AUDIT COMMITTEE

AGENDA

7.30pm	**Thursday, 1 March 2007**	**Havering Town Hall Main Road, Romford**

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)	**Residents' Group (2)**	**Rainham and Wennington Independent Residents Group (1)**
David Grantham (C)		
Frederick Thompson (V.C)	Clarence Barrett	
Michael Armstrong	Barbara Matthews	Mark Stewart
Eddie Cahill		
David Charles		

For information about the meeting please contact:
Debbie Okutubo (01708) 432432
E-mail: deborah.okutubo@havering.gov.uk

NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

The Council is committed to protecting the health and safety of everyone who attends meetings of its Committees.

At the beginning of the meeting, there will be an announcement about what you should do if there is an emergency during its course. **For your own safety and that of others at the meeting, please comply with any instructions given to you about evacuation of the building, or any other safety related matters.**

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PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

AGENDA ITEMS

1. **CHAIRMAN'S ANNOUNCEMENTS**

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

2. **APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS** (if any) - receive.

3. **DECLARATION OF INTERESTS**

   Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in an item at any time prior to the consideration of the matter.

4. **MINUTES**

   To approve as a correct record the minutes of the Committee meeting held 12 December 2006 and to authorise the Chairman to sign them.

5. **AUDIT COMMISSION PROGRESS REPORT FEBRUARY 2007 –** Report attached

6. **INTERNAL AUDIT PROGRESS REPORT 01 OCTOBER 2006 – 31 DECEMBER 2006 –** Report attached

7. **CLIENT MANAGER'S REPORT 1 OCTOBER 2006 – 31 DECEMBER 2006 –** Report attached

8. **INTERNAL AUDIT PLAN 2007/10 –** Report attached

9. **AUDIT AND INSPECTION ANNUAL LETTER 2004/05 -** attached

10. **ESTABLISHMENT OF A JOINT PANEL TO CONSIDER REPORTS ON CULTURAL AND LEISURE SERVICES CAPITAL PROJECTS –** Report attached

11. URGENT BUSINESS

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

Stephen Evans
Chief Executive

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
12 December 2006 (7.30pm – 8.35pm)

Present:

COUNCILLORS

Conservative Group	David Grantham (in the Chair), Michael Armstrong, David Charles, +Fred Osborne and Frederick Thompson
Residents' Group	Clarence Barrett
Rainham & Wennington Independent Residents Group	Mark Stewart

+ Substitute Member: Councillor Fred Osborne (for Eddie Cahill)

An apology was received for the absence of Councillor Eddie Cahill.

No member declared an interest in any matter under consideration.

All decisions were made with no member voting against.

On behalf of the Chairman, Members were advised of emergency action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

18. MINUTES

The minutes of the meeting held on 28 September 2006 were agreed as a correct record and signed by the Chairman.

19. AUDIT COMMISSION PROGRESS REPORT DECEMBER 2006

The Audit Commission presented a report updating the Committee on work completed since the last Committee meeting in September 2006 and of the work to be completed during the rest of the financial year.

During discussion, it was noted that the target start date regarding the ALMO inspection had been postponed to September 2007.

Members **noted** the content of the report.

20. INTERNAL AUDIT PROGRESS REPORT 01 JULY 2006 – 30 SEPTEMBER 2006

A report informing the Committee of issues from internal audit activities for the period 01 July to 30 September 2006 was presented to the Committee.

A corrected version of pg 49 of the report was circulated at the meeting.

Schedule one contained the work completed to the draft and final stages for the period 01 July to 30 September 2006. Schedule two was the management summaries for those completed to final report stage. Schedules three and four were summaries of the fraud and investigation work carried out and actions taken.

Regarding the Council's Insurance fund, referred to in paragraph 1.1.2, Officers confirmed that regular valuations took place to ensure funding levels were sufficient.

Following discussion, Members requested that Officers forward to them the exact number of live car loans.

The Committee **noted** the position on fraud and investigations work .

21. INTERNAL AUDIT STRATEGY & PLAN FOR YEARS 2007/08 – 2009/10

A report showing the strategy and risk based audit plan for the next three financial years was presented to the Committee. The report further expanded on how the service would deliver its strategy and what audit work would be undertaken for the period. This it was noted was in accordance with the Internal Audit Charter and Terms of Reference.

The Committee were reminded that at the 28 September 2006 Committee meeting, it had been agreed that the aim of the Audit Service was to provide an assurance function which was set out in the Internal Audit Charter and Terms of Reference document.

Further on during the discussion in response to a question, it was noted that Homes in Havering would be seeking tenders for the internal audit work. Furthermore, that the Council had the option of submitting a tender. The Head of Financial Services however commented that at present the Service did not have the resources to take this forward.

The Head of Housing Services further advised the Committee that in September when the Homes in Havering (HiH) Inspection was going to happen, part of the requirement was that they needed to demonstrate that they had tested all support services. Furthermore that HiH would be referring to the exercise as a market testing exercise rather than a tender exercise.

Members **noted** that a final version of the plan would be presented to the next Audit Committee.

22. CLIENT MANAGER INTERNAL AUDIT REPORT

A report containing information on:
Implementation of Audit Commission's recommendation
Implementation of Internal Audit recommendations
Internal Audit Key Performance Indicators
Comparative Analysis of Internal Audit Plan
Internal Audit Customer Survey Results
Statement on Internal Control Action Plan
Anti-Fraud and Corruption
Schools Progress Implementing Recommendations
Budget Analysis
Risk Management
Benefits Investigation
Forward Committee Plan & Member Training was presented to the Committee.

Officers confirmed that a National Fraud Investigation (NFI) Strategy was currently being developed by Internal Audit, and that once the draft had been finalised it would be brought to the Committee for approval.

It was reported that the Committee had a clear work plan and a training programme for 2006/07.

Officers commented that there was now a Code of Ethics by the International Federation of Accountants (IFAC) and that it had to be adopted by affiliated professional bodies which included CIPFA. Members were advised that Havering's Internal Audit was going to undertake a similar exercise with the Borough's own policies and procedures to ensure that they were fully compliant with CIPFA's new Code of Ethics.

The Committee **considered** the report and following discussion, **noted** the content.

23. ANNUAL REVIEW OF FRAUD AND CORRUPTION

The Committee was presented with the Annual Anti-Fraud and Corruption Strategy. It was noted that this year's review was conducted during November 2006.

Members were informed that when the updated version of the Strategy had been agreed it would be placed on the intranet and sent round the organisation via global email.

The report also updated Members on Fraud and Corruption issues. Officers reported that CIPFA had recently issued a self assessment checklist for Councils use and that it was a way of determining whether their own local arrangements for combating fraud was adequate.

It was stated that on page 110 of the report in paragraph 1.3, second paragraph under the General Fraud column the second sentence should have read 'Pro-active fraud investigation are also continuously taking place'.

In response to a question, Officers confirmed that regarding paragraph 4.28 on page 122 of the report, all sanctions placed were considered to be successful and achieving their outcomes. Members requested that, for the next review more information be included to clarify such points. Officers also agreed that graphs showing the types of investigation would be included in future reports for further illustrations.

During discussion, the Group Director for Finance and Commercial remarked that articles relating to fraud awareness was going to be published in various media to make people aware of systems that were in place to detect fraud as a pro-active fraud investigation.

Members requested that the Housing benefit recovery rate comparison figures be sent to all Members of the Committee.

> Members **approved** the revised Anti Fraud and Corruption Strategy.

24. INTERNAL AUDIT SERVICE PROVIDER

A report seeking approval from Members for the decision not to seek tenders for the in-house internal audit service or to look at the option of joining with other London Boroughs or seek tenders for the service was presented to the Committee.

Members were asked to endorse the approach of not externalising the internal audit service at the present time.

Following a lengthy debate, some Members commented that the report submitted was not detailed enough regarding comparative cost information and therefore asked that the report be noted and a further report be presented at a future meeting. Other Members however suggested that there were no obvious gains in outsourcing and wanted to therefore go with Officer recommendations.

> The Chairman however took a decision on behalf of the Committee and stated that a further report be submitted at a future meeting covering the issue of costs and that the content of the presented report be **noted.**

25.   AUDIT AND INSPECTION ANNUAL LETTER 2004/05 – ACTION PLAN

A report updating the Committee on activities on the Action Plan since the September 2006 meeting was presented to the Committee.

It was noted that the 2004/2005 Audit and Inspection Annual Letter was considered by Cabinet in February 2006 and subsequently by the Corporate Overview and Scrutiny Committee in April 2006.

Members noted that priorities were not in the relevant column, Officers agreed to send an updated Action Plan to Members outside of the meeting.

> Subject to the information requested sent to them, Members **agreed** to **note** the content of the Action Plan and the progress made to date.

26.   ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

A report updating Members simultaneously on risk management issues and the risk management strategy was presented to the Committee.

It was reported that the Audit Commission did not provide a formal report, however under the Use of Resources had judged the Authority as performing well as there were some improvement areas.

Officers commented that the Corporate Risk Register (CRR) was produced graphically in order to focus attention but that the narrative part of it was available on the internet if Members were interested in accessing it.

In responding to a question, Officers explained that in order to meet the decent homes standard for its housing stock by 2010, that the Council had chosen the route of having an Arms Length Management Organisation (ALMO). Members however felt that the part of the report relating to ALMO required further clarity. The Group Director, Finance and Commercial agreed to feed this back to the Group Director Sustainable Communities.

> Members **approved** the risk management strategy and **noted** the work taking place on risk management.

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Stephen Evans
Chief Executive

MEETING   DATE   ITEM

MEETING   **DATE**   **ITEM**

AUDIT COMMITTEE   **1 March 2007**   **5**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: **AUDIT COMMISSION PROGRESS REPORT FEBRUARY 2007**

SUMMARY

This report updates the Committee on work completed by the Audit Commission since the last meeting of the committee, and of the work to be completed during the rest of the financial year.

RECOMMENDATION

To consider the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, managers are obligated to consider financial risks, the use of resources and the costs associated with the implementation of the   recommendations. There are no other financial implications or risks arising directly from this report.

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

Staff Contact:	Sheree Hamilton
	Client Manager Internal Audit
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STEPHEN EVANS

Chief Executive

Background Papers

None

Progress report to the Audit Committee

London Borough of Havering

Audits for 2005/06 and 2006/2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and

- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 –and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:
- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

For further information on the work of the Commission please contact:
Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ
Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421
www.audit-commission.gov.uk

Contents

London Borough of Havering

Introduction

1   The purpose of this report is to update the march 2007 Audit Committee on work completed since the last Audit Committee in December 2006 and the work to be completed during the rest of the year.

2   This report includes:

- details of those reports issued since our last progress report; and
- a summary of current work in progress at Appendix 1 (this excludes completed items that have already been reported to the Audit Committee in this and previous progress reports).

Finalised reports

Corporate Assessment

3   The Council's Corporate Assessment was published in February 2007. The inspectors assessed the Council as three out of four, performing well. This represents a significant improvement on the 'weak' assessment from the previous corporate assessment in 2002. Three key factors were identified as enabling this improvement:

- strong partnership working, both within the Borough and pan-London;
- effective performance management arrangements; and
- a clear focus on value for money and financial efficiency.

4   The inspection identified further work is needed to address the diversity agenda, and engagement with the health sector would benefit from having a senior councillor with lead responsibility. There is also scope to make scrutiny more effective and improve the transparency of funding and support arrangements for voluntary organisations.

Use of Resources

5   In December 2006, we issued our Use of Resources assessment to the Council. Our work demonstrated that improvements had been achieved across all areas. A summary of the scores is set out in Table 1, overleaf.

London Borough of Havering

Table 1   Use of Resources assessment

Key lines of enquiry (KLOEs)	Score 2006	Score 2005
Financial reporting	3	2
Financial management	3	2
Financial standing	3	2
Internal control	3	2
Value for money	3	3
Overall assessment	**3**	**2**

Table 2

6   An action plan has been agreed with officers to further strengthen existing arrangements. The process and timetable for the 2007 assessment has also been agreed.

Partnerships review

7   The Partnership Review tested various arrangements in two high profile partnerships:

- the delivery framework for the Romford Town Centre Partnership (RTCP)
- the monitoring and review arrangements for the North Romford Consortium (NRC).

8   The review found a number of strengths in the partnerships:

- constructive and open relationships have been established with partner agencies;
- successes have been achieved in Romford town centre regeneration (RTPC) and school improvement and multi-agency working in children's services (NRC); and
- there is strong leadership and a collaborative approach to working with the local community.

9   The key area for action is to ensure that lessons learnt from previous phases of development are used to inform the future. This can be achieved through more formal support and integration with the Havering Strategic Partnership and defining clearly responsibilities and accountabilities.

Performance Management follow-up

10   The Performance Management follow-up revisited an action plan agreed with the Council in 2004. We concluded that Council has made good progress implementing the recommendations from our previous review. In particular, we found:

London Borough of Havering

- the Council has sustained its strategic commitment to improving performance management and monitoring;

- a high profile is given to performance management at operational levels;

- there is an embedded performance management culture which is reinforced through training, consultation and communication; and

- external publications include more coverage of performance issues in response to feedback from the local community.

Grant claims

11   The Council submitted all 2005/06 grants claims and returns on or by their applicable deadline. This represents a significant improvement compared with 2004/05 when six claims were submitted after their deadline. Of the 23 grant claims requiring certification in 2005/06, ten were amended prior to certification and a qualification letter was issued in respect of four claims. The certification of two claims is still ongoing.

12   A detailed report on the issues identified during the audit has been issued to officers.

Appendix 1 – Progress in delivering the 2005/06 and 2006/07 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
2005/06 Audit and Inspection Plan					
Planning and reporting					
Annual Audit and Inspection Letter	CE & GDF&C	February 2007	March 2007	March 2007	All Audit Commission Annual Audit and Inspection Letters will be reported later than in previous years so that they can incorporate the latest CPA scores (to be issued in February 2007).
Performance work					
Customer access and user focus follow-up report	GDPR	TBA	TBA		Work rescheduled to link with the deferred Culture Inspection.
Inspections					
Culture	GDPR	March 2007			Inspection rescheduled from spring 2006 to March 2007.

London Borough of Havering

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
Grant claims					
2005/06 grant claims audit	GDF&C	June 2006	February 2007		Our audit of the Council's grant claims and returns is substantially complete.
2006/07 Audit and Inspection Plan					
Accounts					
Pre-statements work	GDF&C	January 2007	June 2007		We have commenced our work reviewing key financial systems and continue to liaise with officers regarding the Accounts preparation.
Inspections					
ALMO Inspection	ACES&C	September 2007			

London Borough of Havering

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
ACEL&DS	Assistant Chief Executive Legal and Democratic Services
ACEHR	Assistant Chief Executive Human Resources
GDF&C	Group Director Finance and Commercial
GDCS	Group Director Children's Services
GDSS	Group Director Sustainable Communities
GDPR	Group Director Public Realm

MEETING	DATE	ITEM
AUDIT COMMITTEE	**1 March 2007**	**6**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 1 OCTOBER 2006 – 31 DECEMBER 2006

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 01 October to 31 December 2006. It includes management summaries from internal audit work.

RECOMMENDATIONS

1.   To consider the contents of the report.

2.   To raise any issues of concern on the management summaries or the fraud work.

3.   To otherwise note the report.

REPORT DETAIL

1.   Audits 1st October – 31st December 2006

1.1   Schedule 1 details the work completed to the draft and final stages for the period 01 October to 31 December 2006 .

1.2   Schedule 2 contains the management summaries for those completed to final report stage between 01 October and 31 December 2006.

1.3   Where a final report has been qualified the relevant Head of Service will advise Members at the meeting of the actions being taken to address the main weaknesses identified.

2.   Fraud and Investigation Work

2.1   A brief synopsis of the fraud and investigations work between the 01 October and 31 December 2006 shown in Schedule 3. Included in the summary are the results of the investigations and actions taken.

3.   Financial Implications and risks:

3.1   Recommendations may arise from any audit 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. There are no financial implications or risks arising directly from this report.

4.   Legal Implications and risks

None arising directly from this report

5.   Human Resource Implications and risks

None arising directly from this report

6.   Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Sheree Hamilton
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                                        STEPHEN EVANS
                                        Chief Executive

Background Papers
Internal Audit reports
Internal Audit database

AUDIT PROGRAMME 1st October – 31st December 2006
SCHEDULE 1

Audits Completed To Final Report Stage: 01 October – 31 December 2006

Report	Issued	Internal Auditor's Opinion (Draft)	Internal Auditor's Opinion (Final)	Recommendations				Ref
				High	Med	Low	Total	
Income Controls (Central Library)	3/10/06	Unqualified	Unqualified	0	0	0	0	Sch 2(a)
Income Controls(Planning)	3/10/06	Qualified	Qualified	1	2	0	3	Sch2(b)
Income Controls (Facilities)	3/10/06	Qualified	Qualified	1	0	0	1	Sch 2(c)
Commissioning of Works by the Havering Technical Partnership	5/10/06	Unqualified	Unqualified	0	3	1	4	Sch2(d)
Best Value Performance Indicators	11/10/06	Unqualified	Unqualified	1	1	0	2	Sch2(e)
Vehicle Workshops	17/10/06	Unqualified	Unqualified	0	2	0	2	Sch 2(f)
Management of Car Parks & Meters	18/10/06	Qualified	Qualified	2	6	1	9	Sch 2(g)
Central Library	31/10/06	Unqualified	Unqualified	0	3	6	9	Sch2(h)
Cheque Control	2/11/06	Unqualified	Unqualified	0	3	3	6	Sch2(i)
Constitution	15/11/06	Unqualified	Unqualified	0	0	1	1	Sch2(j)
Planning	2/11/06	Unqualified	Unqualified	0	0	0	0	Sch2(k)
Governance	14/12/06	Unqualified	Unqualified	0	0	0	0	Sch2(l)
Recharges	15/12/06	Unqualified	Unqualified	0	3	3	6	Sch2(m)
Partnership Arrangements	20/12/06	Unqualified	Unqualified	0	4	1	5	Sch2(n)
Receiverships	19/12/06	Qualified	Qualified	0	9	4	13	Sch2(o)
Capital Monitoring	20/12/06	Unqualified	Unqualified	0	4	1	5	Sch2(p)
Use of Constructionline	20/12/06	Unqualified	Unqualified	0	3	0	3	Sch2(q)
Total				**5**	**43**	**21**	**69**	

Pro-Active Audits Completed To Final Report 01 October – 31 December 2006

Report	Issued	Recommendations				Ref
		High	Med	Low	Total	
Right to Buy	28/12/06			1	1	Sch3(a)
Total						

Follow Up Audits Completed 01 October – 31December 2006

Report	Issued **	Progress Towards Implementation	Ref
NIL			

Audits Completed to Draft Report Stage as at 31 December 2006

Report	Draft Issued	Head of Service	Group Director
Pensions	30/11/06	J Potter	R Greenwood
Consultants	19/12/06	M Stringer	R Greenwood
Software Licences	19/12/06	R Whitehouse	R Greenwood
Special Education Needs	20/12/06	S Allen	A Ireland
Health & Safety	21/12/06	R Stephenson	R Greenwood
Data back up	28/12/06	R Whitehouse	R Greenwood

Management Summaries Systems Audits

Income Controls (Central Library)	Schedule 2(a)

1. Management Summary

1.1 Introduction

1.1.1 The Libraries are part of the Public Realm Directorate.

1.1.2 As at April 2006 there were 114,773 Registered Borrowers (Borrowed in the last 3 years) and 49976 Active Borrowers (Currently Borrowing).

1.1.3 During 2005 / 2006, 22% of the population of the London Borough of Havering were classed as Active Borrowers.

1.1.4 Income is generated in a number of ways including fines, book sales and photocopying. Income is also received from fines including lost stock / tickets. The total income generate since the financial year 2003/2004 has been listed below:

Year	Income
2005 / 2006	244,198
2004 / 2005	233,953
2003 / 2004	206,258

1.2. Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:
- Non compliance with the Councils Financial Framework, Financial Regulations, established departmental procedures and legislation.
- All income is not receipted.
- Failure to accurately record transactions made.
- Failure to bank income intact.
- Banking is not undertaken on a regular basis.
- Regular reconciliation are not carried out.
- Unbanked income is not held safe and securely.

1.3 Critical issues that require immediate management attention

1.3.1 The audit review did not highlight any major weaknesses resulting in a high category recommendation.

1.4 Significant issues that require management action to improve the control environment.

1.4.1 No recommendations have been made regarding matters identified during the audit review as Management have implemented controls to address these since the issue of the consultation draft audit report.

1.5 Other matters identified that require management attention to ensure "good practice" within the control environment.

1.5.1 The audit review did not highlight any issues that require management attention to ensure good practice within the control environment.

1.6 Summary of recommendation(s)

1.6.1 No recommendations have been raised as a result of this audit review.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion can be given as Audit is satisfied that there is now ,a strong control environment within the Central Library Service for the collection, recording and banking of income.

Income Controls (Planning)	Schedule 2(b)

Management Summary

1.1 Introduction

1.1.1 The Planning Section are part of the Sustainable Communities Directorate.

1.1.2 The Planning Section processes over 2500 planning applications a year, keeps registers of development, enforces against breaches of planning control and ensures compliance with planning conditions.

1.1.3 The total number of planning applications made and the income generated since 2003 has been listed below:

Year	Income £
2006/07 (as at 24.05.06)	337,533
2005/06	660,945
2004/05	539,801
2003/04	624,535

1.2 Key Risk Areas reviewed

1.2.1 The purpose of the audit is to review the following key risk areas and determine if there are adequate internal controls in place to address these:
- Non compliance with the Councils Financial Framework, Financial Regulations, established departmental procedures and legislation.
- All income is not receipted.
- Failure to accurately record transactions made.
- Failure to bank income intact.
- Banking is not undertaken on a regular basis.
- Regular reconciliation are not carried out.
- Unbanked income is not held safe and securely.

1.3 Critical issues that require immediate management attention

1.3.1 During the audit review it was noted that reconciliations of income banked to FIS are not undertaken. This is in contravention with the Financial Framework (Section S) which specifies that regular reconciliations of bankings made to FIS – agreeing income posted on FIS to income banked should be undertaken.

1.4 Significant issues that require management action to improve the control environment.

1.4.1 The review of Income Controls for Planning , found that there was no formal document of Departmental Procedures in relation to cash handling. These procedures should be documented and made available to all relevant officers. Without clear documented procedures and guidelines in place, staff cannot be expected to adhere to them.

1.4.2   In addition, the review of income collected since 1st April 2006 for Planning, showed that temporary receipting was being undertaken using an electronic template (Word document) when the Support Service Assistant was unavailable to issue a genuine receipt. If a three part receipt book were to be used this would enable genuine receipts to be issued instantly to the customer and carbon copies, one of which to be sent to the Support Service Assistant, the third part to be held by the Planning department to aid with reconciling the sums due for applications submitted to the monies collected for that day, in accordance with section S of the Financial framework.

1.5   Other matters identified that require management attention to ensure "good practice" within the control environment.

1.5.1   The audit review did not identify any issues within the control environment that would require management attention to ensure good practice.

1.6   Summary of recommendation(s)

1.6.1   This report contains a total of one high priority recommendation and two medium priority recommendations.

1.6.2   The high priority recommendation relates to the need for regular reconciliations to be undertaken of the income banked to the relevant FIS code, in accordance with Section S of the Financial Framework. The reconciliation should be signed and dated by both the producing officer and the verifying officer.

1.7   Audit Opinion

1.7.1   A qualified audit opinion must be given as reconciliations of income banked to FIS are not being undertaken. There is a financial risk to the Authority that misappropriation of funds may not be identified. There is an additional risk that planning applications may be processed, without full payment of charges being received. Decision notices cannot be issued without all fees being paid in full, however, without reconciliations of the income banked to FIS decisions may be being issued without the correct / full fees being paid.

Income Controls (Facilities)	Schedule 2(c)

1. Management Summary

1.1 Introduction

1.1.1 The Facilities Section forms part of the Finance and Commercial Directorate.

1.1.2 Green sacks are sold to the public for the disposal of garden refuse. Income generated from the sale of green sacks is detailed below. These figures relate to all sites selling green sacks. The audit review will focus on sales at the Mercury House site.

Year	Income £
2006 / 2007 (as at 23.06.06)	51, 356
2005 / 2006	187,480
2004 / 2005	216,117

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:
- Non compliance with the Councils Financial Framework, Financial Regulations, established departmental procedures and legislation.
- All income is not receipted.
- Failure to accurately record transactions made.
- Failure to bank income intact.
- Banking is not undertaken on a regular basis.
- Regular reconciliation are not carried out.
- Unbanked income is not held safe and securely.
- Stock is not held securely .

1.3 Critical issues that require immediate management attention

1.3.1 During the audit review it was noted that reconciliations of income banked to FIS are not undertaken. This is in contravention of the Financial Framework (Section S) which specifies that regular reconciliations of bankings made to FIS – agreeing income posted on FIS to income banked should be undertaken.

1.4 Significant issues that require management action to improve the control environment.

1.4.1 The audit review did not identify any significant matters that would require management action to improve the control environment.

1.5 Other matters identified that require management attention to ensure "good practice" within the control environment.

1.5.1 The audit review did not identify any good practice matters which would require management attention.

1.6   Summary of recommendation(s)

1.6.1   This report contains one high priority recommendation which relates to the need for regular reconciliations to be undertaken of income banked to the relevant FIS code, in accordance with Section S of the Financial Framework. Reconciliations should be signed and dated by both the producing officer and the verifying officer.

1.7   Audit Opinion

1.7.1   A qualified audit opinion must be given as reconciliations of income banked to FIS are not being undertaken. There is a financial risk to the Authority that misappropriation of funds may not be identified.

Commissioning of works by the Havering Technical Partnership	Schedule 2(d)

1. Management Summary

1.1 Introduction

1.1.1 The majority of the Council's building works are undertaken by the Technical Partnership. This partnership comprises of both in-house Council employees and those from a firm of consultants, Mouchel Parkman. As a result there is a need to ensure that these works can be specifically identified so that any delays and cost over-runs and the reasons for these can be identified. There is also a need to ensure that there are adequate explanations for any works not undertaken by the Technical Services Partnership.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- There is no Policy or Procedures for client departments to follow for the commissioning of works to be undertaken by the Technical Partnership.

- The works commissioned are not appropriately identified and monitored.

- Works are not being allocated correctly so that the skills of the officers within the Partnership are not being utilised effectively.

- Works that should be undertaken by the Technical Partnership are being undertaken directly by client departments.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Currently the Council does not have a corporate policy or procedure for commissioning work through the Havering Technical Partnership. This needs to be resolved so that client departments understand how, when and the type of works that must be commissioned through the Partnership.

1.4.2 The current arrangements within the Partnership for allocating work are not being followed. There is no clear trail to confirm that the project has been correctly awarded and that the agreed commissioning process is being followed. Clients are not signing off the project briefs. Other details such as the budget and FIS codes are not being provided and the database is not being updated with progress details

of the commissions. This is preventing management information from being generated.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There is confusion over the timescales indicated in the procedure note for commissioning works and that shown on the spreadsheet and databases.

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium priority recommendations and one low priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Best Value Performance Indicators	**Schedule 2(e)**

1. Management Summary

1.1 Introduction

1.1.1 Under the Audit Commission Act 1998 all local authorities are required to collect and publish a range of best value performance indicators (BVPI's) on the service they deliver. These indicators are reported to the Audit Commission and published in a national comparison table with a selection of them used to inform the Comprehensive Performance Assessment (CPA).

1.1.2 Guidance on definitions and calculations of BVPI's are provided by the Office of the Deputy Prime Minister (OPDM), now Department of Communities and Local Government.

1.1.3 For each BVPI there is a PI Lead and a Directorate Co-ordinator that are responsible for collating the information and submitting it to the Performance Team. All information submitted has to be on a '2005/06 Performance Indicators Non-finance outturns & future year targets' form. The form confirms the actions of the PI Lead, Head of Service, Directorate Co-ordinator and the Performance Team in preparing the BVPI and is required to be signed as evidence of the action to be taken.

1.1.4 The Performance Management Group, representing the Directorate Co-ordinators and the Performance Team meets on a regular basis to discuss new guidance and other issues relating to the BVPI's.

1.1.5 The following performance indicators identified as high risk by the Audit Commission were reviewed :

BV183a - Length of stay in temporary accommodation (bed and breakfast)
BV183b - Length of stay in temporary accommodation (hostel)
BV212 - Average time taken to re-let local authority housing
BV213 - Housing Advice Service: preventing homelessness

These BVPI's were chosen as they are all new and it was important to ensure that they have been collated correctly and processes are in place to ensure that future years are also collated correctly.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Non-Compliance to Office of the Deputy Prime Minister (OPDM) definitions and guidance in the compilation of the best value performance indicators.
- Incorrect/Invalidated/Incomplete information used for calculation of Performance Indicators.
- Incorrect processing or calculation of information.
- Incorrect interpretation of the definition of the Performance Indicator.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified that require immediate management attention.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1   For the preparation of BVPI 212 relating to the period that a property remains unoccupied, Audit were able to check the information shown on the excel spreadsheet to the Anite Housing System, but were unable to check the information to the source documents (relating to the return of key) because they were not available at the time the audit was conducted. Audit were informed by the Information and Research Assistant on 3/8/06 that the Voids Section within the Area Housing Office have not kept the documentation showing the date the property was voided and the date the keys were handed in by the tenants. It was noted that there were 857 properties listed on the excel spreadsheet for which documentation was not available. There is a risk that if the source documents are not retained, the Information and Research Assistant will not be able to demonstrate how the spreadsheet was constructed and evidenced. Also, the details on the excel spreadsheet and on the Anite Housing System may not have been entered correctly by the Voids and Lettings Teams resulting in inaccurate records being processed for the preparation of the BVPI 212 return. Audit was later informed on 3/8/06 by the Information and Research Assistant that the source documents had been located. The source documents had been sent to the company, Iron Mountain to be scanned. This was confirmed by e-mail on 15/8/06 by the Business Monitoring Officer.

1.4.2   Audit were also informed by the Business Monitoring Officer that the Information and Research Assistant is currently developing a process map underlying the spreadsheet for voids and lettings and this will be sent to audit shortly.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   There were no other matters identified that require immediate management attention.

1.6   Summary of recommendation(s)

1.6.1   The report contains one medium priority recommendation.

1.7   Audit Opinion

1.7.1   As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Vehicle Workshops	**Schedule 2(f)**

1   Management Summary

1.1   Introduction

1.1.1   The vehicle workshop has been operating from the Purfleet depot since 1st April 2002. It currently provides repair, maintenance and inspection services for LBH's fleet vehicles and mobile plants (tractors, lawn mowers etc). Fleet vehicles and plants are based within seven operating centres.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Vehicles and plant cannot be accounted for resulting in fraudulent activity and losses to the Council.
- Vehicles and plant (including hired vehicles) have not been insured for the work they are being used for resulting in the Council being unable to make claims for loss or damage, or be covered of claims that are made against the Council.
- Appropriate insurance reclaims are not being made when vehicles repaired.
- Inadequate control of bonus schemes resulting in an increased risk of non-compliance, non-uniformity in the approach and the potential for incorrect treatment of bonuses.
- Fitter's time is not appropriately recorded on the time sheets resulting in inaccurate payments and numerous queries.
- Fitter's time and material usage are not charged to the correct job code resulting in incorrect payment by cost centre.
- Repair items booked to vehicles and plant are not fitted resulting in a poor service and loss of reputation and/ or theft.
- Vehicles do not have agreed schedule to ensure maximum daytime usage.
- Vehicles are not adequately "plated" or MOT'd by due dates.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified that require immediate management attention.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1   Officers are not keeping the list of vehicles on Zurich Municipal up to date. There were instances noted of vehicles not being registered on or removed from the database. The Insurance Officer is concerned that this could be against the law and the officers responsible for this function could be prosecuted. Recommendations have been made to address this weakness.

1.4.2   There are no independent logic checks being undertaken to ensure that vehicle repairs are accurate. This lack of control could result in materials being ordered on

a work order but used for personal use. The current IT system, SERVITOR, does not facilitate the production of information on this matter.

1.4.3 There are also no formal checks being undertaken on the frequency vehicles are in the workshop or are being returned for repair. This type of management information is essential to determine whether vehicles and plant need to be replaced or whether vehicles and plant are being kept too long in the workshop.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 No written copy of the bonus scheme policy has been retained for the workshop operatives. Whilst the calculations are numerically correct no comment can be made on the accuracy of the formulae being used. Management are in the process of introducing a new scheme from April 2007. No recommendation has been made but management will need to address this if the implementation of the new bonus scheme is delayed.

1.6 Summary of recommendation(s)

1.6.1 The report contains two medium priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Management of Car Parks & Meters	Schedule 2(g)

1. Management Summary

1.1 Introduction

1.1.1 The management of car parks and parking meters is the responsibility of Parking Services within the Public Realm Directorate.

1.1.2 There are seven Council run pay car parks within the London Borough of Havering. These are:

- ➢ Angel Way
- ➢ Como Street
- ➢ Market Place
- ➢ Slaney Road
- ➢ Town Hall – Broken Down into Front, Short Stay and Long Stay
- ➢ Balgores
- ➢ Old Church Rise

It should be noted that Slaney Road and Front of the Town Hall will change from public to staff parking from August 2006 onwards.

1.1.3 Across the seven car parks there are a total of 1471 car park spaces.

1.1.4 In addition to car parks, income is collected from parking meters throughout the borough. The total income generated from multi storey, surface car parks and parking meters has been set out below:

Type	2003/2004	2004/2005	2005/2006
Surface Car Parks	532,342	527,232	548,084
Multi Storey	370,022	369,509	381,675
Parking Meters	37,854	52,850	79,431

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Procedures do not exist relating to the reporting of faulty equipment (meters, barriers) resulting in inability to charge for parking.

- Signage is not clear to enable enforcement to take place resulting in financial loss to the Authority.

- Meters / Machines are not pre programmed in accordance with the approved schedule of fees and charges.

- No monitoring of usage by management

- Payments made for work not performed.

- No programme of enforcement

- Collection of charges is expensive

- There is no adequate separation of duties between collection and banking of income.

- Collection routes and rotations are not clearly defined and detailed including frequency of collections.

- Appropriate security controls are not in place relating to the collection of meter income.

- Adequate controls do not exist to ensure that machine and meter income collected is banked in tact and on a timely basis.

- Benchmarking with other private local car parks and other local authorities is not being undertaken by management.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were two critical issues, one relating to the non-reviewing of usage of the car parks in terms of capacity/income to identify any prospective fraud area and secondly the resolving of traffic management orders of some of the Car Parks to ensure that enforcement can be legal.

1.3.2   Angel Way Disabled Car Park is not enforced due to the traffic management order not being in force.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1 There is no routine maintenance plan in place for the parking meters and car parks. All reactive maintenance is either undertaken by car park staff or the external contractors Morrisons. Normally maintenance involves machines but can involve signage as well. A routine plan may reduce the current expenditure with Morrisons and reduce internal resources in dealing with any issues of this nature.

1.4.2 There are no documented Key Performance Indicators (KPI's) to determine the performance of Morrisons on maintenance and repairs. Although they report back to the Car Park Supervisor, and informally the average is a 2 hour turnaround on repairs, there is still no formal mechanism of measurement.

1.4.3 All car parks and meters are contained within the individual beats that the Parking Attendants undertake. However there are restrictions on issuing of tickets due to the legalities of not being able to enforce because of traffic management orders not being up to date. Instances are Angel Way disabled car park and Slaney Road – currently being objected to because of the change to an employee car park during the week. Old Church Rise has the equipment in place but there is a dispute over residential parking which has prevented any enforcement. Spaces will also be withdrawn from the public at the Town Hall for those staff transferred from Broxhill.

There are also 16 other free car parks around the borough that do not warrant enforcement on a regular basis and if changed to become pay and display would assist in counteracting the loss in income for the new staff car parks.

1.4.4   There are no records maintained of PCNs issued per meter or roads with meters situated within them. Records were obtained for PCNS per car park and it was noticeable that in some car parks no PCNS had been issued for 06-07 financial year.

1.4.5   Collection of income is very well controlled and testing provided evidence that all monies for the sample reviewed had been banked intact and reconciled to FIS. However, no recent review has been made as to whether the costs of collection could be reduced.

1.4.6   Networking groups consist of the NLMG (north London Managers Group) and ALG (monthly group over technical issues). These are attended but there was no evidence of any initiatives/data being brought back and analysed against the service.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   There is no mechanism for recording the normal working day for staff at Angel Way. This is not to say there is any evidence purporting to hours not worked but the lack of a system of recording time may cause management difficulties when reviewing attendance especially for periods when they may not have been present.

1.6   Summary of recommendation(s)

1.6.1   The report contains two high, six medium and one low priority recommendations.

1.7   Audit Opinion

1.7.1   A qualified audit opinion must be given as the reviewing of car parks in terms of capacity/income to identify any prospective fraud area is not in existence. There is also no reviewing of income per meter/s. Both lead to a risk of a financial loss. There is a financial risk to the Authority that misappropriation of funds may not be identified. There is an additional risk that the absence of legal traffic management orders could result in a financial risk of loss of income and prevention of enforcement of these areas.

Central Library	**Schedule 2(h)**

1.   Management Summary

1.1   Introduction

1.1.1   As at April 2006 there were 114,773 Registered Borrowers (Borrowed in the last 3 years) and 49976 Active Borrowers (Currently Borrowing).

1.1.2   During 2005 / 2006, 22% of the population of the London Borough of Havering were classed as Active Borrowers.

1.1.3   During the financial year 2005 / 2006 income generated totalled £244,198.76. Income was generated in the following areas:

> ➢ Fines   £80,621.74
> ➢ CD's / Tapes   £19,134.55
> ➢ Video's   £53,845.63
> ➢ Book Sales   £12,749.72
> ➢ Miscellaneous   £59,674.37
> ➢ Photocopying   £14,298.27
> ➢ Lost Stock / Tickets   £3,874.48

1.1.4   During 2004 / 2005 income generated totalled £233,953 and £206,258 during 2003 / 2004.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:
   - Staff are unaware of the financial framework, financial regulations and contract standing orders and departmental guidelines.
   - Membership rules are not applied resulting in non compliance.
   - Stock does not meet with customer requirements.
   - Inadequate segregation of duties between stock ordering, receipt and payment authorisation.
   - Stock transfers between the libraries or the mobile library are not recorded.
   - Outdated stock is not identified.
   - Inadequate recording and monitoring of items loaned, returned and outstanding.
   - Poor security over stock and assets resulting in loss of CD's, Computer Games and Videos.
   - Purchases for the reference library are not controlled adequately.
   - Data is not backed up resulting in loss of information.
   - Misuse / misappropriation of petty cash

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Membership forms completed for under 5's and under 16's are not adequately retained to support contact details for parents / guardians in addition to the parental permissions given in regards to Internet usage. Since the review it was noted that this recommendation has been implemented. Internal Audit have not reviewed this.

1.4.2 Regular checks are not undertaken of the stock within the Housebound Library Service to the stock records.

1.4.3 Once items have been deleted from the Library's system there is no longer a record of the item. Evidence cannot be produced to support the items that have been deleted and the authorising officer.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 Departmental procedures are not in place setting out clear guidelines to staff as to the procedures to be followed when registering a new member.

1.5.2 Membership information entered onto the membership form by the applicant is not correctly or consistently entered onto the Galaxy System. Membership forms are not retained for adult members and currently Under 5 members (this will change when Under 5 membership forms are amended to facilitate internet permissions from parents), therefore once the form has been destroyed only Galaxy records can be used to identify the members information. Since the review it was noted that this recommendation has been implemented. Internal Audit have not reviewed this.

1.5.3 There are currently no rules / guidelines in place to issue to new members setting out the rules and regulations when using the library's facilities.

1.5.4 As an electronic ordering system is in place there are no core documents in place to support orders placed. An email is issued by the supplier to the library confirming the order that has been placed. This email is not retained electronically on the system. Since the review it was noted that this recommendation has been implemented. Internal Audit have not reviewed this.

1.5.5 Written procedures are not in place for staff setting out clearly the procedures to be followed when disposing of items within the Library.

1.5.6 An up to date schedule of fees to be charged for library books sold via books sales is not in place. The most recent executive decision on file is dated June 2002.

1.6 Summary of recommendation(s)

1.6.1 The report contains six low and three medium priority recommendations. Since the audit review it was noted that two low and one medium priority recommendations have been implemented. However, this has not been reviewed by the Auditor.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Cheque Control	**Schedule 2(i)**

1.   Management Summary

1.1   Introduction

1.1.1   The London Borough of Havering currently banks with Nat West Plc. There are three cheque payment accounts at the Nat West Bank.

- No 1 account (14871742) – Payments to all creditors (payments processed through the Oracle Payable System).
- No 2 account (14871920) – Payments of salaries and wages
- No 5 account (14871912) – Payments of housing benefit, council tax and NNDR (payments processed through the academy system).

1.1.2   There is a Bank Mandate in place for each of the above accounts and the bank requires a letter signed by two cheque signatories for any changes in the design of cheques.

1.1.3   The cheques are secured in a locked safe and the cheque numbers are entered in the stock records. A Cheque Requisition and Progress Sheet (CRPS) has to be authorised by designated officers for the issue and receipt of computer generated cheques to/from Computer Services.   Separate control books are maintained for each account.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Transactions are not in accordance with the Financial Framework, Financial Regulations and Departmental Procedures.
- Cheque control records do not adequately detail the cheques held for each account.
- Incorrect cheque numbers are ordered / delivered.
- Relevant records and accounts are not updated.
- Cancelled, spoilt and unused cheques are not correctly accounted for.
- Inadequate controls are in place regarding the signing of cheques.
- Inadequate controls are in place regarding the despatch of cheques.
- Insufficient security arrangements are in place.
- Inadequate separation of duties exists in the ordering, receipt and requisitioning for cheques and the maintenance of cheques.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified that require immediate management attention.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1   There is a process in place for allowing cheques issued to the Print Unit for certain cheque runs to be retained in the Print Unit in the event that the cheque run is not carried out. However, this is not recorded within the departmental procedures, indicating how long these cheques may be retained.

1.4.2   Forms are not always being completed in accordance with requirements. Since the formal audit report was issued, staff have been reminded of the need to complete all documentation correctly and completely.

1.4.3   Cancelled / spoilt cheques do not consistently contain the word "VOID" as specified within the departmental procedures. Since the formal audit report was issued, staff have been notified that all void cheques must contain the written word 'VOID'.

1.4.4   Cheques are printed by a company called Communisis. Communisis were recommended by Natwest Bank. No additional quotes were acquired from other companies to ensure that best value for money was obtained.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   The Financial Framework does not clearly set out roles, responsibilities and the financial limits of delegated authority in relation to the cheque control process. In addition, the Financial Framework at the time of the audit referred to the Head of Corporate Business Management instead of the superceded position of the Group Director Finance and Commercial. Since the issue of the Consultation Audit Report it has been established that the Financial Framework was rewritten in April 2006. At the time that the Consultation Audit Report was issued in October 2006 the revised Financial Framework was being placed onto the Intranet. A review of the revised Financial Framework found that all issues had were covered within the revised edition.

1.5.2   The process for the supplying of cheques is not set out in the Departmental Procedures.

1.5.3   Reconciliations of cheques are undertaken. However, they are not produced as a priority when resources are being focused on other tasks.

1.6   Summary of recommendation(s)

1.6.1   The report contains three medium priority recommendations and three low priority recommendations. However, since the formal audit report was issued management have stated that two of the medium priority recommendations have been implemented.

1.7   Audit Opinion

1.7.1   As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Constitution	**Schedule 2(j)**

1. Management Summary

1.1 Introduction

1.1.1 The London Borough of Havering agreed a new constitution in 2002 which set out how the Council operates, how decisions are made and the procedures which are allowed to ensure that decisions are efficient, transparent and accountable to local people.

1.1.2 The Constitution is divided into 16 articles which set out the basic rules governing the Council's business.

1.1.3 The audit has concentrated on examining the implementation of the controls and procedures within Legal & Democratic Services to ensure that the constitution is being enacted as prescribed.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Changes are made to the Constitution, which are non-compliant with the Constitutional rules.

- The composition of Council members does not conform to the Council's Constitution.

- Guidelines regarding the rights of members of the public to obtain information and to participate in council business are not stipulated in the Constitution

- Procedures covering the functions of the full Council have not been carried out in accordance with the Constitution.

- Procedures covering the appointment and responsibilities of the Mayor have not been carried out in accordance with the Constitution

- Overview & Scrutiny Committees, which support the work of the Executive and the Council, have not been established in accordance with the Constitution.

- Procedures covering Council Committees have not been established in accordance with the Constitution.

- Standards Committee has not been established in accordance with the Constitution.

- Area Committees have not been established in accordance with the Constitution.

- The establishment of Joint Arrangements has not been set-up in accordance with the Constitution.

- The management structure of the council has not been established in accordance with the constitution.

- Council decisions are made which do not conform to the rules and regulations contained within the Constitution.

- The management of Council Finance, Contract, and Legal Matters are not performed in accordance with the Constitution.

- The constitution is not reviewed and monitored to ensure that its aims and principles are being enacted.

- Failure to have a Scheme of Delegation.

1.3   Critical Issues that require immediate Management attention

1.3.1   The audit of the Constitution did not reveal any critical issues.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1 The audit of the Constitution did not reveal any significant issues.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   The Council meets their statutory obligation in providing a "Summary of Rights to attend and to inspect and obtain copy documents" under Section 100G (3) of the Local Government Act 1972 and makes it available at the Town Hall Reception. They also publicise the up and coming committee meetings in the monthly editions of Living in Havering Magazine. However in terms of explaining the code of conduct/protocols, locations, how to find out when a committee meets, purpose of each committee and the rights and responsibilities of members of the public wishing to attend there is nothing produced. Members of the public would therefore not necessarily know about the above and how and when they may attend meetings.

1.6   Summary of recommendation(s)

1.6.1   There was one low category recommendation.

1.7   Audit Opinion

1.7.1   An unqualified audit opinion has been given as Audit is satisfied that a strong control environment is operating with Legal & Democratic Services with regard to the administration of the Council's Constitution with the exception of the area mentioned above.

Planning	**Schedule 2(k)**

1. Management Summary

1.1 Introduction

1.1.1 The Planning Section comes under the Sustainable Communities Directorate.

1.1.2 The Planning Section processes over 2500 planning applications a year, keeps registers of development, enforces against breaches of planning control and ensures compliance with planning conditions.

1.1.3 The total number of planning applications made and the income generated since 2003 has been listed below. This information was extracted from Ocella .

Year	No Application	Income
2003	2476	624,535
2004	2565	539,801
2005	2601	660,945
2006 (as at 24.05.06)	1018	337,533

1.1.4 A separate audit looked at Income Controls within Planning.

1.2 Key Risk Areas reviewed

1.2.1 The purpose of the audit is to review the following key risk areas and determine if there are adequate internal controls in place to address these:

- Financial procedures and relevant planning legislation are not being adhered to.
- The correct fee is not being charged for the application.
- Applications are not coded correctly to ensure that the application is dealt with in the correct category.
- The OCELLA and DIPS systems are not adequately updated with application information.
- Applications are incomplete.
- Appropriate parties have not been adequately consulted regarding the application.
- Applications are not approved / refused by the appropriate powers / panel.
- Planning officers are not aware of any possible member involvement in any planning development.
- A property is built without planning permission.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 **Significant issues that require Management action to improve the control environment.**

1.4.1 There were no matters identified that required management action to improve the control environment.

1.5 **Other matters identified that require Management attention to ensure "good practice" within the control environment.**

1.5.1 There were no matters identified that required management attention to ensure good practice.

1.6 **Summary of recommendation(s)**

1.6.1 The report contains no recommendations as Management have taken steps to implement controls in areas where minor good practice issues were identified.

1.7 **Audit Opinion**

1.7.1 As there were no critical issues identified and the good practice recommendation raised has been implemented by Management since the issue was raised. An unqualified audit opinion can be given.

| **Governance** | **Schedule 2(I)** |

1. Management Summary

1.1. Introduction

1.1.1 The 2006/2007 Internal Audit plan includes a review into the governance of the Authority.

1.1.2 Local authorities are required to put into place effective procedures to ensure that they have good governance arrangements that cover all of their activities.

1.1.3 This audit aims to review the arrangements for governance that are currently in place to ensure that they meet the requirements of the government's publication "Corporate Governance in Local Government" and SOLACE guidance

1.1.4 The review would also determine whether the rules, regulations, advice etc. is being regularly reviewed and where necessary updated.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- There is no mechanism established to identify principle statutory obligations,

- There is no mechanism to establish corporate objectives,

- There are no effective corporate governance arrangements embedded within the authority

- There are no performance management arrangements in place,

- There are no roles and responsibilities set down,

- The authority does not have robust systems and processes in place for the identification and management of strategic and operational risk

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant issues identified that require immediate management attention.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There were no matters identified that required management attention to ensure good practice.

1.6 Summary of recommendation(s)

1.6.1 The report contains no recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical or significant areas an unqualified opinion may be given.

| **Recharges** | **Schedule 2(m)** |

1. <u>Management Summary</u>

1.1 Introduction

1.1.1 The Council provides internal services between Directorates the cost of which has to be "recharged".

1.1.2 At the present time there are a number of areas where recharges are being made and the methodology varies from agreed one off annual payments through to recharges based on the level of service provided throughout the financial year.

1.1.3 The audit review concentrated on the calculations of recharges within Technical Services using the PTCS system.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:
- Recharges are not in accordance with the Financial Framework, Financial Regulations and Departmental Procedures.
- The method for calculating the costs to be recharged and allocating these has not been clearly defined.
- Adequate systems are not in place to record all of the costs which need to be recharged.
- Adequate systems are not in place to record prime data which would enable the costs to be recharged in an agreed manner, including abortive work and delayed codes.
- Recharges are not being made in accordance with the calculated figures or on a timely basis.
- Costs and recharges may be incorrectly made.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 The schedule of fees and charges currently in place does not appear to have been updated for the current financial year. The schedules setting out percentages to be charged is dated December 1998. It was also noted there are numerous emails in addition to the two schedules (one for Technical Services and one for Surveying Services) setting out the hourly rates for officers. This does not provide for an effective audit trail and could lead to the wrong rates being used when recharging clients.

1.4.2 Additional information to describe the work undertaken is not entered onto timesheet. Without this information any additional works undertaken, or overspends on budget, cannot be identified, and therefore supported in discussions with the client.

1.4.3 All chargeable work undertaken should be coded to a corresponding fee / FIS code. However, at the time of the audit review a total of 1076 hours at a cost of £61,013.75 had been coded to a suspense account, which means it as not been charged against client budgets. The review identified 113 hours totaling £6,786 that could be charged to a corresponding fee / FIS code. In addition, activity codes are not consistently entered onto the timesheets in order to identify the type of work that the entry relates to.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There are no written departmental procedures in place relating to timesheet completion and obtaining fee / FIS codes for all projects / works undertaken.

1.5.2 The audit review found that inputting timesheets retrospectively (when clearing the suspense account) automatically charges the officers hourly rate as the current rate. Therefore if a timesheet is input after a decrease or increase in the relevant officers hourly rate, the work will be charged based on the current rate and not the rate at the time of the work resulting in clients being over or under charged. This issue was raised at the time of the audit review and a resolution to this weakness is currently being investigated by Senior Management, therefore no recommendation is being raised regarding this issue. Once this issue has been resolved, documented procedures should be produced to identify the process to follow when inputting timesheets retrospectively.

1.5.3 Reconciliations of the PTCS System to FIS are undertaken on a monthly basis by Corporate Finance, using downloads from the PTCS System. A review of the most recent reconciliation (Period 7) found that reconciliations are not signed and dated by the reconciling officer. Reconciliations are however verified by a Senior Officer on a quarterly basis.

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium priority recommendations and three low priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Partnership Working	**Schedule 2(n)**

1.   Management Summary

1.1   Introduction

1.1.1   There is a need to make sure that there are clear roles and responsibilities to ensure that the Council has clear guidance on how it will manage partnerships and how it works with the different partners. This is particularly important with partnerships where the contractual arrangements are not meant to be rigid but to be more flexible and have a framework arrangement that will benefit all parties and/or the community. This is especially important when the service can be provided in a variety of ways.

1.1.2   The Council works with numerous public and private sector firms which has resulted in excess of 200 partnerships being established. These 200 partnership arrangements cover the following matters Prosperity, Lifelong Learning, a Safer Community, Improving and Protecting the Environment, Improving Community Participation and Better Health and Welfare.

1.1.3   If inadequate consideration has been given to ensure that the service can be provided if the partnership dissolves, or a partner withdraws from the partnership then there could be considerable embarrassment to the Council. There is also a risk that if the partnership is to provide a service for the public, and in particular if it is for vulnerable persons, then they could suffer until new arrangements for the service are put into place. It is therefore important that officers identify the importance that the partnership has in achieving the Community Strategy and the Corporate Plan.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:
- No policy for communication with partners.
- Inadequate knowledge, information or training to encourage staff to enter into alternative service delivery arrangements especially partnerships.
- The Council not being aware of what they want from the arrangement with the partner resulting in additional costs to the Council in providing the service.
- There is no liaison with the partners to identify problems resulting in these continuing and/or not being addressed.
- Formal contracts, or the lack of any documentation in place, that do not encourage joint working or promote more open working practices resulting in confrontation.
- Inadequate management resources being dedicated to the partnerships to ensure that the arrangements are progressing.
- Inadequate resources being dedicated to the partnerships to ensure that the arrangements are progressing.
- No regular reviews of communications with the partners leading to actions being overlooked
- There has been no business case/cost benefit analysis as to why the partnership is required, leading to inappropriate arrangements being entered into which do not benefit the Council.

- That no risk assessments have been undertaken for the contractual arrangements with the partnership.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified within this report.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1   There is no clear process which identifies what type of contractual arrangement will be best for the provision of the service being considered. This could be achieved by the use of a simple check sheet/tick box to identify the most applicable contract arrangement. Once a partnership has been identified there is a need to ensure that the partnership has been fully considered, that there is an adequate control environment and sufficient resources being dedicated to the service so as not to put the Council at any unnecessary risk. It is noted that the Assistant Chief Executive, Strategy & Communications is in the process of producing a partnership check list. The appendix to the report provides some details of the issues that need to be addressed.

1.4.2   It was also found that there is a need to ensure that the formal arrangements with the partners are clear and appropriate for the service being provided. The arrangements also need to encourage flexibility and not be so rigid that the partnership becomes a traditional contract.

1.4.3   The review also found that on a couple of the partnerships there was no indication available to confirm that managers are reviewing what is happening in respect of the partnership. There is a need for such reviews in order for managers to confirm that the Council is not being committed to actions that are inappropriate and they know what is happening in respect of the service.

1.4.4   There is also a weakness in the training provided as this does not include details on how to manage a partnership or on the differences between a formal contract and a partnership. This is essential especially as the number of partnerships that the Council is entering is increasing. This will increase the need for officers to be aware of the differences between contract and partnership monitoring.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   There is no list of partnerships which also shows who is the relevant lead officer for the Council. This makes it difficult for officers wanting to enter into a new partnership to contact relevant officers for advice on how their partnerships are managed and are operating. This will also allow best practices to develop.

1.6   Summary of recommendation(s)

1.6.1   The report contains four medium and one low priority recommendations.

1.7   Audit Opinion

1.7.1   An unqualified opinion is given as the recommendations are to further enhance current arrangements and systems.

Receiverships	**Schedule 2(o)**

1.   Management Summary

1.1   Introduction

1.1.1   The London Borough of Havering provides a service for any individual, over the age of 18, who is unable to manage the administration of his / her own state benefit(s) because of mental disability. In order to administer these affairs LBH has to be appointed by the Court of Protection. Provision of this service is not a statutory requirement.

1.1.2   The London Borough of Havering currently manages approximately 77 cases. Of these cases 11 are 'in community' cases. In community means that the client still lives in their property, although the client's finances are dealt with by the London Borough of Havering. In the remaining cases the client lives in a residential home, with their finances being administrated by the London Borough of Havering.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:
- The next of kin are not notified of the Authority's actions on a regular basis.
- Actions taken by the Authority are not in accordance with the court order set by the Court of protection.
- Deceased client funds are not dealt with accordingly.
- Client bills are not dealt with adequately resulting in debts. Clients' financial affairs are not being dealt with correctly.
- Client records are not independently audited.
- Client monies are not being invested wisely.
- Fees received by the Authority for the service are not in accordance with those approved by the Court of Protection.

1.3   Critical issues that require immediate management attention

1.3.1   The audit review did not identify any critical issues within the control environment that would require management attention.

1.4   Significant issues that require management action to improve the control environment.

1.4.1   The audit review found that evidence is not retained to support notifications of intent being issued to clients' next of kin, in accordance with current legislative requirements.

1.4.2   The departmental procedures in place do not reflect the current legislative requirements and practices within the Appointee and Receivership Section. In addition, these procedures have not been approved by Senior Management.

1.4.3   A feasibility study should be undertaken to determine whether an enhanced Management Database System would be effective in establishing appropriate audit trails and evidence of segregation of duties by facilitating the following:

- Copies of correspondence / documentation issued to be retained electronically
- All correspondence / documentation received to be scanned onto the system so that it can be retained electronically, where possible (original court orders etc to be retained).
- All conversations, whether with the client, next of kin, solicitor or any other external party to be recorded within a notes style facility on the system. In addition, any action to be taken on behalf of a client, such as obtaining any refunds due, to be recorded.

1.4.4   Bills / Invoices paid by the Appointee and Receivership Section on behalf of the client do not evidence any segregation of duties.

1.4.5   The audit review established that formal reconciliations of client accounts are not undertaken, ensuring that all benefits are being received and all necessary payments, such as residential care home fees have been paid.

1.4.6   At the time of the audit review it was noted that no annual financial reviews had been undertaken for any of the Appointee and receivership clients. In addition it was noted that no service fees, as laid out within each court order, had been paid to the Authority, by the Appointee and Receivership Section on behalf of the client.

1.4.7   It was established during the review that the current resources within the Appointee and Receivership Team are those deemed appropriate for a client base of approximately 40- 50. With the current number of clients exceeding 90, staffing resources are currently inadequate to ensure that all procedural and legislative requirements are met and allow adequate levels of segregation of duties to be established. In addition, the roles and responsibilities of each officer within the Appointee and Receivership Section is not set out within the departmental procedures, including responsible officers, in the event that the Appointee and Receivership Manager is not available.

1.5   Other matters identified that require management attention to ensure "good practice" within the control environment.

1.5.1   The audit review found that a list of clients identifying whether financial information can / cannot be provided to the next of kin is not in place. In addition, there is no schedule which sets out what information can be provided to the next of kin and when. Decisions as to whether information can and cannot be provided are not documented within either the database or the client's physical file.

1.5.2   Client files do not contain a checklist setting out all legislative requirements to be undertaken for the case and the evidence / documentation to be retained. Files also do not record all benefit entitlements checked and those benefits that the client is entitled to, allowing for cursory checks of client accounts to easily identify any benefits due, that are not being received.

1.5.3   Client files are not being independently examined / checked to ensure that departmental procedures and legislation are being adhered to and that files are complete in the event of a visit from the Lord Chancellor's Visitors.

1.5.4   There are no procedures for searching a client's property or for recording any monies / property found as a result of the search.

1.6   Summary of recommendation(s)

1.6.1. This report contains a total of nine medium priority recommendations and four low priority recommendations.

1.7   Audit Opinion

1.7.1 A qualified audit opinion must be given due to the large number of significant issues identified during the audit review. The majority of issues identified are a result of two key factors. Firstly the lack of comprehensive procedures has impacted on the processes in place within the section. Secondly, the section is resourced to provide the service for approx 40 – 50 clients. Since the service has been set up the number of clients has rapidly risen to approximately 90 at the beginning of the audit review, with an additional 10 clients being referred by the end of the review. However, the section is still operating with only two officers, being one Manager and one agency officer.

Capital Monitoring	**Schedule 2(p)**

1.   Management Summary

1.1   Introduction

1.1.1   The Council's capital spend for 2006/2007 is approximately £69.5m. The majority of this spending will be in respect of specific projects. There is need for these projects to have agreed budgets and for officers to monitor the spend so that managers are aware of the position of the project and take the appropriate action in the event of it being forecast that the project is going to overspend at the earliest opportunity.

1.1.2   There is also the need for officers in Financial Services to be aware of when the capital expenditure is going to be incurred so that they can ensure that there are sufficient funds available to meet this expenditure. Also, if there are periods when the spend is low, officers are investing funds so that they can earn interest.

1.2   Key Risk Areas reviewed

1.2.1.   This audit reviewed the following key risk areas:

- Officers are committing the Council to incurring expenditure on schemes without the relevant approval
- Inadequate monitoring by client managers resulting in schemes going over budget.
- Officers not checking the capital commitments resulting in reserves not being available to make payments or the Council not earning interest from the short loan money markets.
- Schemes undertaken are not adequately planned resulting in a product, which does not comply with end-user needs or is impractical.
- There is no capital programme resulting in no clear strategy for prioritising schemes.

1.3   Critical Issues that require immediate Management attention

1.3.1   There were no critical issues identified within this report.

1.4   Significant issues that require Management action to improve the control environment.

1.4.1   The Council's rules and procedures are at present being updated and included on the Intranet. There is no intention at present to circulate hard copies of the new procedures to all staff. However the version on the intranet is incomplete as it does not contain the updated version of the section on Capital and the Capital Programme. This could result in officers not following any new approved procedures when undertaking a capital scheme.

1.4.2   There is also a lack of formal monitoring sheets to allow client managers to confirm the current and forecasted progress and financial position of a capital scheme. This could result in problems with the budget or when a capital project is likely to be completed not being identified at the earliest opportunity in order to allow action to be taken to resolve

the problems. It was also identified that on 50% of the sample that there was no structure to the client manager's project file(s). This is poor practice as it does not allow the client manager to effectively manage the scheme due to the difficulties in locating and retrieving information and to be able to readily identify the current position of the project. It should be noted that the project management tool kit is likely to include details on this in the near future.

1.5   Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1   There appears to be confusion over who is to act as the client and project manager on a project. There were instances where these roles appeared to be confused with officers undertaking duties that should be the responsibility of the other and instances where officers were not being fully informed in order to allow them to manage the project correctly.

1.5.2   It was also noted that client managers are not signing off the project at key stages in order to allow the project manager to continue developing the project. If they were to sign off the key stages of the project it would indicate that they have approved the work undertaken to date and are happy for the scheme to continue to the next stage.

1.6   Summary of recommendation(s)

1.6.1   The report contains four medium priority recommendations and one low priority recommendation.

1.7   Audit Opinion

1.7.1   As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

| **Use of Constructionline** | **Schedule 2(q)** |

1. Management Summary

1.1 Introduction

1.1.1 The Business Development Unit produced a report for the Strategic Procurement Steering Group in April 2006 on the use of Constructionline. The report identified that there were instances where Constructionline had not been used for selecting the tenderers on construction related projects. Contract Procedure Rule 21(e) states that "Instead of maintaining separate approved lists of suitable contractors the Head of Technical Services may use lists provided by Constructionline for the formation of a shortlist of potential tenderers for all construction contracts for building and roads maintained by the Council." Whilst this is not technically a breach of the rule it goes against the spirit of the rule.

1.1.2 The Strategic Procurement Steering Group requested that Internal Audit review a small sample of construction schemes to confirm that Constructionline was being used to generate the list of tenderers. If there were any exceptions then Internal Audit are to seek explanations from the relevant officers.

1.2 Key Risk Areas reviewed

1.2.1. This audit looked at the following areas:-

- Was Constructionline being used to prepare the tender lists

- Were firms not on Constructionline being invited to bid.

- Where Constructionline was not being used the lists were being approved by the relevant authority.

- That the rules are adequate for the use of Constructionline.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no issues identified that required immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There is concern that that the Council's rules and procedures do not adequately explain how and when Constructionline is to be used. This is resulting in the Council paying more in tender administration costs due to Constructionline line not being fully utilised [This has not been quantified]. Further staff were unaware of the different work categories on Constructionline and were advertising directly for firms interested in bidding for a particular project.

1.4.2 There is also uncertainty over how firms are to be selected and the status of the long and short lists, and the status of the firms on Constructionline. This again needs

clarification. [Note a long list is all the firms that could be considered for the tender exercise and the short list is the list of firms to be invited to tender.]

1.4.3 Recommendations have been made to address these issues that should ensure that there is guidance for officers to follow when tendering for these works.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There were no other matters identified that needed management attention.

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium risk recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical issues identified and the recommendations were to clarify the existing rules and procedures an unqualified opinion can be given.

| **Right to Buy** | **Schedule 2(r)** |

1.   **Management Summary**

1.1   **Introduction**

1.1.1   The 2006/2007 Internal Audit plan includes a pro-active audit into Right to Buy Applications. As part of this review the Group Director of Finance and Commercial requested a check of right to buy applications to ensure that applications are genuine.

1.2.   **Key Areas Reviewed**

1.2.1   Right to Buy (RTB) application forms were obtained for a randomly selected sample of 10 "live" RTB applications between the periods 01.04.06 to 22.11.06.

1.2.2   Each application was then checked to ensure that:
- The application form had been fully completed;
- The application form had been signed by the applicant(s);
- The name on the application matched the name on the rent account;

1.2.3   The corresponding tenancy agreements were obtained for the sample of 10 applications. Each of the selected RTB applications was checked to the tenancy agreement to ensure that the signature(s) of the tenant(s) matched.

1.2.4   The identification documentation for all RTB applicants, both named tenants and additional applicants, was checked to ensure that appropriate levels of identification had been seen by an officer from the Homeownership Section.

1.2.5   For each of the 10 RTB applications selected, the corresponding rent account was checked to ensure that:
- The rent account was not more then 6 weeks in arrears at the time of the application being submitted.
- Appropriate action had been taken to resolve these arrears, where necessary; and
- The rent account was not in arrears at the time of completion.

1.2.6   Where possible, the tenancy period of all applicants was checked to the application form, tenancy agreement and identification documentation to ensure that:
- All named tenants had lived within the Borough for a minimum of 2 years;
- All non named tenants had been residing at the property for at least 12 months; and
- The property is the applicants only principal home.

1.2.7   The audit review also looked at the segregation of duties within the Homeownership Section and throughout the RTB process, using the main documentation from each of the 10 applications selected.

1.2.8   The corresponding property valuation for each property was reviewed to ensure that the discount given on the property was in line with the tenancy period.

1.2.9 Where the RTB section have concerns over the genuineness of an application they pass the case to Internal Audit for investigation.

1.3 Significant Issues

1.3.1 No significant issues were identified during the Internal Audit Review.

1.4 Summary of recommendation(s)

1.4.1 The report contains one low priority recommendation.

1.5 Audit Opinion

1.5.1 The review found that on the whole the procedures and controls within the Homeownership Section are effective and that all applications reviewed were found to be genuine.

FRAUD AND INVESTIGATION WORK   **SCHEDULE 4**

Work completed during period 01 October – 31 December 2006

Ref	Description	Result of audit/Action taken
1.	(T8haal) Payments to Contractor	Non adherence to procurement and contract procedures. Management to consider disciplinary action.
2.	(T8haae) Reimbursement of personal calls by staff	Cancelled - Insufficient evidence.
3.	(T8haap) Quotation process- Parks	As contracts had been in place for some time there was little to be gained from reviewing the quotation process
4.	(T8haau)Unauthorised use of TH Franking machine	Member of staff admitted use for business purposes – Disciplinary.
5.	(T8haaw) Allegations re abuse of fuel	Insufficient evidence – Future review by management.
6.	(T8haay) Allegations re misuse of PC Case 1	Misuse and abuse confirmed – Member of staff resigned.
7.	(T8haaa) Duplicate payments to agencies	Additional review carried out – system improvements implemented.
8.	(T8haaf) Review of reporting process Surf Control	Training complete – Software to be installed.
9.	(T8iaaf) Misuse of PC Case 2	Allegation unfounded.
10.	(T8haam) Possible fraudulent claiming of car allowance	Over claiming of mileage (distance of journeys) – Management to consider disciplinary action.
11.	(T8iaal) RTB Case 1	Insufficient evidence
12.	(T8haaq) Non disclosure of Interest re member of staff	Disclosure not completed. Management to consider disciplinary action.
13.	(T8haai) Review of building costs: HX Sports Centre	Group Director Public Realm to report upon separately
14.	(T8haan) Misuse of PC Case 3	Insufficient evidence
15.	Review of Accounts Central park Leisure Centre	Group Director Public Realm to report upon separately
16.	(T8haac) Alleged Sub let Case 1	Insufficient evidence
17.	(T8iaad) Alleged Sub let Case 2	Occupation confirmed - Passed to HB Fraud Team
18.	(T8iaai) Possible duplicate payments processing	Three payments passed for payment but not processed – Controls improved
19.	(T8iaaj) Reclaiming overpaid car mileage	Over claim identified – Repayment by member of staff

As at 31st December 2006, the following cases were being progressed

Ref	Description
1.	(T8gaap) Fraud Hotline Reports – Four (4) cases currently being investigated
2.	(T8gaax) National Fraud Initiative 06/07 – data submitted awaiting information re data matches
3.	(T8haas) Possible fraudulent car allowance claims
4.	(T8haav) Allegations of misappropriation of residents monies
5.	(T8haax) Allegations of mismanagement of financial records and payments
6.	(T8haaz) Alleged sub letting
7.	(T8iaaa) Alleged payments for hours not worked
8.	(T8iaab) Claiming for work not undertaken
9.	(T8iaac) Alleged sub letting
10.	(T8iaae) Review of budget overspends
11.	(T8iaag) Alleged misuse of PC Case 1
12.	(T8iaah) Alleged misuse of PC Case 2
13.	(T8iaak) Recovery of overpaid salary
14.	(T8iaam) Possible duplicate rent payments
15.	(T8iaan) Alleged sub letting
16.	(T8iaao) Allegations of receipt of illegal payments

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – .

(The external and internal audit recommendations shown in appendix 1 and 2, are extracted from the December '06 Head of Service Packs).

SUMMARY

This report contains information on:

*   Implementation of External Audit's Recommendations
*   Summary of the External Audit's activities since the last Committee meeting
*   Implementation of Internal Audit recommendations
*   Internal Audit Key Performance Indicators
*   Internal Audit Customer Survey Results
*   Comparative Analysis of Internal Audit Plan
*   Statement on Internal Control Action Plan
*   Anti-Fraud and Corruption
*   Budget Analysis
*   Risk Management
*   Benefits Investigation
*   Code of Practice for Internal Audit in Local Government in the UK 2006
*   Accounts & Audit (Amendment) (England) Regulations 2006
*   Excellent Internal Auditor
*   Toolkit for Local Authority Audit Committees
*   System Based Auditing Control Matrices Series 5
*   Audit Committee Work and Training Plan (Members)

RECOMMENDATIONS

1.   To consider the contents of the report.
2.   To raise any matters of interest.
3.   To raise any matters of concern and/or interest with Heads of Service in relation to outstanding audit recommendations or qualified audits.
4.   To raise any matters of concern and/or interest on progress with the 2006/07 audit plan.
5.   To consider whether there are any further training needs during the current municipal year.

REPORT DETAIL

1. Implementation of External Audit recommendations

1.1 Summary of 2003/04 outstanding recommendations

1.1.1 As of the end of December 2006, there were 12 outstanding 2003/04 External Audit recommendations. The details are shown in Appendix 1 and it can be seen that implementation is in progress. These are recommendations that have missed their implementation deadline by more than one month.

1.1.2 The Committee should also note that there are other recommendations which are not reported, as they are being implemented within agreed timescales.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2003/04	94	88	18	**200**
Total no. of outstanding recommendations for 2003/4.	9	3	0	**12**

1.2 Summary of 2004/05 outstanding recommendations

1.2.1 There are no outstanding recommendations for 2004/05.

1.3 Summary of 2005/06 outstanding recommendations

1.3.1 As of the end of December 2006, there were 4 outstanding 2005/06 External Audit recommendations. The details are shown in Appendix 1 and it can be seen that implementation is in progress.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2005/06	23	11	4	**38**
Total no. of outstanding recommendations for 2005/6	0	4	0	**0**

2 Summary of the External Audit's activities since the last Committee meeting

8.2 The Audit Commission has issued the March 2007 Progress Report since the 12th December 2006 meeting, which is item number 5 on the agenda.

3. Implementation of Internal Audit recommendations

3.1 Summary of 2003/04 outstanding recommendations

As of the end of December 2006, there were 4 Internal Audit recommendations relating to 2003/04 which had not been implemented by the agreed deadlines. The details are shown in Appendix 2 and it can be seen that implementation is in progress.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2003/04	30	261	107	**398**
Total no. of outstanding recommendations for 2003/4.	1	3	0	**4**

3.2   Summary of 2004/05 Internal Audit (IA) recommendations

As of the end of December 2006, there were 16 outstanding 2004/5 Internal Audit recommendations. The details are shown in Appendix 2.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2004/05	42	221	71	**334**
Total no. of outstanding recommendations for 2004/5	5	9	2	**16**

3.3   Summary of 2005/06 Internal Audit (IA) recommendations

As of the end of December 2006, there were 53 outstanding 2005/06 Internal Audit recommendations. The details are shown in Appendix 2.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2005/06	14	180	45	**239**
Total no. of outstanding recommendations for 2005/6	6	39	8	**53**

3.4   Summary of 2006/07 Internal Audit (IA) recommendations

As of the end of December 2006, there were 26 outstanding 2006/07 Internal Audit recommendations. The details are shown in Appendix 2.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2006/07	5	59	40	**104**
Total no. of outstanding recommendations for 2006/7	3	15	8	**26**

4.   Performance Indicators – Latest Position on Completion of 2006/07 audits

4.1   Committee members will note that there are 6-Key Performance Indicators (KPI) in Appendix 3. These indicators are focused on measuring the efficiency and effectiveness of Internal Audit activities.

4.2   Appendix 4 gives a graphical presentation of the KPI's, relating to the completion of the Audit Plan, showing the Audits completed and those left as a bar chart with the target for each period shown as a line.

4.3 Prior to the commencement of the financial year, the start date for each audit is agreed with Heads of Service based on:

- the anticipated availability of the auditors through out the year

- when the auditee would find an audit least restrictive to their own work output and

- the requirements of the External auditors to ensure that key audits which affect the financial statements are audited at a time of year so that maximum reliance can be placed on the testing for the full year

4.4. The KPI's are then drawn up showing how many audits would be briefed each month, completion of drafts within a further two months and then finals within a further month.

4.5. As the year progresses the service compares how it is performing to the anticipated KPI's. However, it is accepted that there will always be changes in timings as the year progresses and so a target of achieving 90% of planned work each month with a target of 100% by the end of the financial year has been set. The table below shows:-

(a) this is the target percentage of estimated numbers that should have been completed
(b) this is the percentage of actual number completed.

4.6 An analysis of the KPI's shows (KPI 01) and (KPI 02), 119% and 100% respectively. Therefore the number of audit briefs issued and reviews completed to draft stage are exceeding the target. (KPI 03) and (KPI 04), are 103% and 77% respectively. This shows that the number of reviews completed to final stage is above target and 10 reviews have taken longer than 50 days to complete. (KPI 05) shows that 50% of the survey forms for general systems work, issued to auditees by 31.12.06 have been returned. No 06/07 survey forms have been issued in the first, or second quarter for fraud work.

4.7 The following table shows the latest position relating to Internal Audit's performance from 1st April to 31st December 2006; this table has now been supplemented by the identification of "RAG status", where green identifies ahead of plan, amber on plan, and red behind plan:-

		Definition	Annual Target	Monthly Target (a)	Actual Perform-ance (b)	RAG Status
KPI 01		The total number of audit briefs issued as a percentage of the total annual number of planned reviews (76).	100 %	80%	119%	**Green**
KPI 02		The number of audit reviews completed to draft stage as a percentage of the total annual number of planned reviews (76).	100 %	80%	100%	**Green**
KPI 03		The number of audit reviews completed to final stage as a percentage of the total annual number of planned reviews (76).	100 %	90%	103%	**Green**
KPI 04		Performance against target time: 50 days max to complete an audit from start to release of a consultation draft	100 %	70%	77%	**Green**
KPI 05		Survey Forms assessed for the system audits	100%	75%	50%	**Red**
KPI 06		Survey Forms assessed for the fraud audits	100%	75%	0%	**N/A**

	Definition	Annual Target	Monthly Target	Actual Perform-ance (a)	RAG Status (b)

4.8 At the end of December '06, 50% of the plan had been completed (49% planned) and 58% of the plan was at draft report stage (planned 58%).

5. Survey Questionnaire Analysis

5.1 The Survey Analysis of Internal Audit's Systems work, asked respondents to assess the Internal Auditor's performance on a scale of 1– 5 (very poor - very good) in the following areas:

- Audit Planning
- Quality of draft report
- Quality of final report
- Communication
- The Auditor.

5.2 Survey results of Internal Audits Systems work –

32% of the survey returns reported a satisfactory review, 32% reported a good review and 36% reported a very good audit experience. t is pleasing to note that all managers were satisfied with the internal audit process for 2006/7.

GENERAL SURVEY

KPI 05
Client Satisfaction - Results of system audit survey forms returned - Cumulative
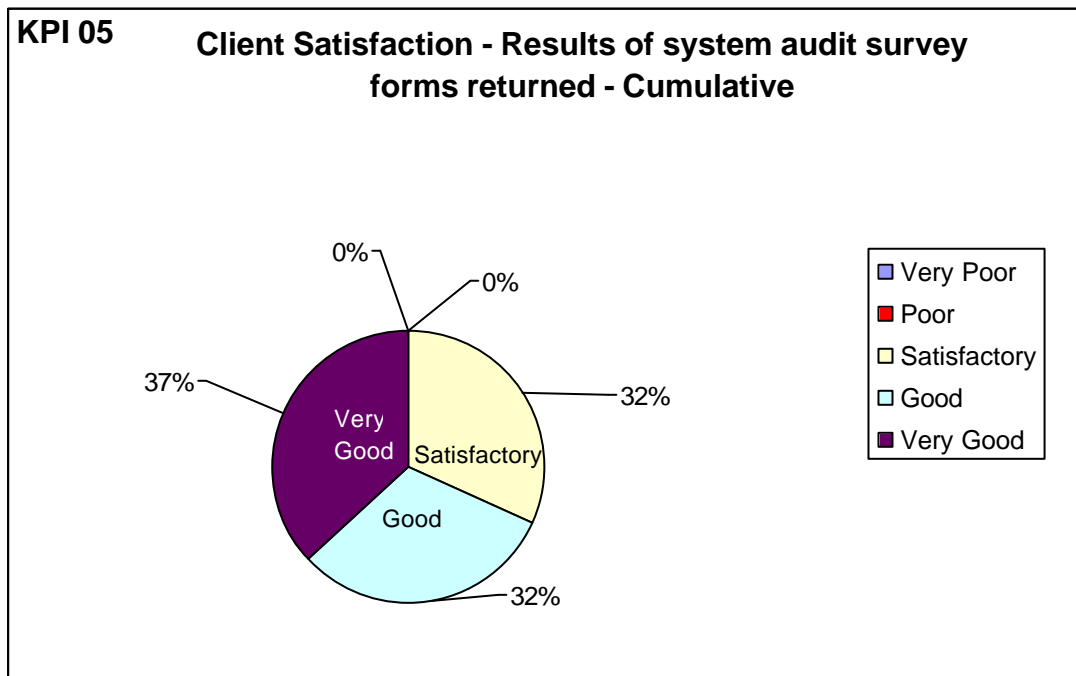
5.3 As at 31ᵗ December 2006, no fraud surveys for 2006/7 had been issued or returned.

6. **Comparative analysis between the Internal Audit Plan for 2005/06 and 2006/07**

6.1 Appendix 5 provides the status of Internal Audit's efforts in implementing the 2006/07 annual plan, and data from 31st December 2005 which provides valuable comparative information.

6.2 For the period ended 31st December 2006, Internal Audit completed 38 reviews (50%), and no reviews were at formal draft stage, 6 reviews (8%) were at the consultation/final draft stage. For the period 31st December 2005, Internal Audit had completed 45 reviews (44%), and 1 review (1%) was at the formal draft stage, 5 reviews (5%) were at the consultation/final draft stage. The comparison shows that for the third quarter of the year, performance for 2006/7 is slightly below the previous year for numbers of audits but is above in percentage terms. It is expected that the audit plan will be completed to draft stage by 31st March 2007.

7. **Statement on Internal Control Action Plan**

7.1 Appendix 6 presents the Statement on Internal Control (SIC) action plan for 2005/6. The SIC is signed by the Leader of the Council, the Chief Executive, and the Finance and Commercial Group Director and forms part of the 2005/06 Statement of Accounts. The SIC action plan is continuously updated and progress reported to the Committee. This provides assurance for both corporate governance and internal control purposes.

8. **Anti-Fraud and Corruption**

8.1 Summary of calls on the fraud hotline log (as of 31st December 2006)

Source of calls	No.	Actions	Status
Member of staff	1	1 case – allegation against a member of staff, that hours paid exceeded the number of hours worked. Lack of records maintained, so allegation could not be proved but record keeping has improved. (001)	Completed and signed off.
Member of staff	2	1 case – allegation against staff re- use and abuse of pc. Insufficient evidence to proceed. Staff member interviewed and reminded about the council's corporate policies and employee codes of conduct. (002)	Completed and signed off.
Member of the public	3	1 case –allegation of a fraudulent insurance claim. Preliminary finding showed that there was no substance to claim. (003)	Completed and signed off.
Member of the public	4	1 case – allegation of a property owner claiming single person discount on their council tax to which they were not entitled. (004)	Completed and signed off.
Anonymous	5	1 case – allegation concerning the financial accounting at a residential home. (005)	Investigation in progress
Member of the public	6	1 case - allegation concerning cleaner for older person. No further action was required as management confirmed that the information received was not new intelligence. (006)	Completed and signed off.

Member of the public	7	1 case – allegation of fuel theft by a member of staff. Insufficient evidence, so managers have been made aware of the allegation in order to put them on their guard, in order to reduce the possibility/risk of fuel theft in the future. (007)	Completed and signed off.
Member of staff	8	1 case – allegation that staff were getting paid for hours not worked, management were aware and had taken no action. (008)	Preliminary investigation planned.
Anonymous	9	1 case – allegation that a tenant is sub-letting one of the Council's properties.(009).	Completed and signed off.
Anonymous	10	1 case – alleged non-payment of Council Tax (10)	Completed and signed off.
Member of Staff	11	1 case – allegation that a member of staff was fraudulently claiming to have worked hours outside of the normal working day. It has also been alleged that a family member has been awarded contracts by the Council and no declaration of interest has been made. (11).	Investigation in progress.
Anonymous	12	1 case – allegation that a family was living on Council land without permission. (12).	Completed and signed off.
Anonymous	13	1 case – allegation that a member of staff obtained a payment in kind, in return for charging 2 for 1 prices/fees for Council services. (13)	Police co-operation sought before investigation takes place.
Anonymous	14	1 case – allegation that a tenant's death had not been reported by family members who have remained in the Council property, without paying any council tax.(14)	Completed and signed off.
	14	**HOTLINE TOTAL**	

There were 17 special investigations in progress and 47 had been completed by the end of December 2006.

8.2 The different types of fraud have been broken down into various categories and forms the basis of Appendix 7.

8.3 A National Fraud Initiative (NFI), protocol has been developed by Internal Audit and was approved by SMT in January 2007. The NFI data is now web-based and involves more people than ever throughout the Authority producing information. The Principal Auditor (Fraud) will collate this information on behalf of the Council and check that it has been submitted in the appropriate format. All external queries will be dealt with by the Principal Auditor (Fraud), who is the Council's appointed Single Point of Contact, (SPOC) officer. A copy of the protocol can be seen in Appendix 8.

9.   Year to Date (YTD) Budget Analysis

9.1   The revised budget figure for Internal Audit (2006/07) is £438,430. Appendix 9 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 31st December 2006. As of 31st December 2006, YTD actual (£341,317) is less than the YTD budgeted sum of (£405,613) by £64k. The service is expected to be delivered within budget.

10.0   Risk Management

10.1   Appendix 10 shows the corporate risk map, (graphical version of the corporate risk register). The risk map and the business risk scenarios which make up the risk register, enable the Council to demonstrate that greater emphasis has been placed on the delivery of the Council's priorities.

10.2   The organisation needs to and will as necessary address:-

- Risk that is high in likelihood and impact (red) to ensure mitigation is in place
- Risks where it is believed that there is scope for improvement.

10.3   Since the last meeting of the Audit Committee, the November '06 review of the service risk registers has been completed and they have been placed onto the intranet. The service and the corporate registers are now held in exactly the same format.

11.   Benefits Investigation

11.1   A report on Benefits Investigations is shown at Appendix 11.

12.   Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

12.1   The 2006 Code of Practice updates the 2003 Code. It reflects changes arising from amendments to the Accounts and Audit Regulations in 2006 and practice relating to corporate governance that further emphasise the importance of internal audit to the proper management of organisations. It more closely aligns practice with current approaches for auditors, particularly in respect of risk management and the impact on planning internal audit activity.

12.1   The former section on ethics is now included as a standard.

12.2   It remains the responsibility of all those concerned with the practice of internal audit within organisations to reflect this Code and its principles in the constantly changing environment of public service delivery.

12.3   A checklist is included as an appendix to the Code which provides an opportunity to measure the existing service provision against the standards within the Code. The checklist will be completed and the results will be analysed and used as part of the annual internal audit report to the Audit Committee, to demonstrate internal audit's compliance with the Code and to identify any areas for improvement.

12.4   The Terms of Reference, the Internal Audit Charter and the Audit Strategy will be updated later this year in accordance with the requirements of the 2006 Code and the Audit Committee will be requested to approve any changes required in due course.

12.5   The 2006 code requires that mechanisms should be in place to ensure that recommendations with a wider impact than the area under review are reported to the right forum. From February 2007 onwards, recommendations affecting more than one service area will be reported to the SMT via Project Board Reports. This will enable the SMT to take prompt action. Such recommendations will also be reported to the Audit Representatives Group. They will be charged with verifying that there are robust internal controls within their service areas, or whether the recommendations apply and

improvements are required.

13.   Accounts & Audit (Amendment) (England) Regulations 2006

13.1   Regulation 6 (10) requires that Council's conduct an annual review of the effectiveness of their system of internal audit. This can be fulfilled by issuing an annual report to the Audit Committee. However, this process and service provision could be further improved and service provision by the professional challenge and completion of an independent peer review carried out by another London borough. In return for which Havering would provide a reciprocal review.

13.2   Plans are underway to enable Havering to take part in a three way external quality check of internal audit's work, with two other Councils, Redbridge and Barking & Dagenham. Terms of reference are currently being drawn up by the Head of Audit at Redbridge for this purpose. Progress will be reported to Members and to the Audit Commission in due course.

13.3   The London Audit Group (LAG), are also looking at this matter and are in the process of drawing up a matrix to match London Boroughs for a peer review. It is also expected that they will draw up terms of reference to show what should be done together with a supporting checklist. Any further developments by LAG will be reported to the Audit Committee.

14.   Excellent Internal Auditor, a Good Practice Guide to Skills and Competencies

14.1   Internal auditors need to have planned training and development more than ever to maintain essential skills levels and deliver a first-class service to their organisations. CIPFA have therefore produced a guide to assist Internal Auditors nationally, to achieve this objective.

14.2   The Guide suggests expected competencies for the various roles and levels of auditor in an internal audit unit from trainee through to head of internal audit and the relevant skills needed. It is important that these are aligned to Havering's existing personal development performance appraisal system for staff which is tailored towards meeting organisational and personal objectives.

14.3   Staff will complete skills and competencies matrices which will be reviewed jointly with line managers and agree their training requirements. Existing post audit assessments will also be adapted to show whether staff have any training and development needs, which will help to improve procedures within internal audit.

15.   A Toolkit for Local Authority Audit Committees

15.1   The toolkit has been produced to build on the work already done by CIPFA and the guidance provided in its publication "Audit Committees – Practical Guidance for Local Authorities". The toolkit is intended to provide a more detailed set of advice, give examples and suggest good practice to assist both officers and members who are involved in the establishment of operation of an audit committee.

15.2   A self assessment checklist has been produced to enable Local Authorities to identify whether their own local arrangements in relation to Audit Committees are satisfactory or whether improvements are required. The checklist will be completed and reported to the Audit Committee in due course.

16   Systems Based Auditing Control Matrices Series 5

16.1   A new series of systems based auditing control matrices have been issued by CIPFA. These have been used for audit planning purposes and are now in general use by the audit staff.

16.2   The Records Management matrix requires that SMT support an established records management policy. A new group is to be set up chaired by the Head of Business Systems to ensure that this

requirement is met.

16.3 The Council's Risk Manager will carry out a review of the expected controls and countermeasures within the Enterprise Risk Management Matrix and report the findings to the RMG and to Audit Committee.

17   Audit Committee Work and Training Plan

17.1 The Committee has a clear work plan and a training programme for 2006/7. See Appendix 12.

17.2 Sessions have now been delivered on all areas for members, with a high level of attendance at each session. An exercise is now underway for members to undertake an assessment of their level of knowledge in the areas covered and the business of the Committee. Members are therefore asked to consider whether any further training is needed during the remainder of the municipal year, and if so to report at the March '07 Audit Committee, which areas need to be covered.

18.   Financial Implications and risks:

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, managers are obligated to consider financial risks, the use of resources and the costs associated with the implementation of the recommendations. There are no other financial implications or risks arising directly from this report.

19.   Legal Implications and risks

None arising directly from this report

20.   Human resource Implications and risks

None arising directly from this report

21.   Equality and Social Inclusion implications

None arising directly from this report

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                        STEPHEN EVANS
                        Chief Executive

Background Papers
Business Management Office Reports
Internal Audit Reports & Database
2005/06 Statement on Internal Control
Corporate and Service Risk Registers
Housing Benefits reports
The Excellent Internal Auditor (CIPFA)
Systems Based Auditing Control Matrices Series 5

Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (CIPFA)
Accounts & Audit (Amendment) (England) Regulations 2006
A Toolkit for Local Authority Audit Committees (CIPFA)

Appendix1

Outstanding External Audit Recommendations – 03/04 & 05/06 *(There are none outstanding for 04/05 and 06/07)* *(As at end DEC 06)*

HIGH PRIORITY RECOMMENDATIONS					
Reports	**Recommendations**	**Date Due**	**HoS Responsible**	**Current Position**	**Classification**
Democratic Renewal (Report issued 03/04)	**R10** Develop Overview and Scrutiny policy development programmes that have a clear and crosscutting direction, and take account of key performance data.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	Governance Committee in November considered a report on the O&S process. The Committee agreed that there should be a training programme on O&S for Members (the first event of which is on 5 Feb, involving an academic from Inlogov), that admin. support continue in its present format and that the Liaison Cttee should meet. Any further development to await reviews of O&S being undertaken on a London-wide basis. No further action pending outcome of London-wide reviews	In Progress
Democratic Renewal (Report issued 03/04)	**R11** Encourage local community stakeholder involvement in the political management process, including taking an active part in member meetings.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10 (above)	In Progress
Democratic Renewal (Report issued 03/04)	**R13** Develop the work programmes of the Overview and Scrutiny Committees to include post implementation review.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10 (above)	In Progress
Democratic Renewal (Report issued 03/04)	**R14** Clarify the expected role of Overview and Scrutiny Committees in respect of Best Value and communicate this effectively to members.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10 (above)	In Progress
Democratic	**R15** Encourage greater	Originally:	Christine	See comments at R10 (above)	In Progress

Renewal (Report issued 03/04)	scrutiny focus on holding the Cabinet to account.	31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Dooley (ACE)		
Democratic Renewal (Report issued 03/04)	**R16** Improve communication between members involved in scrutiny when developing reports.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10 (above)	In Progress
Democratic Renewal (Report issued 03/04)	**R17** Foster a more inclusive and less party-political approach to Scrutiny working.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10. The Constitution has been amended to prohibit the use of a party Whip at O&S Cttee meetings.	In Progress
Democratic Renewal (Report issued 03/04)	**R20** Improve member attendance at training sessions to ensure they develop the core skills necessary to carry out their roles effectively.	1/2/04	David Ede	Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004). Action being pursued	In progress
Democratic Renewal (Report issued 03/04)	**R23** Consider the establishment of a mechanism to ensure effective exchange of information between Cabinet, OSC and Area Committee chairs.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	A report on Area Committees was agreed by Governance on 15th November and then December (2005) Council. New area committee arrangements are in place but a mechanism in response to R23 remains unresolved.	In Progress

MEDIUM PRIORITY RECOMMENDATIONS					
Reports	**Recommendations**	**Date Due**	**HoS Responsible**	**Current Position**	**Classification**
Democratic Renewal (Report issued 03/04)	**R4** Develop future training sessions to provide a greater insight into the roles of the Cabinet.	31/10/03	David Ede	Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004).	In progress
Democratic Renewal (Report issued 03/04)	**R18** Encourage further reporting back to Cabinet on scrutiny.	Originally: 31/12/03 Revised Due Date: Spring 06 2nd Revised Date Due: **Dec 06**	Christine Dooley (ACE)	See comments at R10	In Progress
Corporate Governance 2002/03 (Report issued 03/04)	**R3** Staff should formally sign up to the model code of conduct once it is issued by the Office of the Deputy Prime Minister and adopted by the Council. Appropriate training should be given to staff on conduct issues. When the Council adopted the current code of conduct, staff were not required to acknowledge receipt of the code in writing.		Assistant Chief Executive Corporate Human Resources (David Ede)	Agreed This recommendation is agreed and will be implemented once the model code of conduct has been agreed. The OPDM issued the draft code for consultation purposes with a response deadline of 19th November. ACEs (HR and Legal) jointly prepared a response on behalf of the authority. Currently awaiting further instruction from ODPM.	In progress
Civil Contingencies (Report issued 05/06)	**R2** Ensure that collaborative work on the new community risk register with the North East London Local Resilience Forum (NELLRF) complements the Council's own risk register to minimise duplication and inform agreed priorities for the Borough	Oct 06	Ray Stephenson	The N E London CRR is currently under review. The LBH RR is already in place and subject to quarterly reviews.	In Progress
					In Progress

Civil Contingencies (Report issued 05/06)	**R4** Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	June 06	Ray Stephenson	The existing ECC will remain for the foreseeable future. A replacement ECC will have to be found from within existing building resources. Costings will follow once there is agreement of a location	
Civil Contingencies (Report issued 05/06)	**R8** Ensure the Council's communications strategy complements those of emergency and LRF partners to minimise risks of duplication or confusing messages.	June 06 and ongoing	Ray Stephenson	Additional work on Comms Strategy will take place during 2007 with the Council Communication Section	In Progress
Civil Contingencies (Report issued 05/06)	**R11** Review the experience and expertise of the voluntary sector in key areas of emergency planning support which would improve the Council's capacity to respond to major incidents.	Dec 06	Ray Stephenson	The work has not progressed to completion and will overrun into 2007	In Progress

(There are no outstanding low priority recommendations)

Appendix 2

Internal Audit Outstanding Recommendations – 2003/4, 2004/5, 2005/6, 2006/7

| Review in 2003/4 | HoS Responsible | Outstanding | | | Position as at end DEC 06 | | |
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Community Care Packages	Peter Brennan		1		1		
Homecare	Peter Brennan		1		1		
Community Care Placements	Peter Brennan	1	1		2		
Total		**1**	**3**	**0**			

| Review in 2004/05 | HoS Responsible | Outstanding | | | Position as at end DEC 06 | | |
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Training Children & Families	David Ede		1		1		
Freedom Passes and Taxi Cards	Mike Stringer		1		1		
Crime & Disorder Reduction CCTV	Christine Dooley		2		2		
Domestic Refuse Collection	Bob Wenman	1			1		
Trade Refuse Collection	Bob Wenman	1			1		
Landscape Works A1306	Mark Butler	1			1		
Consultants Fees	Christine Dooley		1				1
Capital & Repair Work Pro-Active	Mike Stringer			1	1		
Business Continuity	David Ede – 1 Low Ray Stephenson – 1 High, 1 Medium	1	1	1	3		
(2004/05) Quality & Contract Management in Care for the Elderly	Peter Brennan		1		1		
Partnership Arrangements	Trevor Davies	1	1		2		
BS7799	Ray Whitehouse		1		1		

	Review in **2004/05**	HoS Responsible	High	Medium	Low	Position as at end DEC 06		
						In Progress	Not Started	Position/ Status Unknown
	Total		**5**	**9**	**2**			

				Outstanding				
	Review in 2005/6	**HoS Responsible**	High	Medium	Low	Position as at end DEC 06		
						In Progress	Not Started	Position/ Status Unknown
	Approved Lists & Contracts Register	Mike Stringer – 1 Med In Progress Mark Butler – 1 Med In Progress		2		2		
	Fraud Policy & Response Plan	David Ede		1				1
	Housing Aid	Barry Kendler		1		1		
	Prov of Services Learning Disabilities	Peter Brennan		1		1		
	Main Accounting 04/05	Mike Stringer			1		1	
	Parking Tickets Issue and Processing	Mark Butler		1	1	2		
	Hospitality & Gifts Registers	David Ede			1			1
	Climate Change Levy	Patrick Keyes		1		1		
	Stock & Plant Pro-Active	Peter Brennan		1		1		
	Personnel	David Ede		2				2
	Agencies Pro-Active	Mike Stringer	1			1		
	Project Assessment & Monitoring	Rita Greenwood		1		1		
	Placements Pro-Active	Peter Brennan	2	2		4		
	Consultants	David Ede		1				1
	Grants Protocol	Mike Stringer			1	1		
	Creditors	Mike Stringer		1		1		
	Health & Safety	Mark Butler		2		2		
	Provision of Residential Placements and Home Care for the Elderly	Peter Brennan		3	1	4		
	Insurance and Performance Bonds	Mike Stringer		2	1	3		
	Repairs and Maintenance Contracts	Mark Butler	1		1		2	

	Review in **2005/6**	**HoS Responsible**	**High**	**Medium**	**Low**	**Position as at end DEC 06**		
	E Commerce	Dylan Champion – 3 Med in Prog, 1 Med position/status unknown Ray Whitehouse – 1 Low In Prog. Dylan Champion/Ray Whitehouse – 1 Med In Progress.		5	1	5		1
	New Employees Pro-active	David Ede		2				2
	Housing Rents & Arrears inc FTAs	Barry Kendler		1		1		
						In Progress	**Not Started**	**Position/ Status Unknown**
	Change Control	Ray Whitehouse		4		4		
	Servitor	Ray Whitehouse	2	4		6		
	Remote Access	Ray Whitehouse		1		1		
	Total		**6**	**39**	**8**			

Outstanding

	Review in **2006/07**	**HoS Responsible**	**High**	**Medium**	**Low**	**Position as at end DEC 06**		
						In Progress	**Not Started**	**Position/ Status Unknown**
	Tendering Procedures	Barry Kendler			1	1		
	Certificate Payments	Mark Butler		2		2		
	PASCs	Dylan Champion		1	1			2
	Tender Review of ICS and ISA Systems	Mike Stringer		2		2		
	Commissioning of Transport Services within Childrens Services	Peter Brennan			1	1		
	Income Controls Planning	Patrick Keyes	1			1		
	Income Controls Facilities	Bob Wenman	1			1		
	Commissioning of Works Havering Technical Partnership	Mark Butler		2	1			3
	BVPIs	Barry Kendler		1		1		
	Management of Car Parks and Meters	Mark Butler	1	3	1			5
	Vehicle Workshops	Peter Brennan		1				1

	Review in 2006/07	HoS Responsible	High	Medium	Low	Position as at end DEC 06		
	Central Library	Dylan Champion		1	3			4
	Cheque Control	Mike Stringer		1		1		
	Receiverships	Peter Brennan			1			1
	Total		**3**	**15**	**8**			

Categorisation of recommendations:

High: Fundamental control requirement needing implementation as soon as possible
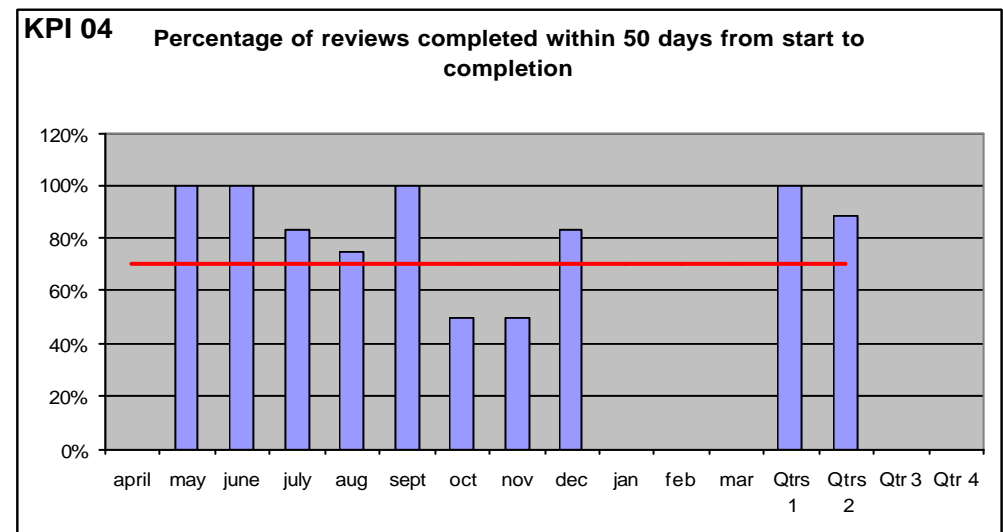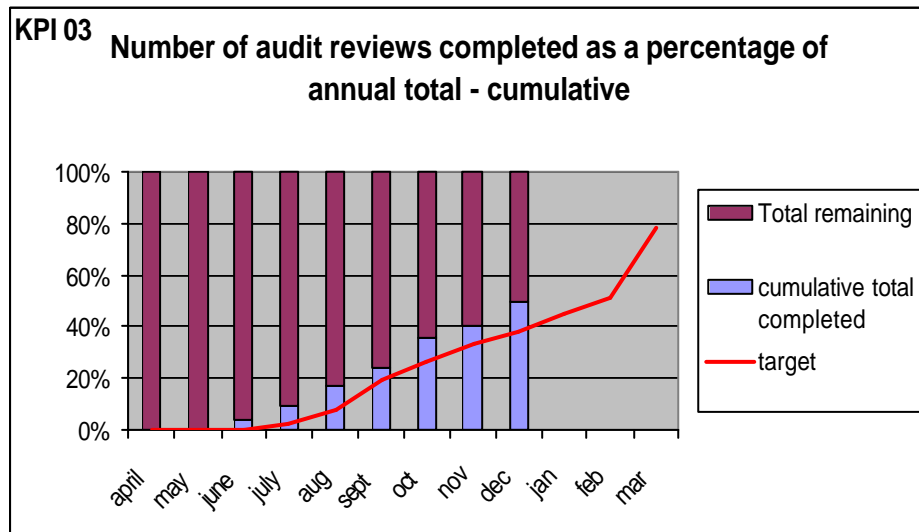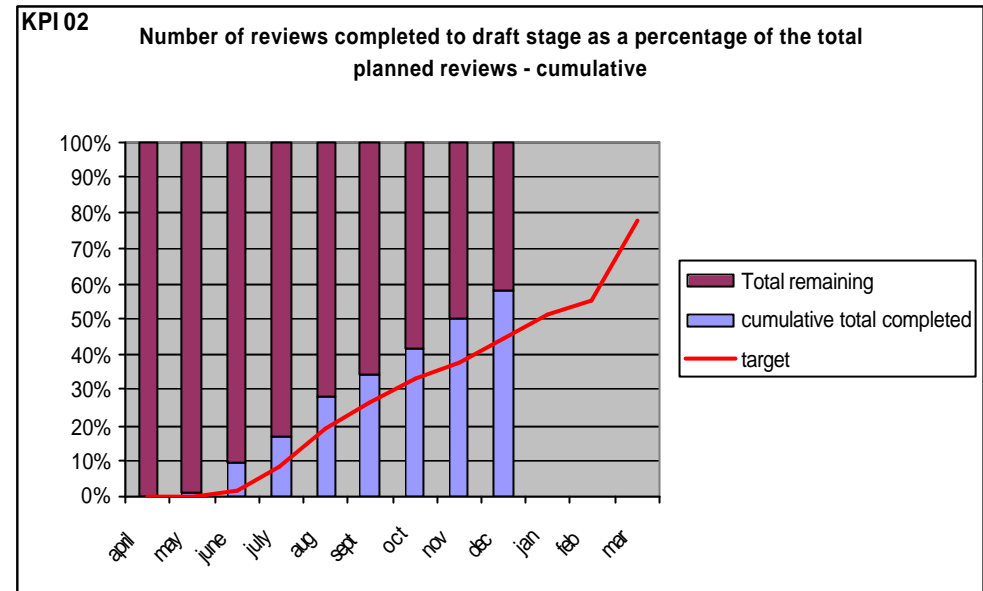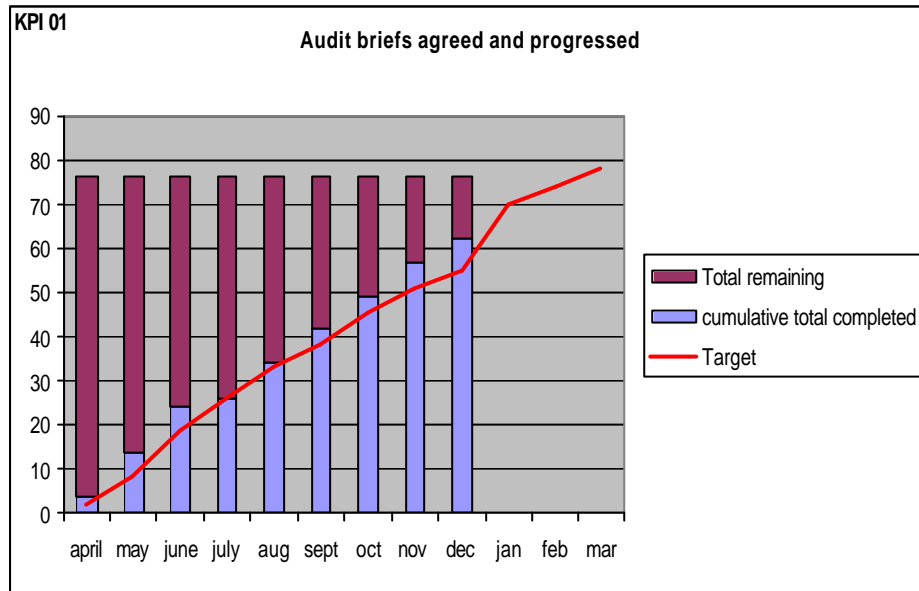
Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

Appendix 3 Key Performance Indicators

KPI	Definition	Target	Qtrs 1	Qtrs 2	Qtr 3	Qtr 4
		Actual	24	42	62	
		Planned	19	37	52	76
KPI 01	The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (76). **Compute, total number of audit briefs issued in the period /Total number of briefs planned to be issued in the period based on the original estimate.**	80% each period 100% by end of year	126%	111%	119%	
		Actual	7	26	44	
		Planned	2	26	44	76
KPI 02	The number of audit reviews completed to draft stage as a percentage of the total annual number of planned reviews (76). **Compute, total number of audit reviews completed to final stage in the period/Total number of reviews planned to be completed in the period based on the original estimate.**	80% each period 100% by end of year	350%	100%	100%	
		Actual	3	18	38	
		Planned	0	19	37	76
KPI 03	The number of audit reviews completed to final stage as a percentage of the total annual number of planned reviews (76). **Compute total number of audit reviews completed to final stage in the period/total number of reviews planned to be completed in the period, based on the original estimate.**	90% each period 100% by end of year	300%	95%	103%	
	Performance against target time: 50 days max to complete an audit from start to release of a consultation draft. **Compute, number of days from start date of audit to**	Within 50 days	7	23	34	
	release of consultation draft should be 50 days. This KPI shows those audits	Outside days	0	3	10	0
KPI 04	**completed in the period that met or missed this target. Achievement target is that 90% are completed in the timescale**		70%	100%	88%	77%	
KPI 05	System Audits Survey Forms. **Compute, the total no of survey forms collected to total number of survey forms distributed. Results analysed over categories.**	75%	50%	42%	50%	
KPI06	Fraud Audits Survey Forms. **Compute, the total number of survey forms collected to total number of survey forms distributed. Results analysed over categories.**	75%	0%	0%	0%	

Appendix 4
Graphical Presentation (cumulative year to date position)

KPI 01

Audit briefs agreed and progressed

- Total remaining
- cumulative total completed
- Target

KPI 02

Number of reviews completed to draft stage as a percentage of the total planned reviews - cumulative

- Total remaining
- cumulative total completed
- target

KPI 03

Number of audit reviews completed as a percentage of annual total - cumulative

- Total remaining
- cumulative total completed
- target

KPI 04

Percentage of reviews completed within 50 days from start to completion

APPENDIX 5   Comparative   Analysis   of   Internal   Audit   Plans

Latest position for the year ended 31st December 2006.

Latest position for the year ended 31st December 2006.

Detail	Systems	Contract	Computer	Pro-Active	Homes in Havering	Follow ups	Totals	%age
Original number of audits	35	10	11	14	0	29	99	100
Final Number of Audits	36	11	11	9	1	8	76	100
Audits Completed to date	20	7	1	5	0	5	38	50
Audits at Formal draft stage	0	0	0	0	0	0	0	0.0
Audits at Consultation draft stage	3	1	2	0	0	0	6	8
Briefs issued	9	2	3	3	0	1	18	24
Still to be started	4	1	5	1	1	2	14	18
Total	36	11	11	9	1	8	76	100.0

Last years position as at 31st December 2005

Detail	Systems	Contract	Computer	Pro-Active	N/A	Follow ups	Totals	%age
Original number of audits	37	9	11	17		25	99	100
Final Number of Audits	38	11	11	17		25	102	100
Audits Completed to date	22	3	1	3		16	45	44
Audits at Formal draft stage	0	1	0	0		0	1	1
Audits at Consultation draft stage	1	1	2	1		0	5	5
Briefs Issued	13	2	5	5		6	31	30
Still to be started	2	4	3	8		3	20	20
Total	38	11	11	17		25	102	100.00

APPENDIX 6 – STATEMENT ON INTERNAL CONTROL 2005/06 ACTION PLAN

Significant Issue	Action	Responsibility	Time-scale	Progress
1. Continue to improve the recovery of debt	• Continue to focus on reducing arrears and recovering debt promptly. • Corporate debt management standards are set and a corporate policy is in development. • Regular monitoring of debt is taking place at the highest level in the authority.	Debt management Board and Group Director Finance & Commercial	Ongoing	• Meetings held regularly to review, assess and act • Numerous changes/initiatives agreed as a result • Debt Management Policy in place. • Corporate contract for credit card now progressing. • Bailiff arrangements being further reviewed • Targets set for main areas of income. • Services assessed themselves against corporate standards. • Quarterly report to Lead Member. • NNDR partnership being explored & key arrears areas reducing • Monitoring information is included on Intranet.
2. Succession and continuity plans	• Service business continuity plans are in place throughout the calendar year. • Continue to work on ensuring up to date documented procedures are in place.	Emergency Planning & Business Continuity Manager Officer	Ongoing	• Business Continuity Strategy at the corporate level complete going for sign off by Member • Corporate plan in place but and will evolve further. • Most Business Impact

				- Analyses now complete and Priorities clarified. - HOS completed own Service Level Continuity Plans with assistance from Business Continuity Specialist. - Audit of procedures in place commenced - Training exercises commenced. - ICT plan in place
3. The consultation strategy has been implemented; there is a need to publish and get adherence to corporate standards from all service areas.	- Implement the consultation strategy developed by Communications. - Ensure that the consultation strategy contains effective monitoring and reviewing procedures.	ACE Strategy & Communications	Ongoing	- Corporate standards published. - Standard questions on demographics agreed and published - Communications champions network review complete. - Members topic group on corporate complaints reporting has set up an officer group which has reported back once. Proposal and implementation plan for corporate reporting on complaints to be drawn up after member visits to good practice authorities. - Consultation Toolkit to be finished and published on the Intranet. - Organise a 'Consultation Launch' where the range of tools, standards & resources available are demonstrated &

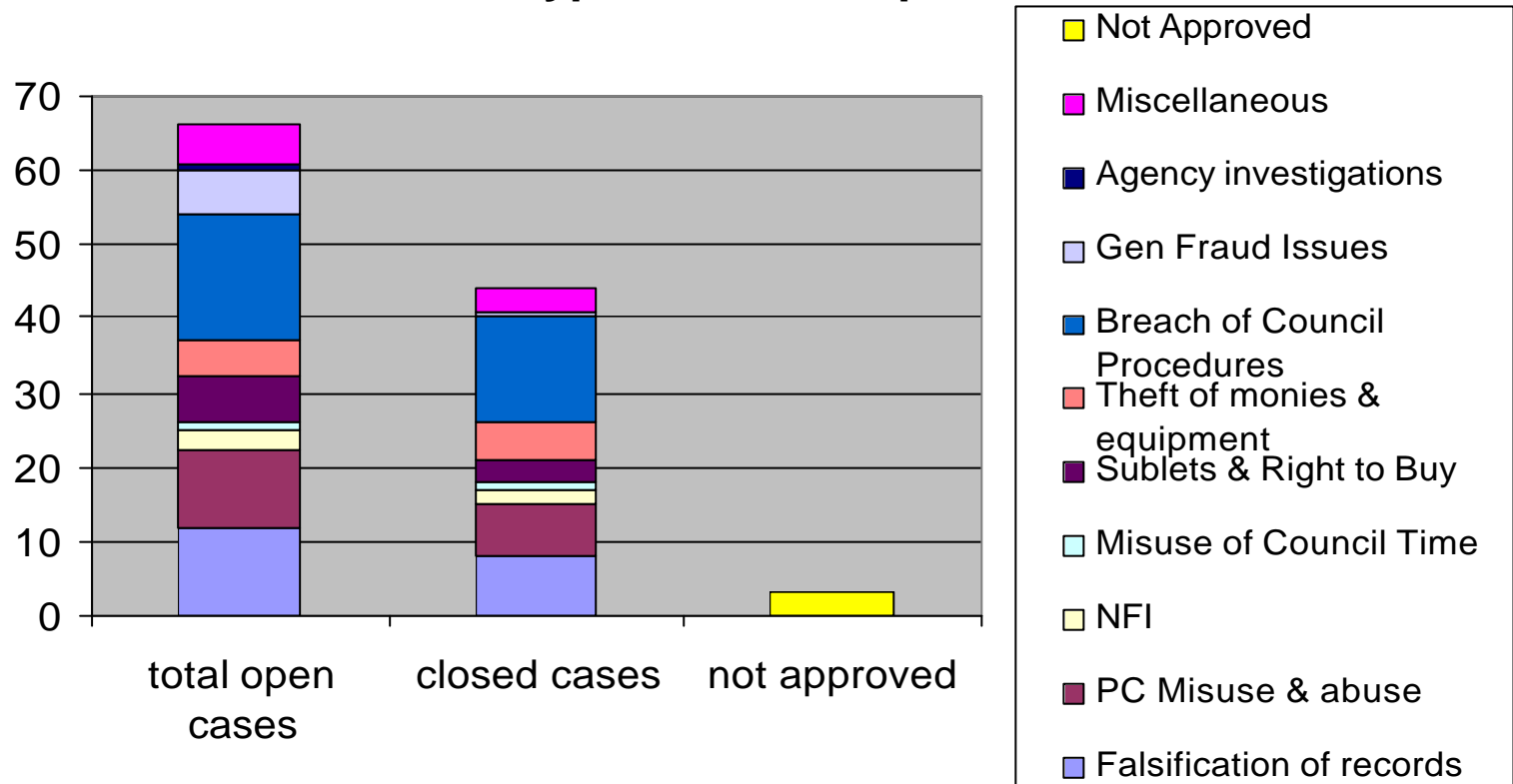|				explained.
4. Whilst monitoring systems exist at a service level for all complaints and corporately for certain complaints, these need to be pulled together to form a single monitoring system.	• Implement a single corporate system for monitoring complaints	Head of Customer Services	March 2006	• A roll out of CRM functionality to support complaints monitoring has been completed: was presented to Customer Standards Panel March '06 for decisions on taking forward.
5. There is a need to address the underlying difficulties in balancing the Social Services budget.	• Actions have eradicated some weaknesses, but underlying problems with income systems remain.	Group Director Sustainable Communities	Ongoing	• Meetings continuing • Special reporting in place • Actions being monitored • Action to ensure that systems are reconciled is underway.
6. There is a need to address the underlying difficulties in balancing the Social Services budget.	• Continue with special monitoring. • Progress actions identified to reduce overspends. • Assess the position for 2006/07 budget process.	Group Director Children's Services	March 2007	• Meetings continuing • Special reporting in place • Actions being monitored • The action plan has been fully implemented. Major savings have been made in costs for LAC. There is a continued risk of overspend and work continues to reduce this.
7. Disaster recovery and business continuity plans.	• Strategy and resources for full disaster recovery in place.	Business Continuity Group and Group Director Finance & Commercial	Ongoing	• Overall Council continuity plan in place as draft • Full disaster recovery solution Identified and approval process commenced. • Ensuring all business critical activities have up to date procedures • Work on documenting key feeder systems to Statement of Accounts, supports

				continuity planning
8. Important partnerships and their activities are being mapped and being defined and scrutinised to ensure that their accountability and risk management arrangements are adequately controlled, monitored and reviewed.	• An internal review of partnerships has taken place and a draft report is currently being reviewed by management. • Internal Audit made use of a checklist published by the Audit Commission in order to enable the Council to carry out a self-assessment of its partnership arrangements. • Services are reviewing significant partnerships to ensure compliance with the audit commission self-assessment. • The Head of Financial Services produced a report addressing the risks associated with partnerships.	ACE Strategy & Communi-cations	Ongoing	• The Head of Financial Services has produced and distributed the partnership risk report. • Toolkit/checklist being produced for partnerships to be self-evaluated, by April '07. • Internal Audit draft report produced October '06.
9. There have been some financial control weaknesses in Leisure projects/activities which are the subject of formal reports.	• Review by relevant Overview and Scrutiny or Audit Committee • Independent review to ensure remedial action is effective	Public Realm Group Director	March '06	• Action has been taken to prevent a re-occurrence. Corporate and local systems changed as a result. Overview and scrutiny + Audit Committee joint panel established to review reports
10. There has been an issue in respect of premises licensed for marriage, due to an oversight in licensing arrangements.	• Significant action has been taken including discussions with the Registrar General and Counsel and a test court case.	Public Realm Group Director	Ongoing	• Court case held with all couples written to with outcome in Council's favour and supporting the advice given by Council & GRO • Report expected from the local government Ombudsman on a number of complaints made about this

				issue

Appendix 7 Number and Types of Fraud

This is a colour coded chart but as the report only prints in black and white, the key is represented by the column on the RHS. Not approved is a separate bar on the chart but the other two bars follow the column order on the RHS.

Number/type of frauds reported 06/07

Legend:
- Not Approved
- Miscellaneous
- Agency investigations
- Gen Fraud Issues
- Breach of Council Procedures
- Theft of monies & equipment
- Sublets & Right to Buy
- Misuse of Council Time
- NFI
- PC Misuse & abuse
- Falsification of records

Categories: total open cases, closed cases, not approved

NATIONAL FRAUD INITIATIVE (NFI)
INTERNAL AUDIT PROTOCOL

Introduction

The NFI is the Audit Commission's data matching exercise that runs every two years and is designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse.

The core of the NFI is the matching of data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud and tenancy fraud. All government bodies are required to provide mandatory and risk based data types.

The Audit Commission has designated the NFI to be part of the statutory external audit and authorities are legally obliged to provide the relevant data, which is required under section 6 of the Audit Commission Act 1998.

This protocol has therefore been developed as a general guideline for Internal Audit and service areas involved in the NFI data matching exercise.

Data has been submitted to the Audit Commission on 16th October 2006 and the Commission plans to provide the NFI 2006/07 output on 29 January 2007 via a web based application with access to the matches controlled by passwords.

Data requirements

There are two types of data that the Council submit to the Audit Commission, mandatory and risk based. The mandatory data consists of;

- Payroll and pensions

- Creditors payment history and standing data

- Housing rents

- Housing benefits

- Students eligible for a loan – provided by Student Loan Company (SLC)

For the 2004/05 exercise the Council took part in a number of pilot areas of risk based data and once again the following areas have been included;

- Insurance claimants

- Private care home residents

- Blue badge parking permits

Other risk based data has been added to the above for the 2006/07 exercise and data has been provided for the following;

- Residential parking permits

- Concessionary travel passes

- Market traders

The Code of Data Matching Practice

The Audit Commission decided in 1998 that the NFI should form a regular and mandatory part of the statutory audit in accordance with the Audit Commission Act 1998.

The Code of Data Matching Practice 2006 updates the principles and practices that audited bodies should adopt to ensure appropriate safeguards are built into the NFI, including compliance with the Data Protection Act 1998 and the general law. Audited bodies are legally obliged to provide the relevant data.

NFI contacts Roles and Responsibilities

Each local government body is required to nominate a key contact, a data download contact and other contacts. The roles and main duties of these contacts are as follows:

- Key Contact – Principal Auditor Fraud
  Sole responsibility for coordinating the overall exercise and performing a control and monitoring role.

- Data download contacts – Responsibility for providing the download of data and ensuring that the dataset requirement is met as accurately as possible.

- Other contacts – See Appendix 2 Schedule of staff contacts
  Responsibility for investigating matches, dealing with and responding to specific queries arising from the other NFI participating bodies.

It is essential that all the above contacts are endorsed by the authority.

Internal Audit Services (IAS) has overall responsibility on behalf of the Council for the NFI 2006/07 exercise. The key contact has been nominated as the Principal Auditor Fraud and is responsible for the submission of all completed data types to the Audit Commission.

Data download contacts have been nominated in each service area and are responsible for providing their allocated data types by the due date.

In most cases the service area that provided the data for the matches will be responsible for the initial checking of the data matches contained on the Audit Commissions web based application.

The Principal Auditor Fraud will provide a separate detailed instruction document for each of the service areas contacts and will provide the required training on accessing the reports on the Audit Commissions web application, dealing with the matches, (an appropriately experienced member of staff must carry out an initial review of the results) completing the IAS results spreadsheet, requesting information from other organisations and IAS contact details.

The Principal Auditor Fraud will provide a summary spreadsheet to all service area contacts to show the results of checks performed by the service areas on the data matches reports. Each service area will be required to complete their service spreadsheet and submit to IAS at the end of each month following receipt of the matching exercise.

Contacts within the service areas will be responsible for informing IAS via email of matches requiring further and detailed investigation and these will be subject to a risk assessment by the Client Manager Internal Audit (CMIA). The IAS will advise the service area referring the match of the outcome of the risk assessment and whether IAS or the service area contact will be responsible for carrying out further investigations.

Contacts in each service area should agree a strategy for any investigation they under take with the relevant Head of Service and pass to the Principal Auditor Fraud for consideration and agreement prior to commencement of the investigation.

The contacts in each service area are responsible for the strict confidentiality of this exercise and ensuring that the data is held and handled in a secure manner.

Reviewing of matched data

Each service user contact (see appendix 2) will be responsible for reviewing the selected matches that are identified. The number of matches to be reviewed and investigated can vary depending number or value of cases identified. The system has a filtering facility that enables the number of cases to be reviewed to be reduced and the parameters used during the filtering process will be discussed with the Principal Auditor and service user contact.

The success of the initiative is dependent upon the ability and expertise of the service user contacts to identify matches that require in depth investigations and the resource to follow up those cases that require follow up work.

Reporting results

The Principal Auditor Fraud will be responsible for ensuring that results are reported to the Audit Commission within the required timescales (see timetable).

The Principal Auditor Fraud will hold monthly progress meetings with service area contacts. The purpose of the progress meetings is to review the results of the checks on the data matches to date and to discuss any issues that have arisen.

If a case is investigated by IAS the findings and recommendations will be discussed with the service area contact and a management action plan agreed.

Security

The information contained on the Audit Commission's web application is strictly confidential and must not be discussed with anyone other than the nominated persons in each service area. The Principal Auditor Fraud should be contacted in the first instance if the service area believes there is a need to discuss a match with another person other than their service area contact. The data held on the web application is subject to the Data Protection Act.

All users of the Audit Commission's web application are responsible for the security of the information held on it. Access must not be given to unauthorised users. The authorised user must close the programme when not in use and must not leave their PC unattended whilst the programme is running. Any breaches may result in disciplinary action.

If a user suspects that a person has gained unauthorised access to the data this should be reported to the IAS.

Timetable

The 2006/07 timetable, from processing of data through to collection of results is set out by the Audit Commission. The Principal Auditor Fraud will be responsible to complete three returns on 31st May, 30th September 2007 and 15th January 2008.

A detailed timetable is attached Annexe 1.

Reports of results to be prepared for the Project Board and Audit Committee following each return to the Audit Commission.

NFI 2006/07 Timetable   **Annexe 1**

Activity	Timing
Nomination of contacts using NFI Form 1 online (key contact, data download contact, other contacts if applicable) and the web access checklist	Immediately and when changes occur
Send creditors' test data (see paragraph 8)	During June 2006
Submission of fair processing compliance return (NFI Form 3)	30 September 2006
Data extracted (or as near as possible to)	6 October 2006
Data submitted to Synectics Solutions with a data checklist (NFI Form 2, **one for each dataset**)	13 October 2006
Synectics Solutions notify key contacts or data download contacts of data problems	From 13 October 2006
Processing and matching	30 November 2006 onwards
Initial output available to participants	29 January 2007
Monthly meetings with service area contacts and IAS	
Progress return forms (NFI Form 4) to Audit Commission	
• First return	31 May 2007
• Second return	30 September 207
• Final return	15 January 2008

Service User Contact details   **Annexe 2**

System	Name
Payroll	Jacinta Clifford
Pensions	Mo Jones
Creditors	Terry Clements
Housing Rents	Barry Hawthorne
Housing Benefits	Neil Garnett
Student Loans	Simon Marrow
Insurance	Bob Morris
Residential Homes	Ian Williams
Blue Badges and Residential Parking	Lorraine Delahunty
Freedom passes	Pat Casey
Market Traders	Bill Hanley

Appendix 9 **2006/2007 Budget Analysis**

Internal Audit's Year to Date Expenditure (Cost Centre F620)

	April	May	June	July	August	September	October	November	December
Year to Date Budget	47,127	89,664	110,045	145,044	184,248	215,794	252,771	323,154	331,404
Year to Date Actual	-1,723	69,053	103,008	141,581	190,473	227,795	260,958	313,581	335,356
Variance	**48,850**	**20,611**	**7,037**	**3,463**	**-6,225**	**-12,001**	**-8,187**	**9,573**	**-3,952**

N.B. In order to accurately reflect the actual spend for this financial year the sum of £82,044 has been added to the above Year to Date Actual figures. This sum is a contingent liability to meet any claim made by the administrators of the previous service supplier. The financial information has been presented in this format at the request of Members of this Committee. The actual value of the liability in the future may be higher or lower than the £82k which has been set aside to cover any outstanding contract payments. The £82k is a prudent estimate and if the liability proved lower, Internal Audit would not be able to spend the residual sum.
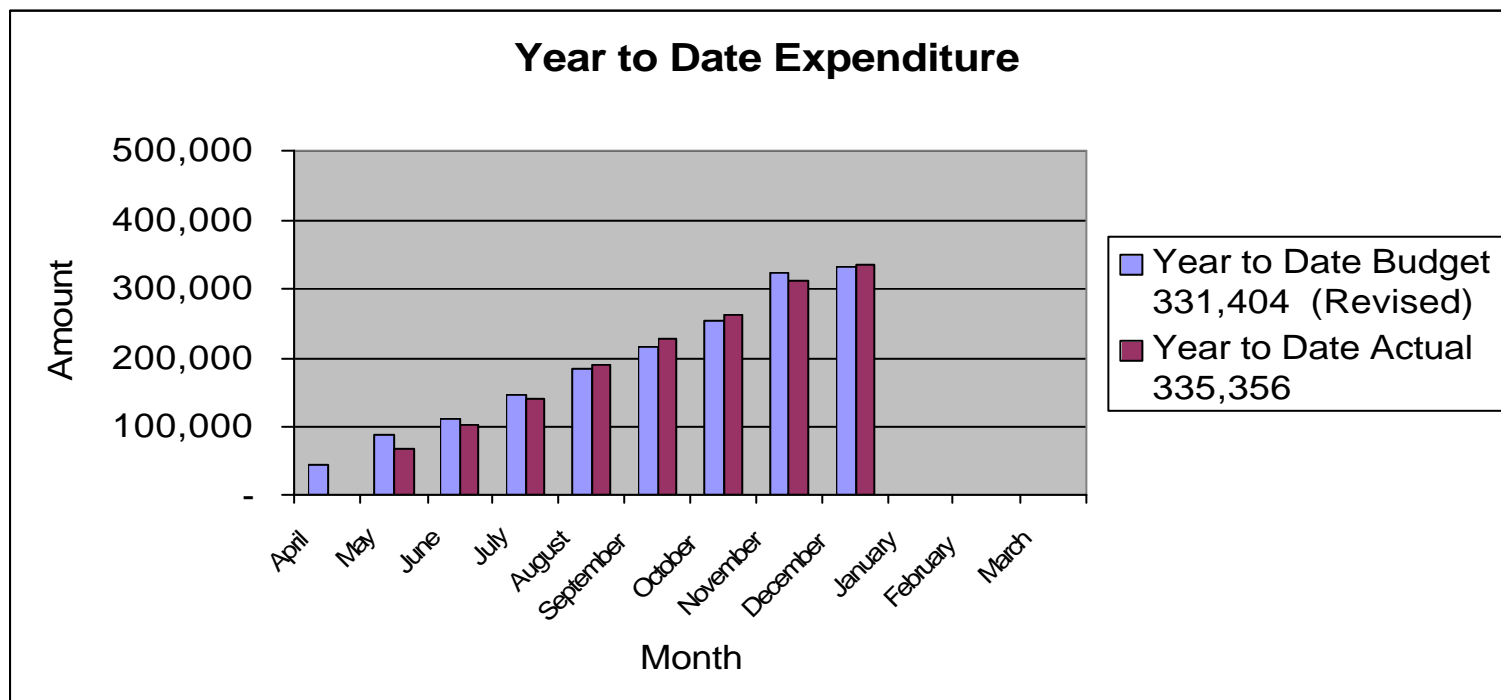
Appendix 10

CORPORATE RISK REGISTER NOVEMBER 2006 GRAPHICAL SUMMARY OF CORPORATE RISKS

IMPACT

4
- 7. Children's Act: Every Child Matters (Andrew Ireland) - 3
- 9. Lack of Infrastructure Development (Mark Gaynor) - 3
- 13. Business Continuity and Emergency Planning (Rita Greenwood) - 3

3
- 1. Recruitment and Retention (David Ede) - 2
- 2. Succession Planning (David Ede) - 2
- 3. London Olympics (Cynthia Griffin) - 3
- 4. Organisational capacity/capability (David Ede) - 2
- 6. Causing harm to people we owe a duty of care (Rita Greenwood) - 2
- 8. Community Safety (Christine Dooley) - 3
- 11. Health Restructuring (Mark Gaynor) - 2
- 14. Perception of the Organisation and Poor Reputation (Jonathan Owen) - 3
- 15. Partnerships (Jonathan Owen) - 3
- 17. ALMO/Decent Homes Standard (Mark Gaynor) - 3

2
- 5. CPA Inspection (Jonathan Owen) - 2
- 10. Breakdown in Social Cohesion (Mark Gaynor) - 2
- 12. Poor Management of Council's Assets (Rita Greenwood) - 3
- 16. Financial Arrangements (Rita Greenwood) - 2
- 18. Contract Dependency (Rita Greenwood) - 2
- 19. Compliance with New Legislation (Christine Dooley) - 2

1

LIKELIHOOD 1 2 3 4

Legend:
- Significant scope for improvement of risk response
- Moderate scope for improvement of risk response
- Risk response is sufficient

APPENDIX 11

Benefit Investigations 1ˢᵗ April 2006 – 31ˢᵗ December 2006

The results against targets for the above period are:

	2006/7 Target	**YTD Target**	**Achieved**
Official Cautions administered	54	40	24
Administrative Penalties administered	54	40	9
Administrative Penalties value	£16,200	£12,150	£4,634
Summonses Issued	24	18	19
Prosecutions (convictions)	24	18	13
Prosecution Costs	- £19,440	- £14,580	- £19,716

Targets

Performance in the areas of Administrative Penalties and Official Cautions remains disappointing, although based on current performance a CPA score of 3 would be achieved. Prosecution costs are currently higher than expected, largely due to a Crown Court case costing over £4,600. However, costs awarded to date in the courts amounts to £3,050.

Convictions are below target as there continues to be an increase in the number of defendants pleading not guilty, with two cases currently set for trial at the Magistrates Court, and two at Crown Court. One further defendant has entered a not guilty plea and is awaiting a pre-trial review, and the Magistrates have declined jurisdiction in a further case which is to be committed to Crown.

BVPI 76

Currently, there are no national targets set for this BVPI, only local.

Description	Annual Target	Average @ 3ʳᵈ Quarter
- Number of claimants visited, per 1,000 caseload	150	134
- Number of fraud investigators employed, per 1,000 caseload	0.35	0.35
- Number of fraud investigations, per 1,000 caseload	50	21
- Number of prosecutions and sanctions, per 1,000 caseload	6	2.6

APPENDIX 12

AUDIT COMMITTEE – FORWARD PLAN 2006/07

FORWARD PLAN	TOPIC
1 March 2007	• Agree Audit Plan 2007/08 • Annual Letter Progress • IA Client Report • Internal Audit work including Quarter 3 2006/07 • Audit Commission Progress/work
24 April 2007 Check annual review of ongoing recommendations in place	• Agree Committee Annual Report • Receive Annual Letter 2005/06 • Audit Commission Work Plan

NB : Annual Report to Council after May each year unless election
op
AUDIT COMMITTEE – MEMBER TRAINING AWARENESS

	YEAR 1 AND FOR ANY NEW MEMBERS		YEAR 2, 3 AND 4
Timescale	**Session**	**Coverage**	
May/June 2006	Session 1	Statement of Accounts • What they are • Purpose • Key Matters that arise • Member's role and responsibility	Refresher session, including: • Revisit detailed session • Update any members on current issues
May/June 2006	Session 2	Assurance Framework • What is it • Audit Committee's role • The Statement of Internal Control	
August 2006	Session 3	Risk Management • An introduction • Risk Management in Havering • Identification of Corporate risk • Audit Committee's role	
August 2006	Session 4	Internal Audit • Roles	

		• Reporting • Planning • Audit Committee's role	
August 2006	Session 5	External Audit • Role • Reporting • Planning • Audit Committee's role	
August 2006	Session 6	Fraud and Corruption • What, why, who • Types of areas • Preventing/detecting • Investigating • Internal control • Havering position • Case example • Audit Committee's role	Review of Corporate Risk Register annually

MEETING	**DATE**	**ITEM**
AUDIT COMMITTEE	**1 March 2007**	**8**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PLAN FOR YEARS 2007/08 – 2009/10

SUMMARY

At the December 2006 meeting Members were presented with a draft audit plan for the years 07/08 to 09/10 and informed that Directors would be consulted on the plan and a final version submitted to the next Audit Committee.

This consultation process has now been completed and the days of work planned have been balanced to the resources available. A summary of the changes is shown in Appendix 1.

This report shows the final audit plan for the years 07/08 to 09/10 (Appendix 2). Members are advised that the last two years of this plan will be reviewed next year as part of the annual audit planning process.

RECOMMENDATION

1   To approve the 2007/08 Audit Plan
2   To provisionally approve the Audit Plan for 2008/09 and 2009/10 subject to the outcome of the next annual review.

REPORT DETAIL

1.   Internal Audit Plan 2007/08 – 2009/10

1.1   The Council has a duty under the Accounts & Audit Regulations 2003 (Amended) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control". The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires that Internal Audit should prepare a risk based audit plan. Finally CIPFA's "Audit Committees: Practical Guidance for Local Authorities" issued in 2005 requires that the Audit Committee should formally approve the annual programme of audits. The compilation of this plan and approval by the Audit Committee demonstrates how the Council is meeting these requirements.

1.2   When formulating the plan consideration has been taken of a number of new issues which have affected the authority such as:

- The Code of Practice for Internal Audit in Local Government In The United Kingdom 2006
- Further guidance and matrices from CIPFA re auditing services re Data Protection, Freedom of Information, Records Management, Health & Safety, Enterprise Risk Management
- Ensuring that our reviews cover issues raised during the CPA Use Of Resources review
- The future auditing of the main information systems to meet the requirements of the International standards of Auditing
- The Excellent Internal Auditor: A Good Practice Guide to Skills and Competencies

1.3   Having regard to the above Members were presented with a draft audit plan in December 2006 showing a requirement of 1419 days in 07/08, 1434 days in 08/09 and 1412 days in 2009/10. This was based on an initial assessment of the areas to be covered and the risks associated with them.

1.4   Directors have been consulted on the draft plan, their comments have been addressed and the plan has been revised accordingly. As a result of this review process, the days now included in the plan have been matched to the resources available. Appendix 1 shows the changes to the plan and Appendix 2 shows the finalised 3 year plan.

1.5   The new plan shows that there will be a provision of 1224 days in each of the three financial years. This matches the proposed work to the resources available. The table set out below shows the breakdown in the following categories:

Audit Area	Days 06/07	Revised days 06/07	Days 07/08	Days 08/09	Days 09/10
Corporate areas where systems audits will be carried out. These will be reviews that cut across different Directorates	87	92	102	107	114
Systems audits which will be carried out in each Directorate					
Children's Services	41	33	0	39	15
Sustainable Communities	86	90	168	147	136
Public Realm	49	54	54	30	54
Finance & Commercial	167	300	236	264	251
Contract Audits: Areas of that will be reviewed to gain assurance on the adequacy and effectiveness of controls within the council's contractual dealings	134	119	109	90	111
Computer Audits(to be externally sourced)	145	111	120	120	119
Follow up audits where there will be a review to ensure that recommendations made to address critical areas of concern have been addressed by due dates	58	16	20	20	20
Pro-Active fraud reviews	150	132	105	105	105
Fraud and Irregularity Investigations	300	250	268	268	268
Contingency	48	12	42	34	31
Homes in Havering	-	25	0	0	0
Total audit days	1265	1234	1224	1224	1224

1.6   An audit plan is not a static document and is always evolving as risk plans are amended, service provision changes and previous audits change the categorisation of the risk assessment of a service. This means that the audit plan will change every year and as such members are being asked to approve only the plan for 07/08, with approval to the plan for the subsequent two years being subject to the annual review process. A further report will be brought back to the Committee at the appropriate time. Members should therefore note that the detailed plan for the next two years may be amended when the next three year plan is being prepared.

2.   Financial Implications and risks:

2.1   The costs of both directly employed and outsourced services to carry out the agreed plan will be met from within the relevant financial year's budget for audit services. The final plan now proposed for approval has been matched to the available resources, therefore there are no additional financial consequences resulting from the plan.

2.2   At the present time there is a vacancy within the unit and due to the uncertainty pertaining to the future of the service it would not be prudent to fill the position. As such temporary staff will need to be appointed for an interim period, the costs of which would need to be contained within the audit budget.

2.3   The risks relating to the audit plan are set out below.

Risk	Mitigation factors
That the plan will not address the key risk areas within the council	The plan has been prepared taking into account the council's risk registers. When the auditable areas have been identified they have been subjected to a risk evaluation to determine if and when they should be reviewed. The plan has been formulated upon the assessment of both the Audit Services Manager and the Client Manager using their own methodologies and is an agreement based on both of these processes
That the plan does not provide assurance for the external auditor	The plan ensures that key areas of the financial procedures which feed the financial statements are reviewed annually and the ISA work is reviewed and updated where required annually.
That the plan is not flexible enough to meet the needs of the council during the year	There is a contingency within the year to allow for unforeseen systems based audit work and if necessary decisions may need to be made to replace one audit with another. As the level of fraud investigation work cannot be determined with any certainty the same practice will operate as in previous years in that should there be more fraud investigation work than was planned then the pro-active audits would be reduced and if there is not as much as anticipated than further pro-active audits would be undertaken. Should additional work be required above these two factors then additional funding would need to be identified before work could commence

That there are not sufficient staffing resources both in number and to the required skill level to carry out the work identified	The restructure of the service should ensure that the planned work is adequately resourced by staff at the correct experience level. Should ,however, recruitment prove difficult then temporary agency staff will need to be employed Training needs are assessed at 6 monthly intervals via the PDPA process. Continuous training is provided to ensure that staff have sufficient skills to carry out their duties and deliver the audit plan and strategy.
That there is insufficient understanding and coverage of other risks (not purely operational and strategic)	Involvement with projects systems development and change Reliability and integrity of management databases and information Stewardship of financial and non financial assets Reviews to ensure that the authority complies with new legislation
Not addressing risks in areas where there control deficiencies and weaknesses have been identified	The audit planning process will review the Statement of Internal Control (SIC) and ensure that reviews of identified weaknesses are included within the plan. Also that recommendations to address critical control weaknesses are reviewed in the following financial year to ensure that the have been fully implemented by agreed dates

4.   **Legal Implications and risks**

None arising directly from this report

5.   **Human Resource Implications and risks**

None arising directly from this report

6.   **Equality and Social Inclusion implications**

None arising directly from this report

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                                        STEPHEN EVANS
                                        Chief Executive

Background Papers

Corporate Plan 2006 -2009
Corporate and Service Risk Registers
Internal Audit Charter and Terms of Reference
Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
It's a Risky Business Fully revised Second Edition
Statement of Internal Control 2005/06
Internal Audit reports
Internal Audit planning process working papers
CIPFA Sytsems Based Auditing Control Matrices Series 5
CIPFA : The Excellent Internal Auditor. A Good Practice Guide to Skills & Competencies

Amendments to the draft plan submitted to Members 12th December 2006

Risk area	07/08	08/09	09/10	details
Governance	0	-15	15	06/07 audit found good controls. Year of audit revised
Personnel Arrangements	5	0	5	This will now include a brief review of employment of staff
Employment of staff permanent/ temporary	-15	0	-15	This will now be reviewed in the personnel audit
Impact of new legislation affecting Local Government	-10	0	-10	Directors should be aware of these issues. Highly unlikely that high risk matters would not be identified. Risk assessment reviewed
Health & Safety: Corporate Controls	0	-15	0	H & S now carry out an audit of service delivery. H & S Groups review service delivery. This enables the risk index rating to be lowered
PASC's	0	-12	0	06/07 review found well run. Revised risk assessment
Commissioning of Transport		-15	15	Reviewed year of audit as last audit carried out in 06/07
Catering	-12		-12	Catering outsourced. Risk assessment reviewed and category reduced
Planning Application procedures		-12		revised risk assessment as a result of the last audit
Street Lighting	15	-15		agreed with Head of Street care that as Trade refuse is being reviewed by the Overview and Scrutiny Cttee it would be better to review street care in 07/08 and then review Trade Refuse in 08/09
Trade Refuse	-15	15		See above
Use of Fuel cards		-13		storage tanks to be used so cards will be phased out. The intention is for no fuel cards by 1/4/07

Risk area	07/08	08/09	09/10	details
Concierge Caretaking	0	-15	0	Due to the fact that the running of the housing stock has been passed to HiH and Havering review the performance against a management agreement, BVPI's etc it has been agreed that some audits will be removed and be replaced by an audit which will overview the managing of the service. This assessment may need revising during the year as HIH has not been audited before and as such it has not been possible to fully assess the time element required
Former Tenants Arrears	-10	0	-10	
Verification of Tenancies	-12	0	-12	
Housing Estates (Repairs and Maintenance)	-15	0	-15	
Lessee charges	-15	0	-15	
Landlord responsibilities	-18	0	-15	
Management of HiH	25	15	15	
Supporting People	-4	0	-4	reviewed the level of work which would be carried out during the audit
Building & Technical Services: Commissioning of works	0	-12	0	Would be reviewed as part of Contract audit work
VAT	-10	0	-10	This will be reviewed as part of the creditors and main accounting audits
Income Controls	-15	0	-15	Review of risk assessment from High to Medium
Maintenance of an Asset Register	-15	0	0	New system to be purchased in 07/08. Let it bed down and then audit
Fraud Policy & Response Plan/Whistle Blowing	0	-15	0	Reviewed by the Client manager each year and reported to the Audit Committee
Cheque control		-10		06/07 has found robust systems which will enable a reduced risk assessment
Accommodation facilities management inc building security	-15	0	-15	Reviewed risk assessment
Consultants Fees	0	-12	0	This area has been subjected to audit in the last two years. Ensure improvements are in place 07/08 and then delete the 08/09 audit
Contract Procedure rules	-2	-2	-2	Revision of work required during the audit
Project Assessment & management	-2	-2	-2	Revision of work required during the audit
Capital Monitoring	0	-2	0	Revision of work required during the audit
Review of service contracts	0	-2	0	Revision of work required during the audit

Risk area	07/08	08/09	09/10	details
Asbestos management	-2	0	-12	Reduced days and revised level of audit risk
General Contingency	**-23**	**-31**	**-34**	Reduction in contingency to match the resources available
Homes in Havering	**-40**	**-40**	**-40**	Havering will not tender for the internal audit work which Homes in Havering will require
Computer Audit	**10**	**0**	**0**	Amendment to ensure that there is adequate managemenmt time to review the contractors work each year
Grand Totals	**-195**	**-210**	**-188**	
Draft Totals	**1419**	**1434**	**1412**	
New Totals	**1224**	**1224**	**1224**	

Directorate	Head of Service	Risk Area	plan		
			07/08	08/09	09/10
ACE's	Jonathan Owen	CPA/Best Value Strategy and Monitoring	0	12	0
ACE's	Christine Dooley	Register of Interests/Related Party Transactions/Gifts/Hospitality	12	0	12
ACE's	David Ede	Codes of Conduct & Accountability	12	0	12
ACE's	Christine Dooley	Governance & Committee Structure including hospitality	0	0	15
ACE's	Christine Dooley	Constitution, Standing Orders and Scheme of Delegation	0	10	0
ACE's	Jonathan Owen	Partnership Working	0	15	0
ACE's	Christine Dooley	Crime & Disorder strategy and CCTV usage	0	15	0
ACE's	David Ede	Personnel arrangements inc Equality & Diversity	20	0	20
ACE's	Jonathan Owen	Performance Management	18	15	15
ACE's	J Owen	Annual Review of BVPI's	20	20	20
ACE's	J Owen	Community Strategy procedures	15	0	15
ACE's	All ACE's	Succession planning	0	15	0
ACE's	J Owen	LPSA annual audit certificate required	5	5	5
Sub Total for Corporate Issues			**102**	**107**	**114**
Childrens Services	Ruth Jenkins	Child Protection	0	12	0
Childrens Services	Sue Allen	Commissioning of Transport Services within Childrens Services	0	0	15

AUDIT PLAN FOR 07/08 - 09/10

Directorate	Head of Service	Risk Area	plan		
			07/08	08/09	09/10
Childrens Services	Sue Allen	Special Educational Needs	0	12	0
Childrens Services	Ruth Jenkins	Provision of services for under 8's	0	15	0
Sub Total for Children's Services			**0**	**39**	**15**
Sustainable Communities	Peter Brennan	Commissioning of residential placements and Home care for the elderly	0	12	0
Sustainable Communities	Peter Brennan	Provision of Services for the physically disabled	0	15	0
Sustainable Communities	Peter Brennan	Provision and commissioning of services for those with learning difficulties	18	0	15
Sustainable Communities	Peter Brennan	Joint working with the primary Care Trust	18	0	15
Sustainable Communities	Peter Brennan	Purchasing services for those with mental health problems	18	0	15
Sustainable Communities	Peter Brennan	Commissioning services for those with mental health problems	18	0	15
Sustainable Communities	Peter Brennan	Receiverships/Appointeeships and residents savings & Securities	0	12	0
Sustainable Communities	**Barry Kendler**	**Housing Rents Collection / Arrears**	**18**	**18**	**18**
Sustainable Communities	Barry Kendler	Renovation Grants	0	15	0
Sustainable Communities	Barry Kendler	maintaining quality of Housing stock	10	0	10
Sustainable Communities	Barry Kendler	Right to Buy	15	0	15
Sustainable Communities	Peter Brennan	Vehicle Workshops	0	15	0
Sustainable Communities	Peter Brennan	Procurement and leasing of vehicles	16	0	10
Sustainable Communities	Barry Kendler	Voids	0	15	0

Directorate	Head of Service	Risk Area	plan		
			07/08	08/09	09/10
Sustainable Communities	Barry Kendler	Housing Aid	0	15	0
Sustainable Communities	Barry Kendler	Homelessness, B & B Accom & Hostels	0	15	0
Sustainable Communities	Barry Kendler	Supporting people	12	0	8
Sustainable Communities	Barry Kendler	Management of HiH	25	15	15
Sub Total for Sustainable Communities			**168**	**147**	**136**
Public Realm	Mark Butler	Management of car parks and parking meters	0	15	0
Public Realm	Mark Butler	Permits and Other Parking	12	0	12
Public Realm	Mark Butler	Parking Ticket issue & processing	12	0	12
Public Realm	Bob Wenman	Street Lighting	0	15	0
Public Realm	Bob Wenman	Domestic Refuse	15	0	15
Public Realm	Bob Wenman	Trade Refuse	15	0	15
Sub Total for Public Realm			**54**	**30**	**54**
Finance & Commercial	**Jeff Potter**	**Housing Benefits**	**15**	**15**	**15**
Finance & Commercial	Mike Stringer	Loans and Investments	15	0	15
Finance & Commercial	**Jeff Potter**	**Council Tax**	**15**	**15**	**15**
Finance & Commercial	**Jeff Potter**	**NNDR**	**15**	**15**	**15**
Finance & Commercial	Rita Greenwood	Business Continuity	15	15	15
Finance & Commercial	Jeff Potter	Housing Benefit - Subsidy Calculations	0	10	0
Finance & Commercial	Jeff Potter	Weekly Incorrect Housing Benefit Claims	0	10	0
Finance & Commercial	**Mike Stringer**	**Main Accounting System**	**10**	**10**	**10**
Finance & Commercial	**Jeff Potter**	**Debtors**	**10**	**10**	**10**
Finance & Commercial	**Mike Stringer**	**Creditors**	**10**	**10**	**10**
Finance & Commercial	Mike Stringer	Insurance	0	10	0
Finance & Commercial	Mike Stringer	Cash and Banking Control	12	0	12
Finance & Commercial	Mike Stringer	BACS incl. IT element	0	15	0
Finance & Commercial	**Jeff Potter**	**Payroll**	**15**	**15**	**15**

Directorate	Head of Service	Risk Area	plan		
			07/08	08/09	09/10
Finance & Commercial	Mike Stringer	Pensions Systems	10	10	10
Finance & Commercial	Mike Stringer	Departmental Budgetary Control	15	15	15
Finance & Commercial	Mike Stringer	Corporate Financial Procedures.	15	15	15
Finance & Commercial	Mike Stringer	Grant Claims	0	10	0
Finance & Commercial	Mike Stringer	Risk Management Policy	10	0	15
Finance & Commercial	Mike Stringer	Achievement of Savings targets	0	15	0
Finance & Commercial	Mike Stringer	Petty Cash	15	0	15
Finance & Commercial	Mike Stringer	Maintenance of an Asset Register	0	0	15
Finance & Commercial	Mike Stringer	Capital Accounting	15	0	15
Finance & Commercial	Mike Stringer	Purchasing Strategies	0	10	0
Finance & Commercial	Mike Stringer	Review of systems to ensure we comply with Int standards of Auditing	15	15	15
Finance & Commercial	Mike Stringer	Income Controls	0	15	0
Finance & Commercial	Mike Stringer	Review of Statement of Internal Control	3	3	3
Finance & Commercial	Mike Stringer	Safer Stronger Communities Fund Agreement Audit required by GOL	5	5	0
Finance & Commercial	Mike Stringer	Mayors Appeal Fund Annual Audit required	1	1	1
Sub Total for Finance & Commercial			**236**	**264**	**251**
0	Corporate / IT	Tendering Processes	12	0	12
Sustainable Communities	Various	Certificate Payments	12	0	12
Various	Various	Consultants Fees	12	0	12
Environment	Mark Butler	Liquidated Damages/Loss and Expense/Variations	12	0	12
Various	Various	Repairs/Maintenance	0	0	12
Housing & Regeneration	Mark Butler	Approved list/Contract Register	0	10	0
Various	Various	Contract procedure Rules Compliance	10	10	10
Various	Various	Project Assessment & Management	10	10	10

Directorate	Head of Service	Risk Area	plan		
			07/08	08/09	09/10
Various	Various	Partnership Arrangements	0	15	0
Various	Various	Final Accounts	12	0	12
Various	Various	Capital Monitoring	0	13	0
Various -	Mark Butler	Health & Safety on site	12	0	12
Education	Various	Contract Management	0	12	0
Sustainable Communities	Various	review of service contracts	0	13	0
Sustainable Communities	R Stephenson	Asbestos management	10	0	0
Various	Various	Vertical Audit looking at a specific area	7	7	7
Sub Total for Contract			**109**	**90**	**111**
Computer Audit	Various	Various	120	120	119
Sub Total for Computer			**120**	**120**	**119**
Follow ups			20	20	20
Sub Total for Follow Ups			**20**	**20**	**20**
Review Title		**Details of review**			
Pro_active	Various		105	105	105
Sub Total for Pro-Actives			**105**	**105**	**105**
FRAUD INVESTIGATION CONTINGENCY			**268**	**268**	**268**
GENERAL CONTINGENCY			**42**	**34**	**31**
HOMES IN HAVERING			**0**	**0**	**0**
GRAND TOTAL			**1224**	**1224**	**1224**

ITEMS SHOWN IN BOLD ARE CORE FINANCIAL SYSTEMS

**NB: SCHOOLS AUDITS ARE CARRIED OUT BY INDEPENDENT AUDITORS REPORTING
DIRECTLY TO EDUCATION**

Pages

MEETING	DATE	ITEM
AUDIT COMMITTEE	1 March 2007	9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: **AUDIT AND INSPECTION ANNUAL LETTER 2004/05 – Action Plan**

SUMMARY

The 2004/05 Audit and Inspection Annual Letter was considered by Cabinet on 15 February 2006 and shared with members. It was subsequently considered by the Corporate Overview and Scrutiny Committee on 13 April 2006.

The letter recommends actions to be taken. To help members an Action Plan has been prepared. This reports progress on the actions contained within the Annual Letter and is attached as Appendix A.

Your Committee last considered this Action Plan on 12 December 2006. This report updates the Action Plan on activities since then.

RECOMMENDATION

- That the Committee note the contents of the Action Plan and the progress made to date.

REPORT DETAIL

1. The 2004/05 Audit and Inspection Annual Letter, prepared by the Audit Commission, was considered by Cabinet on 15 February 2006, the Corporate Overview and Scrutiny Committee on 13 April 2006 and by the Audit Committee on 4 April 2006 and 12 December 2006.

2. The letter is positive in tone, with its key messages being;

    - Havering has been assessed as a one-star council that is improving well.
    - A range of priority areas have been addressed, including levels of public satisfaction, children's social care, housing and the environment.
    - Other improvements were noted in the areas of partnership collaboration, improving access to vulnerable groups and in reducing the level of staff sickness.
    - Overall there has been a positive shift in organisational culture.

3. The Letter also set out specific recommendations for members:

    - Monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care;
    - Ensure effective arrangements are in place and monitored, to ensure the 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met;
    - Ensure that appropriate action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed; and
    - Continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.

4. It was agreed by the Audit Committee that they would receive regular reports so that they could monitor the progress of the Action Plan.

5. The regulations required publication of the Annual Letter and, in line with good practice, the Council's response was also published. The updated Action Plan will be placed on the council's website.

Financial Implications and risks:

Legal Implications and risks:

No direct legal implications arise from this report.

Human Resources Implications and risks:

HR will continue to support management in maintaining the improvement in sickness absence and developing organisational culture. .

Equalities and Social Inclusion implications:

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STEPHEN EVANS
Chief Executive

Background Papers List

Report to Audit Committee 4 April 2006.

Recommendation & Key Tasks	Lead Officer	Comments; including progress & Next Steps	Timescale
Housing Management			
• Ensure all offices comply with the requirements of DDA	B. Kendler	Achieved. All District Housing Offices closed apart from Elm Park which is due to close on Friday 28th July 2006. All housing offices are now DDA compliant.	July '06
• Provide greater clarity in response to domestic violence, and racial harassment.	B. Kendler	Achieved	
• Better information on welfare benefits	B. Kendler	Achieved.	
• Address inconsistencies in the provision of caretaking and grounds maintenance	B. Kendler	Caretaking Review agreed by Cabinet in September 2005. Service Changes pending.	Sept. '06
• Address inconsistencies in the treatment of waiting list, transfer list applicants and visiting new tenants	B. Kendler	Achieved April 2005	
• Improve tenant participation structures	B. Kendler	Restructure of Tenant Participation agreed in December 2005 by Cabinet. Current structure was replaced from 3rd April 2006.	June '06
• Reduce the number of temporary staff usage.	B. Kendler	Progressing.	On-going
Supporting People			
• Improve governance arrangements by: establishing action plans for the commissioning body and core strategy group which are formally monitored and reported on.	B. Kendler	Action Plans have been discussed and are being drafted. To be rolled out at next meeting of relevant groups.	Jan '07

• Strengthen delivery arrangements by: establishing local and shared (with partners) performance indicators; working with the sub-regional group on the development of outcome measurements for service users; establishing an approach to needs analysis across the client groups in a systematic and regular (at least six-monthly manner); developing an approach to value for money that should incorporate cost and quality assessment (for both the grant and administrative costs); developing an approach to learning and benchmarking beyond the sub-regional group and from higher performers; and ensuring that all plans are SMART and have clear measurable outcomes.	B. Kendler	Performance Indicators and outcome measurements are the subject of a contract monitoring strategy being drafted currently, however some progress on this (particularly outcome measurement) will be dependent on publication of the mandatory outcome measures currently being piloted by CLG. Needs analysis refreshment is being addressed as part of the action plan attached to the new strategy currently being drafted. Value for Money approach being drafted currently. Benchmarking being addressed as part of VfM approach above and also being done sub-regionally. Learning from other authorities is ongoing and all policies and procedures currently being drafted are mindful of other Supporting People approaches. Workplan has been extensively revised to ensure it is SMART.	April '07
• Strengthen access to information and knowledge of supporting People ad service provision by: working with frontline service deliverers to ensure staff are kept fully informed and confident about Supporting People services; ensuring frontline service deliverers have access to the Supporting People directory, and; introducing regular monitoring of access arrangements to Supporting People at frontline services.	B. Kendler	A rolling programme of briefings has been drawn up to address knowledge across relevant personnel. Further exercise of mystery shopping to check knowledge levels will be carried out. Directory on website.	October '06
• Improve management and monitoring arrangements	B. Kendler	Audit Commission Inspection report in draft form. We will comment by 31st July 2006	June '06

Adult Social Care			
• Improve performance on direct payment	P. Brennan	Now over 200 people receiving Direct Payments which is above Key Threshold indicators	Achieved
• Improve the number of service users who receive care reviews	P. Brennan	Improvements in numbers of people receiving reviews are being achieved. 60% to be achieved by March 07.	March 07
• Monitor performance information	P. Brennan	Performance information is monitored monthly. Now an integrated Management Structure has been achieved, action as a result of monitoring is more robust. A mistake was made in the submission to CSCI of high-level performance information which has skewed one indicator. Systems are now in place to prevent such a problem recurring.	Achieved
• Ensure better budget setting and financial management in care provision	P. Brennan	Budget setting for 07/08 MTFS is now robust. Financial projections and monitoring now in place as of November 2006.	Achieved
• Improve recording of ethnicity	P. Brennan	Management action improving the situation.	On-going
Accounts & Governance			
• Strengthen internal audit and disaster recovery arrangements	R.G/ M. Stringer	Internal Audit strategy and plan 06-07 agreed by Audit Committee. International Auditing Standards work completed and implemented. Report presented to Audit Committee on CIPFA compliance. Review of service delivery arrangements undertaken by Head of Service. Business Continuity Group is in place and project plan developed to deliver an approach to internal disaster recovery including IT. Draft Business Policy Strategy and Plan in place. Major Emergency Plan reviewed and launched.	On-going
• Ensure further strengthening of the accounts closedown processes.	M. Stringer	Post closedown debrief 04-05 action plan produced and incorporated in closedown plan for 05-06. Closedown achieved for 05/06.	On-going

Use of Resources / Financial Standing			
• Ensure financial and performance information is more fully integrated.	R. Greenwood J. Owen	Budget analysis being undertaken to assess key areas of spend and review against performance information / local budget books to assess performance / activity information.	On-going
• Ensure that appropriate management action is taken to manage personal social care budget and spending	R. Jenkins	Budget analysis undertaken on a regular basis; monthly budget monitoring meetings with managers, weekly meetings with Finance, plus detailed action plan with timescales and actions identified, monthly meetings with members.	continuous
• Ensure Star Chamber & Commissioner Board explicitly confirm value for money improvements as part of achieving stronger monitoring and scrutiny.	R. Greenwood J. Owen	This will be addressed as part of the corporate VFM strategy being formulated.	April '06
• Assist service areas to identify cost drivers and monitor them.	M. Stringer / J. Owen	MTFS 07-08 planning underway. CPA action plan being refreshed to ensure clearer links between service plans and MTFS.	June '06
Customer Access to Services			
• Establish baseline data to enable measurement of benefits and monitoring of published customer standards and targets.	D. Champion	Customer Standards have been agreed and these are monitored through mystery shopping and a range of other methods to measure performance against targets	Achieved
Performance Information			
• Further strengthen the Council's performance reporting quality assurance process.	J. Owen	Steps have been taken to implement the recommendations in the BVPI audit report, including those covering the production of out-turn figures and the sign-off requirement by senior managers. Need to ensure that all HoS have QA arrangements in place.	Ongoing

Education and Children Social Services			
• Develop a wider range of preventative services to reduce the number of looked after children and children on the child protection list.	R. Jenkins S. Allen	Part of CSCI Action Plan and ECM actions (e.g. development of schools; Children's Centres; CWD Review; Early Support Service) Local Safeguarding Children Board is established and its business plan is being finalised.	Ongoing
• Develop more opportunities to ensure the 'voice' of children and young people develop	R. Jenkins S. Allen	Progressing through consultation of CYPP; development of Children's Trusts and Young Peoples Participation Board. Dialogue with young people has formed strategy for the voice of children and young people, which includes model to establish Participation Board as part of Children's trust.	(Oct 06)
Capital Programme			
• Ensure that robust business cases including fully costed option appraisals and whole life costings are consistently produced in all projects	R. Greenwood	Overall project management arrangement reviewed with a toolkit approach. Forms have been reviewed. Project management toolkit will incorporate whole life costing, for which guidance is now being finalised. The Procurement Framework and Strategy has been refreshed to reflect whole life costings considerations and this is now covered in framework training as well as guidance in the Financial Framework on financial implications.	August '06
• Produce monitoring information to evaluate the effectiveness of all recovery actions and the associated costs	J. Potter	Monitoring information is in place and recovery strategies being reviewed.	On-going
• Continue to improve income collection performance, taking into account the costs of various collection methods	J. Potter	Targets being set for all areas and collection initiatives under constant review.	On-going

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Establishment of a joint panel to consider reports on cultural and leisure services capital projects

SUMMARY

This reports outlines the need to establish a joint panel of the Audit Committee and Culture and Regeneration Overview and Scrutiny Committee to receive and consider reports on Central Park Leisure Centre final account, Hornchurch Sportscentre overspend and a further audit into related matters

RECOMMENDATION

1. That this committee agree to establish a joint panel to consider audit reports on the Hornchurch Sports Centre refurbishment overspend, the Central Park Leisure Centre Final Account, and a related audit into issues that have arisen in closing these two matters

2. That the panel comprise 6 members, 3 from each Committee

3. That the Panel report back to both Committees when its investigation is complete.

4. To note that capital virements are being progressed on a conditional basis to enable the 2006/07 accounts to be closed but that these will be amended if Overview and Scrutiny Committee uphold the requisition and if their recommendations are accepted by Cabinet.

REPORT DETAIL

1. In August 2004 Cabinet considered a report on Central Park Pool and Leisure Externalisation. Recommendation 9 of that report was 'That a further report be submitted to the Audit Committee and the Culture and Regeneration Overview and Scrutiny Committee and be presented to Group Leaders, when all outstanding claims and similar issues have been investigated and the total cost of the Central Park Pool project has been quantified'.

2. In May 2006 an Executive Decision 6/72 Overspend at Hornchurch Sportscentre was requisitioned. The overspend was subject to an audit investigation. It was agreed that the consideration of this requisition would be deferred until an appropriate point in time.

3. In June 2006 further problems emerged in Cultural and Leisure services and the Group Director Public Realm and the Head of Financial Services commissioned a further audit investigation into these matters.

4. These are sensitive and confidential matters with a considerable amount of detail. It is proposed that Audit Committee and Culture and Regeneration Committee each nominate 3 members onto a joint panel to consider these reports and then report back to the respective committees. In the case of Overview and Scrutiny committee that report back would inform the consideration of the requisition of the Hornchurch Sportscentre Overspend.

5. The impact of the requisition has been to freeze the proposed virements to cover the overspend. At that time no one believed that it would take some months to get a position where a report could be considered. As the end of the financial year is some 2 months away, and accounts need to be closed the Group Leaders who signed the requisition have already been approached with a proposal to progress virements on a conditional basis to enable the 2006/07 accounts to be closed on the clear understanding that these will be amended if Overview and Scrutiny Committee uphold the requisition and Cabinet accept their recommendation.

6. The Councillors are asked to accept this proposal.

Financial Implications and risks:

This proposal enables members to undertake a detailed consideration of audit reports and report back to respective Committees on their findings, conclusions and recommendations. This is a methodology that has been used on previous occasions when considering overspends. The proposed progression of the virements associated with the relevant projects is required to enable capital financing details to be resolved as part of the closedown of accounts. Any delays in progressing these could jeopardise the achievement of the statutory deadline.

Legal Implications and risks:

This proposal enables members to undertake a detailed consideration of audit reports and report back to respective Committees. This is a methodology that has been used on previous occasions when considering overspends.

Human Resources Implications and risks:

This proposal enables members to undertake a detailed consideration of audit reports and report back to respective Committees. This is a methodology that has been used on previous occasions when considering overspends.

Equalities and Social Inclusion implications:

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**STEPHEN EVANS
Chief Executive**

Background Papers List

None