AUDIT COMMITTEE
24 June 2015

Subject Heading:	Internal Audit Progress Report 5th January 2015 to 2nd April 2015
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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

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress
5.5 Outstanding Audit Recommendations			**No. of Recommendations in the Original Report**				**Position as at 02/04/15**	
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.