performance management.

The Annual Governance Statement covered 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 were implemented in practice;
- high quality services were delivered efficiently and effectively;
- the Council's values and ethical standards were met;
- laws and regulations were complied with;
- required processes were adhered to;
- financial statements and other published performance information were accurate and reliable;
- human, financial, environmental and other resources were managed efficiently and effectively.

The AGS was required to disclose any issues that the Council considered to be significant governance issues. The three issues identified in the 2014/15 Annual Governance Statement, **Scheme of Delegation (oneSource), Declaration of Interest, and Assurance** had been monitored by management and the Governance Group throughout the year with regular updates to the Audit Committee. These issues had now progressed and two new issues had been agreed for inclusion in the draft 2015/16 AGS and monitoring during 2016/17; **Having Scheme of Declaration and Commissioning & Contracts (including compliance with procurement rules)**. Actions to address each of these governance issues were set out in the statement and progress would be monitored throughout 2016/17 by the Governance Board, CMT and Audit Committee.

Officers had indicated that as part of the Commissioning and Contracts work consideration would have to be given to the risks around the requirement for local authority employees to be fluent to level 7 English. This would impact on both contractors and commissioners who often employ migrants. This would be a key focus when awarding new contracts.

Officers would be reviewing the Risk Register.

The Committee **agreed** the 2015/16 Annual Governance Statement.

5 **ANNUAL AUDIT REPORT**

The Committee considered the Internal Audit Annual Report, including the Annual Assurance Statement for 2015/16.

Based on the work undertaken during the year the Head of Audit had given an annual 'reasonable' assurance opinion for 2015/16, which supported the review of effectiveness of the Council's governance as reported in the Annual Governance Statement.

Key outcomes for 2015/16 included:

- The Governance and Risk Management arrangements had been strengthened and supported the Council's self-service agenda. Nationally austerity and the pace of change required by councils to innovate, generally saw councils accepting a higher risk appetite.

- The Fraud Service, which had initially been impacted on by the transfer of staff along with the Housing Benefit Investigation function to the DWP, had been significantly strengthened.
- The restructure of the Audit Service between three partner councils had been launched in April 2016 and would be implemented in September 2016. This had achieved the oneSource savings target, whilst ensuring future service resilience.

Austerity and the pace of change had enabled Local Authorities to revisit their risk appetite. The Audit Committee had adopted a roles and responsibilities approach to risk management that was in line with empowering services and embedding risk management across the organisation. This had required a mature attitude to risk management in 2016/17 with the Corporate Risk Register being considered by this Committee twice a year and reviewed by the Governance Group on a quarterly basis.

The oneSource service transformation restructure had formally been launched on the 15th April; this had included the new partner-Bexley. It was anticipated that the structure would go live late August. This would deliver additional resilience, savings and efficiencies required in line with the Joint Committee Business Case.

The oneSource Audit Service was required to make £1.393m of savings per annum. The proposed structure for three partners would see a net reduction in the service from the 2015/16 combined staffing levels (post Fraud phase one required in April 2015 due to the statutory transfer of Housing Benefit Investigators to the DWP) from 57FTEs to 39FTEs. In anticipation of the restructure vacancies had been maintained.

The proposed Target Operating Model had been agreed by the three partner statutory Section 151 Finance Officers. The combined proposed staffing element cost for 2017/18 was £1,864,000.

The 2015/16 planned audit days was 800, which had reduced by 8% (67 days) compared to 2014/15. This was in line with the 2013/14 London average of 900 days. Looking ahead this would not be adversely impacted on by the restructure.

Post the implementation of the oneSource restructure of Internal Audit, there would be a “One Policy, Strategy and Procedure” approach, in line with the principles in the business case that would ensure duplication was removed and partners would receive the same service standard. The Committee had agreed the Havering/oneSource Anti-Fraud and Corruption Strategy at the September 2015 meeting.

The Committee **noted** the report.

6 FORWARD PLAN FOR THE AUDIT COMMITTEE 2016/17

The Committee received a report setting out the expected agenda items for the next 5 planned meetings. Where appropriate suitable training had been identified.

The Committee agreed the following plan which was subject to change as required:

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
27th September 2016	<ul style="list-style-type: none"> • Approval of annual Statement of Accounts 2015/16 (with AGS) • Report to those charged with Governance (External Audit) • Response to Auditors' Report to those charged with Governance (Finance) • Treasury Management Update Q1 • Internal Assurance Report Q1 • Governance update (6 months) • Corporate Risk Register Update (6 months) 	Accounts (training will be separate session before evening of committee).
1 st December 2016	<ul style="list-style-type: none"> • Annual Audit Letter • Closure of Accounts Timetable • Treasury Management Update Q2 • Internal Assurance Report Q2 • Annual Fraud Plan update 	Fraud Awareness
1 st March 2017	<ul style="list-style-type: none"> • 2015/16 Audit Report of Grant Claims and Returns • External Audit Plan 2016/17 • Accounting Policies 2016/17 • Treasury Management Update Q3 • Closure of Accounts Timetable 2016/17 • Internal Assurance Report Q3 • Internal Assurance 2017/18 Draft Plan, Strategy, Charter and Terms of Reference. 	Good Governance & Quality Review Effectiveness (longer session)
9 th May 2017	<ul style="list-style-type: none"> • Treasury Management Update Q4 • Annual Report of the Audit Committee • Annual Governance Statement 2016/17 • Corporate Risk Register Update (12 months) 	Treasury Management
June 2017 (TBC)	<ul style="list-style-type: none"> • Accounts Closure Update • Treasury Management Annual Report • Internal Assurance Annual Report 2016/17 • Committee Forward Plan 2017/18 • Member Training Plan 2017/18 	Risk Management

7 TRAINING PLAN FOR THE AUDIT PLAN

The Council's constitution states:

'(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.'

A skills analysis was completed for all members and nominated substitutes in 2014 to identify any specific training needs. Members had the opportunity to review the training programme. Members and substitute members could request at any time a briefing on an agenda item.

The most appropriate method of delivery would be selected based on the development or learning need. This was likely to be officer briefings (verbal or written), e learning or training with external specialists. The Committee would also receive ad-hoc briefings from the relevant officer on new topics relevant to the Committee's role.

Substitute Members would be invited to attend all training and in some circumstances the training might be offered to all Members, where it was considered relevant.

Training was included on the forward plan and presented at each meeting. Details of training provided and undertaken would be included in the Annual Report of the Committee.

The Committee **approved** the proposed training plan.

Chairman

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AUDIT COMMITTEE

Subject Heading:	Annual Statement of Accounts 2015/16
CMT Lead:	Andrew Blake-Herbert
Report Author and contact details:	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@oneSource.co.uk
Policy context:	Audit Committee responsible for approving accounts.
Financial summary:	There are no direct financial implications from 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	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The Council’s Statement of Accounts is required to be published after the conclusion of the external audit of accounts; no later than 30th September 2016. At this stage our auditors, Ernst and Young, expect to issue an unqualified opinion on the Statement of Accounts.

RECOMMENDATIONS

The Committee is asked to:

- a) Approve the Statement of Accounts confirming that no amendments are required to be made to the accounts in respect of the items set out in the auditors' report.
- b) note that the audited accounts must be published by 30th September 2016.
- c) Note the amendments to the accounting policies arising from the audit of the accounts.

REPORT DETAIL

1. Statement of Accounts 2015/16

Our auditors, Ernst and Young, have completed their audit of the Statement of Accounts and expect to issue an unqualified opinion. A formal report on their findings is included as item 6 on the agenda.

The draft Statement of Accounts is shown at Appendix A and incorporates any changes agreed with the auditors. Any adjustments will be advised to Members at the Committee meeting.

Following approval by this Committee, the accounts must be signed by the Chair of the Committee and the Chief Executive.

2. Accounting Policies

The Audit Committee meeting of 2nd March noted the accounting policies applicable to the financial year 2015/16, and these are reflected in the draft Statement of Accounts.

As a result of the audit of the accounts, **policy ii: Accruals of Income and Expenditure** was updated to state:

“Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of two years”

IMPLICATIONS AND RISKS

Financial Implications and Risks:

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

Legal Implications and risks:

Regulations 9 and 10 of the Accounts and Audit Regulations 2015 require the approval and subsequent publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30th September 2015. Approving the recommendations set out herein will minimise the risk of non-compliance with these requirements”

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

Working papers held within the Corporate Finance section.
Draft statement of Accounts 2015/16

Appendix A

London Borough of Havering

Statement of accounts for the financial year 2015/16

AUDIT COMMITTEE

Subject Heading:	Report To Those Charged With Governance International Standard of Auditing (ISA) 260
CMT Lead:	Andrew Blake-Herbert
Report Author and contact details:	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@oneSource.co.uk
Policy context:	Audit Committee responsible for approving accounts.
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	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The draft ISA 260 report from the external auditor Ernst and Young will be presented as Appendix A and discussed by the auditors at the meeting. It will summarise their findings from the 2015/16 audit to date. It will set out key issues that will be considered by the auditors when considering their opinion, conclusion and certificate. Officers' responses will be included in the ISA 260 report.

The draft of the Letter of Representation will be included as appendix B.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2016.

RECOMMENDATIONS

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

REPORT DETAIL

Regulation 11 of the Accounts and Audit Regulations 2015 requires the publication of the Statement of Accounts after the conclusion of the audit, but in any event no later than the 31st July. Transitory provisions (regulation 21) amend this to 30th September for the 2015/16 and 2016/17 accounts.

The draft report from the external auditor, Appendix A, summarises their findings from the 2015/16 audit to date. It sets out key findings that will be considered by the auditors when considering their opinion, conclusion and certificate.

The Committee is also asked to consider the draft Management letter, Appendix B, setting out the assurances required of the Chief Executive by the auditors.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2016.

Financial Implications and Risks:

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

Legal Implications and risks:

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

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

BACKGROUND PAPERS

Working papers held within the Corporate Finance section.

Draft statement of Accounts 2015/16

Appendix A

Report to the Audit Committee of the authority on the audit of the statement of accounts and pension fund accounts for the year ended 31 March 2016 (ISA (UK&I) 260)

Appendix B

Representation letter – audit of the London Borough of Havering’s (“the Authority”) Statement of Accounts for the year ended 31 March 2016

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AUDIT COMMITTEE

27 September 2016

Subject Heading:	Annual Governance Statement
CMT Lead	Jane West, Managing Director oneSource
Report Author and contact details:	David Hogan, Head of Assurance Tel: 0203 045 4943 E-mail: david.hogan@bexley.gov.uk
Policy context:	To note the contents of the final version of the 2015/16 Annual Governance Statement.
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 draft Annual Governance Statement was agreed at the 30th June Audit Committee.

The final Annual Governance Statement has now been signed off by the Leader of the Council and the Chief Executive.

RECOMMENDATIONS

To note the contents of the final 2015/16 Annual Governance Statement.

REPORT DETAIL

A final version of the AGS signed by the Leader of the Council and the Chief Executive is attached as appendix 1.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly. The risk relating to incorporating 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 to be triggered as the Council is committed to openness and transparency. The risks of not reviewing the Council's arrangements against best practice is that it may be viewed as not being 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

ANNUAL GOVERNANCE STATEMENT

This statement, from the Leader and Chief Executive, provides reasonable 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.

The Annual Governance Statement is co-ordinated within the audit service and the production and progress of the statement is monitored by the officer Governance Group.

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 seven 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 regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, 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

*Chartered Institute of Public Finance Accountancy

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 2016 and up to the date of approval of the statement of accounts.

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:

- 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 provides value for money.

The Council's Corporate Plan 2015/16 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 2016/17, which has been undertaken during quarter four of 2015/16, 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. Each of the Council's two Directorate Management Teams also receive and discuss a monthly performance pack detailing performance against the key performance indicators in their respective service areas. There are changes to this structure for 2016/17 with CMT moving to Senior Leadership Team under the leadership of a new Chief Executive.

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.

During 2015/16 a particular issue was identified with the arrangements for reporting performance to Members and, as a result, improvements have been made going forwards. Under the arrangements for 2015/16, the quarterly and annual corporate performance reports were reported to Cabinet first, then the Overview and Scrutiny Board and then the various Overview and Scrutiny sub-committees. Depending on the corporate meetings schedule for any given quarter, this resulted in the whole cycle of reporting taking between four and seven months to complete. From 2016/17 onwards, it has now been agreed with Members that the reports will be presented to the sub-committees first, then to the Overview and Scrutiny Board and finally to Cabinet. As well as reducing the time taken to complete the entire reporting cycle, this will allow the Cabinet reports to reflect the value that Overview and Scrutiny is adding in scrutinising performance.

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 arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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.

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. During 2014/15 the Employee Code of Conduct was updated and re-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, Policies and Guidance, along with other procedural documents. These 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 on-going training to ensure there is sufficient expertise at every meeting to challenge officers. During 2015/16 six members sat on the Audit Committee representing the Conservative, Residents', East Havering Residents', UKIP and Independent Residents' Groups of the Borough. The membership mirrors the political make-up of the Council. The Audit Committee met five times in 2015/16 and has an annual work plan made up of regular and specific agenda items. In March 2016 members attended a Head of Audit risk management training session where the 2014/15 review of effectiveness toolkit and actions were circulated and considered.

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 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.

The work of the service and achievement of the corporate fraud strategy is monitored by the Audit Committee. Proactive promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is a suite of policies and strategies including; Confidential Reporting (also known as Whistleblowing) Policy, Bribery and Corruption, Money Laundering and a revised Anti-Fraud and Corruption Strategy which was agreed at the September 2015 Audit Committee. Each policy and strategy is communicated to staff via induction, the intranet and awareness raising 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). The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. The 2014 NFI matches are available in 2015 and comprise 11,329 High Risk matches.

The council has signed a memorandum of understanding with London Councils to join the London Counter Fraud Hub, which is currently subject to a procurement process. The hub will enable all 33 councils in London to share their data in order to prevent and detect fraud in such as areas of business as council tax, business rates, and housing tenancies. It will operate on a payment by results commercial model, requiring no-up-front investment by the council. It is anticipated that the Hub pilot will go live in the autumn, moving to full operation early in 2017.

In addition, the council has re-launched its housing fraud work, targeted at illegal sub-letting of council houses, RTB fraud and fraud associated with its homelessness operation.

Complaints

A new Corporate Complaints Policy and procedure was introduced with effect from 1st April 2015, following consultation with services across the Council. The Policy sets out a clear definition of a complaint, and now encompasses robust auditing and performance monitoring procedures. 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. The 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 2015/16, the Ombudsman found 11 cases of maladministration against the Council. Six cases were "maladministration & injustice" and five were "maladministration, no injustice".

Training and Development

The Council has a commitment that every member of staff has an ongoing Performance Development Review (PDR) 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. This has been carried out offline during 2015/16 due to some issues with the PDR section on Oracle.

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 Development 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 over 90,000 subscribers, as well as communication through a host of other channels, from social media to poster sites and the local press.

Consultation 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. 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. This was followed by a survey in 2015 on the budget proposals for 2016/17 and followed by a separate survey on the Government's plan to allow all councils to introduce a two per cent Council Tax charge to support services for vulnerable adults. There have also been a number of stand-alone surveys including a comprehensive housing survey in 2015 for Council tenants.

Transformation

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 change to the way services are delivered or reduction in grant funding. All activity and savings are the responsibility of the Director or Assistant Director of the relevant service area. A new system to ensure transparency and a consistent approach to reporting activity is being developed by the Transformation Programme Manager to ensure; 1) visibility to the Senior Leadership Team (SLT), Members and the public, 2) interdependencies between service areas are identified and managed; and 3) slippage is identified at an early stage. Full oversight and strategic decision making will be held the Senior Leadership Team who will 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.

Star Chamber sessions are also to be held with Members to look at the Council's priorities. A series of new initiatives are also being evaluated to assess the benefits of new ways of working to support the financial position and promote a stable workforce.

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. This arrangement is comprised of 22 services, 1350 staff and an agreed business case to save £15m over five years. This has resulted in significant changes to the governance framework. A Joint Committee was 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. The London Borough of Bexley signed a memorandum of understanding and are anticipated to join in early 2016/17.

Mercury Land Holding

Mercury Land Holding has been established as a wholly owned subsidiary of LBH. The directors are Andrew Blake-Herbert – Deputy Chief Executive Communities and Resources, Garry Green – Head of Property Services, Tony Huff – Assistant Director of Business Services and Tom Dobrashian – Head of Economic Development.

The purpose of setting up the company is to generate an income stream to the Council, by acquiring property for development and rental. No equity or loan has been provided by the Council to support the company during 2015/16.

Review of governance effectiveness

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.

Governance Group

The London Borough of Havering has an established governance group which is charged with reviewing the governance arrangements, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of

this and reviewing arrangements for Risk Management including being the custodian for the Corporate Risk Register.

Corporate Management Team and Corporate Leadership Team

For 2015/16 the Corporate Management Team consisted of a part-time Chief Executive, a Deputy Chief Executive Communities and Resources and a Deputy Chief Executive Children, Adults and Housing. 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 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 adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. 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. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

Adjudication and Review Committee

The Adjudication and Review Committee is made up of ten Councillors and is politically balanced. The committee provides members for panels to consider complaints against councillors and also to make up 'Member review' panels (which is the default panel for considering complaints made by members of the public at Stage Three of the Corporate Complaints procedure through a paper exercise). Should a Member Review Panel consider that a complaint warranted a formal hearing it would adjourn and reconvene to hear the matter with the parties present. The Adjudication and Review Committee is also responsible for overseeing and confirming the appointment of 'Independent Persons' for the Independent School Appeal panels which are convened to review permanent pupil exclusions.

Overview and Scrutiny

The Overview and Scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations, Police. 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 Deputy Chief Executive 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.

The Internal Audit service is part of the oneSource shared arrangement and for 2015/16 had an Interim Head of Internal Audit across both boroughs. The review of the audit and assurance function was identified as a significant issue in the 2014/15 Annual Governance Statement. The planned restructure has been delayed until 2016/17 to enable the London Borough of Bexley to be included in the review.

Risk Management

The revised Risk Management Policy and Strategy was agreed by the March 2016 Audit Committee. This saw the adoption of a roles and responsibility approach inclusive of the Mayor / Leader, various boards and forums down to an individual level.

The strategic risks to the achievement of the Authority's objectives are captured within a Corporate Risk Register which is overseen by the Governance Group and reported to Audit Committee twice during 2015/16. The Corporate Risk Register was last reviewed by CLT and approved by CMT, before being presented to the Audit Committee in March 2016.

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 Ernst and Young (E&Y) is reported to the Audit

Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2014/15 following similar opinions in previous years. The results of all external reviews have also been considered in the process of compiling this statement.

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

As part of the improvement programme for Housing Services, the Chartered Institute of Housing (CIH) carried out a re-inspection of the service in February 2016. This followed the poor outcome of the inspection undertaken in 2014. The outcome of the latest inspection showed that the service had made significant improvements in most of the areas of concern identified previously. Action plans are in place to address all remaining areas of concern and reported monthly to Housing Board.

Significant governance issues 2014/15

The issues identified in the 2014/15 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.

1. Scheme of Delegation – This primarily related to the oneSource joint Scheme of Delegation. Work to review the Scheme of Delegation has been undertaken to ensure oneSource delegations have been accurately captured and are comprehensive. The Joint Committee agreed a consolidated Scheme of Delegation to oneSource officers on 22nd January 2016 which is now available on the intranet. This has highlighted some issues with the LB Havering Scheme of Delegation and this is raised as a significant issue going forward for 2015/16.
2. Declaration of Interests – This was highlighted as a significant issue for 2014/15 as there were instances identified of failings by officers to comply with expectations regarding declarations. A number of actions have taken place during 2015/16 to deal with this including; a project to implement an online form, update and re-launch of the Code of Conduct and an improvement to the process made to include a third tier management sign off. The Declarations of Interest policy has been updated and issued. The form for the online process is completed and is live with communication issued to staff via global news on 1st April 2016.
3. Assurance – As a result of reduced capacity the organisation's approach to ensuring compliance with policy and procedure had to shift. Compliance issues identified gaps in this assurance framework that needed to be addressed. The Governance Group was refreshed with a new approach established and the audit structure vision was amended to be based around assurance. The only additional action for this issue was to implement the new assurance structure within oneSource. This restructure has been delayed until 2016/17 to enable LB Bexley to be included in the review.

Significant governance issues 2015/16

The issues identified around the Declaration of Interests and Assurance have been determined to have been sufficiently addressed to allow removal from the AGS for 2015/16. The work around the Scheme of Delegation is continuing with a focus now on LB Havering so this will remain as a significant issue.

Significant issues 2015/16

Significant Issue and action already taken	Planned action	CMT Lead
<p>1. Scheme of Delegation</p> <p>Issues with the scheme of delegation were identified following the amendments to include oneSource.</p> <ul style="list-style-type: none"> ➤ Work to review the scheme of delegation has been completed to ensure oneSource delegations have been accurately captured and are comprehensive. ➤ Joint Committee agreed a consolidated Scheme of Delegation to oneSource officers on 22nd January 2016. This is now available on the intranet. 	<ul style="list-style-type: none"> ➤ Planned review of the scheme of delegation and it's place within the Constitution; ➤ Audit work around effectiveness and efficiency of delegations. 	<p>Managing Director, oneSource</p>

AUDIT COMMITTEE
27 September 2016

Subject Heading:	Head of Assurance Quarter 1 Progress Report: 4 th April 2016 to 3 rd July 2016
CMT Lead:	Jane West, Managing Director oneSource
Report Author and contact details:	David Hogan, Head of Assurance Tel: 0203 045 4943 E-mail: david.hogan@bexley.gov.uk
Policy context:	To inform the Committee of progress on the Assurance work undertaken in quarter one of 2016/17.
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 4th April 2016 to 3rd July 2016.

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 three sections.

Section 1 Introduction, Issues and Assurance Opinion

Section 2 Executive Summary A summary of the key messages from quarter one

Section 3 Appendices Provide supporting detail for members information

Appendix A Detail of Quarter One Internal Audit Work (4th April 2016 to 3rd July 2016)

Appendix B Summary of Audit Reports

Appendix C List of High Priority Audit Recommendations

Appendix D Copy of Audit Structure

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 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

N/A

Section 1: Introduction, Issues & Assurance Opinion

1.1 Introduction

- 1.1.1 The composite report brings together all aspects of internal audit and anti-fraud work undertaken in Quarter One 2016/17 in support of the Audit Committee's role.
- 1.1.2 The main body of the report provides the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from audit and anti-fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide greater detail for the Committee's information.
- 1.1.3 The audit plan was developed to provide maximum assurance using the internal audit resource available. The full oneSource plan contains 1,900 days. 602 days have been allocated to Havering audits and 395 days to auditing oneSource services across both authorities.
- 1.1.4 The 2016/17 planned audit days of 997 for Havering and oneSource audits was an increase of 24.6% (197), compared to 2015/16.
- 1.1.5 The oneSource service transformation restructure was formally launched on the 15th April and closed on the 31st May 2016; this included the new partner-Bexley. The structure went live late August. This will deliver additional resilience and savings and efficiencies required in line with the Joint Committee Business Case. However, the remainder of this financial year will be a transitional Year. Given the challenge of the restructure, which has not been fully populated, the number of days in the plan was ambitious and needs to be reviewed to reflect the actual position.

1.2 Current/Future Key Issues

- 1.2.1 The oneSource Assurance Service restructure was completed in August. This will deliver additional resilience, savings and efficiencies for all 3 boroughs (Newham, Havering and Bexley).
- 1.2.2 The proposed Target Operating Model was agreed by the three partner statutory Section 151 Finance Officers, will be fit for purpose and achieve significant long term benefits for all three Councils. Expenditure reductions will be achieved by sharing management posts, removing management duplication, and by improving the effectiveness and efficiency of processes. This will make the services more resilient in the current challenging financial climate. Additionally, there will be benefits achieved by fully exploiting the synergies that exist between Internal Audit, Counter Fraud, Risk Management and Insurance.
- 1.2.3 This will be a transitional year whilst we develop a "One Policy, Strategy and Procedure" approach, in line with the principles in the business case that will ensure duplication is removed and partners receive the same service standard. A fundamental review of current plans, resources and targets will be undertaken

Audit Committee, 27 September 2016

given that the structure is not fully populated yet. However all work will be risk assessed to ensure that High Risk work is prioritised.

- 1.2.4 A structure chart is attached, as Appendix D, with key staff and their contact details.
- 1.2.5 The previous Interim Head of Internal Audit chaired the officer working group, which seeks to strengthen the Officer Governance Group. The Governance Group met in April 2016 and considered progress against the significant governance issues in the 2014/15 Annual Governance Statement. The group considered areas for inclusion for this year's Annual Governance Statement, which was presented to the Audit Committee in June.

1.3 Level of Assurance

- 1.3.1 In June 2016, Members received the Head of Internal Audit's opinion based upon the work undertaken in 2015/16, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.
- 1.3.2 Based upon the work undertaken since the last update to Members, no material issues have arisen which would impact on this opinion. There were no Nil or Limited assurance reports issued.

Section 2: Executive Summary of work undertaken in Quarter 1 2016/17

- 2.1.1 Delivery of the Audit Plan is below anticipated for the reasons identified in Section 1. There were no changes to the 2016/17 Audit Plan in quarter one.
- 2.1.2 Of the 61 Audit recommendations previously made, 22 were categorised as "High Priority" (Appendix C sets out the list). Fifteen of these were completed, six are in progress and one has been superseded.
- 2.1.3 The performance against key performance indicators is below target. The restructuring process inevitably had a significant impact and it should also be noted that one member of staff was on long term sick.
- 2.2.1 Proactive audit work undertaken in quarter one is shown within Appendix A.
- 2.2.2 The proactive audit work received three new referrals in quarter one, which are currently being investigated.
- 2.3.1 During quarter one the criminal investigation team:
- recovered four housing properties with a nominal saving of £72,000;
 - had four Right to Buy applications withdrawn;
 - served three Notice to Quits which are currently being pursued through the appropriate channels; and
 - referred one case to HB Fraud.

Appendix A: Quarter One Internal Audit Work (4th April 2016 to 3rd July 2016)

1.1.1 Excluding the previous Interim Head of Internal Audit, the established structure of the team delivering this work was six full time equivalent posts. The structure of the team was used to determine the number of days in the audit plan.

1.1.2 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;
- Undertake audit health checks on schools on behalf of the Head of Learning and Achievement; generating an income for the team;
- Proactive Audit Investigations;
- Reactive Audit Investigations;
- Criminal / fraud Investigations and
- HR Investigations.

1.1.3 The Audit Committee approved an Annual Audit Plan for the 2016/17 financial year totalling 602 days to Havering Audits, 395 days to auditing oneSource service across both authorities. The table below compares the approved audit plan for this year and the previous two years.

	2014/05	2015/16	2016/17
oneSource	-	55	395
Havering Risk Based Systems Audits	844	560	602
Havering Proactive*	235	185	-
Total	867	800	997

* A separate proactive budget allocation was not included in the original Audit Plan approved by members in June 2016.

1.1.4 There have been no risk based systems audits removed from or added to the 2016/17 approved audit plan during quarter one. However, as stated in the report following the restructure, which has not been fully populated, the plan will need to be reassessed and Members advised at a future meeting.

1.2 Risk Based Systems and School Audits

1.2.1 As at the 3rd July 2016, no assignments had been completed but 29 were in progress but had not reached final report stage.

1.3 Key Performance Indicators

1.3.1 The table below details the profiled targets and the performance to date at the end of June 2016. The total number of planned audits, where there was a standard approach to deliverables for 2016/16 is 72.

Performance Indicator	Quarter 1 Target	Quarter 1 Actual	Quarter 1 Variance
Percentage of Audit Plan Delivered	25	21	-4
Number of Briefs Issued	21	30	+9
Number of Draft Reports Issued	15	2	-13
Number of Final Reports Issued	7	0	-7

1.4 Outstanding Audit Recommendations Update

- 1.4.1 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.
- 1.4.2 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.
- 1.4.3 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.
- 1.4.4 The list of what the High Priority Risks are is shown in Appendix C; the current level of implementation is shown in the table below.

1.5 Outstanding Audit Recommendations

1.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 03/07/16		
Audit Year	Area Reviewed	Director / HoS Responsible	Assurance Level	H	M	L	Complete	In Progress
12/13	Transport	Asset Management	Substantial	1	4	2	6	1
2012/13 Totals				1	4	2	6	1
13/14	Tenancy Management	Homes & Housing	Limited	0	14	0	13	1
2013/14 Totals				0	14	0	13	1
14/15	Gas Safety (Building Services)	Homes & Housing	Substantial	1	4	3	5	3
14/15	Manor Green PRU	Children's Services	Nil	17	10	0	22	5
14/15	Responsive Maintenance	Homes & Housing	Substantial	1	6	0	0	7
2014/15 Totals				19	20	3	27	15
15/16	Accounts Payable	Exchequer & Transactional Services	Substantial	0	2	0	1	1
15/16	Accounts Receivable	Exchequer & Transactional Services	Substantial	0	3	0	2	1
15/16	Service Manager (ISS)	Exchequer & Transactional Services	Limited	2	1	0	0	3
2015/16 Totals				2	6	0	3	5
Totals				22	44	5	49	22

2.1 Proactive Audit Investigations

2.1.1 Proactive work undertaken during quarter one is shown below:

Description	Risks	Quarter 1 Status
Purchase Card	Members request into the Council expenditure via Purchase Cards following National Newspaper headlines reporting inappropriate expenditure in Council's	Complete
Whistleblowing	All whistleblowing referrals	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation.	Ongoing
Freedom of Information Requests	To undertake all Freedom of Information Requests relating to Internal Audit Investigations.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	Ongoing

2.1.2 The proactive audit investigation work comprises two elements:

- A programme of proactive audit investigations; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

2.2 Reactive Audit Investigation Cases

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

Caseload Quarter 1 2016/17						
Cases at start of quarter	Referrals received	Referred To Criminal Fraud Team	Referred to HR	Audit Investigations		
				Not Proven Cases	Successful Cases	Cases at end of quarter
0	3	0	0	0	0	3

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2.2.2 The table below provides information on the sources of Audit Investigation referrals received.

Source and Number of Referrals Quarter 1 2016/17	
Number of Referrals/ Type	IA Reports Qtr 1
Anonymous Whistleblower	0
External Organisations / Members of the Public	0
Internal Departments	3
Total	3

2.2.3 The table below shows the number and categories of Audit Investigation cases at the end of the quarter 1, compared to the quarter 4 totals.

Reports by Category		
Audit Investigation Category	Previous Cases Qtr 4	Current Cases end of Qtr 1
PC – Misuse and Abuse	0	0
Breach of Code of Conduct	0	2
Breach of Council Procedures	0	0
Misuse of Council Time	0	0
Direct Payments	0	0
Theft	0	0
Disabled Facility Grant	0	0
Procurement Fraud	0	1
Money Laundering	0	0
Total	0	3

2.2.4 The table below shows the case outcomes for the Internal Audit Investigations from April to June 2016.

Case Outcomes	
Outcome	Qtr 1
Management Action Plan	0
Resigned	0
Disciplinary	0
No case to answer	0
Withdrawn Application	0
Total	0

2.3 Savings and Losses

2.3.1 The investigations carried out by Audit Investigations 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.

2.3.2 There have been no savings or losses identified during quarter one of 2016/17.

2.4 Audit Investigation Recommendations

2.4.1 In 2015/16 there were 27 'Recommendations Not Yet Due' carried forward. No recommendations were made at the end of June 2016 and none are outstanding to the agreed implementation date.

3.1 Criminal Investigations Team

3.1.1 During the quarter the majority of resource has been focused on the Tenancy Fraud Project. The Tables below shows the work undertaken on the project.

Housing Investigations – Visiting Team				
Quarter One	Tenancy Audit Visits	Tenancy Audits (Checks) completed	Referrals from Audit to Fraud	NFA'D
April	1,372	313	55	258
May	1,275	290	15	275
June	1,883	625	14	611
YTD	4530	1228	84	1144

Investigation Team							
Quarter One	Cases Under Investigation (open cases)	NFA'D	Notice to Quit Served	Possession Order Granted	Total Properties Recovered	Cases referred for HB Fraud	RTB cancelled through audits
April	27	28	1	1	1	1	2
May	149	39	1	1	3	0	2
June	133	18	1	1	0	0	0
YTD	309	85	3	3	4	1	4

3.1.2 Outcomes for the quarter include the following;

- Four properties were recovered with a nominal value of £72k;
- Four Right to Buy applications were withdrawn;
- Three Notice to Quits were served and are currently being pursued through the appropriate channels; and
- One case has been referred to HB Fraud.

Appendix B Summary of Audit Reports

There are no summary reports for quarter one.

Appendix C: List of High Risk Recommendations and status

Of the 22 high priority recommendations due, 15 have been completed, 6 remain in progress and 1 has been superseded.

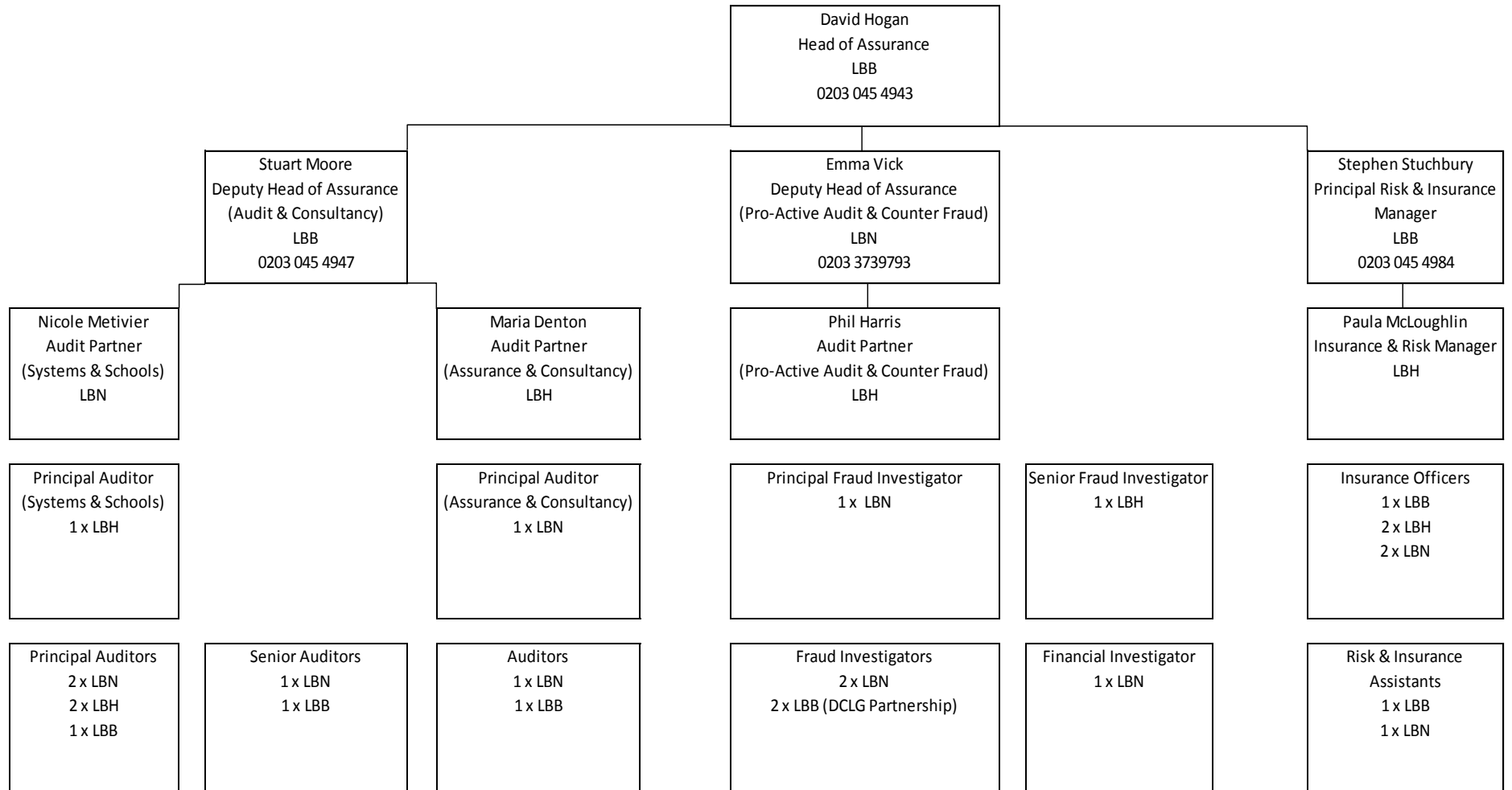
Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
12/13	Transport	Asset Management	<p>Management should ensure that:</p> <ul style="list-style-type: none"> • Members of staff should submit CRB renewals prior to expiration; • CRB renewals are followed up if a response has not been received in a timely manner; and • Members of staff should not be permitted to work with vulnerable people if a CRB renewal has not been submitted or a response has not been received in a timely manner. 	Complete
14/15	Gas Safety (Building Services)	Housing Services	Procedures are documented and communicated so that contractors know what processes to follow in the event of them finding a property that is over occupied or in an uninhabitable state of repair or if they suspect a vulnerable person is subject to neglect or abuse.	Complete
14/15	Manor Green PRU Follow Up	Children's Services	Declarations of Interest should be signed (annually) by all members of the Management Committee and those staff involved in financial processes / making financial decisions for the College.	Complete
			The SFVS for the financial year 2015/16 should be completed and approved by the Management Committee, before being submitted to the Council's LMS Team.	Superseded
			The College's performance targets should be clearly documented, ensuring that sufficient systems are in place to capture the information needed to monitor performance.	Complete
			A College Improvement Plan should be documented and made available to all staff. This plan should clearly identify: <ul style="list-style-type: none"> • Objectives; • How success will be achieved; • Responsible Officer; and 	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			<ul style="list-style-type: none"> · Any cost / resource implications (linked to the budget). 	
			<p>The College should clarify the current arrangements for all campuses and where necessary ensure that appropriate service level agreements are in place setting out responsibilities and applicable costs.</p>	In Progress
			<p>The College should produce a documented Asset Management Plan setting out remedial and improvement related works across all sites, including:</p> <ul style="list-style-type: none"> · Priority of the work; · Estimated costs; and · Expected timescale for completion. 	In Progress
			<p>Emergency Planning / Business Continuity arrangements covering both the College and the individual campuses should be documented and made available to all staff.</p>	In Progress
			<p>All staff should be required to complete a driving declaration that identifies whether they use their car for work purposes. For those that declare they do use their car for work purposes, the full driving checklist should be completed to verify eligibility.</p>	Complete
			<p>The College must register with the Information Commissioner for Data Protection.</p>	Complete
			<p>The College should ensure that appropriate records are maintained at each campus of all assets. Records should be checked annually for accuracy and results reported to the Management Committee.</p>	Complete
			<p>Formal budget monitoring should be undertaken and documented. This should include explanations of variations to projected spend and should be submitted to Committee members in advance of meetings to ensure sufficient time is available for the information to be analysed before the meeting.</p>	Complete
			<p>Bank reconciliations should be:</p> <ul style="list-style-type: none"> · Completed regularly (in line with Financial Regulations / Finance Policy); and · Appropriately signed by the Executive Head; and Submitted to LMS by the 	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			deadline.	
			The College should drive down the number of retrospective orders being placed, to allow funds to be committed against the budget at the earliest opportunity and ensuring the accuracy of budget monitoring processes.	Complete
			Key procurement documents to be in place and signed by an appropriate authorised signatory in line with corresponding financial limits.	Complete
			The College should ensure that all petty cash and charge card procedures have been embedded at each of the campuses and that all documents are sufficiently completed / signed to evidence compliance with these procedures.	Complete
			Timesheet information should be supplied to the Business Manager to allow checks on the payroll report to include checks on these payments.	Complete
			The College should engage with the Council to explore the possibility of using Personnel Links to allow efficient and effective monitoring of payroll related payments.	Complete
14/15	Responsive Maintenance	Housing Services	Work should be undertaken to investigate and resolve the issues with the data interface between systems to ensure that only accurate information is being used.	In progress
15/16	Service Manager (ISS)	oneSource	Training to be undertaken by those staff responsible for creating performance reports.	In progress
			Reports to created/ extracted that accurately reflect the performance against agreed objectives.	In progress

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APPENDIX D: COPY OF AUDIT STRUCTURE



3 x Senior Auditor - vacant

1 x Auditor/Trainee - vacant

1 x Partnership Claims
Co-ordinator - vacant

1 x Trainee/Apprentice - vacant

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

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