Havering
LONDON BOROUGH

AUDIT COMMITTEE
24 September 2015

Subject Heading:	Head of Internal Audit Quarter 1 Progress Report: 6th April 2015 to 5th July 2015
CMT Lead:	Deborah Hindson Acting Managing Director oneSource
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Policy context:	To inform the Committee of progress on the Assurance work undertaken in quarter one of 2015/16.
Financial summary:	N/A

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

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

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 6th April 2015 to 5th July 2015.

RECOMMENDATIONS

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1. To note the contents of the report.

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

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REPORT DETAIL
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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 (6th April - 5th July 2015)
Appendix B Summary of Audit Reports
Appendix C List of High Priority Audit Recommendations

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IMPLICATIONS AND RISKS
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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.

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BACKGROUND PAPERS

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N/A

Section 1: Introduction, Issues & Assurance Opinion

1.1 Introduction

1.1.1 This first composite report brings together all aspects of internal audit and anti-fraud work undertaken in Quarter 1 2014/15 in support of the Audit Committee's role.

1.1.2 The main body of the report provides the Head of Audit'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 2015/16 Audit Planned days is 800, this has reduced by 12.5% (67) compared to 2014/15. This is line with the 2013/14 London Average of 900 days. A benchmarking exercise has been undertaken to underpin the planned transformation restructure.

1.1.4 With effect from 1st April 2015 responsibility for HB Fraud investigation has transferred to the Department for Work and Pensions and thus this activity is no longer reported to this Committee. Arrangements are now in place for all HB Fraud referrals to be directed to the National Benefit Fraud Hotline. Subsequently the resources transferred over on 1st April 2015.

1.1.5 The oneSource service transformation restructure is due to be formally consulted on in October 2015. This will deliver the savings and efficiencies required in line with the Joint Committee Business Case. The future Audit TOR, Charter and Strategy to launch that will be brought to the Audit Committee in 2016.

1.1.6 There is a new oneSource Fraud Strategy that will be presented in a separate report.

1.2 Current/Future Key Issues

1.2.1 The new Accounts and Audit Regulations 2015 for local Authorities in England came into effect on 1st April 2015. Key changes from April 2015 include:

1.2.2 The existing requirement to have internal audit has been amended to undertake an effective internal audit 'to evaluate the effectiveness of its risk management, control and governance processes, and taking into account Public Sector Internal Auditing Standards or Guidance'.

1.2.3 There are some changes to the access rights of internal audit requiring the organisation to supply internal audit with the documents, records and information and explanations as are considered necessary by the internal auditors.

1.2.4 Organisations are no longer required to undertake an annual review of effectiveness, though the requirements of the Public Sector Internal Audit

Standards but to have an ongoing programme of quality assessment and improvement.

1.2.5 With the demise of the Audit Commission from April 2015, Councils are required to consider how they will procure External Audit. The LGA have set up a company to oversee the exiting contracts and councils will be required to determine if they wish to remain part of that arrangement or look at an alternative. There will be an information report presented at the December Committee.

1.2.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued a consultation closing on 28th September that will inform future governance requirements and the future Annual Governance Statement presented to this committee.

1.2.7 There is a new hub being established by all London Boroughs to share data that will help deter and prevent crime. Progress will be reported to future committee meetings.

1.3   Level of Assurance

1.3.1 In September 2014, Members received the Head of Internal Audit's opinion based upon the work undertaken in 2014/15 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. One Nil and one Limited assurance reports have been issued:

Section 2. Executive Summary of work undertaken in Quarter 1 2015/16

2.1.1 Delivery of the Audit Plan is progressing as anticipated. There were no changes to the 2015/16 Audit Plan in quarter one. One Nil (Members' Allowance Payments) and one Limited (Manor Green Pupil Referral Unit [MGPRU]) compliance reports have been issued:
   - It is recommended that there is a full review of the arrangements for the Members' Allowance Payments process, which was changed in 2014.
   - There has been a follow-up Audit undertaken of the MGPRU. This will be reported at the December Committee Meeting.

2.1.2 Of the 69 Audit recommendations, 14 (Appendix C sets out the list) were categorised as "High Priority". Ten of these were completed and four are in progress.

2.1.3 The performance against key performance indicators is within acceptable variances.

2.2.1 A revised Proactive Audit work plan for 2015/16 is shown within Appendix A.

2.2.2   The National Fraud Initiative data made available during 2015 generated 11,329 High Risk matches. Four frauds have been identified and are currently under recovery action. This is a compulsory and labour intensive activity.

2.2.3   The proactive audit work received 7 new referrals in quarter one, 3 were passed to the criminal investigation team. From these £1,778 savings and £993 losses were identified. Sixty Nine recommendations were made to improve the control environment.

2.3.1   During quarter 1 the criminal investigation team:
- have recovered three housing properties with a nominal saving of £54,000;
- are in the process of recovering one Housing Benefit overpayment of £26,946.52 and one Housing Benefit prosecution of £168,251.83

2.3.2   At the end of the quarter the criminal investigations team had 70 outstanding cases.

2.4.1   The Council's high claim Insurance areas are Highways, Housing and tree roots.

2.4.2   The Council's Corporate Risk Register which is reported separately is showing no high risk areas post control action.

Appendix A: Quarter One Internal Audit Work (6ᵗʰ April 2015 to 5ᵗʰ July 2015)

1.1.1 Excluding the Interim Head of Internal Audit the established structure of the team delivering this work is six full time equivalent posts. The structure of the team is 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; and
  ➢ Undertake audit health checks on schools on behalf of the Head of Learning and Achievement. The schools work generates an income for the team
  ➢ Proactive and reactive audits/investigations as required

1.1.3 With the transfer of Havering employees to the Department for Work and Pensions (DWP), the residual workload has been incorporated into the team and has been classified into four headings:
  ➢ Proactive Audit Investigations;
  ➢ Reactive Audit Investigations;
  ➢ Criminal / fraud Investigations and
  ➢ HR Investigations.

1.1.4 In June 2015 the Audit Committee approved an Annual Audit Plan for the 2015/16 financial year totalling 560 days to Havering Audits, 110 days to auditing oneSource service across both authorities and 185 days for Proactive audits. The table below compares the approved audit plan for this year and the previous two years.

	2013/14	2014/05	2015/16
oneSource (110 /2=55 days)	-	-	55
Havering Risk Based Systems Audits	980	844	560
Havering Proactive	180	235	185
Total	1160	867	800

1.1.5 There have been no risk based systems audits removed from or added to the 2015/16 approved audit plan during quarter one.

1.2 Risk Based Systems and School Audits

1.2.1 As at the 5ᵗʰ July 2015, 15 assignments had been completed and nine were in progress but had not reached final report stage. The table below details the final reports issued in quarter one.

| Report | Assurance | Recommendations | | | | Ref |
		High	Med	Low	Total	
Systems Audit						
Waste Contract Management *	Substantial	1	1	1	3	B (1)
Council Tax *	Full	0	0	0	0	B (2)
Housing Benefits *	Full	0	0	0	0	B (3)
Members Allowance Payments *	Limited	1	0	0	1	B (4)
Service Charges *	Substantial	2	2	2	6	B (5)
Manor Green Pupil Referral Unit *	No	17	11	0	28	B (6)
Payroll	Substantial	0	0	0	0	B (7)
Pensions	Substantial	0	0	0	0	B (8)
Budgetary Control	Substantial	0	0	0	0	B (9)
Housing Rents Follow Up	Substantial	N/A	N/A	N/A	N/A	B (10)
TMO's Follow Up	Substantial	N/A	N/A	N/A	N/A	B (11)
Gas Safety (Home Ownership) Follow Up	Substantial	N/A	N/A	N/A	N/A	B (12)
School Audits						
Ardleigh Green Infant	Full	0	1	3	4	B (13)
Rainham Village Primary	Full	0	2	6	8	B (14)
St. Josephs RC Primary	Substantial	2	6	4	12	B (15)
Total		**23**	**23**	**16**	**62**	

* Last Year's Audits Final Reports issued in Quarter 1

1.2.2 Management summaries for the 12 system reports and three school reports are included under Appendix B: Audit Report Summaries.

1.2.3 Work nearing completion at the end of June included three risk based systems audits, three computer audits and four school audits:

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 2015. The total number of audits, where there will be a standard approach to deliverables for 2015/16 is 45.

Performance Indicator	Quarter 1 Target	Quarter 1 Actual	Quarter 1 Variance
Percentage of Audit Plan Delivered	25	26	+1
Number of Briefs Issued	21	25	+4
Number of Draft Reports Issued	15	14	-1
Number of Final Reports Issued	10	12	+2

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.

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 05/07/15	
				H	**M**	**L**	Complete	In Progress
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	**14**	**46**	**9**	**49**	**20**

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

2.1 Proactive Audit Investigations

2.1.1 A revised proactive work plan for 2015/16 is shown below:

Description	Risks	Plan days	Quarter 1 Status
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	On Hold
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	In progress
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in system particularly with Charities and 'Pop Up Shops'	20	Delayed due to Restructure
Direct Payment Assessments	This to include the assessment and payment calculations and follow ups with the Care Assessors to establish processes and evaluate controls.	15	Planned
Employee Applications	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.	20	Planned
NFI	The match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already or approaching 18 years of age. This may or will make the SPD invalid.	30	In progress

Description	Risks	Plan days	Quarter 1 Status
NAFN	National Anti-Fraud Network	5	Ongoing
Whistleblowing	All whistleblowing referrals	10	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation.	15	Ongoing
Freedom of Information Requests	To undertake all Freedom of Information Requests relating to Internal Audit Investigations.	5	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	5	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	15	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	15	Ongoing
	TOTAL	**185**	

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

2.1.3   The National Fraud Initiative (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 of 11,329 High Risk matches of which four frauds have been identified and are currently under recovery action as shown in the table below.

Report Title	Recommended Matches	Total All Matches	Status	In Progress	Frauds	Outcomes / Savings
Pensions/ Pension Gratuity to DWP Deceased	11	42	Open	0	3	£6,829.75
Waiting List to In-Country Immigration	0	3	Closed	0	1	£18,000.00
	3,186	11,329		2,673	4	£24,829.75

2.2 Reactive Audit Investigation Cases

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

Caseload Quarter 1 2015/16						
Cases at start of period	Referrals received	Referred To Criminal Fraud Team	Referred to HR	Audit Investigations		
				Not Proven Cases	Successful Cases	Cases at end of period
14	7	3	2	2	8	6

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

Source and Number of Referrals Quarter 1 2015/16	
Number of Referrals/ Type	**IA Reports Qtr 1**
Anonymous Whistleblower	3
External Organisations / Members of the Public	1
Internal Departments	3
Total	**7**

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	4	2
Breach of Council Procedures	5	1
Misuse of Council Time	0	2
Direct Payments	0	0
Theft	0	0
Disabled Facility Grant	0	0
Procurement Fraud	0	1
Money Laundering	2	0
Total	**11**	**6**

2.2.4 The table below shows the case outcomes for the Internal Audit Investigations from April to June 2015.

Case Outcomes	
Outcome	**Qtr 1**
Management Action Plan	4
Resigned	1
Disciplinary	2
No case to answer	3
Withdrawn Application	0
Total	**13**

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   The table below shows the savings and losses identified during 2015/16.

Case details	Qtr	Savings Identified	Losses Identified	Actual Savings	Details
Timesheet Abuse	1		£238.70		
Falsification of Flexi Records	1		£162.90		
Overcharge Gas Safety 2013	1	£866		£866	Contractor overcharge and poor internal check and control
Overcharge Gas Safety 2014	1	£912			Management currently recovering.
Mileage Claim	1		£133.62		Officer falsified mileage claims disciplinary action taking place
Internet Misuse	1		£457.88		28.13 hours on the internet during Council time. Time Lost.

2.4   Audit Investigation Recommendations

2.4.1   In 2014/15 there were 15 'Recommendations Not Yet Due' carried forward. Fifty four recommendations were made at the end of June 2015 and none are outstanding to the agreed implementation date.

Quarter 1 Audit Investigation Recommendations		APR	MAY	JUN
Total Recommendations		38	44	54
Recommendations Implemented		18	24	29
Recommendations Not Yet Due		19	18	24
Recommendations Slipped		0	1	0
Of Which High Priority		0	1	0

3.1   Criminal Investigations Team

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

C/F from 14 / 15	Referrals			Housing Outcomes	Housing Benefit		Fraud not proven	Cases O/S
	Received	Passed to DWP	Rejected		Over-payments	Prose-cution		
74	18	0	6	3	1	1	11	70

3.1.2   The three housing properties recovered during the quarter have a nominal saving of £18,000 each, total £54,000.

3.1.3   The team are currently in the process of recovering one Housing Benefit overpayment of £26,946.52. There is also currently one Housing Benefit prosecution of £168,251.83.

3.1.4   The table below shows the number and categories of investigations cases at the end of the Quarter 1, compared to the quarter 4 totals.

Category	Cases as at Qtr 4	Current Cases End of Qtr 1
Direct Payments	2	2
Financial proceedings	7	7
Blue Badge misuse	2	2
Capital	3	3
Contrived Tenancies	2	2
Income from other sources	2	2
Living Together	8	8
Other	5	1
Non – Residency	15	15
Subletting	23	23
Right to Buy	1	1
False Housing Apps	4	4
	74	70

Appendix B Summary of Audit Reports

Waste Contract Management	Schedule B (1)

1.1   Introduction

1.1.1   The audit of Waste Contract Management forms part of the agreed 2014/2015 Internal Audit plan.

1.1.2   Household Waste (Refuse and Recycle) collection services are a statutory function of the Council as set out in the Environment Protection Act 1990. Delivering a statutory waste collection service is one of the top priorities for the Council.

1.1.3   The waste contract was awarded to Serco Direct Services from the 3rd August 2014 for a period of seven years, with the option to extend for a further 3 years subject to performance. The service remains a weekly collection service with rubbish in black bags and recycling placed in orange sacks.

1.1.4   The annual value of the core work is £3,961,632 with additional payments for supplementary work and in year one the commercial waste option payment. The total contract value including the optional 3 year extension will be £39,616,320 for core work plus supplementary work.

1.1.5   To reduce CO_2 emissions, the new contract uses 'split-body' lorries meaning that both black and orange sacks can be collected together but placed in separate compartments. This has no negative effect on the amount of waste that gets recycled as the bags are treated separately.

1.1.6   The Refuse and Recycle collection teams serve 86,485 low level properties e.g. houses and 14,600 properties that use bulk containers for the storage of waste each week.

1.2   Objectives and Scope

1.2.1   The objective of the audit is to provide the Authority's management and the Audit Committee assurance regarding:
- Compliance with relevant Legislation and / or Council Rules and Procedures.
- The robustness of contract monitoring activity; and
- The accuracy of payments made to contractor.

1.2.2   The audit will concentrate on examining the controls applied to address the risks identified in the following areas:
- Non-compliance with Legislation and / or Councils Rules and Procedures;
- Non-compliance, poor quality work or inaccurate reporting by the contractors;
- The service is disrupted or ceases due to failure of the contractor;
- Overpayments on contract values occur; and
- Timeliness and Quality of Performance / Management Information.

1.3 Summary of Audit Findings

1.3.1 The Council strategy is based on the LBH Municipal Solid Waste Management Strategy 2006 to 2020 & ELWA Strategy Report approved in 2006. The Group Manager, Waste Environment Services is aware that the Strategy is outdated and requires review and is planned for review in 2020. However, the resultant Action Plan is updated each year.

1.3.2 At the time of the review the contract had been signed by Serco but not yet by the Council. After the contract had been signed it was identified that there was an ambiguity within Section 5: the Deed of Guarantee. A revision was made to the contract and reissued to Serco for resigning but this has not yet been signed by either party. The Group Manager, Waste Environment Services is actively pursuing this matter.

1.3.3 The Contract Management Officer was unaware of the Councils Contract Monitoring Guidance; this was supplied during the review. However, both the Group Manager and the Waste & Recycling Manager are aware of the Councils Contract Monitoring Procedures. The Contract Management Officer also has a background in Contract Management and is to undertake further training.

1.3.4 In the initial stages of the contract monitoring was undertaken on a reactive basis dealing with specific issues and targeting areas of concern. Scheduled weekly crew inspections undertaken by the Contracts Management Support Officer didn't begin until the 27/01/15, where inspections on both Operational and Health & Safety aspects are undertaken. Inspections are planned to be undertaken on a weekly basis, where possible, with reactive monitoring continuing as and when required.

1.3.5 At the time of the review there had been no joint scheduled Health & Safety inspections, although Serco undertake their own Health and Safety inspection as do Officers from Havering, which would highlight any concerns. Joint inspections for all operational and Health and Safety issues have occurred from day one of the contract where issues have arisen. The inspection sheets are not submitted to / requested by Waste Environment Services.

1.3.6 Operational / Liaison Meetings with a set agenda should be held on a monthly basis. Operational meetings have occurred since contract start and were included in the Mobilisation meetings attended by senior officers from both parties, as well as the Contracts Management Officer. There have been three Liaison meetings, held between the Contracts Management Officer, Contract Management Support Officer and Serco Supervisors since the start of the contract on the 24/10/14, 19/11/14 & 27/02/15. Monthly operational / liaison meetings have been diarised although the monthly (diarised) Mobilisation meetings also continue to address operational issues.

1.3.7 From August 2014 to the end of January 2015, 85 complaints were received of which:
- Sixty four were responded within 10 days;
- Sixteen were responded to after 10 days; and

- Five were still showing as outstanding. These were followed up with the Group Manager and
  - two have now been closed;
  - two were raised in error; and
  - the remaining one is still active and is with the Group Manager and Council Tax to respond to.

Regular monitoring of complaints is undertaken by Management.

1.3.8 The Service does not have an up to date Business Continuity Plan ensuring that responsible officers are aware of their roles and that all parts of the service are covered in the event there is any interruption to Business as Usual (BAU).

1.3.9 The contractor, Serco will charge for additional and ad-hoc collections as a result of Service Requests through CRM, which is linked to Serco's Street Smart system. When a Service Request is received a ticket is raised from Street Smart and issued to the drivers. Once the work is completed the driver electronically signs off the ticket. This information then is populated in StreetSmart and gets sent to the CRM system. Officers can see this information in CRM as well as through the StreetSmart access.

1.3.10 Every week the Contract Management Support Officer will visit Serco and reconcile the number of tickets issued / completed with the Serco Finance Manager. Once agreed the work can be invoiced / Requisitions entered onto IProc. The requisitions sheet is a plain A4 piece of paper that is not signed by either the Contract Management Support Officer or Serco employee as evidence that the figures have been agreed as correct.

1.3.11 A requisition had been approved on iProcurement and was showing as 'incomplete' because the invoice had been processed through Payables and not iProcurement. This was brought to the attention of the Contract Management Officer who arranged for this requisition to be deleted; to prevent the 'invoice' being processed through iProcurement and therefore creating a duplicate payment.

1.3.12 At the time of the review Variable Work invoices had only been processed up to week 12; week ending the 24/10/14. Therefore the current budget on Oracle does not accurately reflect the correct position as it will be showing as a large underspend. The Contract Management Officer and the Group Manager, Waste Environment Services were currently working on this matter.

1.4   Audit Opinion

1.4.1 A Substantial Assurance has been given on the system of internal control.

1.4.2 The audit makes 1 high, 1 medium and 1 low priority recommendation, that aim to mitigate the risks within the above audit findings, which comprise the need for:

High:
- A Business Continuity Plan should be completed detailing the responsible officers' roles and that all parts of the Waste Environment Service are covered in the event there is any interruption to BAU.

Medium:

- A formalised reconciliation document should be drawn up showing what additional collections have been undertaken. The document should then be signed by both LBH and Serco employees as evidence that the figures have been agreed as correct.

Low:

- Scanned copies of H&S Inspection sheets should be requested and held on file as evidence that Serco are completing inspections in accordance with the contract.

Council Tax	Schedule B (2)

2.1 Introduction

2.1.1 The audit of Council Tax was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effective of the system of internal control in operation.

2.1.2 As at the end of March 2015 The London Borough of Havering was administering council tax accounts for 102,343 liable properties with a net value of £132,440,052.

2.2 Objectives and Scope

2.2.1 The audit was undertaken to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within Housing Benefits and Council Tax Support. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisations policies and procedures;
- Ensure that Council Tax is administered in an effective manner and that payments are accurate and timely;
- Reduce risk, including risk of fraud; and
- Produce accurate, relevant and timely management information.

2.2.2 The audit examined the internal control environment applied by the Revenues & Benefits Team to mitigate the following potential key risks:
- Delivery of the service does not comply with relevant legislation;
- Non-compliance with local and Central Government expectations;
- Procedures are bureaucratic and/ or fail to acknowledge risk;
- Over reliance on manual rather than system controls;
- Liable properties are not billed;
- New accounts are not entered onto the system in a timely manner;
- Incorrect rates are charged;
- Discounts/ Exemption entitlements are not verified/ checked;
- Delays occur in sending out Council Tax bills and/ or bills are incorrect;
- Unauthorised or incorrect adjustments are made;
- Errors in coding/ posting to Oracle;
- Arrears are not collected or are not collected in a timely manner;
- Inappropriate write off of arrears;
- Transactions are not supported by robust audit trails;
- The system does not support the production of suitable management information;
- Mechanisms and indicators to facilitate performance monitoring are not established, poor performance is not detected; and
- Management information is not utilised to monitor achievement of the service objectives and drive key decisions.

2.3   Summary of Audit Findings

2.3.1   The 2013/14 audit resulted in the one medium and two low priority recommendations to mitigate weaknesses identified during the audit and aimed to:
- Automated system controls are set up within the online request process that require the Council Tax & Benefits Manager to approve access requests and permitted access levels to the Academy system;
- Academy User information is utilised to carry out periodic reviews of users; and
- Notification of the Operating Systems Declaration is automated as part of the online request process.

2.3.2   Each of the recommendations above has been fully implemented.

2.3.3   Nine of twenty accounts tested with discounts had passed their 'system review' date. This is due to the checks being carried out by an external provider outside of the system.

2.4   **Audit Opinion**

2.4.1   **Full Assurance** has been given on the system of internal control.

2.4.2   The audit makes no recommendations

Housing Benefits	**Schedule B (3)**

3.1   Introduction

3.1.1   The audit of Housing Benefit and Council Tax Support was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effective of the system of internal control in operation.

3.1.2   As at the end of March 2015 the London Borough of Havering processed a total of 19,620 live benefit claims. This figure consists of:
- 14,135 claiming Housing Benefit Support; and
- 5,485 claiming Council Tax Support.

3.2   Objectives and Scope

3.2.1   The audit was undertaken to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within Housing Benefits and Council Tax Support. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisations policies and procedures;
- Ensure that the benefits are administered in an effective manner and that payments are accurate and timely;
- Reduce risk, including risk of fraud; and
- Produce accurate, relevant and timely management information.

3.2.2   The audit examined the internal control environment applied by the Revenues & Benefits Team to mitigate the following potential key risks:
- Delivery of the service does not comply with relevant legislation;
- Procedures are bureaucratic and/ or fail to acknowledge risk;
- Over reliance on manual rather than system controls;
- New claims are not entered onto the system in a timely manner;
- Unauthorised and/ or incorrect adjustments are made;
- Delays in processing changes;
- Ineligible claims are paid/ fraud goes undetected;
- Incorrect/ Untimely payments are made;
- Errors/ Overpayments go undetected;
- Uncollected payments or uncollected cheques are not identified;
- Errors in coding/ posting to Oracle;
- Insufficient debt recovery leads to unnecessary write offs;
- Transactions are not supported by robust audit trails;
- The system does not support the production of suitable management information;
- Mechanisms and indicators to facilitate performance monitoring are not established, poor performance is not detected; and
- Management information is not utilised to monitor achievement of the service objectives and drive key decisions.

3.3 Summary of Audit Findings

3.3.1 The 2013/14 audit resulted in one medium and two low priority recommendations from the Council Tax audit being reiterated to mitigate weaknesses identified during the audit. These being:

- Automated system controls are set up within the online request process that require the Council Tax & Benefits Manager to approve access requests and permitted access levels to the Academy system;
- Academy User information is utilised to carry out periodic reviews of users; and
- Notification of the Operating Systems Declaration is automated as part of the online request process.

3.3.2 Each of the recommendations above has been fully implemented.

3.3.3 There were no significant weaknesses identified as part of this audit

3.4 Audit Opinion

3.4.1 **Full Assurance** has been given on the system of internal control.

3.4.2 The audit makes no recommendations.

Members Allowance Payments	Schedule B (4)

4.1 Introduction

4.1.1 During an Audit Committee meeting the Internal Audit, Insurance & Corporate Risk Manager was made aware of concerns over the payment of allowances to members'. The concerns raised were:
- Members that had not been re-elected in May had been continued to be paid;
- Members had been paid incorrect allowance payments; and
- Had the overpayments been reclaimed?

4.1.2 The Local Authorities (Members' Allowances) (England) Regulations 2003 provide that a Local Authority shall make a Members' Allowance scheme in accordance with these regulations each year.

4.1.3 All Councillors are paid a basic allowance, which is currently £10,208 per annum, paid monthly. A Special Responsibility Allowance (SRA) is also paid to those councillors who hold special responsibilities in relation to the Council.

4.1.4 For 2013/2014 the following payments were made:

Members' Basic Allowance	£539,276.40
Members' Special Responsibility Allowance	£563,648.61
Total	£1,102,925.01

4.1.5 A further £3,339.64 was paid in 2013/2014 in respect of payments to Co-optees.

4.2 Objectives and Scope

4.2.1 The objective of the audit is to:
- Identify if overpayments or incorrect payments have been made:
- Ensure corrective action has been undertaken regarding any under or overpayments; and
- Identify how the under / overpayments have occurred.

4.2.2 The audit will then concentrate on examining current system controls to provide the Authority's management and the Audit Committee with assurance over:
- Compliance with relevant Legislation and Council Rules and Procedures;
- Accuracy of payments made to Members'; and
- Accuracy of records retained.

4.3 Summary of Audit Findings

4.3.1 A review of members allowance payments found that:
- Overpayments had been made to 15 Members totalling £8,950;
- Underpayments have been made to 8 Members totalling £5,764; and
- Corrective action has been undertaken; adjustments are being made via Payroll.

4.3.2 The review found that over / underpayments had been made due to:

- there being several changes in the both the composition of members' and the SRA paid to members;
- Information supplied by Committee Services to the Corporate Support Manager being incorrect on a couple of occasions;
- Information sent by Committee Services to the Corporate Support Manager not being actioned or not being actioned in a timely manner; and controls between the departments did not highlight the errors.

4.3.3   There are no procedure documents within the Committee Administration Section, Corporate Support Services or within Payroll with regards to Members Allowances. However, projects currently being undertaken within Democratic Services and Internal Shared Services are the development of office handbook / procedure manuals.

4.4   Audit Opinion

4.4.1   A **Limited Assurance** has been given on the system of internal control.

4.4.2   The audit makes one high priority recommendation that aims to mitigate the risks within the above audit findings.

4.4.3   The recommendations relates to a full review of the administration of the Members Allowance process and whether the involvement of Corporate Support Services is required.

Service Charges	Schedule B (5)

5.1   Introduction

5.1.1   The audit of Leaseholder Service Charges forms part of the agreed 2014/2015 Internal Audit plan.

5.1.2   When a tenant buys a council flat they do not buy the property itself, they buy a lease which gives them the right to live in the property for a set period of time. Havering Council owns the freehold and therefore remains the landlord and is responsible for completing repairs to communal areas, providing cleaning services to communal areas, maintaining grounds etc.

5.1.3   Although leaseholders do not have to pay a weekly rent they are required to pay annual 'ground rent' and service charges. Service charges are the leaseholder's share of the cost of managing, providing services and carrying out repairs to the communal parts of the block or estate.

5.1.4   The charging of Service charges is covered under the Landlord and Tennant Act 1985.

5.1.5   The Service charges charged are dependent on what services are provided on the estate or block and could include:
- Administration
- Aerial
- CCTV
- Cleaning Services
- Day to Day block repairs
- Day to Day estate repairs
- Day to Day property repairs
- Door Entry
- Grounds Maintenance
- Heating
- Insurance
- Electricity
- Neighbourhood Community Wardens

5.1.6   At the beginning of each financial year Home Ownership, part of Housing Services of Homes and Housing within the Children's, Adults & Housing Directorate, will send an estimate of all service charges for the forthcoming year to all leaseholders.

5.1.7   At the end of March Home Ownership begin to calculate how much was actually spent within the previous financial year and in September a Statement of Actual Expenditure is issued to the leaseholders. This statement gives details of the charge for each service provided to a block or estate during the previous financial year and then divided into the number of properties in that block or estate.

5.1.8   If a leaseholder's estimate was too high a refund is credited to their service charge account and if the estimated charge was too low they will be asked to pay any additional amount.

5.1.9 As at the 17th September 2014 there were 2,326 leaseholders and the estimated income for 2014/2015 is £1,536,956.88.

5.2 Objectives and Scope

5.2.1 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding:
- Compliance with legislation and service requirements;
- Efficiency and effectiveness of processes; and
- Charges to leaseholders are correct and are resilient against appeals to the First Tier Tribunal, formally the Leaseholder Valuation Tribunal (LVT).

5.2.2 The audit will concentrate on examining the controls applied to address the risks identified in the following areas:
- Non-compliance with legislative and service requirements;
- Leaseholders are incorrectly charges;
- Service charges are not collected or accounted for correctly; and
- Unable to defend against appeals to the First Tier Tribunal.

5.2.3 TMO's were not covered during this review due to recommendations regarding service charges raised during the TMO audit still being outstanding. This will be picked up in future reviews.

5.3 Summary of Audit Findings

5.3.1 The leaseholder handbook is being reviewed and updated. The current handbook is on a Homes in Havering template.

5.3.2 The procedure document followed by staff within the Home Ownership Team is not adequately version controlled. The current document does not have a document owner or review dates included.

5.3.3 Copies of leases have not been received for all leaseholder properties; therefore it will be difficult to ensure accuracy when calculating service charges for those properties.

5.3.4 There are five leases in use across the leasehold properties within the borough. Each lease varies as to what can be charged for under service charges meaning variation of charges could occur with neighbouring properties. Leases have a finite life, so over time older leases will be replaced / updated and standardised.

5.3.5 Information such as meter number, location and accurate readings regarding the utility meters of council properties is unknown or incomplete which could result in overpayments for gas and electric, as well as incorrect calculations for leaseholder charges.

5.3.6 Repairs are called into the contact centre where the details of the repair are taken and recorded on OHMS. Due to the contact centre dealing with all housing queries it has been deemed that is not efficient to have standardised wording which would allow the system held information to be more relevant for the Home Ownership

Team. Instead a standard template has been devised that allows for all the relevant information to be included.

5.3.7   The cost of lift maintenance and repair is being passed to the Home Ownership Team once a year. More regular supply of data would allow for better monitoring of in year costs and allow the Home Ownership team to be able to input available service costs earlier.

5.3.8   The review found that Wardens time is not being correctly apportioned.

5.3.9   The data provided for grounds maintenance work carried out is not supported by any backing documentation/ evidence. If charges are contested by any leaseholder it would be difficult to evidence that the work was carried out.

5.3.10 There is currently only one date (26th of the month) available for those willing to pay by Direct Debit.

5.3.11 It has been agreed that the Planning department will now send planning applications for leasehold properties to the Home Ownership Team for monitoring. This was due to alterations being carried out to leasehold properties without the landlords' permission.

5.4   Audit Opinion

5.4.1   Substantial Assurance has been given on the system of internal control.

5.4.2   The audit makes two High, two Medium and two Low priority recommendations that aim to mitigate the risks within the above audit findings, which comprise the need for:

High:
- Information regarding the location and details for electricity and gas meters to be supplied to the Energy Strategy Team Leader; and
- Evidence of Grounds maintenance work to be maintained.

Medium:
- A review of the Leaseholder handbook; and
- Home Ownership Team to be provided with costs for lift repair and maintenance in line with invoices being received for works carried out (currently quarterly);

Low:

- Procedure documents being adequately version controlled; and
- The ability to offer multiple dates to pay by direct debit to be investigated.

Manor Green Pupil Referral Unit	Schedule B (6)

6.1 Introduction

6.1.1 The audit of Manor Green College was added to the 2014/15 Internal Audit plan as a result of requests from both the Council's Strategic Finance Manager, Learning & Achievement and the College's Business Manager.

6.1.2 Under Section 19 of the 1996 Education Act, Local Authorities must provide education to children of compulsory school age, that due to illness, exclusion or other reasons are not receiving education via a mainstream / special school.

6.1.3 Historically the London Borough of Havering had four individual Pupil Referral Units (PRUs) across the borough. In April 2013, the individual PRUs were combined to create one PRU called Manor Green College.

6.1.4 The following campuses create Manor Green College:
- Manor;
- Oglethorpe;
- Birnam Wood; and
- Green Vale.

6.1.5 The College has experienced significant staffing changes in recent years. The current Business Manager was formally appointed in September 2014 and the Executive Head Teacher was appointed in November 2014. These changes have impacted on the level of detail that can be provided regarding some areas of the audit as neither individuals were in post at that time of implementation.

6.1.6 Additional changes occurred in the later stages of the audit in March 2015 when the Executive Head Teacher was replaced by a Head of College. At the same time, the Management Committees responsibility to manage a delegated budget was suspended by the Council's Strategic Management Board to allow greater control by the Council of the College's expenditure.

6.2 Objectives and Scope

6.2.1 The audit was undertaken to provide the Management Committee, Executive Head, Authority's Management and the Audit Committee with assurance over the control environment of Manor Green College in the following areas:
- Governance Arrangements;
- Risk Management;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income & Expenditure; and
- Procurement.

6.3 Summary of Audit Findings

6.3.1 All Committee Members and staff, who have an involvement in making financial decisions on behalf of the College are required to annually declare any conflicts

of interest. These declarations should be pulled together to produce a Register of Pecuniary Interests, which is a document that should be made accessible to the public. Although it is noted that Committee Members are asked to declare any conflicts of interests during committee meetings and this is evident through the minutes, completed and signed Declaration of Interest forms have not been completed by Committee Members or staff.

6.3.2   All Local Authority maintained schools, including pupil referral units have a mandatory requirement to complete the Schools Financial Value Standard (SFVS) annually. The SFVS is designed to assist in assessing the security of the financial management in place. Whilst it would be expected that the SFVS would have been completed at the beginning of the 2014/15 financial year, before both the Executive Head and Business Manager were appointed, the College's Management Committee is ultimately responsible for the financial management of the College. The College did not complete the SFVS for the financial year 2014/15.

6.3.3   Clear monitoring and evaluation is critical in ensuring that the College achieves success. Performance monitoring requires clear performance indicators that are supported by sound systems for gathering comprehensive and accurate data to monitor performance against identified indicators. In this case, there are difficulties in identifying College wide indicators due to the temporary nature of pupils stay at the College and the differing needs of the pupils attending the various campuses. The College has demonstrated a number of indicators that can be used to assess / monitor performance including attendance, behaviour and academic improvement. However this review failed to identify clear documented indicators supported by an understanding of the type and frequency of information needed. Additional weaknesses in the mechanisms for capturing data and the accuracy of data collected limits the level assurance that can be placed on current performance monitoring arrangements.

6.3.4   At the time of the review the College had begun work on reviewing and amending existing policies to create generic, College wide policies for all campuses to implement. Once this review is complete, all policies will be uploaded to the College's website and will also be placed on the virtual server for staff to access. During discussions it was noted that placing policies on the virtual server enables all staff access to amend / delete policies. This ability could pose a potential risk of unauthorised or accidental amendment or deletion of policies.

6.3.5   The College's Finance Policy and Procedures document sets out the College's financial processes, including details of staff authorised to carry out specific duties and the financial limits applied to these individuals. This document is used during the audit to test compliance. Whilst it is evident that this document has recently be amended, as it includes relatively new members of staff , there are also references to individuals no longer employed by the College. Additionally, there is no evidence that this document has been subject to Committee approval within the last year.

6.3.6   Improvement plans allow organisations to set out their strategy for improvement across the year, identifying key areas for improvement and the criteria that will be used to monitor success. The plan would also identify cost / resource needs to deliver objectives, which should align with the funds set aside within the budget

profile. This review was unable to locate a documented plan of improvement and discussions with the various campuses failed to identify a cohesive understanding of College objectives.

6.3.7   The College is located on four different sites across the borough. In all cases the site is owned by the Council. This review identified various historical issues with the sites that need to be addressed, such as confusion over responsibility for rates and utilities. More significantly, the current arrangements for use of school facilities by the College are not documented in a service level agreement between the school and the college. For this reason, there have been issues, not only over responsibility and accountability, but also in understanding the charges contained within the annual bill to the College.

6.3.8   The Council's Financial Regulations sets out that all capital funding should contribute towards raising the educational standards and should be invested in priorities agreed locally and set out in an Asset Management Plan. It is noted that Asset Management Plans in borough maintained schools are supported by the completion of property condition surveys by the Council's Schools Asset Management Team as part of Schools Asset Management Programme, which until recently, the College was not included. There is no documented Asset Management Plan in place, despite the College highlighting issues with accommodation which need to be addressed, including identifying funds in the budget for completion of the work.

6.3.9   Emergency planning allows an organisation to set out expected action to be taken in the event of an emergency situation and in part to ensure sufficient arrangements are in place for continued service provision. This review failed to locate a documented Emergency Plan. Discussions with staff at the various campuses have highlighted a degree of understanding, although this focuses mainly on contacting pupils and staff. It is essential that a clear plan is documented and communicated to all staff, including arrangements for continued provision of the service.

6.3.10   All employers have a legal obligation to assess and manage the risk posed when staff use their car for work purposes. In response to guidance from The Royal Society for the Prevention of Accidents (RoSPA), in 2012 the Council introduced the need for driving checklists to be completed in schools including verification that the individual has appropriate insurance cover. At the time of this review, documented checks had only been introduced by one campus. It is noted that checks were stated as being introduced in another campus, but that documentary evidence is not retained once the check is complete.

6.3.11   It is a requirement of the Data Protection Act 1998 that organisations acting as data controllers, processing personal information, must register with the Information Commissioner. Initial discussions failed to identify whether the College had registered and the expected annual payment for this registration could not be located in the College's transaction. A search of the College (including the individual campuses) found little to indicate that the College has registered.

6.3.12   Only those individuals authorised should have access to the FMS system. Permitted users are set out in the Finance Policy and Procedures document. A

review of users listed in the policy against those individuals with access to the system found discrepancies between the two, including access still in place for users that no longer work at the College.

6.3.13   Financial Regulations set out the need for a record of furniture, fittings, equipment, plant and machinery to be in place. This review found that three campuses have inventories in place. Three of the inventories have not been subject to regular checks. In the remaining case, checks have been carried out but as serial numbers of the items listed have not been included, it is impossible to verify the accuracy of the inventory. Since merging the four units into one, it is essential that the College has a clear and accurate record of its assets and that these records are regularly checked for accuracy and to ensure that theft does not go undetected.

6.3.14   This review identified that College assets such as laptops are being loaned to staff at the various campuses. However only one campus was found to hold documentary evidence of the loan. There is a risk that with no record of items loaned to staff and no assurance that all items are recorded on the campus inventory, there may be no record of the items actual existence.

6.3.15   Testing undertaken on the College's Single Central Record identified issues with the information recorded. A recommendation was raised as part of the draft report to address these issues. In response, the College notified the Auditor that the SCR provided was not the correct version. A subsequent review was undertaken and confirmed that all DBS checks listed were valid, but did identify inconsistencies that implies that historically DBS checks and renewals have not been carried out in line with expectations. The auditor was unable to determine whether these issues occurred after the College was established, or before, when each of the sites was an individual pupil referral unit. Discussions have highlighted improved controls with the SCR being managed centrally by the Admin Manager. For this reason, no recommendation is being made, although the accuracy of the College's SCR will be reassessed during the follow up review.

6.3.16   Formally documented budget monitoring was not being carried out at the time of the review. This was due in part to on-going issues with the original budget profile set by the previous Executive Head and Business Manager. It must be noted that budgets are being monitored by the Business Manager and this is evident through the need to make a large number of virements between cost centres in an attempt to provide the school with an accurate working budget before budget control can be fully introduced. Additionally the Business Managers report to the Management Committee provides evidence that the budget is being reviewed.

6.3.17   Individual arrangements are in place at each of the College campuses for catering for pupils. These arrangements consist of historical agreements with neighbouring schools that requires orders to be placed the previous week and collected by a member of staff from each campus. Whilst it may be cost effective for catering arrangements to continue in this manner, it would be beneficial for the College to carry out a cost analysis of the individual arrangements compared to a College wide catering provision.

6.3.18 Whilst most campuses only cater for free school meals pupils, the Oglethorpe campus pupils can purchase meal tickets in order to receive a lunch through Oglethorpe school. For the most part, parents purchase meal tickets online, although this review found that it is possible for tickets to be purchase from the Centre Administrator at the campus. No formal record of income collected was being maintained at the time of the review.

6.3.19 This review consists on providing assurance that regular bank reconciliations are being completed, authorised and submitted to the Council's LMS Team. A review of completed bank reconciliations found that reconciliations have not been carried out in accordance with procedures, for the most part because of the need for the Business Manager to complete the relevant training.

6.3.20 As part of the review a comparative check of the College's bank mandate against the authorised signatories listed in the Finance Policy and Procedures document should have been undertaken. However a copy of the bank mandate was not held at the College so confirmation as to the authorised signatories listed on the mandate was verbally confirmed by the Auditor over the telephone with the bank.

6.3.21 To assess compliance with procurement process, testing was undertaken on a sample of 57 purchases. Testing found that 56% of the orders raised were raised retrospectively, which has a significant impact on the accuracy of budget position and therefore the budget monitoring process. Testing also found five purchases not supported by an official purchase order.

6.3.22 Testing also reviews compliance with the permitted authorised signatories and corresponding financial limits. Testing identified a number of issues including:
- Lack of signatures from staff authorising key procurement documents;
- Financial limits of authorised signatories being exceeded; and
- A lack of segregation of duties between approving the order and the invoice for payment as required in the Finance Policy and Procedures document.

6.3.23 Cheques are raised manually by the College. The FMS system allows cheques to be electronically generated. The manual completion of cheques is time consuming and increases the risk of human error.

6.3.24 Variations in responses to questions regarding the local procurement processes in place at each of the campuses were found. To ensure that a College wide procurement process is in place, there is a need to ensure that expectations as to how procurement is managed within each of the campuses has been fully embedded.

6.3.25 Each campus has their own arrangements (leases / contracts) for services. Since merging the four units into one College each campus continues to make their own arrangements which may not be cost effective.

6.3.26 Ultimately petty cash and charge card transactions are initiated at the relevant campuses and so there are expectations over authorisations and audit trails that should be in place. Discussions and testing found variations between practices and expectations. To ensure that all relevant expectations are met / complied with, there is a need to ensure that procedures are clear and documented.

6.3.27   Monthly payroll reports are checked by the Business Manager. Ensuring the accuracy of payroll information can be problematic due to a lack of reconciling information available and often becomes a "gestimate" rather than a detailed check of the report. There is a system available called Personnel Links, which allows salary commitments to be cross matched to the report. The College does not currently use this system.

6.3.28   Timesheets are used in one campus whose staff are on zero hours contracts. Elsewhere a small number of staff complete timesheets and in other cases timesheets would only be completed for overtime. During the review it was established that timesheets are checked and approved locally by the Teacher in Charge before being submitted to the Council's Internal Shared Services team for processing. Timesheets are not submitted to the Business Manager. The lack of timesheet information being provided to the Business Manager, restricts their ability to accurately check non salary payments within the payroll report. As payroll reports are not passed to the people checking and authorising timesheets, the assurance that can be placed on the adequacy of the payroll checking process is limited.

6.4   Audit Opinion

6.4.1   No Assurance can be given on the system of internal control operating at the time of this audit. This reflects the fact that the control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

6.4.2   The audit makes sixteen high and eleven medium priority recommendations which comprise the need for:

High:
- Declarations of Interest to be signed (annually) by all members of the Management Committee and those staff that are involved in financial processes / making financial decisions for the College;
- The SFVS for the 2015/16 financial year to be completed and approved by the Management Committee, before being submitted to the Council's LMS Team;
- The College's performance targets to be clearly documented, ensuring that sufficient systems are in place to capture the information needed to monitor performance;
- A College Improvement Plan to be documented and made available to all staff;
- The College to 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.
- A documented Asset Management Plan to be produced;
- Emergency Planning / Business Continuity arrangements covering both the College and the individual campuses to be documented and made available to all staff;
- All staff to complete a driving declaration and where necessary the driving checklist is to be completed;

- The College to register with the Information Commissioner for Data Protection;
- The College to 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.
- Formal budget monitoring to be undertaken including the provision of budget information to Committee members in advance of the meeting;
- Bank reconciliations to be completed in line with Financial Regulations and the Finance Policy and Procedures document;
- The College to drive down the number of retrospective orders being placed;
- Key procurement documents to be in place and signed by an appropriate authorised signatory in line with corresponding financial limits;
- The College to 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; and
- Timesheet information to be supplied to the Business Manager to allow checks on the payroll report to include checks on these payments.

Medium:
- Controls to be implemented to ensure that College policies and procedures cannot be amended or deleted by unauthorised members of staff;
- The Colleges Financial Policy and Procedures document to be reviewed, updated, approved and distributed;
- A review of users with access to FMS to be undertaken to ensure that only authorised users have access to the system;
- Controls to manage the loan of College equipment to staff to be established;
- Management to undertake a review of the cost effectiveness of the individual catering arrangements compared to a College wide provision;
- Formal records of income received to be maintained when income is collected for school meals / meal tickets;
- A copy of the bank mandate to be obtained from the bank and retained on file;
- The College should engage with the Councils LMS Team to investigate the potential to use FMS for raising cheques;
- The College to ensure that procurement processes in place at each of the campuses are in line with expectations;
- The College to review all contracts and leases to establish whether value for money is being achieved through the existing arrangements or whether there is a need to implement joint leases / contracts where possible in the future; and
- The College to engage with the Council to explore the possibility of using Personnel Links to allow efficient and effective monitoring of payroll related payments.

Payroll	Schedule B (7)

7.1 Introduction

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

7.1.2 Payroll is now processed through One Oracle. From the 4th August 2014 Havering started using a new shared version of Oracle (One Oracle) with five other London councils – Barking & Dagenham, Brent, Lambeth, Lewisham and Croydon.

7.1.3 One Oracle is a fundamental part of the Council's bid to reduce running costs and help to meet future budget deficits, in order to protect key front line services to residents

7.1.4 The value of payments processed through the payroll function for 2014/15 was in excess of £129million.

7.2 Objectives and Scope

7.2.1 The audit was undertaken to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within Payroll. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisations policies and procedures;
- Ensure that the payroll are administered in an effective manner and that payments are accurate and timely;
- Reduce risk, including risk of fraud; and
- Produce accurate, relevant and timely management information.

7.2.2 The audit examined the internal control environment applied by the Payroll Team to mitigate the following potential key risks:
- Non-compliance with relevant legislation;
- Procedures do not exist or are not fit for purpose;
- Payments are incorrect;
- Adjustments to salaries are unauthorised and/ or inaccurate;
- Transactions are not bona fide;
- The system does not support the production of suitable management information;
- Management information is not utilised to monitor achievement of the service objectives and drive key decisions.

7.3 Summary of Audit Findings

7.3.1 The 2014/15 (pre One Oracle) audit resulted in the two medium priority recommendations being raised to mitigate weaknesses identified during the audit and aimed to:
- Changes to policies and procedures to be made post One Oracle go live; and
- Checks to be undertaken to ensure documentation is scanned onto Civica.

7.3.2 Each of the recommendations above has been fully implemented.

7.3.3 This audit has not included a review of the configuration of One Oracle or the segregation of duties within One Oracle. A review of One Oracle configuration and segregation of duties, which includes payroll, has been undertaken by PWC. The findings of this review and will be reported separately.

7.3.4 Although there are system controls within the payroll process there is still a reliance on manual checks and controls. However, One Oracle has a Governance, Risk & Compliance (GRC) function which has significant control possibilities. GRC is due to be tested by Application Support users from the six boroughs and therefore additional controls within Payroll may result.

7.4   Audit Opinion

7.4.1 A **Substantial Assurance** has been given on the system of internal control.

7.4.2 The audit makes no recommendations.

Pensions	Schedule B (8)

8.1 Introduction

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

8.1.2 A web based system, Altair, is used to administer the pension schemes and payments. The Altair system sits outside of One Oracle.

8.1.3 From the 4th August 2014 Havering started using a new shared version of Oracle (One Oracle) with five other London councils – Barking & Dagenham, Brent, Lambeth, Lewisham and Croydon.

8.1.4 One Oracle is a fundamental part of the Council's bid to reduce running costs and help to meet future budget deficits, in order to protect key front line services to residents.

8.1.5 Monthly reconciled payments between the payroll reports and the Oracle system showed pension payments processed for 2014/15 totalled £27,390,561.

8.2 Objectives and Scope

8.2.1 The audit was undertaken to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control operating within Payroll. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisations policies and procedures;
- Ensure that pensions are administered in an efficient and non-bureaucratic processes and that payments are accurate and timely;
- Reduce risk, including risk of fraud; and
- Produce accurate, relevant and timely management information.

8.2.2 The audit examined the internal control environment applied by the Payroll Team to mitigate the following potential key risks:
- Non-compliance with relevant legislation;
- Procedures do not exist or are not fit for purpose;
- Deductions are incorrect;
- Pension payments are unauthorised and/ or inaccurate;
- Transactions are not bona fide;
- The system does not support the production of suitable management information;
- Management information is not utilised to monitor achievement of the service objectives and drive key decisions.

8.3 Summary of Audit Findings

8.3.1 The 2013/14 audit resulted in no recommendations being raised although it was accepted that there was scope to improve the management environment.

8.3.2 A historic case regarding an underpayment has been rectified. This resulted from legislation that is no longer in effect, stopping this happening again in the future.

8.3.3 The Altair and OneOracle systems do not currently interface. This has been raised and is being investigated by Cap Gemini.

8.4 Audit Opinion

8.4.1 A **Substantial Assurance** has been given on the system of internal control.

8.4.2 The audit makes no recommendations.

Budgetary Control	**Schedule B (9)**

9.1 Introduction

9.1.1 The audit of Budgetary Control including Collaborative Planning (CP) forms part of the agreed 2014/2015 Internal Audit plan.

9.1.2 Budget monitoring and control is a management process, as well as a financial one incorporating monitoring and controlling resources and delivering agreed outcomes. All are key management tasks which are set in accordance with the Financial Procedure Rules.

9.1.3 In June 2012, Havering introduced CP, an online budget forecasting system called which provided a more automated method to update Oracle with financial forecasts.

9.1.4 The move to CP placed greater reliance on Cost Centre Managers, Heads of Service and Group Directors who had responsibility for accuracy of projected forecasts and adherence to deadlines.

9.1.5 On the 4th August 2014 Havering started using a new shared version of Oracle (One Oracle) with five other London councils – Barking & Dagenham, Brent, Lambeth, Lewisham and Croydon.

9.1.6 One Oracle is a fundamental part of the Council's bid to reduce running costs and help to meet future budget deficits, in order to protect key front line services to residents.

9.1.7 Both One Oracle and CP are essential for the delivery of adequate budgetary control.

9.2 Objectives and Scope

9.2.1 The objective of the audit is to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control in regards to Budgetary Control across the organisation. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisation's policies and procedures;
- Ensure an efficient non-bureaucratic processes; budget monitoring including forecasting is accurate and timely; and
- Produce accurate, relevant and timely management information.

9.2.2 The audit will concentrate on examining the internal control environment applied corporately to mitigate the following potential risks:
- Non-compliance with legislative and organisational requirements;
- Roles and responsibilities have not been established;
- Staff lack the understanding to fulfil requirements;
- Over reliance on manual rather than system controls;
- Forecasts are not supported by robust audit trails;
- Variances are not identified / submitted in a timely manner;

- Variances are not subject to investigation / corrective action;
- The system does not support the production of suitable management information; and
- Management information is not utilised to monitor achievement of the service objectives and drive key decisions.

9.2.3 It should be noted that a full review of the users on Oracle and CP has not been undertaken during this audit as review of Configuration and Access Rights on Oracle has been undertaken by PWC and will be reported on separately

9.3 Summary of Audit Findings

9.3.1 Sections of the Finance Procedure Rules and the Financial Framework are out of date. Although some budget monitoring / finance documentation retained on the Intranet is up to date, e.g. Oracle projects there are several documents that are no longer relevant. No recommendation is being made as there is a review of all finance processes currently underway as part of the oneSource finance integration work. Out of date documentation on the Intranet will eventually be removed and replaced.

9.3.2 With the implementation of oneSource additional processes have had to be implemented in the CP Process with CP provisionally being opened for oneSource forecasts approximately ten days earlier than LBH forecasts (To align with the Newham Timetable). With CP being opened ten days earlier for oneSource, budgets will not include payroll costs. However, monthly monitoring meetings will ensure that all expenditure is accounted for within forecasts.

9.3.3 It was found that six Ops Finance staff did not have 'Read Only' access to CP. This matter was brought to the attention of the ISS Operational Manager who confirmed that:
- The ISS Operational Manager is a Cost Centre Manager in his own right;
- Two Ops Finance staff had access from the Transformation and old Housing budgets when support was more detailed but is no longer required. No recommendation is being made as the Development Officer within the Financial Systems Team amended the access right for these two members of staff during the review;
- Two Ops Finance staff have an arrangement with the Group Director Children, Adults & Housing where they approve on CP on the overall forecast after the Group Director agrees it at their management meeting;
- Out of necessity Ops Finance have to amend forecasts or enter where blank, but only after they have been explicitly agreed by the relevant managers. This is when the system has closed but there are still gaps. This is down to a timing issue so managers don't have to reject down.

9.3.4 Prior to the implementation of oneSource the Corporate Accountancy Support Manager would reconcile monthly the LBH CP Model and then produce the Budget Monitoring Reports. Since the implementation of oneSource four models are now reconciled by the Development Officer within the Financial Systems Team, these being:
- LBH;
- oneSource Shared;

- oneSource Not Shared; and
- oneSource Havering & Newham.

9.3.5 The Accountancy Support Manager then undertakes a cursory check to ensure balances are correct and then produces the monthly Budget Monitoring reports from the four models. It is understood that these models were set up so that the structure / view on CP would be more user friendly for Cost Centre Managers to use.

9.4   Audit Opinion

9.4.1 A **Substantial Assurance** has been given on the system of internal control.

9.4.2 There are no recommendations resulting from this audit.

Housing Rents Follow Up	Schedule B (10)

10.1   Background

10.1.1 Housing rents relates to the letting of properties and the collection of rent and service charges for those properties. The process is delivered by a network of teams whose individual roles feed into the overall process.

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

10.1.3 The 2014/15 Internal Audit Plan included a review of Housing Rents. The purpose of the review was to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

10.1.4 Limitations in the system of control were identified that may have put the system objectives at risk and resulted in a limited assurance being given. In order to strengthen the control environment three high and seven medium priority recommendations were raised. All recommendations were accepted by management and were due to be implemented by May 2015, with the exception of one recommendation which is due to be implemented by December 2015 and is reliant on the implementation of the new Housing system.

10.2   Progress on Implementation

10.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. The follow up found that seven recommendations have been implemented.

10.2.2 Three medium priority recommendations remain outstanding, which relate to:
- Scheduled meetings to be arranged between departments involved in the Housing Rents process to provide a platform for work related issues to be resolved. At the time of the follow up regular meetings were not being arranged. The new Head of Housing Services will be driving this recommendation forward and a revised implementation date has been arranged;
- The Lettings Team to identify and implement performance monitoring of staff had been partially implemented. Performance indicators have been identified and are being monitored at a team level, however work was still underway at the time of the audit to identify what management information can be extracted from the system to allow this to be monitored at an individual level. A revised implementation date has been agreed; and
- All staff to sign a declaration that clearly sets out that staff are not permitted to access accounts of friends or family member, has not been progressed. Discussions with the new Head of Housing established that a process for implementing this recommendation has been identified and a

revised implementation date has been applied to allow this work to be completed.

10.3 Conclusion

10.3.1 Seven recommendations have now been implemented. Action has been taken to address key weaknesses within the Housing Rent process and therefore the audit assurance has increased to substantial which means that whilst there is a basically sound system of control in place, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

TMO's Follow Up	Schedule B (11)

11.1 Background

11.1.1 The 2014/15 Internal Audit Plan included a review of Tenancy Management Organisations (TMO's). The audit found that only a limited assurance level could be provided as a result of the findings and so a follow up audit was scheduled into the 2015/16 audit plan. The purpose of this review was to provide the Authority's management and the Audit Committee with assurance the recommendations raised from the original TMO audit had been implemented or to provide a progress update for any that remain outstanding.

11.1.2 Limitations in the system of control were identified in the original audit that may put the system objectives at risk. In order to strengthen the control environment three high and four medium priority recommendations were raised. Six of these recommendations were accepted by management and were due to be implemented by the end of March 2015.

11.1.3 One high priority recommendation, regarding the use of an additional, experienced resource to assist in the update and agreement of the Modula Management Agreement (MMA) was not agreed.

11.2 Progress on Implementation

11.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report.

11.2.2 The follow up found that four recommendations have been implemented with the other two still outstanding. The two recommendations that remain outstanding have revised implementation dates.

11.3 Conclusion

11.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Substantial Assurance which means that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Gas Safety (Home Ownership) Follow Up	**Schedule B (12)**

12.1   Background

12.1.1 The 2014/15 Internal Audit Plan included a review of Gas Safety Regulations (Home Ownership). The audit found that only a limited assurance level could be provided as a result of the findings and so a follow up audit was scheduled into the 2015/16 audit plan. The purpose of this review was to provide the Authority's management and the Audit Committee with assurance the recommendations raised from the original Gas Safety Regulations audit had been implemented or to provide a progress update for any that remain outstanding.

12.1.2 Limitations in the system of control were identified in the original audit that may put the system objectives at risk. In order to strengthen the control environment three high and two medium priority recommendations were raised. All five of the recommendations were accepted by management and were due to be implemented by the end of December 2014.

12.2   Progress on Implementation

12.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. Where actions had been completed by management, evidence to support this was gathered.

12.2.2 The follow up found that three of the recommendations have been implemented and two recommendations have had their implementation dates extended to 30 June 2015.

12.3.   Conclusion

12.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Substantial Assurance which means that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Ardleigh Green Infant School	**Schedule B (13)**

13.1 Introduction

13.1.1 The audit of Ardleigh Green Infant School was undertaken as part of the rolling triennial programme of school audits.

13.1.2 Ardleigh Green Infant School was last audited in January 2014 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

13.1.3 The 2014 report made eight priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2014 as been undertaken.

13.1.4 The review found that seven recommendations had been implemented. The remaining recommendation relates to:
- The school should continue to monitor and reduce the level of retrospective orders being raised on the finance system.

13.2 Objectives and Scope

13.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

13.3 Summary of Audit Findings

13.3.1 Due to the Governing Body reconstitution and governor resignations the information within the Finance Policy required updating. The school is aware of the information to update and this is due to be reviewed in detail and reported to the Governing Body during the autumn term as part of the annual review cycle.

13.3.2 To assist in identifying site maintenance works the school is given a site survey, this is overdue. This will be completed by the borough and is not within the schools control.

13.3.3 A check of the schools inventory was last completed and reported to the Governing Body during the autumn term 2014. Although the equipment register was viewed and approved by the Governing Body the annual Management Declaration was not located.

13.3.4 Forms for equipment loaned to staff are completed for each item that is assigned to a member of staff. Each form is signed by the member of staff and approved by an authorised signatory. Items returned are then loaned to a different member of staff. Equipment returned is not signed as returned by the member of staff or signed as received by an appropriate officer within the school.

13.3.5 The procurement process was reviewed for twenty purchases chosen at random from the bank history report. Of these twenty purchases twelve of the orders were found to have been raised retrospectively.

13.3.6 For each of the twenty purchases both the Head Teacher and Deputy Head were found to have authorised at each stage of the process; order, invoice and cheque payment.

13.3.7 One charge card transaction log was authorised three months after the end of the transaction period.

13.3.8 A leaver's form for one former member of staff could not be located during testing. Assurances can be taken from the fact that this member of staff is no longer paid and that payroll checks are carried out monthly.

13.4   Audit Opinion

13.4.1 A Full Assurance on the system of internal control operating at the time of audit is given. This reflects the fact that the there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

13.4.2 The audit makes one medium and three low priority recommendations which comprise the need for:

Medium:
- The school should reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process, particularly in light of the limited budget available.

Low:
- The annual inventory check Management Declaration (included within Finance Policy) to be completed as part of future annual inventory reviews;
- Equipment on loan forms to be amended to include return date and signature; and
- Management should review the procurement process so as to increase the level of segregation. This may be achieved by increasing the number of signatories or reducing the input of the current signatories.

Rainham Village Primary School	**Schedule B (14)**

14.1 Introduction

14.1.1 The audit of Rainham Village Primary School was undertaken as part of the rolling triennial programme of school audits.

14.1.2 Rainham Village Primary School was last audited in November 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

14.1.3 The 2013 report made three priority one (High) and eight priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken. This review confirmed that all recommendations have been implemented.

14.2 Objectives and Scope

14.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

14.3 Summary of Audit Findings

14.3.1 The reconstitution of the schools Governing Body has resulted in the reconstitution of the Finance Committee. Now called Finance and Resource committee, there is evidence to suggest that meetings of the Finance and Resource committee will be moved from half termly to termly. Increasing the time between meetings could result in delays where the school requires Governors approval.

14.3.2 The school has an Emergency Plan in place which was last updated in February 2015. The plan has not been presented to Governors for information purposes.

14.3.3 Only one Governor is currently subject to a DBS check because they engage with pupils as part of the provision of cooking lessons. All other Governors received a List 99 check. Governors play an important role within the school and are therefore able to build relationships within the community because of their role as

a Governor. As Governors are encouraged to become increasingly involved in school activities, it is advisable that all Governors are subject to a DBS check as a matter of good practice.

14.3.4 Profit and loss summaries are completed at the end of each school trip. Whilst this summary is signed by the Chair of Finance they are not signed by the member of staff performing the reconciliation.

14.3.5 There are four cheque signatories, all school staff, with a financial limit for signing cheques of £5k. Only the Head or Deputy Head can approve orders for goods / service or invoices for payment, up to the limit of £15k. Above this requires Finance and Resource Committee approval. The schools current arrangements ensure tighter control in regards to the signing of cheques, but results in signatories being non-compliant with the financial limits.

143.6 The school does not maintain an official petty cash account, but does operate a petty cash process. No cash is retained on site; instead reimbursements to staff for goods purchased on behalf of the school are paid via cheque. Small value cheques were noted during the review, which cost more to administer then the reimbursement itself.

14.3.7 Where timesheets need to be completed for staff, the timesheet is completed by the School Business Manager and approved by the Head Teacher. The School Business Manager does not sign the timesheet.

14.3.8 The payroll report is checked for accuracy by the School Business Manager. Once checked the report is passed to the Head Teacher for review / approval. This review found that payroll reports are signed by either the School Business Manager or the Head Teacher not both.

14.4 Audit Opinion

14.4.1 A **Full Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that there is basically a sound system of control designed to achieve the system objectives and the controls are being consistently applied. This level of assurance also considers the weaknesses identified were minor and that most of the recommendations raised relate solely to good practice.

14.4.2 The audit makes two medium priority and six low priority recommendations which comprise the need for:

Medium:
- All Governors to be subject to a DBS check; and
- The school to consider the cost effectiveness of current arrangements for reimbursing staff for goods purchased from their personal funds.

Low:
- The school to consider the impact that termly meetings of the Finance and Resource Committee will have on the decision making process;
- The schools Emergency Plan to be presented to Governors for information purposes;

- The profit and loss summary to be signed by the person reconciling the trip;
- The school to review the financial limits for procurement;
- The person completing timesheets on behalf of the member of staff, to sign the timesheet; and
- Payroll reports to be signed by the person checking the accuracy of the report and verified by the Head Teacher.

St. Josephs RC Primary School	Schedule B (15)

15.1 Introduction

15.1.1 The audit of St Josephs Catholic Primary School was undertaken as part of the rolling triennial programme of school audits.

15.1.2 St Josephs Catholic Primary School was last audited in March 2014 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

15.1.3 The 2014 report made thirteen priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2014 as been undertaken.

15.1.4 The review found that ten recommendations had been implemented. The remaining three recommendations relate to:
- The need for the school to amend the equipment on loan register to facilitate the signature of the approver. Discussions during this review identified that no further loans have occurred and the school will be removing the loaning of equipment, therefore removing the need to amend the equipment on loan register. Further details have been included in the detailed findings and recommendations report;
- The school to ensure that a robust audit trail is in place for the approval of petty cash reimbursements. This review found that this recommendation has not been fully implemented. Revised and additional recommendations have been raised to address the weaknesses identified; and
- The school to avoid exceeding the budget within individual cost centres. The school has been liaising with the LMS Team who advised the school to allow the cost centre to overspend, instead of viring monies between the cost centres, to allow the actual spend in those areas to be visible. Whilst the school overspent on cost centres 2014/15 it is too early in the 2015/16 financial year to give assurance that cost centres will not overspend. The school feels that the current year's budget is realistic and achievable.

15.2 Objectives and Scope

15.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;

- Banking;
- Procurement;
- Payments; and
- Capital Projects.

15.3   Summary of Audit Findings

15.3.1   An analysis of the Governors skills and experience has been undertaken, however a copy of this analysis is not retained by the school.

15.3.2   Whilst comprehensive minutes are being taken of Full Governing Body and Finance Committee meetings and discussions regarding key documents are visible within the minutes, approval of these key documents could not be located within the minutes.

15.3.3   Checks to ensure that staff are suitably insured to use their car for work purposes have not been completed.

15.3.4   The school does not have an up to date Asset Management Plan. Plans on file are historic and out of date. Whilst it is acknowledged that the content of this plan is largely driven by the Council's tri-annual property condition surveys, the school should be maintaining an on-going central document to collate all premises related actions and improvements.

15.3.5   The review identified a number of individuals to which payments are being made. No evidence could be located to support that these individuals had been subject to the necessary self-employment checks before being engaged to provide services.

15.3.6   Testing undertaken within procurement found instances of key documents not being signed by the approver / authorising signatory, including order, invoices and cheque slips.

15.3.7   Procurement testing also found instances of orders being raised after the invoice has been received. Placing orders retrospectively has an impact on the accuracy of the budget monitoring process and therefore the ability to manage the budget effectively.

15.3.8   Receipts are used to evidence the reimbursement of petty cash to staff. Receipts are noted with "paid" to evidence that the funds have been paid to the claimant. Whilst some signatures were noted on a number of receipts, the school is not maintaining sufficient records that the reimbursement was approved by the School Business Officer in advance of issuing the funds, nor that the claimant had received the funds.

15.3.9   The Head or Deputy Head Teacher approves petty cash payments retrospectively by reviewing the petty cash transaction listing. The listing is not signed to evidence this approval.

15.3.10 It is acknowledged that the Head or Deputy Head Teacher approves petty cash payments retrospectively and this is set out within the schools Finance Policy and Procedures document. In reality responsibility for approving the reimbursement of

petty cash has been delegated to the School Business Officer, however this is not reflected in the Policy as it states that the School Business Officer manages the petty cash.

15.3.11 Payroll reports are checked by the School Business Officer before being passed to the Head Teacher for approval. The School Business Officer does not sign the payroll report as evidence of checking its accuracy.

15.3.12 As stated above payroll reports are checked by the School Business Officer for accuracy. This check is completed using Personnel Links that provides information as to staffs salary commitments. Whilst timesheets are approved by the Head Teacher, there are no checks to ensure that accuracy of these payments within the monthly payroll report.

15.4 Audit Opinion

15.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk and therefore need to be addressed.

15.4.2 The audit makes two high, six medium priority and four low priority recommendations which comprise the need for:

High:
- Driving declarations to be completed by all staff and an annual driving check for all staff that indicate on the declaration that they use their car for work purposes; and
- Checks to be undertaken to assess an individual's self-employment status, before engaging that individual for the provision of goods / services.

Medium:
- The approval of key documents to be clearly recorded within the minutes;
- The school to produce and format an Asset Management Plan that is maintained on an on-going basis;
- All key procurement documents to be appropriately signed;
- The school to reduce the number of retrospective orders raised;
- Petty cash related receipts to be signed by the approver and the claimant; and
- Checks to be undertaken to ensure that information recorded on timesheets / timecards are accurate within the payroll report.

Low:
- Documentary evidence of the skills assessment undertaken by the Governing Body to be retained on file by the school;
- Petty cash transaction listings to be signed by the Head Teacher;

- The schools Finance Policy and Procedures document to be amended to reflect that petty cash payments will be issued and therefore approved by the School Business Officer; and
- Payroll reports to be signed by the School Business Officer to evidence that the report has been checked and the School Business Officers pay within the report to be verified by an authorised signatory.

Appendix C: List of High Risk Recommendations and status

Of the 14 high priority recommendations due, 10 have been completed, 4 remain in progress

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Complete
12/13	Transport	Asset Management	Management should ensure that: • 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)	Homes & Housing	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	Gas Safety (Home Ownership)	Homes & Housing	Procedures are documented that show the processes to follow when a gas certificate is coming up to its expiry date or if a leaseholder has not had a gas safety check. Procedures should then be regularly reviewed and updated where required. To ensure that the inspection is undertaken consideration should be given to using the contractors used by Building Services to undertake the inspection and then recharging the leaseholders.	In Progress
			Urgent action is undertaken to ensure that the gas safety inspections have been undertaken and copies of the gas safety certificates are obtained for the outstanding 1092 leaseholders.	In Progress
			Procedures are set up with PHS to ensure that Home Ownership are notified of all Leasehold properties that have been leased to the Council and then taken / given back to the leaseholders. The procedures should include an annual reconciliation process.	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Complete
14/15	TMO's	Homes & Housing	Management to either utilise the consultant used by the TMOs or enlist some additional, experienced resource to assist in brokering discussions with the TMO to ensure the MMA is updated, fit for purpose and is agreed and signed by all parties as soon as is possible.	Complete
			A process map to map the risks LBH need to manage with regards TMO's areas that require monitoring and starting objectives should be developed prior to agreeing the MMA.	In Progress
			Recognition in the Homes & Housing Risk Register of the potential risk to LBH in the event of a disaster or financial failure by a TMO.	Complete
14/15	Payments to Contractors (Road & Pavement Defects)	StreetCare	The Highways Maintenance Support - Sub Contractor contract should be retendered to ensure that the Council is compliant with EU and Council Procurement Rules and value for money is obtained.	Complete
			Checks on the Business Continuity Plans for the contractor should be undertaken to ensure they are up to date and show that they have prepared for minimising and recovering from the interruption to the service and provide the steps required to ensure an organised and effective return to 'Business As Usual (BAU)'.	Complete
			Financial stability checks should be undertaken on the contractor to ensure that the contractor is not facing financial difficulty and if they are contingency plans should be drawn up.	In Progress
14/15	Housing Rents	Homes & Housing	Secondary checks on property adverts should be undertaken until assurance has been obtained that the data contained within the advert is accurate.	Complete
			To ensure reliability / accuracy is protected going forward, the property spreadsheet should be password protected.	Complete
			An analysis of former tenant accounts in recovery should be undertaken to identify any accounts that have not been progressed through to the next stage of recovery.	Complete