Havering
LONDON BOROUGH

AUDIT COMMITTEE
2 March 2016

Subject Heading:	Head of Internal Audit - Quarter Three Progress Report: 5th October 2015 to 3rd January 2016
CMT Lead:	Jane West Managing Director oneSource
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Policy context:	To inform the Committee of progress on the assurance work undertaken in quarter three 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 5th October 2015 to 3rd January 2016.

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 three.

Section 3   Appendices Provide supporting detail for members' information

Appendix A Detail of Quarter Three Internal Audit Work (5th October 2015 to 3rd January 2016)
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 and ultimately good governance. 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 obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

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

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

N/A

Section 1: Introduction, Issues and Assurance Opinion

1.1   Introduction

1.1.1   This composite report brings together all aspects of internal audit and anti-fraud work undertaken in quarter three, 2015/16, in support of the Audit Committee's role.

1.1.2   The main body of the report provides the Head of Internal 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 planned audit days is 800, which has reduced by 8% (67 days) compared to 2014/15. This is line with the 2013/14 London average of 900 days.

1.1.4   The oneSource service transformation restructure is due to be formally launched, with consultation starting in late March 2016. It is anticipated this will now include a third partner. This will deliver the savings and efficiencies required in line with the Joint Committee Business Case.

1.2   Current/Future Key Issues

1.2.1   The new Accounts and Audit Regulations 2015 for local Authorities in England that came into effect on 1st April 2015 are being followed.

1.2.2   The requirement to have internal audit has been amended to require local authorities to *"…undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"*.

1.2.3   The Head of Internal Audit chairs the officer working group, which seeks to strengthen the Officer Governance Group; this will include consideration of the assurance perspective and will include the risk management arrangements and any changes that may arise from the current CIPFA/SOLACE consultation paper on the *Framework for Delivering Good Governance in Local Government* that closed at the end of September 2015. The report is expected in April 2016. The Governance Group met in January 2016 and considered progress against the significant governance issues in the 2014/15 Annual Governance Statement and the Corporate Risk Register, to ensure it was still relevant.

1.2.4   Organisations are no longer required to undertake an annual review of effectiveness to meet the requirements of the Public Sector Internal Audit Standards but to have an ongoing programme of quality assessment and improvement and an external review every five years. This will form part of the oneSource Audit Charter and Strategy.

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 existing contracts and councils will be required to

determine if they wish to remain part of that arrangement or look at an alternative. It was anticipated that an information report would be presented at the December Committee; however the LGA has not concluded its offering in time for this to happen. The Audit Committee will be advised when the information is available.

1.2.6 The DCLG funded Fraud Data Sharing Hub is under development across London Boroughs. This enables data to be shared in order to help deter and prevent crime. Havering has signed the required Memorandum Of Understanding in order to progress this.

1.2.7 Post the implementation of the oneSource restructure of Internal Audit, there will be a "one Policy, Strategy and Procedure" approach, in line with the principles in the Business case that will ensure duplication is removed and partners receive the same service standard. The Audit Committee is reminded that it agreed the oneSource Anti-Fraud and Corruption Strategy at the September 2015 meeting.

1.3   Level of Assurance

1.3.1 At the December Committee meeting, Members received the Head of Internal Audit's opinion based upon the work undertaken in quarter two of 2015/16, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.

1.3.2 Based upon the work undertaken since the last update to Members, no material issues have arisen, which would impact on this opinion. There have been three Limited assurance reports issued this quarter.

Section 2. Executive Summary of work undertaken in quarter three, 2015/16

2.1.1 Delivery of the Audit Plan is progressing as anticipated. There have been three deletions from the 2015/16 Audit Plan in quarter three (Appendix A, Section 1.1.6 sets out these alterations).

2.1.2 In the previous quarters, one Nil Assurance report (Manor Green Pupil Referral Unit [MGPRU]) and one Limited Assurance report (Members' Allowance Payments) were issued.
 • Progress on the implementation of recommendations for the Manor Green Pupil Referral Unit is being monitored. Further progress has been made since the original audit with 21 of the 27 recommendations being implemented. Members will have the opportunity to ask questions of the appropriate officer, who will be in attendance at this meeting.
 • A follow up audit has been undertaken of Members Allowances Payments. The follow up found that the recommendation to review the process of Members Allowances Payments has now been implemented and a new process instigated. As a result of the findings of this follow up review the assurance level has been raised from Limited to Full Assurance.

2.1.3 In quarter three there have been three Limited assurance reports issued, these being:
 • Service Manager (Transactional Services);

- Tenant Incentive Scheme; and
- Offsite Storage.

A follow up of these areas will be included in the 2016/2017 Audit Plan.

2.1.4 Of the 85 audit recommendations, 28 (Appendix C sets out the list) were categorised as "High Priority". Nineteen of these have been completed, one has been superseded and eight are in progress.

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

2.2.1 There have been no amendments to the Proactive Audit Work Plan for 2015/16 in quarter three, shown within Appendix A, Section 2.1.

2.2.2 The NFI Council Tax 'Single Person Discount' and 'Approaching 18' matches have been reviewed.
- Two thousand seven hundred and eighty eight Council Tax 'Single Person Discount' matches were identified and 283 investigations are currently in place to establish whether Single Person Discount applies; and
- Three hundred and twenty five 'Approaching 18' matches were identified and 62 investigations have so far resulted in 35 cancellations and recharges applied, totalling £11,646.82.

2.2.3 On 11 September 2015 all staff were advised via email that if they were identified on 9 October 2015 as an employee in council tax arrears, and had not contacted the team to make arrangements for repayment, the Council would be making arrangements to make the relevant deductions directly from their salary to bring the account up to date.

Following investigation, 14 employees were identified as owing Council Tax, of these:
- One of the 14 employees had no arrangement in place to repay their Council Tax debt;
- Two of the 14 employees were proceeding to an Attachment of Earnings;
- Eleven of the 14 employees had made arrangements with the Council Tax Team to repay their debt prior to 9 October 2015; and
- Savings identified £841.32.

2.2.4 The reactive auditor received 10 new investigator referrals in quarter three; three were passed to the criminal investigation team. From the start of the year £41k of savings and £2k of losses were identified. Of the £41k savings identified £16k has been recovered. Eighty nine recommendations were made to improve the control environment.

2.3.1 During quarter three the criminal investigation team:
- Recovered two properties with a nominal value of £36k;
- Had one housing application withdrawn with a nominal value of £18K;
- Had five Right to Buy applications withdrawn with a value of £190k;
- Had three Notices to Quit served; and
- 128 housing cases were under investigation.

Appendix A: Quarter Three Internal Audit Work (5th October 2015 to 3rd January 2016)

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;
- ➢ Undertake audit health checks on schools, on behalf of the Head of Learning and Achievement, which generates an income for the team; and
- ➢ Undertake proactive and reactive audits/investigations as required

1.1.3 With the transfer of Havering counter fraud 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 for Havering Audits, 110 days for auditing oneSource services across both authorities and 185 days for proactive audits (800 audit plan days).

1.1.5 The table below provides a summary of the audits removed from, and added to, the 2015/16 approved Audit Plan during quarter three and the reason for the change; this is a common occurrence within audit services. For some audits the budget is not required or is exceeded; this is closely monitored for performance management purposes.

1.1.6 The impact on the total days in the plan has been managed by adjusting other budgets for the year. The totalled planned days remain at 800.

Audit Title	Orig. Days	Rev. Days	Reason
Corporate Complaints	15	1.5	As the Service has undertaken quarterly 'audits' this has been removed from 2015/2016 Audit Plan
NNDR	15	0	At the request of the Director this has been moved to 2016/17 Audit Plan.
Council Tax Collection	15	0	Removed from the 2015/16 Audit Plan as a previous review was completed in May 2015

1.2 Risk Based Systems and School Audits

1.2.1 As at 3rd January 2016, 11 assignments had been completed and 10 were in progress but had not reached final report stage. The table below details the final reports issued in quarter three.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
System / Computer Audits						
Service Manager (Transactional Services)	Limited	2	4	1	7	B (1)
Tennant Incentive Scheme	Limited	1	6	0	7	B (2)
Offsite Storage	Limited	3	3	0	6	B (3)
Troubled Families Phase 2	N/A	0	0	0	0	B (4)
Long Term Sickness Follow Up	N/A	0	0	0	0	B (5)
Members Allowances Follow Up	N/A	0	0	0	0	B (6)
School Audits						
Corbets Tey School	Full	0	0	1	1	B (7)
The James Oglethorpe Primary School	Substantial	1	2	5	8	B (8)
La Salette Catholic Primary School	Substantial	0	3	2	5	B (9)
Parklands Infant School	Substantial	0	3	3	6	B (10)
St. Ursula's RC Infant School	Substantial	0	6	5	11	B (11)
Total		**7**	**27**	**17**	**51**	

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

1.2.3 Work nearing completion at the end of December included four risk based systems audits and two computer 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 December 2015. The total number of audits, where there will be a standard approach to deliverables for 2015/16 is 45.

Performance Indicator	Quarter 3 Target	Quarter 3 Actual	Quarter 3 Variance
Percentage of Audit Plan Delivered	74	81	+7
Number of Briefs Issued	38	39	+1
Number of Draft Reports Issued	36	27	-9
Number of Final Reports Issued	32	27	-5

1.4 Outstanding Audit Recommendations Update

1.4.1 Internal Audit follow up all recommendations with management when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems, where limited assurance was given, is verified through a follow up audit review.

1.4.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high priority recommendations.

1.4.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

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

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

1.5 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 03/01/16	
				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	Accounts Payable	Internal Shared Services	Substantial	0	1	0	0	1 ◆
			2012/13 Totals	**1**	**7**	**3**	**7**	**4**
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	5	3
14/15	TMO's	Homes & Housing	Limited	3	4	0	5	2
14/15	Environmental Protection & Housing	Regulatory Services	Limited	2	2	2	5	1
14/15	PARIS System	Exchequer & Transactional Services	Limited	3	1	0	3	1
14/15	Manor Green PRU	Children's Services	Nil	17	10	0	21	6
14/15	Responsive Maintenance	Homes & Housing	Substantial	1	2	0	0	3
			2014/15 Totals	**27**	**23**	**5**	**39**	**16**
15/16	Service Manager (Transactional Services)	Human resources & Organisational Development	Limited	0	2	1	2	1
			2015/16 Totals	**0**	**2**	**1**	**2**	**1**
			Totals	**28**	**48**	**9**	**62**	**23**

◆ Implementation of these recommendations are being delayed due to the development of joint oneSource procedures etc.

2.1 Proactive Audit Investigations

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

Description	Risks	Plan days	Quarter 3 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	Completed
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in the 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 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 discount invalid.	30	In progress
NAFN	National Anti-Fraud Network	0	Now with

Description	Risks	Plan days	Quarter 3 Status
			Corporate Fraud
Whistleblowing	All whistleblowing referrals. Eight reported.	10	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation. Ninety six made; three outstanding.	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. Fourteen calls received; two remain under investigation.	5	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Twenty one cases received and completed.	15	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. Seventeen cases assisted.	15	Ongoing
	TOTAL	**180**	

2.1.2 The proactive audit investigation work comprises three elements:
  ➢ Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data;
  ➢ A programme of proactive audit investigations; and
  ➢ Following up the implementation of recommendations made in previous corporate fraud investigations 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. 2,788 Council Tax 'Single Person Discount' matches were identified and 283 investigations are currently in place to establish whether Single Person Discount applies. 325 'Approaching 18' matches were identified and 62 investigations have so far resulted in 35 cancellations and recharges applied, totalling £11,646.82.

2.1.4 On 11 September 2015 all staff were advised via email that if they were identified on 9 October 2015 as an employee in council tax arrears, and had not contacted the team to make arrangements for repayment, the Council would be making arrangements to make the relevant deductions directly from their salary to bring the account up to date.

On 29 October 2015 Internal Audit conducted an Oracle employee name and address report comparison to the Council Tax debtors. The IDEA report matched 14 employees to Council Tax debtors via postcode and surnames. Further analysis via Academy identified:

- 1 of the 14 employees had no arrangement in place to repay their Council Tax debt;
- 2 of the 14 employees were proceeding to an attachment of Earnings;
- 11 of the 14 employees had made arrangements with the Council Tax Team to repay their debt prior to 9 October 2015; and
- Savings identified £841.32.

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 3 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
5	10	3	0	4	3	5

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

Source and Number of Referrals Quarter 3 2015/16	
Number of Referrals/ Type	IA Reports Qtr 3
Anonymous Whistle blower	3
External Organisations / Members of the Public	1
Internal Departments	6
Total	10

2.2.3 The table below shows the number and categories of Audit Investigation cases at the end of the Quarter 3, compared to the quarter 2 totals.

Reports by Category		
Audit Investigation Category	Previous Cases Qtr 2	Current Cases end of Qtr 3
PC – Misuse and Abuse	0	1
Breach of Code of Conduct	1	1
Breach of Council Procedures	3	2
Misuse of Council Time	0	0
Direct Payments	0	0
Theft	1	0
Disabled Facility Grant	0	0
Procurement Fraud	0	1
Money Laundering	0	0
Total	5	5

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

Case Outcomes	
Outcome	**Qtr 3**
Management Action Plan	3
Resigned	0
Disciplinary	0
No case to answer	4
Withdrawn Application	0
Total	**7**

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	Savings Identified	Losses Identified	Actually Recovered Savings	Details
Timesheet Abuse		£238.70		Employee falsifying flexi records. 34 working days over claimed 13 hours. Employee resigned.
Falsification of Flexi Records		£162.90		Employee falsifying flexi records.
Overcharge Gas Safety 2013	£866.00		£866.00	Contractor overcharge and poor internal check and control.
Overcharge Gas Safety 2014	£912.00		£912.00	Contractor overcharge and poor internal check and control.
Mileage Claim		£133.62		Officer falsified mileage claims disciplinary action taking place
Internet Misuse		£457.88		28.13 hours on the internet during Council time. Time Lost.
Misuse of Time		£790.25		Employee leaving early arriving late and taking unauthorised

Case details	Savings Identified	Losses Identified	Actually Recovered Savings	Details
				breaks.
Misuse of Time		£141.22		Employee leaving early arriving late.
Member of Staff in Housing		£65.69		Overclaiming start and finish points with mileage claims minimum losses from analysis but has actually been going on for years.
NFI	£6,159.23			NFI death pension report identifies total gross overpayment that Pensions will now recover.
NFI	£49.78			NFI death pension report identifies total gross overpayment that Pensions will now recover.
NFI	£574.13			NFI death pension report identifies total gross overpayment that Pensions will now recover.
NFI	£18,000.00			Housing Waiting List to Immigration Status no right to housing report 236. Housing application removed and notional £18k applied as instructed via Cabinet Office.
Council Tax Debts to Council Employees	£841.32			Employee debt. Unable to attach to earnings as a School employee and differing Code of Conduct. Schools Code of Conduct to be updated.
Duplicate Payment	£2,055.00		£2,055.00	Duplicate Payment found and payment stopped.
Internet Misuse	£259.35		£259.35	14 hours and 51 minutes during 31.5 working days on the internet to be

Case details	Savings Identified	Losses Identified	Actually Recovered Savings	Details
				reimbursed in time.
NFI Approaching 18's	£11,646.82		£11,646.82	NFI flexible data matching and Council Tax Teams recovery process have @ 31 December 2015 removed 62 SPD and imposed back payments totalling £11,646.82 to date and ongoing.
	£41,363.63	**£1,990.26**	**£15,739.17**	

2.4 Audit Investigation Recommendations

2.4.1 In 2014/15 there were 15 'Recommendations Not Yet Due' carried forward. Ninety six recommendations were made at the end of December 2015 and three are outstanding at the agreed implementation date.

Quarter 3 Audit Investigation Recommendations	Qtr 1	Qtr 2	Qtr 3
Total Recommendations	54	89	96
Recommendations Implemented	34	69	81
Recommendations Not Yet Due	20	19	8
Recommendations Slipped	1	3	3
Of Which High Priority	0	1	1

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

Open and under investigation c/f from Q1	Referrals			Housing Out comes	Housing Benefit		Fraud not proven	Cases open and under investigation
	Received	Passed to DWP	Rejected		Over-payments	Prose-caution		
128	69	0	0	3	0	1	16	128

3.1.2   During the quarter:
- Two properties were recovered with a nominal value of £36k;
- One housing application was withdrawn with a nominal value of £18K;
- Five Right to Buy applications were withdrawn with a value of £190k;
- Three Notices to Quit were served; and
- One hundred and twenty eight housing cases were under investigation.

Appendix B Summary of Audit Reports

Service Manager (Transactional Services)	Schedule B (1)

1.1 Introduction

1.1.1 The audit of Service Manager forms part of the 2015/2016 Internal Audit plan.

1.1.2 Support Works has been used by Transactional Services since its launch in April 2011. Due to the holding server no longer being supported by Microsoft and Support Works itself no longer having a maintenance contract, an alternative solution was needed.

1.1.3 Following consultation and system demonstrations it was decided that the system to be implemented was to be Service Manager. This system is already used by the ICT service within oneSource.

1.1.4 The Service Manager system went live within Transactional Services on 11th May 2015.

1.2 Objectives and Scope

1.2.1 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance that:
- Staff are adequately trained to use the system;
- Service requests are accurately processed and completed in a timely manner; and
- Service Manager provides meaningful management information that is monitored regularly.

1.2.2 The audit will concentrate on examining the controls applied to address the risks identified in the following areas:
- Staff lack adequate training;
- Access to the system is not controlled;
- Service requests are not being recorded within the system;
- Service requests are not allocated or are incorrectly allocated;
- Service requests received are not monitored accurately / effectively;
- Service requests are not completed within the timescales detailed within the SLA;
- Management information is not produced and monitored; and
- Poor performance is not acted upon.

1.3 Summary of Audit Findings

1.3.1 The system automatically issues a reference number when a request is received. If the initial call reference is not referred to when contacting shared services a new request is raised which results in the duplicate request. Duplicate requests that have been raised will be closed within the system and therefore be included, and skew, performance data. There will also be an impact on resources of having to complete duplicate requests.

1.3.2 Service requests raised that require information from multiple teams will be allocated to individual teams one at a time. It is the responsibility of the person who is assigned to the request to reallocate the call in the system to the second team and to not close the request until fully completed. Performance information within the system monitors the length of time it takes to complete each call. This does not consider whether the call requires information from multiple sources, which could affect the delivery time and have a detrimental effect on performance data.

1.3.3 Each service request raised is allocated a severity which dictates the length of time it should be completed in. There are three levels of severity within the system; these are severity 4, severity 5 and severity 6. The deliverable timescale varies from 5 days to no fixed period. The system currently attaches a default of severity 4, which is notified to the customer at the point of raising the request. Once requests are assigned to staff the severity of the call can be changed to reflect the level of work required to complete the request. Customers aren't made aware of any changes to severity other than at the initial point of contact when notified of the request being severity 4.

1.3.4 When initially installed the system had a holding period for service requests of 6 months. Beyond that period the requests are archived. Due to the level of financial information passed through the service teams some information is required by statute to be kept for a set period of time; this includes the information included within journal requests. When archiving service requests the system deletes attachments, meaning that journal requests would not be stored on the system beyond a 6 month period. A process has been implemented that ensures that the system saves attachments onto a specific computer drive. This enables the relevant financial information to be retained for the required length of time.

1.3.5 The Service Manager system has no capability to put calls on hold. Therefore if additional information/ clarification is sought from the customer the system continues to monitor each request against the pre-set delivery timescales, regardless of whether the service are able to action the request. There are no alternatives within the system that will allow for the delivery time to be suspended while the customer is contacted. Any calls where the customer is contacted for additional information is likely to extend beyond the current timescale limits and adversely affect any performance data.

1.3.6 Currently there are no reports set up within the system that will allow for meaningful performance data to be extracted.

1.3.7 The Service Manager system is also used by ICT staff within both Havering and Newham. There should therefore be scope to be able to share knowledge of the system amongst oneSource staff.

1.3.8 When monitoring performance within the system it has been noticed that the delivery time of severity 6 (no fixed time) doesn't therefore allow these calls to be monitored accurately. There have been discussions within the service as to how best to monitor these calls, and a change in the timescale has been agreed with the severity 6 calls to be delivered within two months. At the time of the audit this had not been actioned within the system.

1.4   Audit Opinion

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

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

High
- Training to be undertaken by those staff responsible for creating performance reports.
- Reports to be created/ extracted that accurately reflect the performance against agreed objectives.

Medium
- Customers should be made aware at the point of request for the need to include the service request [reference] in any future communications to reduce the risk of duplication.
- User training and 'How to' guides to include managing multi-faceted requests.
- Spot checks to be carried out on calls that exceed delivery limits to highlight non-compliance.
- Delivery timescale for Severity 6 to be amended in order to be reported on.

Low
- Customers should be notified when the severity of the Service Request has been amended.

2.1 Introduction

2.1.1 The Tenant Incentive Scheme has been introduced, as an alternative to the Right to Buy Scheme, with the main purposes:
- To assist existing Council housing tenants to buy a home in the open market and in so doing vacate their council property so that it can be re-let to someone in need; and
- Free up council accommodation to meet the highest property size demand on the Housing register.

At the time of the review there were 2,484 people on the Council Housing list and 9,696 of housing stock; of which 8,889 is general needs and 807 is sheltered accommodation.

2.1.2 The Tenant Incentive Scheme offers a one off grant of up to £33,000 to cover the shortfall between the tenant's saving's and the amount required to make a deposit of 20% of the purchase price. Council tenants can apply for the scheme through Liberty Housing (previously Private Housing Solutions), a Council run social letting agency.

2.1.3 The grant is equally funded by the Greater London Authority (GLA) and from allocated resources within the Housing Revenue Account and can be used to fund house purchases inside or outside the borough. The scheme is run by the Private Housing Initiatives Team.

2.1.4 The scheme was launched in October 2014 with funding for an expected 20 grants being issued over a two year period. At the start of the review, two grants had been awarded.

2.1.5 This review has been undertaken to ensure that the council is compliant with regulations and council requirements. This audit report is in respect of the control environment within the Private Housing Initiatives Team with regard to the issuing of Tenant Incentive Scheme grants.

2.2 Objectives and Scope

2.2.1 The audit of the Tenant Incentive Scheme is included in the 2015/16 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

2.2.2 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding:
- Compliance with the GLA funding conditions and the organisation's policies and procedures;
- The Tenant Incentive Scheme is administered in an effective manner and that payments are accurate and timely;
- Resources are safeguarded from fraud and abuse; and
- The production and review of accurate and relevant management information including performance monitoring.

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

- Delivery of the service does not comply with the GLA funding conditions and the organisation's policies and procedures;
- Procedures are bureaucratic and / or fail to acknowledge risk;
- Unauthorised and / or incorrect grants are made;
- Ineligible grants are paid / fraud goes undetected;
- Errors / overpayments go undetected;
- Transactions are not supported by robust audit trails;
- Funding is not reclaimed from the GLA;
- Inadequate budgetary control;
- 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.

2.3 Summary of Audit Findings

2.3.1 The procedure document does not include the following requirements, which would ensure that the correct information is requested and also mitigate the risk of fraud:

- Wage slips to include shift allowances and bonuses and to cover a six month period;
- Statements for all current and savings accounts to be requested to cover a six month period; and
- Proof of residency documents to be requested to cover specific periods of time e.g. current, 6 months and 1 year to show that the applicant has been residing at the property for a period of time.

2.3.2 Testing was carried out on the two successful applications processed to date, to establish if all necessary checks were being carried out in line with the Tenant Incentive Procedure document. The findings are as follows:

- Procedures are not being fully followed;
- Requested documents are not always scanned to the system;
- An income and expenditure form is not being completed; and
- The figures used for the calculation of the grant are not retained on file.

2.3.3 Applicants are required to commission a survey on the property they wish to purchase, however, both applicants were not advised of this requirement and therefore a copy of the survey was not obtained and retained on file. Applicants are also advised to contact Homes and Housing to give a Notice to Quit. Evidence that this has been completed is not requested by the member of the team processing the application; however, they do advise Housing Officers that the tenant has applied for the scheme.

2.3.4 On completion of the purchase of the property, the applicant's solicitor is requested to complete and submit an RX1 on behalf of the Council stating that a charge is to be put on the property and if the property is to be sold within five years of completion, written confirmation from the Council must be gained and the amount of the grant repaid. No documentation is retained on file to indicate that the RX1 has been completed and a charge has been put on the property.

2.3.5 The Tenant Incentive Scheme Application form is completed which includes a declaration signed by each applicant. There is no reference to the fact that any grant awarded cannot be used to purchase a property under the Right to Buy scheme.

2.3.6 Applications are processed by either of the two Private Sector Housing Advisors and this is determined by who deals with the initial enquiry. There are no secondary checks on the application to ensure all necessary checks have been carried out and the grant amount has been correctly calculated. No secondary checks take place on the Electoral Register or Council Tax records to establish if a single applicant is the only resident at the property. Audit checks found that this would be a useful additional control.

2.4   Audit Opinion

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

2.4.2 When an audit is given a limited assurance, it is normal practice to conduct a follow up audit to test that the recommendations have been fully implemented. As the Tenant Incentive Scheme had a low uptake and is due to end in March 2016, a follow up audit will only be conducted if there are further successful applications.

2.4.3 The audit makes one high priority and six medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to:

High
- Procedures are fully followed to ensure the applicant meets the eligibility criteria.

Medium
- The procedure document to be reviewed;
- All documentation is requested as specified in the procedure document;
- A copy of the RX1 is obtained and retained on file;
- The application to include reference to the Right to Buy scheme on the declaration;
- Secondary checks should be carried out before the grant amount is released; and
- A robust audit trail to be maintained throughout the application process.

3.1 Introduction

3.1.1 Councils need to have a robust framework for managing the storage of its data, to maintain their legal responsibilities under the Freedom of Information Act 2000 and the Data Protection Act 1998 (DPA).

3.1.2 Havering uses an organisation called Iron Mountain for storing paper records offsite

3.1.3 The spend on offsite storage with Iron Mountain in 2014/15 was approximately £69,000.

3.2 Objectives and Scope

3.2.1 The objective of the audit is to confirm that both Havering and Newham Councils have a robust framework to manage its offsite data storage.

3.2.2 This audit review considered the management of offsite storage. We interviewed officers in a sample of services, who were high users of offsite storage, including Adults, Children, Planning and Property Services, to find out what arrangements are in place.

3.3 Summary of Audit Findings

3.3.1 The main supplier for the provision of offsite storage (Iron Mountain) has been in use for a prolonged period of time. Although officers were approached to provide a copy of the contract with Iron Mountain, one was not provided. It is unclear how the services of Iron Mountain were procured in the absence of a signed contract. The Head of Facilities Management was able to provide a pre-tender report that was drafted in 2013. This was drawn up to address poor performance that Housing was experiencing with Iron Mountain. However, no further information was forthcoming.

3.3.2 No disaster recovery plan for Iron Mountain was provided. Hence, Audit cannot confirm whether there are adequate arrangements in place.

3.3.3 Audit was informed by the Information and Records Officer that when the council was in the process of procuring the offsite storage service, they had visited Iron Mountain's depot in Kent to confirm what security arrangements they had. However, this has not been confirmed/repeated recently.

3.3.4 There was evidence of offsite records being reviewed in Adults' and Children's services. Audit was provided with a pre-destruction list prepared by Iron Mountain, which identified the files held that were due to be destroyed. Upon destruction, a destruction certificate was provided as evidence. However, there was no evidence that documents have been reviewed in the other services looked at although the officers stated that records need to be held for an indefinite period as part of historical records.

3.3.5 An excel data log was provided for files sent to storage by the Adults' and Children's services, which is managed by the Records and Information Officer.

The excel log included destruction dates. The planning team also maintains an excel record.

3.3.6 There is no documented process for the authorisation and retrieval of paper files held in offsite storage. Audit was informed that Iron Mountain have a list of authorised officers who can request a file from storage, via email. An order form is completed and faxed. Audit was informed that when an officer who is not authorised sends an email request, Iron Mountain is unable to process their request and would ask for a listed user to send in the request.

3.3.7 The Records and Information Officer is able to set up officers to be authorised users across the council. A charge is applicable for requesting files and sending back the files for re-storage. The spend on offsite storage with Iron Mountain in 2014/15 was approximately £69,000.

3.4 Audit Opinion

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

3.4.2 The audit makes three high and three medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to:

High
- Market testing for offsite storage should be carried out as soon as possible, to identify whether value for money is being achieved.
- Officers should ask Iron Mountain for a copy of their disaster recovery plan and enquire whether it has been tested recently.
- Officers should satisfy themselves that the current security arrangements are robust. This check should be repeated periodically.

Medium
- On a periodic basis, paper files held in storage should be reviewed by officers to identify whether any files are due for destruction. Where files have been destroyed, destruction certificates should always be retained.
- For the purpose of consistency and data quality, the council should develop guidance on the information that should be recorded in the data logs. The council may also want to consider developing a pro-forma data log that services can adopt and adapt to their circumstances. Data logs of paper files kept offsite should always be maintained, including destruction dates. Where possible, this should be cross referenced with periodic reports from the offsite storage provider.
- There should be a documented process for officers on how to manage data held offsite, including file retrieval.

4.1 Introduction

4.1.1 The Troubled Families Programme was first launched in 2012 and has been expanded into Phase 2 which began during 2015/16. The target for the London Borough of Havering is to claim for 1,410 families by end of May 2020. The expectation is that around 2,000 families will need to be nominated to ensure the claim target is met.

4.1.2 To be eligible for the expanded programme each family must meet three out of the six national or local criteria as detailed in the Troubled Families Outcomes Plan (TFOP). The six criteria focus on antisocial behaviour, poor school attendance, worklessness, domestic violence and abuse and health problems.

4.1.3 A Payment by Results (PBR) claim can be submitted as soon as the turnaround of the troubled family can be determined under the significant and sustained progress / outcomes as detailed in the TFOP and evidenced by relevant sources.

4.1.4 For Phase 2 a Financial Framework for the Expanded Troubled Families Programme has been issued by the Department for Communities and Local Government (DCLG) which outlines a specific role for Internal Audit. This includes consultation during the development of the TFOP and some on-going sample testing, checks and verification prior to each claim being made.

4.2 Objectives and Scope

4.2.1 The objective of the audit is to provide the Authority's management and the Audit Committee assurance regarding:
- Evidential expectations required to claim results;
- The robustness of the process in place for making a claim; and
- The validity of the claims to be made.

4.2.2 Given that there is yet to be a claim made under this phase the audit has only reviewed the documents, forms and processes in place to ensure that there are sufficient controls to prevent invalid claims being submitted.

4.3 Audit Findings

4.3.1 The Troubled Families Programme has been in existence across the Council since 2012 so the process is already embedded within relevant areas. However, Phase 2 is introducing new criteria and in doing so is drawing additional teams and practitioners into the process. This has been dealt with well by the Troubled Families Team with the successful delivery of four briefings to around 80 members of staff outlining the process and the new criteria, including a scenario based exercise to promote discussion and highlight potential misunderstandings.

4.3.2 Generally staff seemed aware of their responsibilities and when they might need to seek clarification. Staff attending the sessions received information packs including all the relevant forms they might need. The intention is to include these

forms in an electronic version as part of the next Early Help and Troubled Families newsletter.

4.3.3   Communication, training and assistance from the Troubled Families team has been found to be timely, consistent and proactive. The briefing attended by the auditor demonstrated that the Troubled Families programme is mostly embedded in current processes and that it was viewed positively by staff for the most part. Getting to grips with the new criteria under Phase 2 appears to be the biggest challenge but was embraced positively by staff.

4.3.4   The TFOP is a living document which will be subject to amendment and update as this process continues. This includes the indicators to assist in the identification of families for nomination as well as the outcome and evidence source. Because the criteria is new under Phase 2 there is an element of trial and error that cannot be avoided and actually is crucial to ensuring the positive development of the programme. The potential impact of this on claims will be an unknown until a claim window is reached.

4.3.5   The Troubled Families Resource Panel is a new addition to the programme and has only recently been promoted to staff involved in nominating families. As the panel has not yet convened the success of this is also likely to be a case of trial and error due to the individual circumstances of each family. This was discussed at the briefing attended by the auditor and an element of uncertainty was noted amongst the staff regarding the circumstances when this might be utilised. Further guidance citing some examples when this might be an option for families could be useful as well as detailing any situations in which funds would not be considered. However, at the point of the next audit review (expected to be early January 2016 to coincide with the claim window) if the Resource Panel has met and funds have been released then this will be included in audit testing.   If possible the auditor will also attend a Resource Panel meeting to aid the review.

4.3.6   The Troubled Families Programme Team has demonstrated that there is sharing of process and procedure with other Councils and seeking out best practice and innovations. Furthermore there is evidence of joined up working practices within the Council as once a nomination is accepted the Troubled Families Team email out all relevant information to all the teams and practitioners involved with the family, pulling them all together for this purpose. This was further demonstrated at the briefing in which the auditor was able to observe the interactions of staff from different areas when discussing the scenarios and how this might apply to an actual family in the Borough.

4.4   Conclusion

4.4.1   There are adequate procedures and processes in place to successfully assist and lead practitioners through the process of nominating a family and evidencing and submitting a claim. However, until a number of families under the varying criteria in Phase 2 have passed through the entire process it is difficult to determine if the TFOP and other relevant forms and guidance are sufficient and complete. Therefore a further audit review will take place near the January claim window to carry out some sample testing of the nominations, evidencing and claims as well as any resources allocated via the Troubled Families Resource Panel.

| Long Term Sickness Follow Up | Schedule B (5) |

5.1   Background

5.1.1   The 2014/15 Internal Audit Plan included a review of Long Term Sickness. The audit found that only a nil 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 Long Term Sickness audit had been implemented or to provide a progress update for any that remain outstanding.

5.1.2   The 2014/15 audit review found that control is generally weak; leaving the system open to significant error or abuse, and/or significant noncompliance with basic controls leaves the system open to error or abuse. In order to strengthen the control environment four medium priority recommendations were raised and accepted by management and were due to be implemented by the end of February, March and April 2015.

5.2   Progress on Implementation

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

5.2.2   The follow up found that all four recommendations have been implemented.

5.2.3   An original sample of 6 absences was chosen at random and managers contacted to provide evidence of any interaction with the member of staff who was sick; this included Occupational Health referrals, formal/ informal discussions, Fit Notes and Return to Work documentation. It was found that:
- In one case incorrect details had been entered into Oracle and the employee had only been off sick for three days and not 38 as per Oracle;
- In one case the manager had left and documentation was unavailable;
- three cases had been progressed in line with the policy; and
- in the remaining case the manager was on leave at the time of the review.

5.3   Conclusion

5.3.1   As a result of the findings of this follow up review the assurance level has been raised from Nil 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.

6.1 Background

6.1.1 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.

6.1.2 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.

6.1.3 The 2014/15 Internal Audit Plan included a review of Members Allowances. The audit found that 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 recommendation raised in the original audit had been implemented or to provide a progress if it remained outstanding.

6.1.4 Limitations in the system of control were identified in the original audit that put the system objectives at risk. In order to strengthen the control environment one high recommendation was raised. The recommendation was accepted by management and was to be implemented by the 1st July 2015.

6.2 Progress on Implementation

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

6.3 Conclusion

6.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Full Assurance which means there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

7.1 Introduction

7.1.1 The audit of Corbets Tey School was undertaken as part of the rolling triennial programme of school audits.

7.1.2 Corbets Tey School was last audited in March 2015 when the completion of the Audit Health Check 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.

7.1.3 The 2015 report made two medium priority recommendations and four low priority recommendations. As part of this review, progress to implement the recommendations raised in 2015 has been undertaken. This review confirmed that four recommendations have been implemented.

7.1.4 The remaining two outstanding recommendations, both low priority, relate to the need for:
- Action should be taken to ensure that the access rights detailed within the Finance Policy accurately match the current access rights to the FMS system.
- As a good practice exercise a summary income and expenditure should be recorded for each trip.

7.2 Objectives and Scope

7.2.1 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.

7.3 Summary of Audit Findings

7.3.1 The schools Business Continuity arrangements are documented and have been tested. There is currently no alternative accommodation for pupils, in the event of long term closure of the school. Due to the level of behaviors and complex needs of pupils, it is considered that in the event of an emergency, leading to the closure of the school, the re-location of the pupils would be decided at the time with decisions made dependent on the level of damage to the school and the classes involved.

7.3.2 The Finance Policy and Procedures document and the authorised users of the SIMS system should agree. A comparison was undertaken between the users of the system as detailed within the Finance Policy & Procedure document against those who actually have access. Within the Finance Policy the Head teacher is detailed as having access Authorise only, when checking against the access to the system it was found the Head Teacher does not have access.

7.3.3 The school undertakes a residential trip with one overnight stay. The last Health check identified that an income and expenditure sheet was not produced for the trip in order to balance the cost centre to zero. The value of the trips is low and the trip is subsidised, apart from the food, where parents are asked for a contribution to cover the cost. As there had not been a school trip undertaken so far this year, an income and expenditure sheet was not available to test, therefore this recommendation is not being reiterated within this report but the school should progress this recommendation when the needed arises.

7.3.4 The inventory has not been reviewed since the beginning of term, as there have been changes in classroom position; therefore the location of items on the inventory has become out of date. The inventory has not been tested as the Finance Officer is preparing to undertake a stock check within the next couple of weeks. As classrooms move annually, the stock check is always undertaken after the academic year has begun.

7.4 Audit Opinion

7.4.1 **Full Assurance.** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

7.4.2 The audit makes one low priority recommendation which comprise the need for:
- Access rights detailed in the Finance Policy & Procedure document to accurately match the current access right to the system

8.1   Introduction

8.1.1   The audit of James Oglethorpe Primary School was undertaken as part of the rolling triennial programme of school audits.

8.1.2   James Oglethorpe Primary School was last audited in May 2014 when the completion of the Audit Health Check by Internal Audit 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.

8.1.3   The May 2014 report made one high and nine medium priority recommendations. As part of this review, progress to implement the recommendations raised in 2014 has been undertaken.

8.1.4   The review found that seven recommendations had been implemented. The remaining recommendations have been reiterated as part of this review and relate to:
- It is recommended that a costing and end of journey summary is prepared and signed off for school trips;
- Staff using their own cars for school business should produce relevant documentation confirming that they are legally allowed to do so; and
- The school should ensure that all governors and key staff complete a pecuniary interest form each year.

8.2   Objectives and Scope

8.2.1   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.

8.3   Summary of Audit Findings

8.3.1   Checks on staff driving documentation had been undertaken in December 2014. These checks have covered most staff however appear to be incomplete. A review is due to be undertaken by the Office Manager.

8.3.2 The details regarding access to FMS held within the Finance Policy do not accurately reflect the current access rights to the system. LMS should be contacted to remove the access of any leavers.

8.3.3 The annual inventory check was last completed in May 2014. Work has begun on the annual check for 2015; however this was incomplete at the time of the audit.

8.3.4 The newly appointed Deputy Head Teacher should attend Safer Recruitment training as best practice.

8.3.5 A summary of income and expenditure should be completed upon conclusion of a school trip. This summary should be reviewed and signed off by an appropriate signatory.

8.3.6 Of fourteen orders tested, ten were found to have been raised retrospectively following receipt of an invoice.

8.3.7 When completing procurement testing official order forms for six purchases could not be located. These related to purchases in the last financial year. Procurement documentation retention seems to have improved in recent months following a new Finance Officer being in post.

8.3.8 Of fourteen payments reviewed it was unclear as to who had authorised the cheque for payment. Although the bank act as an assurance function to ensure no unauthorised payments are processed it wasn't possible through the testing to ensure that the Scheme of Delegation had been followed.

8.4 Audit Opinion

8.4.1 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.

8.4.2 The audit makes one high, two medium and five low priority recommendations which comprise the need for:

High:
- Staff using their own cars for school business should produce relevant documentation confirming that they are legally allowed to do so. This should be undertaken on an annual basis.

Medium:
- The school should undertake a review of inventory on an annual basis and report the findings of this check to the Governing Body; and
- The school should reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process.

Low:

- Access to the FMS system to be limited to only those with required access, as listed within the Finance Policy;
- The Deputy Head to undertake Safer Recruitment training;
- It is recommended that a costing and end of journey summary is prepared and signed off for school trips;
- Cheque stubs to be initialed to evidence that the Scheme of Delegation is being followed; and
- Monthly timecards to be authorised as a good practice exercise following completion by the Finance Officer.

9.1   Introduction

9.1.1   The audit of La Salette Catholic Primary School was undertaken as part of the rolling triennial programme of school audits.

9.1.2   La Salette Catholic Primary School was last audited in April 2012 when Limited Assurance on the School's system of internal control was given. The opinion reflected the fact that there were limitations in the systems of control which put the system objectives at risk, and/or the level of non-compliance put the system objectives at risk.

9.1.3   The 2012 internal audit report made fourteen recommendations, two of a high priority, nine medium priority and three low priority, which were designed to mitigate potential risk. All fourteen of the recommendations had been completed at the time of the audit.

9.2   Objectives and Scope

9.2.1   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; and
  • Procurement & Capital Projects.

9.2.2   The school had chosen to not buy-in the annual Health Check for 2014/2015.

9.3   Summary of Audit Findings

9.3.1   The SIMS access detailed within the Finance Policy does not accurately reflect the current access to the system.

9.3.2   An annual inventory check had been carried out however no declaration of inventory check had been completed or reported to the Governing Body.

9.3.3   The equipment register of items loaned to staff did not include an authorising signature or a verifying signature once the equipment has been returned.

9.3.4   Of twenty orders tested, eleven were found to have been raised retrospectively following receipt of an invoice.

9.3.5   The schools petty cash account has been reimbursed beyond the imprest level detailed within the Finance Policy.

9.4   Audit Opinion

9.4.1   A Substantial Assurance has been given as the audit found 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.

9.4.2 The audit makes three medium and two low priority recommendations which comprise the need for:

Medium
- Schools Finance Policy should be updated to include the Finance Assistant as having access to the SIMS system;
- Equipment loaned to staff should include an approving signature for the loan to take place as well as a verifying signature once the equipment has been returned; and
- The school should reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process.

Low
- The Management Declaration of Inventory check to be completed and presented to the Governing Body as evidence of the check taking place; and
- The Petty Cash account should be reimbursed only to the imprest level.

10.1 Introduction

10.1.1 The audit of Parklands Infant School was undertaken as part of the rolling triennial programme of school audits.

10.1.2 Parklands Infant School was last audited in March 2012 when Substantial Assurance on the School's system of internal control was given. The opinion reflected the fact that the system of internal control was sound but a number of limitations and/or instances of non-compliance with some of the controls may put some of the system objectives at risk were identified.

10.1.3 The 2012 internal audit report made eight recommendations, one of a high priority, five medium priority and two low priority, which were designed to mitigate potential risk. All thirteen of the recommendations had been completed at the time of the audit.

10.2 Objectives and Scope

10.2.1 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; and
- Procurement & Capital Projects.

10.2.2 The school had chosen to not buy-in the annual Health Check for 2014/2015.

10.3 Summary of Audit Findings

10.3.1 The schools Emergency Plan included the review date of September 2014. Although the Plan was up to date and had been reviewed this was unclear from the review date shown on the plan.

10.3.2 An annual inventory check had been carried out however no declaration of the inventory check had been completed or reported to the Governing Body.

10.3.3 The equipment register of items loaned to staff did not include an authorising signature or a verifying signature upon return.

10.3.4 The completion of disqualification checks had not been included on the schools Single Central Record.

10.3.5 Of twenty orders tested, sixteen were found to have been raised retrospectively following receipt of an invoice.

10.3.6 Of the twenty cheque slips reviewed, fifteen were found to be not initialled at all, with a further four initialled by one signatory.

10.3   Audit Opinion

10.4.1 A **Substantial Assurance** has been given as the audit found 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.

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

<u>Medium</u>
- Equipment loaned to staff should include an approving signature for the loan to take place as well as a verifying signature once the equipment has been returned.; and
- Disqualification completion dates to be included on the Single Central Record;
- Orders to be raised on the system in advance of invoices being received.

<u>Low</u>
- The Emergency Plan to include a clear version control;
- An Inventory declaration of the annual check to be completed and reported to the Governing Body; and
- Cheque slips to be initialled/ signed by the individuals signing the cheques. This allows the school to demonstrate that cheque payments are being carried out inline within the Scheme of Delegation.

11.1   Introduction

11.1.1 The audit of St Ursula's RC Infant School was undertaken as part of the rolling triennial programme of school audits.

11.1.2 St Ursula's RC Infant 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.

11.1.3 The 2014 report made one priority one (High) and ten priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2014 has been undertaken. This review confirmed that eight recommendations have been implemented, one recommendation had been party implemented and two recommendations are still to be implemented and have been re-iterated in this report.

11.1.4 The three recommendations outstanding, all a priority two (Medium), relate to the need for:
- Cheque stubs to be initialled by both signatories at the time the cheque is signed;
- Petty cash to be approved at the time or before re-imbursement is made; and
- Two people to take income to the bank.

11.2   Objectives and Scope

11.2.1 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.

11.3   Summary of Audit Findings

11.3.1 The current Finance Policy & Procedure document has not been presented to Governors for approval. Information contained within this document was found to be out of date and requires updating to reflect changes in staff and providers and to rectify the omission of key processes.

11.3.2 The schools Emergency Plan has not been presented to Governors. Whilst approval of the plan by Governors is not expected, as a matter of good practice, the plan should be presented to Governors for information purposes.

11.3.3 A review of the annual driving checklist showed that not all forms were being signed by members of staff to confirm whether they would or would not use their own car for work purposes. In addition no evidence was available to support the submission of driving documents for verification by those staff that indicated that they do use their car, although these are seen by the Head Teacher.

11.3.4 The previous Finance Officer has recently been appointed to the post of School Business Manager after the resignation of the previous member of staff. It was stated that a formal handover was not completed. The current School Business Manager needs time to understand the processes in place and therefore the controls that need to be applied. Due to the lack of guidance notes, it is advisable that the School Business Manager engage with the relevant Council departments / external organisation to increase understanding in regards to the areas set out within the audit.

11.3.5 Members of staff are loaned equipment, which they can remove from the school premises. There are two equipment on loan registers, a laptop register and an iPad register. Both registers were found to be lacking key information required to ensure a robust audit trail is maintained.

11.3.6 During the audit testing was undertaken on a sample of eighteen purchases selected from the schools bank history reports from both 2014/2015 and 2105/2016. Testing found that ten of the purchases were a result of orders that had been raised retrospectively.

11.3.7 Testing also found issues in relation to the adequacy of the Scheme of Delegation. Non-compliance in relation to authorised signatories and financial limits were found as the Assistant Head Teacher approved an invoice, but is not included within the Scheme of Delegation and the financial limit applied to the Head and Assistant Head Teachers for the signing of cheques is £5k however one of the payments tested exceeded this limit.

11.3.8 Finally, testing found five cheque slips that had only been signed by one of the authorised signatories.

11.3.9 The Borough's Use of Charge Card Procedures are not being complied with. Receipts for purchases and the Charge Card statement are not being retained with the transaction log and there is no evidence that these are present when the transaction log is being checked and authorised.

11.3.10 Petty cash is controlled by the School Business Manager who completes a petty cash voucher which is attached to the relevant receipt. The voucher details, name, amount, reimbursement received and date. However, the member of staff signs the slip when the cash is reimbursed before the Head Teacher has authorised the payment.

11.3.11 Limited checks are being undertaken in regards to payroll as the School Business Manager needs to engage with the Councils Payroll Team to understand all the checks that require completion. This issue has been addressed via a specific recommendation. Currently the School Business Manager checks the totals of the payroll report against the total shown on Personnel Links. However there is no evidence to support who has completed the check. As a matter of good practice, the School Business Managers entry on the payroll report should also be subject to independent verification.

11.4 Audit Opinion

11.4.1 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.

11.4.2 The audit makes six medium and five low priority recommendations which comprise the need for:

Medium:
- The school to introduce the driving disclaimer to ensure that sufficient evidence is maintained to support that staff have been suitably notified of their responsibilities in relation to the use of personal vehicles for school activities;
- The School Business Manager to engage with the relevant Council departments / external organisations to obtain advice and support in respect of processes and controls;
- Amendments to be made to the laptop and iPad register to ensure all key information is being recorded;
- The school to work on reducing the number of orders raised retrospectively;
- The Use of a Charge Card Guidance to be followed for the day to day administration of the cards: and
- Petty cash claims to be authorised before reimbursement is made to the member of staff.

Low:
- Amendments to be made to the Finance Policy & Procedure before it is presented to the Resource Committee for approval;
- The schools Emergency Plan to be presented to Governors for information purposes:
- The school to review current arrangements in regards to authorised signatories and financial limits to ensure that these arrangements are practical to allow the school to comply;
- All key procurement documents to be appropriately signed to ensure that a robust audit trail is in place: and
- Payroll reports to be signed by the School Business Manager as the person checking the accuracy of the report; in addition, the School Business Managers entry on the monthly payroll report should be independently verified (signed) by the Head Teacher.

Appendix C: List of High Risk Recommendations and status

Of the 28 high priority recommendations due, 19 have been completed, 1 has been superseded and 8 remain in progress

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
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)	Housing Services	Procedures are documented and communicated so that contractors know what processes to follow in the event of them finding a property that is over occupied or in an uninhabitable state of repair or if they suspect a vulnerable person is subject to neglect or abuse.	Complete
14/15	TMO's	Housing Services	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	Environmental Protection & Housing	Regulatory Services	The results of the HMO records testing is followed up and corrective action undertaken.	Complete
			The inspection of HMO's is monitored and corrective action undertaken to ensure inspections are carried out in accordance with legislative and service requirements and APP records are in accordance with service requirements.	In Progress

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			Management reports from APP should be produced to assist in the monitoring of these inspections.	
14/15	PARIS System	Exchequer & Transactional Services	A full review of users and group permissions should be undertaken. In addition, the service, in conjunction with ICT, should investigate the completeness and accuracy of the reports produced by the application.	Complete
			1. Audit trail reports should be extracted from the system and they should be reviewed by an appropriately senior officer on a regular basis. 2. The Senior Team Leader (Systems and Reconciliations) should consider the production and review of regular exception reports. Information that should be monitored includes, but is not limited to, unusual login times, repeated failed logon attempts, repeated daily password changes and unusual high frequency usage.	Complete
			The ICT Applications Manager should consider carrying out a data restoration exercise, to confirm that backed up data could be restored to a usable state, if required. As a minimum, the data recovery process should be validated in a test environment.	In Progress
14/15	Manor Green PRU Follow Up	Children's Services	Declarations of Interest should be signed (annually) by all members of the Management Committee and those staff involved in financial processes / making financial decisions for the College.	Complete
			The SFVS for the financial year 2015/16 should be completed and approved by the Management Committee, before being submitted to the Council's LMS Team.	Superseded
			The College's performance targets should be clearly documented, ensuring that sufficient systems are in place to capture the information needed to monitor performance.	In Progress
			A College Improvement Plan should be documented and made available to all staff. This plan should clearly identify: · Objectives; · How success will be achieved;	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			· Responsible Officer; and · Any cost / resource implications (linked to the budget).	
			The College should clarify the current arrangements for all campuses and where necessary ensure that appropriate service level agreements are in place setting out responsibilities and applicable costs.	In Progress
			The College should produce a documented Asset Management Plan setting out remedial and improvement related works across all sites, including: · Priority of the work; · Estimated costs; and · Expected timescale for completion.	In Progress
			Emergency Planning / Business Continuity arrangements covering both the College and the individual campuses should be documented and made available to all staff.	In Progress
			All staff should be required to complete a driving declaration that identifies whether they use their car for work purposes. For those that declare they do use their car for work purposes, the full driving checklist should be completed to verify eligibility.	Complete
			The College must register with the Information Commissioner for Data Protection.	Complete
			The College should ensure that appropriate records are maintained at each campus of all assets. Records should be checked annually for accuracy and results reported to the Management Committee.	Complete
			Formal budget monitoring should be undertaken and documented. This should include explanations of variations to projected spend and should be submitted to Committee members in advance of meetings to ensure sufficient time is available for the information to be analysed before the meeting.	Complete
			Bank reconciliations should be: · Completed regularly (in line with Financial Regulations / Finance Policy); and	Complete

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