



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30pm	Tuesday, 16 September 2008	Havering Town Hall Main Road, Romford
---------------	---------------------------------------	--

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

David Grantham (C)
Frederick Thompson (V.C)
Gary Adams
Michael Armstrong
Roger Ramsey

Residents' Group (2)

Clarence Barrett
Andrew Mann

Rainham Residents Group (1)

Mark Stewart

For information about the meeting please contact:
James Goodwin (01708) 432432
E-mail: james.goodwin@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.**

2. MOBILE COMMUNICATIONS DEVICES

Although mobile phones, pagers and other such devices are an essential part of many people's lives, their use during a meeting can be disruptive and a nuisance. Everyone attending is asked therefore to ensure that any device is switched to silent operation or switched off completely.

3. CONDUCT AT THE MEETING

Although members of the public are welcome to attend meetings of the Committee, they have no right to speak at them. Seating for the public is, however, limited and the Council cannot guarantee that everyone who wants to be present in the meeting room can be accommodated. When it is known in advance that there is likely to be particular public interest in an item the Council will endeavour to provide an overspill room in which, by use of television links, members of the public will be able to see and hear most of the proceedings.

The Chairman of the meeting has discretion, however, to invite members of the public to ask questions or to respond to points raised by Members. Those who wish to do that may find it helpful to advise the Committee Officer before the meeting so that the Chairman is aware that someone wishes to ask a question.

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 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

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 25 June 2008 and to authorise the Chairman to sign them.

5. ANNUAL GOVERNANCE REPORT – to follow.

6. EXTERNAL AUDIT PROGRESS REPORT

7. ANNUAL REPORT ON THE INTERNAL AUDIT OF SCHOOLS

8. INTERNAL AUDIT PROGRESS REPORT.

9. FRAUD PROGRESS REPORT

10. ANNUAL REVIEW OF THE ANTI FRAUD & CORRUPTION ARRANGEMENTS

11. ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS

12. ADULT SOCIAL SERVICES REVIEW

13. URGENT BUSINESS

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

14. EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 9 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

E1. PERSONNEL ISSUE REPORT

To consider a verbal report of the Chief Executive containing exempt information or material

Cheryl Coppel
Chief Executive

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
25 June 2008 (7.30pm – 10.00pm)**

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), Gary Adams,
Roger Ramsey and Frederick Thompson.

Residents' Group Clarence Barrett

Apologies were received from Councillor Andy Mann

All decisions were made with no member voting against.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

The Chairman also welcomed representatives of Price Waterhouse Coopers, the Council's incoming External Auditors.

There were no declarations of interest

1 MINUTES

The minutes of the meeting held on 22 April 2008, were agreed as a correct record, and signed by the Chairman.

2 ANNUAL STATEMENT OF ACCOUNTS 2007/2008 – CONTAINING ANNUAL GOVERNANCE STATEMENT

Officers issued a final version of the Statement of Accounts, updating the document previously circulated to Members. This contained only minor, insignificant changes, including the correction of typographical and rounding errors. Members acknowledged the considerable work required to compile the Statement of Accounts document in the required CIPFA format and within the tight timescales.

Key issues reported to be contained in Appendix B were given to the Committee verbally.

This included:-

- an introduction to the regulations governing the preparation of the accounts;
- an explanation of the purpose and content of the main financial statements and notes;
- a brief outline of the main technical and presentational changes introduced during the year;
- details of a prior year adjustment included within the accounts;
- an overview of the 2007/08 outturn position;
- a brief summary of other pertinent issues.

The Accounts were presented to the Committee by the Financial Services Manager and Members were guided through the Income and Expenditure Account. Explanations were provided for the deficit position and the need to view this in conjunction with the adjustments made through the Statement of Movement in General Fund Balance.

The Council's Balance Sheet and Cash Flow Statements were outlined with explanations given for queries raised. The Committee was informed of details within the ring-fenced Housing Revenue Account and the Collection Fund. Background information regarding the Pension Fund Account and its treatment in the Council's Balance Sheet was discussed. Explanations for the major items included within the Statement of Movements in the General Fund Balance were also given.

An actuarial error in a previous 'FRS17' Pension Fund valuation was drawn to Members attention. This had been treated as a prior year adjustment within the accounts. It was explained that the adjustment, ultimately had no impact on the required Pension Fund contribution or the Council's bottom line expenditure position; however, it did reduce the Balance Sheet value by £75M.

Members were also referred to the group accounts showing the consolidation of the results of the Council's Arms Length Management Organisation (ALMO), Holmes in Havering. Notes included within the accounts for the first time, including the Environmental Impact Assessment and financial instruments were also discussed and explanations given for queries raised.

The Committee was asked to note the Annual Governance Statement, which had previously been approved by the Governance Committee and the Treasury Management & Prudential Code Report, both included within the Accounts and report before them.

Other facts, items and issues drawn to the Committees attention during the presentation included the level of the non-school general reserves being maintained at £10M, the strong Treasury performance yielding an average return on investments of 6.03%, that no debt rescheduling had taken place and that capital expenditure for the year was £48M.

The Group Director Finance & Commerce, responding to comments from Members, confirmed that CIPFA was reviewing the format of the local authority accounts due to the complex prescribed mandatory formats in which they must be presented. CIPFA is currently consulting on their 'Back to Basics' campaign trying to put municipal accounting information into a more user friendly and understandable form. It was also noted that the need to comply with International Financial Reporting Standards by 2010/2011 would change and probably complicate the existing format in which the Annual Accounts were presented. This could possibly make them even less user friendly to Havering residents and members of the public.

Members heard that a housing stock transfer had taken place during the year and that the implications of this were reflected in the accounts. The effect of this on the balance sheet housing stock valuation was discussed.

The Council's council tax collection rate and level of write-offs were discussed. LB Havering has maintained its position within the upper quartile. Recent focus has been on increasing collection rates and recovery of arrears. Members were advised that the Council's proportion of the 2007/08 Collection Fund deficit had been fully provided for.

The Committee **agreed** the recommendation of the report and **approved** the accounts for **signing** by the Chairman.

The Committee also asked that thanks be recorded to all those involved in the compilation of the Council's 2007 - 2008 Annual Accounts.

3 ANNUAL HEAD OF INTERNAL AUDIT REPORT 2007 – 2008 INCLUDING THE ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT & DIRECTION OF TRAVEL

The Internal Audit and Corporate Risk Manager presented this report to the Committee. This had been prepared in accordance with the current regulations. Members' attention was drawn to the Statement of Assurance that offered the Audit Committee and management with a good degree of assurance that the council has adequate levels of internal control.

The Committee noted the Internal Audit Service effectiveness and the direction it saw itself moving in the future.

In response to Members questions the Internal Audit and Corporate Risk Manger acknowledged that there had been a small drop in the team's effectiveness due to resourcing issues. It had been necessary to balance the cost of employing agency auditors against the need to meet an arbitrary short term target. Slippage for two or three weeks was thought preferable against the high cost of the agency staff.

Members **noted** and **agreed** the report.

4 EXTERNAL AUDIT REPORT.

In the absence of a representative from Audit Commission the report was presented by the Internal Audit & Corporate Risk Manager.

Members noted that no grant claims had been submitted late. The Head of Finance & Performance indicated that the timetable for grant submission was underway and that officers were working hard to maintain the implemented processes and achieve all deadlines, but that unexpected issues in the submission process may lead to some claims being submitted late.

Members **noted** the contents of the report.

5 EXTERNAL AUDIT 2008 – 2009 ANNUAL AUDIT & INSPECTION PLAN.

The Chairman introduced the Council's incoming External Auditors, Price Waterhouse Coopers (PWC) and asked them to present their report. It was explained that PWC would take over from the Audit Commission next year.

PWC thanked the Chairman and referred Members to their report. The Auditors went through the report, explaining how they saw their role, the financial challenges and how these will be tracked using new systems to be employed, the various elements of their approach to audit, the Comprehensive Performance Assessment (CPA) and the separate audit arrangements for pension funds.

Details of their inspection activities, the names of their team members with and confirmation of their independence and objectivity were outlined. Members noted that the Annual Audit Letter will return as a summary of the PWC audit work undertaken for the Council. PWC's report also contained an audit budget and schedule of fees which included the transition to Comprehensive Area Assessment (CAA) from CPA but excluding work previously undertaken in respect of the pension fund that will now be undertaken separately and reported to the Pensions Committee.

Terms and Conditions of their engagement were also explained.

Concern was expressed by Members regarding the very strict officer deadlines required within the fee structure. PWC offered re-assurance that they will adopt a pragmatic approach but emphasised that accounts were the Accounts of the Council and they (PWC) were paid to audit them. Other minor elements of the fee structure were also clarified.

Members indicated that the plan was the best presented and easy to understand layout that they had seen.

The Committee **agreed** the report.

6 INTERNAL AUDIT REPORT.

The Internal Audit & Corporate Risk Manager also presented this report covering the period January – March 2008.

Members were taken through the following elements of the report in detail:

- Opinions and management summaries.
- Effectiveness of the Internal Audit Service.
- 'Statement of Internal Control' (SIC) Action Plan.
- Fraud and investigation work including hotline reporting.
- The outstanding internal audit recommendations for prior financial years.
- Benefits Comparative information.

Examples of how the Council has responded to of various cases were given.

In response to Members questions it was confirmed that the approach taken in this report to cash and bank management was a simply one, tested banked income back to source and vice versa, but avoiding areas where other audits would examine similar areas.

The Committee expressed concern regarding the cash handing issues and the Internal Audit & Commercial Risk Manger acknowledged that some improvements needed to be made to a few areas with further analysis of the issues of others. This, it was hoped could bring a more consistent approach to cash handling and offer examples of good practice that could be adopted.

It was however noted that the levels of cash handled has significantly dropped since the closure of the Cashier's Officer at the Town Hall in January 2007. Careful examinations are made to weigh up the cost of cash collection/handling against the actual risk.

Discussion ensued regarding certain qualified opinions and Members asked that these (qualified opinions) be referred to the relevant Cabinet Member to ensure the Executive were aware of any issues that could be forthcoming. This reporting will be put in place.

The Committee heard that:

- The qualified Network opinion was already subject to increased Cabinet investment to rectify the deficiencies highlighted.
- An overhaul of the appointment of consultants was currently underway, to try to establish some common system of control over their appointment. Difficulties had arisen over the definition of a consultant that made the introduction of one system impossible at present. It was hoped that whilst a system offering 100% control over these cost was unlikely to be established, substantial improvements in the way consultants are engaged could be made.
- Improvements are also being made to the delivery of audit/financial information to Members and changes to reporting formats will be progressively made in the future.

The Internal Audit & Corporate Risk Manager confirmed to Committee Members that the outstanding Audit recommendations were all thought to be satisfactorily in hand and the programme to close these had already been presented to the Committee. This would be up-dated later in the year.

The Committee **noted** and **agreed** the report.

7 UPDATE ON OUTSTANDING AUDIT RECOMMENDATIONS.

The Internal Audit & Corporate Risk Manager presented a report outlining the outstanding recommendations and work being undertaken to address these.

It was noted that many are nearing closure.

Some larger issues will require a longer timeframe to clear and these will be monitored regularly for progress.

The report was **noted** and its recommendations **agreed**.

8 ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

This item was deferred to a future meeting.

9 URGENT BUSINESS

There were no items of urgent business.



MEETING	DATE	ITEM
AUDIT COMMITTEE	16 th September 2008	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL GOVERNANCE REPORT

SUMMARY

The attached draft report from the Audit Commission summarises their findings from the 2007/08 audit to date. It sets out key findings that will be considered by the auditors when considering their opinion, conclusion and certificate.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2008. They also expect to issue an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

RECOMMENDATION

To note the contents of the Annual Governance Report and consider any issues raised by the Audit Commission.

REPORT DETAIL

Regulation 11 of the Accounts and Audit regulations require the publication of the Statement of Accounts after the conclusion of the audit but in any event no later than the 30th September 2008.

The attached draft report from the Audit Commission summarises their findings from the 2007/08 audit to date. It sets out key findings that will be considered by the auditors when considering their opinion, conclusion and certificate.

At this stage the auditors expect to issue an unqualified opinion on the financial statements by the 30th September 2008. They also expect to issue an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Officers are still in discussion with the Audit Commission over a number of details in the draft Annual Governance Statement attached.

Financial Implications and risks:

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

Legal Implications and risks:

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

Human Resources Implications and risks:

None arising directly from this report.

Equalities and Social Inclusion Implications and risks:

None arising directly from this report.

Staff Contact: Owen Sparks
Designation: Financial Services Manager
Telephone No: 01708 432203
E-mail address: owen.sparks@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Working papers held within Finance sections

Draft Statement of Accounts 2007/08

Draft Summary Statement of Accounts 2007/08

Report to Audit Committee 25th June 2008 on the Draft Statement of Accounts 2007/08

Annual Governance Report

London Borough of Havering

Audit 2007/08

September 2008

DRAFT

Contents

Summary	3
Financial statements and Annual Governance Statement	5
Value for money	9
Formal audit powers	10
Independence	11
Appendix 1 – Draft Representation Letter	13
Appendix 2 – Adjusted Misstatements	16
Appendix 3 – Draft Audit Report	18

DRAFT

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit to date. There remain some areas of work which have yet to be fully completed on both our financial statements work and that on the value for money (VFM) conclusion. However, we expect to issue the final audit opinion and VFM conclusion within the required timeframe.
- 2 The report identifies the key findings to date that you should consider before we issue our opinion, conclusion and certificate. Any further issues emerging after the date of this report will be communicated to those charged with governance if necessary.
- 3 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 4 We expect to issue an unqualified opinion on the financial statements by 30 September 2008.
- 5 The financial statements of the Council and its Group that were submitted for audit were complete and were supported by comprehensive working papers.
- 6 During the audit a material amendment was made to the Housing Revenue Account (HRA) to correctly disclose impairment charges. This amendment did not impact on the bottom line of the HRA.
- 7 A re-classification was required on the Council's balance sheet and in the Pension Fund accounts to improve the disclosure of the year end debt owed by the Council to the Pension Fund.
- 8 Several Deferred Government Grants are being written down at a different rate to the assets that they are funding. Audit work is ongoing to quantify the extent of any error.
- 9 As was the case last year, some delays were experienced in obtaining information for our cut-off testing. However, the process undertaken to produce the group accounts, including the agreement of inter party balances with the ALMO, showed significant improvement.

Value for Money

- 10 We expect to issue an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Next steps

- 11 We ask the Audit Committee to:
 - consider the matters raised in the report before approving the financial statements;

- approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
- agree the proposed action plan.

DRAFT

Financial statements and Annual Governance Statement

- 12 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 13 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 14 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 15 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Prior to this year's audit, a £75m prior period adjustment (PPA) was made to the opening balance sheet FRS17 pension liability.	The PPA was accounted for correctly.
Changes to CIPFA's Statement of Recommended Practice (SORP)	The Council complied with the new requirements included in the 2007 SORP.
A number of amendments were required to the group accounts in 2006/07 to reflect differences between the Council's figures and those reported by Homes in Havering (ALMO) on inter-party balances.	This year's audit identified only trivial differences between the Council's and the ALMO's inter-party balances.

Draft representation letter

16 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

17 Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

18 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

Table 2 Accounting practice and financial reporting

Issue or risk	Finding
Statement of Total Recognised Gains and Losses (STRGL) disclosure.	The STRGL required the addition of a narrative footnote explaining the FRS17 pension liability prior period adjustment.
Agreeing the financial statements to the general ledger trial balance	In order to agree the statements to the financial information system (FIS) it is necessary to do so via a detailed reconciliation. Although the Council has streamlined the reconciliation, the process is still time consuming and should be further simplified.
Cut -off audit testing	A delay was encountered in the provision of audit evidence for this audit test. This was also an issue in the previous year.

Recommendation
R1 Review closedown procedures and coding structures with a view to further reducing the number of adjustments needed to reconcile the financial information system to the accounts.
R2 Ensure sufficient resources are assigned to the provision of audit evidence for cut off testing.

Errors in the financial statements

- 19 We have identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 20 Management has agreed to adjust the financial statements for the errors identified in Appendix 2.
- 21 The Housing Revenue Account (HRA) error relates to the omission of impairment charges from the net cost of services. The error was identified by the Council after the draft financial statements had been approved. Although not impacting on the bottom line of the HRA, the error also resulted in adjustments to other financial statements as referred to in Appendix 2.

- 22** The Council has a cash management arrangement in place with the pension fund which, when required, permits the Council to make use of Pension Fund cash instead of entering into an overdraft arrangement with the bank. Pension fund cash held by the Council at year end was originally disclosed as an overdraft balance in the Council's accounts and as cash in the Pension Fund accounts. To better reflect the substance of this arrangement, we requested that the balances be reclassified as creditor and investment balances respectively. This reclassification necessitated a prior period adjustment to the equivalent reported balances for 2006/07.
- 23** Although our work is substantially complete there remain some areas of the accounts where our audit testing is ongoing.

The audit report

- 24** We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our draft report.

Material weaknesses in internal control

- 25** We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 26** We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Other matters

- 27** Audit testing identified several Government Grants Deferred, (GGD), being written down at a different rate to the assets that they are funding. Different assets lives are recorded in the GGD schedule to those in the asset register. As a result the element of grant released each year to fund depreciation of these assets doesn't match the actual depreciation charge.
- 28** Audit work is in progress to quantify the value of any error.

Value for money

- 29 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 30 Our assessment of the Council's arrangements is largely complete. At this stage, there have been no issues identified that would prevent us from issuing an unqualified conclusion.

DRAFT

Formal audit powers

31 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

32 We have not and do not propose to exercise these powers.

DRAFT

Independence

- 33** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 34** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 35** We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 36** We have identified no relationships that might affect objectivity and independence.

Audit fees

- 37** We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 3 **Audit fees**

	Plan 2007/08	Actual 2007/08
Financial statements and Annual Governance Statement	240,600	240,600
Value for Money	108,000	108,000
National Fraud Initiative	1,300	1,300
Total Audit Fees	349,900	349,900

- 38** The analysis above shows that we contained our audit fee within the totals you have already agreed.

Our arrangements to ensure independence and objectivity

- 39** We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

Table 4 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> ● do not hold a financial interest in any of our audit clients; ● may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and ● may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> ● the general requirement to carry out work independently and objectively; ● safeguarding against potential conflicts of interest; ● acceptance of additional (non-audit) work; ● rotation of key staff; ● other links with audited bodies; ● secondments; ● membership of audited bodies; ● employment by audited bodies; ● political activity; and ● gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Draft Representation Letter

To: Jon Hayes
District Auditor
1st Floor, Millbank Tower
Millbank
LONDON
SE1P 4HQ

London Borough of Havering - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other [insert relevant details e.g.; directors, officers, officials] of the London Borough of Havering, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2008. All representations cover the Authority's accounts, Group Accounts and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the fair values assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no other lines of credit arrangements.

Appendix 1 – Draft Representation Letter

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Statement of Accounts Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of the London Borough of Havering

I confirm that the this letter has been discussed and agreed by the Authority on [date]

Signed

Name

Position

Date

Appendix 2 – Adjusted Misstatements

Appendix 2 – Adjusted misstatements

The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring this to your attention to assist you in fulfilling your governance responsibilities.

		HRA		SMHRAB	
Adjusted misstatements	Nature of misstatement	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Housing Revenue Account (HRA) Net Cost of Services	Impairment losses had been omitted from the HRA. As these charges are reversed out through the Statement of Movement on the HRA Balance there is no bottom line impact. This adjustment also necessitated adjustments to the Consolidated Income and Expenditure account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses.	33,078			33,078
		Council Balance Sheet		Pension Fund NAS	
		Overdraft	Creditor	Investments	Cash
Council Balance Sheet and Pension Fund Net Asset Statement	Cash owed by the Council to the Pension Fund disclosed as an overdraft balance in the Council's Balance Sheet and as cash in the Pension Fund Net Asset Statement did not accurately reflect the substance of these balances. The SoRP requires that amounts showing to or from other statutory funds are shown as separate	6,672	6,672	6,672	6,672

Appendix 2 – Adjusted Misstatements

	assets or liabilities, not as part of the bank balance.				
--	---	--	--	--	--

DRAFT

Appendix 3 – Draft Audit Report

Independent auditor's report to the Members of the London Borough of Havering

Opinion on the accounting statements

I have audited the Authority and Group accounting statements, pension fund accounts and related notes of the London Borough of Havering for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Havering in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and Resources and auditor

The Director of Finance and Resources' responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and

Appendix 3 – Draft Audit Report

- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. I read other information published with the Authority and Group accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword, Capital Transactions and the Treasury Management and Prudential Code Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the

financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;

- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the London Borough of Havering made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not

Appendix 3 – Draft Audit Report

identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jon Hayes
District Auditor
Audit Commission
1st Floor, Millbank Tower
Millbank
LONDON
SE1P 4HQ

xx September 2008

DRAFT

Appendix 4 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Review closedown procedures and coding structures with a view to further reducing the number of adjustments needed to reconcile the financial information system to the accounts.	2				
6	R2 Ensure sufficient resources are assigned to the provision of audit evidence for cut off testing.	2				



MEETING	DATE	ITEM
AUDIT COMMITTEE	16 September 2008	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT

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: Vanessa Bateman
Internal Audit & Corporate Risk Manager

Telephone: 01708-433733

E-mail address: Vanessa.Bateman@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers

None

Audit Summary Report

September 2008



Progress report to the Audit Committee

London Borough of Havering

Audit for 2007/08

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.

© Audit Commission 2006

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

Contents	3
Introduction	4
Appendix 1 – Progress in delivering the audit and inspection plan	5
Appendix 2 – Recent reports issued by the Audit Commission	7
Tomorrow's people: Building a local government workforce for the future	7

Introduction

- 1 We aim to issue regular progress reports throughout the year in order to keep the Audit Committee informed of progress against our Audit and Inspection Plan. This report updates the September 2008 Audit Committee on work completed since the June 2008 Audit Committee and the work to be completed during the rest of the year.
- 2 This report includes:
 - a summary of current work in progress at Appendix 1 (this excludes completed items that have been reported to the Audit Committee previously); and
 - a summary of recent Audit Commission publications of relevance to the Council.
- 3 We have not issued any reports to the Council in the period June to September 2008.

Appendix 1 – Progress in delivering the audit and inspection plan

Key area of audit plan	Named contact	Start date	Target completion date	Final report date	Comments
2007/08 Audit and Inspection Plan					
Audit					
Opinion on the Financial Statements	GDF&C	January 2008	30 September 2008		Our detailed work on the Council's financial statements is largely complete subject to our review process and a small number of outstanding items. Our Annual Governance Report to the September Audit Committee summarises the outcome of our work to date.
Use of resources					
Value for money conclusion	GDF&C	July 2008	30 September 2008		The value for money criteria overlaps with the use of resources key lines of enquiry.
Use of resources assessment	GDF&C	May 2008	December 2008		An away day was held on 8 August 2008 during which the Council talked through developments since last year's assessment and provided a self assessment pack for the non-vfm themes. For the vfm theme, a similar session is due to be held in September.
Data quality	GDF&C	July 2008	November 2008		Our review of the Council's arrangements for ensuring performance data is robust is currently underway as are our spot checks on a sample of

6 Progress Report to the Audit Committee | Audit Summary Report

Key area of audit plan	Named contact	Start date	Target completion date	Final report date	Comments
					the Council's published performance indicators.
Certification of claims and returns					
Grants audit	GDF&C	July 2008	December 2008		There are no late claims to report at this stage.

Key	Title
CE	Chief Executive
GDF&C	Group Director Finance and Commercial

Appendix 2 – Recent reports issued by the Audit Commission

Tomorrow's people: Building a local government workforce for the future

What is the report about?

- 4 This report, published by the Audit Commission in June 2008, reviews workforce planning in local authorities. Staffing is the single largest area of spend for councils; at £55 billion a year it accounts for 50 per cent of all service spending. Effective planning is therefore essential in delivering value for money and a positive correlation exists between effective workforce planning and comprehensive performance assessment results.

Key messages

- 5 Local authorities need effective recruitment and retention strategies, but most councils have progress to make. Most rarely plan or manage their workforce recruitment, development and retention strategically. Workforce issues are often viewed as an operational responsibility of limited relevance to strategic objectives. However, in the best performing councils, members, chief executives and heads of service engage strategically in these issues.
- 6 Failure to take a strategic approach puts key services at risk. For example, there are serious difficulties recruiting and retaining staff in key areas such as planning, environmental health and adult social care. In addition, councils without a systematic approach to recruitment and retention could fail to deliver statutory duties and key services and struggle to achieve local and national objectives.
- 7 There is also clear evidence that effective approaches to workforce planning lead to efficiency gains and service improvement. For example, efficiency gains can be created through managing turnover, using temporary and agency staff more effectively, innovative approaches to flexible employment and using information and communication technology. There are also benefits to be had from councils working with partners and across areas to address workforce issues.

The way forward

- 8 Recommendations made in the report include the need for council leaders and chief executives to champion and engage in workforce issues. Ongoing action by the Audit Commission includes a commitment to continue to assess the quality of councils' workforce planning and the extent to which it supports sustainable delivery of council priorities and achieves value for money. The findings from this

study will also be used to inform the development of guidance supporting the workforce KLOE in the new use of resources assessment. The full report can be found <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=DB2DAF5B-EC45-463b-8D0D-B535EDE28A80&fromREPORTSANDDATA=NATIONAL-REPORT>

DRAFT

MEETING	DATE	ITEM
AUDIT COMMITTEE	16 September 2008	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF SCHOOLS INTERNAL AUDIT: 2007/08

SUMMARY

To report to the Committee on the findings from internal audits carried out in Havering's schools during academic year 2007/08.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

1. Audit Arrangements

Academic year 2007/08 was the third and final year of the first triennial cycle of internal audit arrangements in schools in which each school receives one risk based audit by auditors appointed through competitive tender (currently Deloitte and Touche) and two health check audits provided by the Social Care & Learning Schools Finance Section.

Under each audit, schools are given a level of assurance as an overall assessment of the internal controls in place and the effectiveness of the operation of those controls. These levels are summarised below:

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance Weaknesses in the system of controls are such as to put the system objectives at risk, and /or the level of non-compliance puts the system objectives at risk.

No Assurance Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Levels of assurance are determined by the classification of the priority levels of the recommendations made as follows:

Priority One: Major issues for the attention of senior management

Priority Two: Recommendations for management action

Priority Three: Minor Matters

These arrangements also include follow up and support to ensure schools address the issues raised leading to an improvement in subsequent years.

2 Findings

Overall findings from the reports reviewed are shown in tabular format in Appendix 1.

73 of the 84 Havering schools received an internal audit during the academic year. Two schools postponed their audit due to unavoidable pressures within the individual schools and the remaining nine audits are due to be completed early in the Autumn term.

Eight primary schools that had received a health check earlier in the year also received an audit from Deloitte and Touche in the same year. For these schools Deloitte and Touche brought their audit forward so the the Financial Management Standard in Schools assessment could be carried out at the same time.

Draft reports are still awaited from Deloitte and Touche for eight primary schools receiving an audit in July 2008 and are therefore not included in these figures.

The table below summarises the audit opinion for the 73 schools reviewed this year and historical data.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
2007/08	0	72	1	0	73
2006/07	0	76	5	0	81
2005/06	2	74	7	0	83
2004/05	8	72	4	0	84
2003/04	4	78	1	0	83

In the previous academic year (2006/07) there were five schools with limited assurance. Following 200708 audits this is reduced to one. No reports issued by Deloitte & Touche gave limited assurance.

Audit testing has also taken into account the need to prepare schools for the requirement to comply with the new Financial Management Standard in Schools (see section 3 below).

It is considered that the school with limited assurance has the capacity to improve and support will be provided by the Schools Financial Support Team to ensure they address the issues raised.

No school received Full Assurance and no school was considered to have weaknesses that would result in No Assurance.

Summary of recommendations

	No of recommendations	Av per school	Max no per school	Priority 1 recommendations
2007/08	568	7	19	121 (21%)
2006/07	667	8	16	187 (28%)
2005/06	891	11	24	180 (20%)
2004/05	557	7	19	27 (5%)
2003/04	289	3.5	12	19 (7%)

Appendix 2 summarises some of the findings resulting in priority 1 recommendations. Appendix 3 summarise the progress made in implementing previous year recommendations

The review of the audit reports has highlighted a number of common recommendations in each area of audit scope such as:

- Organisation and Accountability
 - Incomplete minutes and records of Governing Body and Committees
 - Difficulty in recruiting school governors.
 - Failures to have an up to date school finance policy or approved delegation limits
 - Incomplete registers of financial interests
- Internal Financial Control
 - Incomplete inventory lists
 - No disposal policy
 - Inadequacy of security marking of assets
 - Lack of annual inventory checks
 - Incomplete records of loaned equipment
- Budgets
 - Budgets not updated in SIMS (accounting system)
 - Budget Virements and adjustments not approved within delegation authorities
- Purchasing
 - Copy orders not properly marked as “copy”
 - Delivery notes not signed to confirm delivery of goods or services
- Personnel
 - Control of timesheets

- Income
 - Identification of income streams other than LA funding
 - Updated charging policy within the school
- Banking Arrangements/Cheque Book Scheme.
 - Confirmation of regular and frequent banking arrangements
- Petty Cash
 - Timely reconciliations, cancellation of receipts after payment of expense has been made.
- Recommendations from previous audits
 - Some recommendations made in previous audits have not been followed up and implemented. In particular, recommendations on inventory control and pecuniary interest register.

Audit Committee will continue to receive an annual report on matters arising from the audit of schools.

3 Financial Management Standard in Schools

In conjunction with the Institute of Public Finance (IPF), the DCSF has developed a Financial Management Standard and Toolkit, which is intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. Consequently, schools will be able to manage their resources more efficiently, leading to an increase in value for money.

The standard itself is a simple statement of what a school that is managed well financially would look like. Good practice in a school, which meets the Standard, can be analysed under five headings as follows:

- Leadership and Governance
- People Management
- Policy and Strategy
- Partnerships and Resources
- Processes

Compliance with the Standard will reassure parents, governors, headteachers, finance committees, local authorities and OfSTED that steps are in place to ensure sound financial management.

During academic year 2007/08, 25 Primary Schools undertook a self assessment of their financial management which was externally assessed. All 25 Primary Schools assessed complied with the Standard. The schools received a separate report detailing any recommendations arising from the FMSiS and a certificate from the DCSF confirming that they have met the standard. .

Costs

	£
Annual cost of the Triennial Audit currently delivered by Deloitte and Touche	38,500
Annual Health checks including review, supervision and contract monitoring	50,960
Total	89,460

Funded By

	£
School Audit Budget (E523)	38,500
Proportion of School Financial Support Budget (E293)	50,960
Total	89,460

The entire internal audit process is risk based and the arrangements in place ensure that schools have adequate internal controls in place to mitigate the risks.

This report summarises the audit findings following internal audit of schools in the format recommended by Social Care and Learning which manages the process but at the time of writing it still has to be signed off by the CFO.

HUMAN RESOURCE IMPLICATIONS AND RISKS

None arising directly from this report.

LEGAL IMPLICATIONS AND RISKS

None arising directly from this report.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS

None arising directly from this report.

Staff Contact: David Allen
Designation: Strategic Finance Manager
Telephone: 01708 433851
Email: david.allen@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers:
 School Internal Audit reports

APPENDIX 1**AUDIT FINDINGS****1. Submission of Reports**

73 of the 84 Havering schools received an internal audit during the academic year.

2. Audit Opinion and level of Assurance given

The table below summarises the audit opinion passed for the 73 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
Number of Schools	0	72	1	0	73

3. Audit Recommendations

The tables below summarise the total recommendations identified and agreed by schools management.

Priority of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Priority 1	58	63	0	121	7
Priority 2	274	127	14	415	14
Priority 3	29	1	2	32	3
Total Recommendations	361	191	16	568	19
Average Recommendations per school	6	11	16	7	

Area of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Organisation & Accountability	72	29	3	104	5
Compliance previous audit	78	36	7	121	6
Budget	33	41	1	75	6
Purchasing	23	15	1	39	3
Personnel	20	4	1	25	2
Income	41	19		60	3
Banking / Petty Cash	24	19		43	4
Others (inventory)	70	28	3	101	2
Totals	361	191	16	568	

4. Common Recommendations and Related Risks

The following table lists common findings and recommendations and highlights the potential risk of non-compliance:

Findings / Recommendations	Potential Risk
<p>Organisation and Accountability</p> <p>Terms of Reference for Committees not documented or documentation being out of date.</p> <p>Signed copies of minutes not held at school or minutes not signed. In particular, not retaining signed copy of the Governing Body minutes.</p> <p>Vacancies in Governing Bodies</p> <p>Lack of evidence of a review of the school's Finance Policy</p> <p>Register of Business Interests not updated, with some staff and governors not included</p>	<p>Committee Terms of Reference must be clearly documented to ensure that the committee has the authority to make decisions on issues raised.</p> <p>There is a risk of errors or omissions being incorrectly recorded with required actions not being completed correctly.</p> <p>There is a risk of insufficient representation at meetings to ensure all points of view are considered.</p> <p>The finance policy of the school must be reviewed regularly to ensure transactions are kept in line with the procedures and regulations that relate to them. There is a risk that the school is not operating within a control environment, which represents good practice and guides the Governing Body in fulfilling its responsibilities.</p> <p>Everyone who participates in either the decision making or transaction processing of public (school) funds should declare their interests in any potential supplier. Non compliance risks loss of good practice and best value and removes a control against biased decisions being taken.</p>
<p>Compliance with previous audit recommendations</p> <p>Recommendations not fully implemented include : -</p> <p>Finance Policy in draft format</p> <p>Scheme of Delegation not up to date</p> <p>Asset Register incomplete</p>	<p>Risk of poor governance in the school which may result in misappropriation of school funds and assets</p>

<p>Asset Register not presented to governors</p> <p>School Fund account not independently audited</p>	
<p>Budgets</p> <p>Budget Virements or adjustments not reported to Finance Committee or Governing Body</p> <p>Budget held on SIMS not reconciled to original approved budget</p> <p>Lack of evidence of regular budget monitoring</p> <p>Financial benchmarking not undertaken/or presented to governors</p>	<p>Risk of inappropriate transfer of funds to cover overspends</p> <p>Risk of errors in budget monitoring and decision making</p> <p>Risk of variance to budget not being detected in a timely manner and corrective action taken</p> <p>Risk of not maximising financial data available to monitor/improve financial performance</p>
<p>Purchasing</p> <p>Lack of segregation of duties in ordering and receiving goods (particularly in small schools)</p> <p>Lack of evidence of best value being obtained for public funds.</p> <p>Lack of clear approval in the minutes of the Finance Committee of expenditure above the delegated limit.</p>	<p>Risk of potential misuse of funds</p> <p>Risk of inappropriate contractors being appointed and the school not obtaining VFM</p> <p>Risk of management acting outside delegated authority.</p>
<p>Personnel</p> <p>Pay Policy not up to-date</p> <p>No evidence of Head Teacher's management performance documented</p>	<p>Risk of non-compliance with best practice</p> <p>Implications for budget and focus on key target issues not raised</p>
<p>Income</p> <p>School's charging policy not reviewed or updated</p>	<p>Risk of loss of income if charging policy is not up to date</p> <p>Risk of missing potential profits in lettings of</p>

<p>Lack of daily income register & audit trail</p> <p>Invoices raised not authorised and no debtors control.</p>	<p>school facilities</p> <p>Risk of incomplete record of income</p> <p>Loss of income to the school and incorrect invoices being raised</p>
<p>Banking & Petty Cash</p> <p>Bank mandate not up to date</p> <p>Payments not signed as paid or not signed by recipient</p> <p>Reconciliation of Petty Cash not carried out regularly</p>	<p>Risk that payments may be authorised by an officer who is not a member of the school</p> <p>Risk of dispute of payment and could lead to financial loss</p> <p>Risk of potential over /under payments not being identified</p>
<p>Others</p> <p>Lack of Gift & Hospitality Register</p> <p>Not investing surplus funds</p> <p>Back-up tapes not held in fire-proof location</p>	<p>Risk that staff could be accused of being influenced by supplier</p> <p>School not maximising interest receivable</p> <p>Risk of loss of data</p>

Recommendation/ Finding	Type of School	Level of Assurance within where recommendation wa	
No evidence of regular budget monitoring throughout year. Lack of consistency in security marked of assets.	Primary/Secondary	Substantial	
Lack of independent review of School Fund Account. Audit of private school fund not carried out/or not in timely manner.	Primary/Secondary	Substantial	
Lack of up-to-date Pay Policy. No evidence of performance management of Head Teacher within minutes of the Governing Body. Asset control for non IT equipment	Primary/Secondary	Substantial	
Insufficient documentation to support journal transfers. Not seeking relevant authority to change Bank Mandate. Incorrect procedures regarding accounts receivable software. Incorrect procedures with regard to use of corporate purchasing card.	Secondary	Limited	
Scheme of Delegation/Finance Policy available but no clear approval of the review.	Primary	Substantial	
Lack of link between the SDP and the schools annual budget. Pecuniary interest register incomplete Notification of budget virements not minuted. Access user rights on SIMS not up-to-date	Secondary	Substantial	

The table below shows the progress made by schools during 2007-2008 on the previous year's audit recommendations. This was measured when schools were revisited during 2007

86% of the recommendations made had been either fully or partly implemented, with no significant difference between Primary, Secondary and Special schools. This is a slight improvement on last year's implementation of recommendations of 84%.

Priority One recommendations are automatically assigned to schools where there is non-implementation of the previous year audit recommendations

The sixteen, non-implementations of the previous year Priority One audit recommendations relate to:

the formal approval of the Finance Policy
 inventory records to the school governors
 pecuniary interest register not up to date
 private fund account not independently audited

	Recommendations made				Fully implemented					Partly implemented										
	Priority:	1	2	3	Total	1	2	3	Total	%	1	2	3	Total	%	1	2	3	Total	%
Primary Schools		151	319	14	484	109	242	13	364	75	29	37	0	66	14	13	40	1	54	11
Secondary Schools		6	83	16	105	3	36	11	50	48	1	25	4	30	29	2	22	1	25	24
Special Schools		4	5	1	10	2	4	1	7	70	1	0	0	1	10	1	1		2	20
All Schools		161	407	31	599	114	282	25	421	70	31	62	4	97	16	16	63	2	81	14

MEETING	DATE	ITEM
AUDIT COMMITTEE	16 September 2008	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report advises the Committee of the work undertaken by the internal audit team, excluding fraud work which has been presented in a separate item, during the period 01 April to 30 June 2008.

RECOMMENDATION

1. To note the progress in delivering the 2008/09 Audit Plan and other key performance data.
2. To raise any issues of concern and ask specific questions of officers with regards the contents of the report.

REPORT DETAIL

The progress report contains an update to the Committee regarding Internal Audit activity presented in five sections.

Section 1. Audit Work 01 April – 30 June 2008

A summary of the progress made to deliver the plan in quarter one is detailed in this section of the report along with the results of the two follow up audits completed.

Section 2. Direction of travel

Structure charts detailing the structure of the team during quarter one as well as the planned structure going forward have been included along with an update regarding progress to recruit to vacant posts.

Section 3. Key Performance Indicators

All the key performance indicators for the audit team are outlined in this section of the report; along with current performance, where relevant, and targets for the year. The report also indicates where the team's performance information is reported and the frequency.

Section 4. Budgetary Information

The budgetary position at the end of June along with forecasted positions for each quarter and year end are included for information. The forecasts indicate the plan will be delivered within current budgetary resources.

Section 5. Outstanding Audit Recommendations Tables

The details regarding status of all prior year outstanding recommendations are included within tables for information.

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. There are no 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

Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Vanessa Bateman

Designation: Internal Audit & Corporate Risk Manager

Telephone No: 01708 43 3733

E-mail address: vanessa.bateman@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

None.

Section 1 Audit Work 1st April 2008 – 30th June 2008

There have been no changes to the approved audit plan during the period.

No final reports were issued in the period to 30th June, this was in line with the profiled plan. Management Summaries for the final 2007/08 reports issued in this period were included in the June report to Committee, to ensure they were available for consideration alongside the Annual Report for the year.

At the end of June 16% of the audit plan had been delivered. This is in line with the profiled plan for the year. The profiled plan takes into account the vacancies in the team during quarter one and the expected dates for recruitment to those posts. Recruitment completed to date has proven successful and both posts will be filled by the dates required to ensure the planned work for each officer can be completed. More information on the structure of the team and recruitment is contained in the next section of this report.

Performance has been in line with the profiled plan further information is included in Section 3 of this report.

Two 2007/08 qualified audit reports were followed up in quarter one. The results of each follow up are included below.

Employment Status

As a result of the control weaknesses identified in the original audit eleven recommendations were made. Two were implemented at the time of audit so no further action was required. One other was implemented as part of another audit review. A follow up audit to review the progress made to implement the remaining eight recommendations indicated that all except one action was fully complete. The remaining part action, was completed in August 2008 so all recommendations are now closed.

Rec' No	Priority	Present Position
R1	High	Implemented
R2	High	Partly Implemented
R3	High	Implemented
R4	High	Implemented
R5	High	Implemented
R6	High	Implemented
R7	N/A	No Further Action
R8	N/A	No Further Action
R9	N/A	No Further Action
R10	High	Implemented
R11	Medium	Implemented

Street Lighting

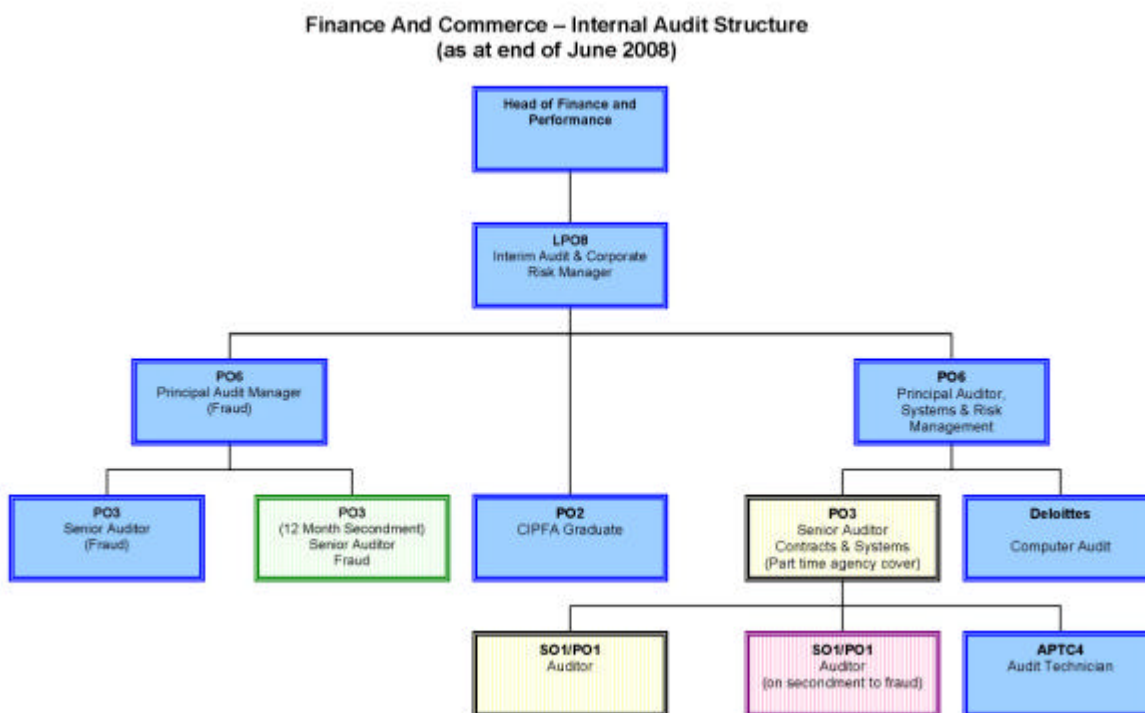
The audit found some weaknesses within the control environment and as a result there were ten recommendations, eight medium priority recommendations and two low priority recommendations. Two recommendations were implemented as part of another audit review leaving eight to be followed up.

The follow up review indicated that seven recommendations had been fully implemented and one partly implemented. The target date for the remaining recommendation has been extended and will continue to be tracked by the quarterly updates from Heads of Service.

Rec' No	Priority	Present Position
R1	Medium	Implemented
R2	Low	Implemented
R3	Medium	Implemented
R4	Medium	Implemented
R5	Low	Implemented
R6	Medium	Implemented
R7	Medium	Implemented
R8	Medium	Partly Implemented
R9	N/A	No Further Action
R10	N/A	No Further Action

Section 2 Direction of Travel

Detailed below is the structure for the Audit Service as at 30 June 2008 as well as a planned structure going forward. Some progress has been made in strengthening and stabilising the team’s structure but work is still ongoing.



The Principal Auditor post Systems and Risk Management had been created on a trial basis to see how the post would benefit the overall performance of the team. During 2007/08 this post was covered by an agency auditor who had previous experience within the team. The PO3 post which had been vacant for the majority of the financial year had also been covered by a part time agency resource during the period.

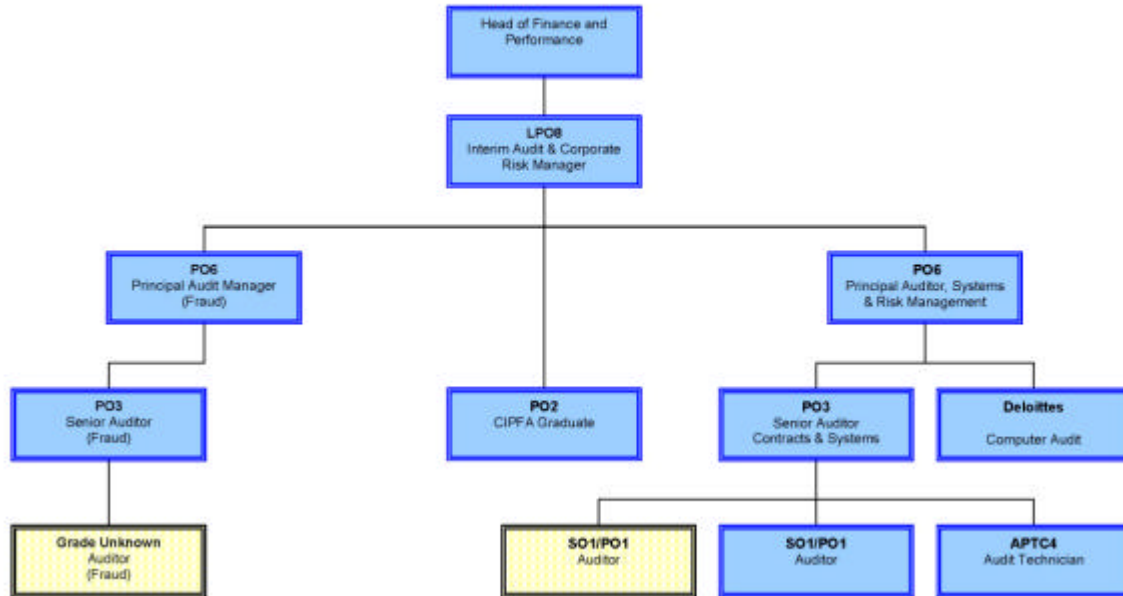
During quarter one both the PO3 and the PO6 posts were advertised and candidates for interview selected. The PO3 post was filled by the CIPFA graduate currently in rotation in audit. The appointment comes just as Maria has completed her qualification. The PO6 post has also been filled by an internal candidate. Norman will transfer from Committee Services once his notice period is complete.

These appointments increase the proportion of permanent employees within the team and reduce the reliance on agency resources which is a more costly alternative to delivering the plan.

Sarah completed her secondment to the fraud team and has returned to her substantive post in the systems team. Included in the quarter one fraud progress report to Committee is information regarding a review of the fraud team that has taken place towards the end of the year trial period. This review and notably the appropriate grade of the third post in the fraud team are yet to be finalised to date, however it is hoped that this process can be concluded shortly and recruitment can commence.

It is anticipated that the auditor post in the systems audit team will remain vacant to ensure the saving identified in the Medium Term Financial Strategy can be achieved for 2008/09. This position will be reviewed annually going forward.

**Finance And Commerce –
Planned Internal Audit Structure**

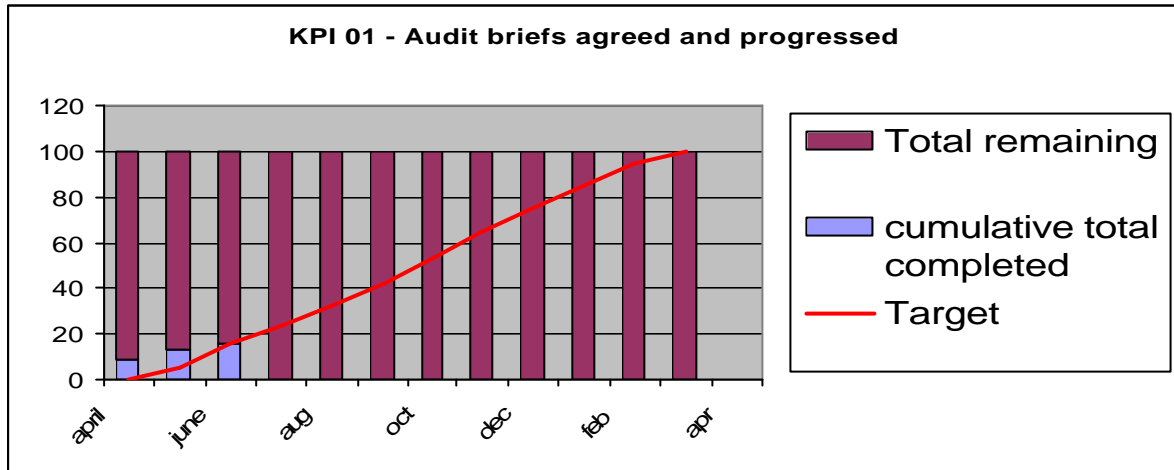


Section 3 Key Performance Indicators (KPIs)

Listed below are the KPIs for the audit team as outlined in the 2008/09 Service Plan.

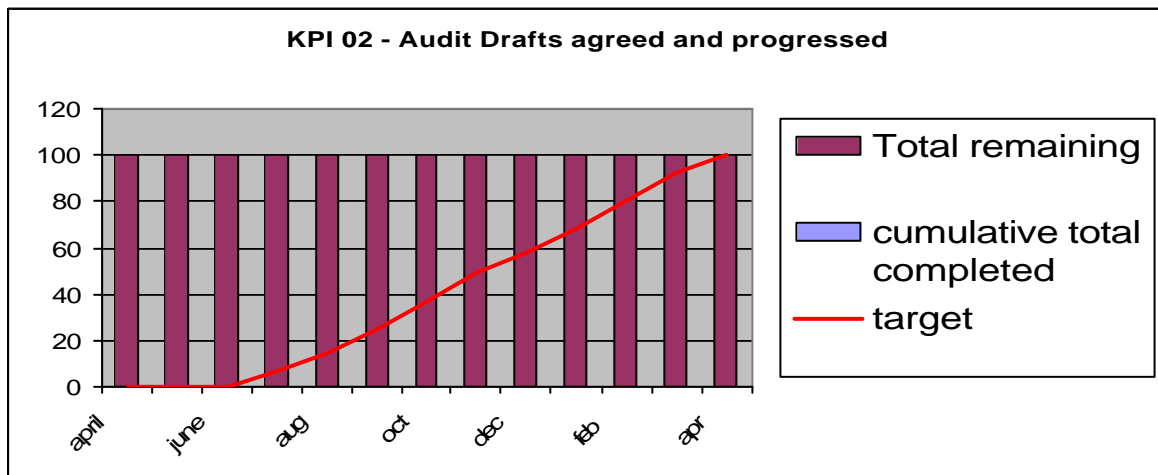
KPI results are reported monthly to the Head of Service, Group Director and External Audit and included quarterly in Head of Service Pack, Corporate Management Team reports and reports to Audit Committee.

KPI 01. The total number of audit briefs issued as a percentage of the total annual number of planned reviews (%).



KPI 02. The number of audit reviews completed to draft stage as a percentage of the total annual number of planned reviews (%).

The graph below indicate the profile of the plan for 2008/09, it was envisaged that no draft reports would be issued before June 2008.



KPI 03. The number of audit reviews completed to final stage as a percentage of the total annual number of planned reviews (%).

Targets for final reports have been profiled to reflect the planned issue of draft reports. It is aimed that all final reports will be agreed by the end of April 2009.

KPI 04. Performance against target time: 50 days max to complete an audit from start to release of a draft report (%).

An overall target of 90% has been set for this KPI. No drafts had been issued at the end of June so no performance to report.

KPI 05. Systems audit survey forms assessed (%).

An overall target of 90% has been set for this KPI.

KPI 06. Fraud audit survey forms assessed (%).

An overall target of 90% has been set for this KPI. Performance has been reported to Committee in the fraud progress report.

KPI 07. Management Satisfaction Survey forms results above average/satisfactory (%).

A target of 100% has been set for this KPI. Performance has been reported to Committee in the fraud progress report. No systems audit performance to report at the end of June.

KPI 08. % of plan delivered against target.

Outlined below is the profiled plan completion at the end of each quarter.

Quarter 1 = 16%

Quarter 2 = 40%

Quarter 3 = 66%

Quarter 4 = 97%

The remaining 3%, to agree responses from management and issue final reports, will be completed early April.

KPI 09. % of audit recommendations agreed by management.

A target of 90% has been set for this KPI. No performance to report as no finals issued at the end of June.

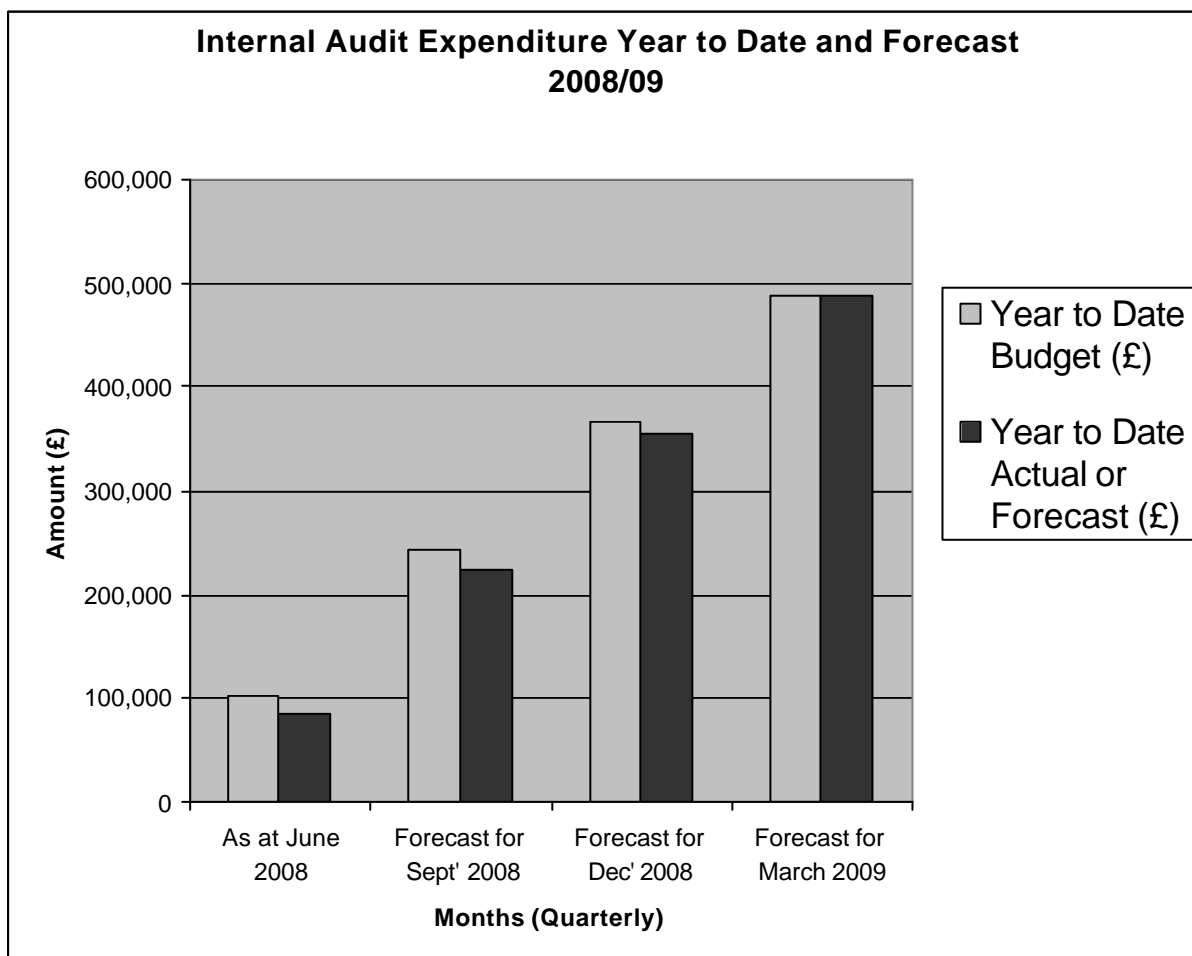
Section 4 Budgetary Information

2008/2009 Budget Analysis

Internal Audit (F620) 2008/09 Year to Date Expenditure and Forecast as at June 2008

	As at June 2008	Forecast for Sept' 2008	Forecast for Dec' 2008	Forecast for March 2009
Year to Date Budget (£)	102,014	244,190	366,285	488,380
Year to Date Actual or Forecast (£)	86,444	225,000	355,000	488,380
Variance (£)	-15,570	-19,190	-11,285	0

The under spend is due to the vacancies in the team in the earlier months of the financial year, as posts are filled and the budget position becomes more certain some of the under spend will be used to purchase additional resources to ensure that the audit plan is completed. The budget for 2008/09 is sufficient to allow timely delivery of the audit plan.



Section 5 – Outstanding Audit Recommendations Tables

Audit continue to work with management to highlight the importance of clearing audit recommendations, and reviewing specific circumstances to seek agreement whether the necessary actions have been taken to mitigate the risk identified within the original audit.

There is a noticeable reduction in the number of prior year audit recommendations which remain outstanding and the implementation of more recent audit recommendations has become more timely and efficient.

Work continues in this area along with the plans to include audit recommendations in the new performance management system to enable managers to update actions periodically when inputting other key data.

Heads of Service or Directorate Representatives will be advised of the information coming to Committee and asked to attend to answer questions.

Categorisation of recommendations

High: Fundamental control requirement needing implementation as soon as possible.

Medium: Important control that should be implemented.

Low: Action pertaining to best practice.

Outstanding Internal Audit Recommendations – 2003/04

Review in 2003/04	HoS Responsible	Outstanding			Position as at end June 08		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Community Care Placements	Adult Social Care		1		1		
Libraries	Culture & Leisure		1		1		
Total		0	2	0	2		

Outstanding Internal Audit Recommendations – 2004/05

Review in 2004/05	HoS Responsible	Outstanding			Position as at end June 08		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Crime And Disorder	Legal & Democratic		2		2		
Total		0	0	0	2		

Outstanding Internal Audit Recommendations – 2005/06

Review in 2005/06	HoS Responsible	Outstanding			Position as at end June 08		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Prov of Services learning disabilities	Adult Social Care		1		1		
Repairs and Maintenance Contracts	Asset Management			2	2		
Stock and Plant Pro-active	Asset Management		1		1		
E Commerce	Customer Services		1		1		
Total			3	2	5		

Outstanding Internal Audit Recommendations – 2006/07

Review in 2006/07	HoS Responsible	Outstanding			Position as at end June 08		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Special Education Needs	Children & Young People			1	1		
Commissioning of Transport Services within Children's Services	Children & Young People		1		1		
Providing Services for the Physically Disabled	Adult Social Care	1	1		2		
Repairs and Maintenance Contracts	Asset Management			1	1		
Honoraria	Human Resources			1	1		
Governance	Housing & Public Protection			1	1		
Council Tax	Exchequer Services		1		1		
Payroll	Exchequer Services		1		1		
Use of Consultants	Finance & Performance		1		1		
Creditors	Finance & Performance		2		2		
Oracle and Accounts Payable Application	Finance & Performance		2		2		
Liquidated and Ascertained Damages	Street Care		1		1		
Street Lighting	Street Care		1		1		
Total		1	11	4	16		

Outstanding Internal Audit Recommendations – 2007/08

Review in 2007/08	HoS Responsible	Outstanding			Position as at end Jun 08		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Creditors	Children & Young People	1					1
Asbestos Management	Asset Management	1	3		3	1 (not due)	
Use Of Consultants	Legal & Democratic	1			1		
Civil Contingencies	Development & Building Control		1		1		
Best Value Performance Indicators	Culture & Leisure		1		1		
Employment Status	Exchequer Services	1			1		
Council Tax	Exchequer Services		1		1		
Pensions	Exchequer Services			1	1		
Debtors	Exchequer Services	1	1		2		
Payroll	Exchequer Services		1		1		
Petty Cash	Finance & Performance		1		1		
Creditors	Finance & Performance	1	1		2		
Tendering Procedures	Finance & Performance	2			2		
Compliance with Contract Procedure Rules	Finance & Performance	4			3	1 (not due)	
Content Management	Business Systems		2		2		
Freedom of Information	Business Systems		1	1	2		
Total		12	13	2	24	2	1



MEETING

DATE

ITEM

AUDIT COMMITTEE

16 September 2008

9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: FRAUD PROGRESS REPORT

SUMMARY

This report advises the Committee of anti fraud and corruption work undertaken by the internal audit team during the period 01 April to 31 June.

RECOMMENDATION

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required, either with regards the cases highlighted or the performance of the team.

REPORT DETAIL

The progress report contains three sections; the content of each section is outlined below:

Section 1. Fraud Work April – June

- A) Table of 'Fraud Hotline' reports.**
- B) Table of completed cases.**
- C) Summary of proactive audit findings.**
- D) Work in progress as at end of June.**
- E) Details of savings and losses for the period.**

Section 2. Fraud Review – direction of travel

Results of the fraud review undertaken during the period, and the main conclusions from the review are detailed in this section of the report. The review commenced in April, toward the end of a 12 month trail for the additional fraud post in the team.

Section 3. Key Performance Indicators

The results for the two, fraud specific, key performance indicators are presented in tables in this section of the report.

Financial implications and risks:

Recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. The work of the fraud team often identifies losses which may be recouped by the Council. There are no 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

Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Vanessa Bateman

Designation: Internal Audit & Corporate Risk Manager

Telephone No: 01708 43 3733

E-mail address: vanessa.bateman@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

None.

Section 1 Fraud Work April - June**A) Fraud Hotline Reports Received**

CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION
Anonymous	Allegation that Council tenant on Housing Benefits (HB) and has frequent occupants at the property. Tenant always buying new cars and has plenty of money.	Information to be passed to HB Fraud. HB Fraud - No case to answer.
Member of the public	Allegation that tenants live in partner is claiming benefit on another property.	Information to be passed to HB Fraud. HB Fraud - no case to answer.
Anonymous	Complaint about building on green belt land; the licence not being adhered to; land used for commercial purposes; insurance not being renewed implication Council not doing sufficient checks on owner.	Investigation commenced currently one outstanding matter re planning approval being investigated.
Anonymous	Caller claimed that resident is claiming benefits when she shouldn't be.	Information passed to HB Fraud. No trace of named person claiming benefits.
Anonymous	Caller stated that Council worker was dropping of turf in his front garden from a council vehicle.	Investigation completed. No case to answer.

B) Completed Cases

21 cases were completed and closed during the period 01 April – 30 June 2008.

In addition four proactive audits were concluded and final reports issued. See part C of this section.

The table below provides a list of the 21 cases closed and the result of the audit.

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8kaaj	Theft of Monies	C&C	Theft of monies	Officer Dismissed
T8kaar	Fraudulent Student Loan Application	SC&L	General Fraud	Applications Cancelled
T8kaav	Attempted cashing of Fraudulent Housing Benefit Cheque	F&C	Theft of Monies, Equipment	Case Closed Insufficient Evidence.
T8laag	Preparation for Employment Tribunal	L&D	Miscellaneous	Agreement prior to tribunal
T8laai	Alleged Misuse and Abuse IT equipment	F&C	PC Misuse and Abuse	Officer Resigned
T8laaj	Alleged improper conduct	F&C	Miscellaneous	No Action Required.
T8laak	Review of IT Account	L&D	Miscellaneous	Officer Resigned
T8laal	Occupancy query	HiH	Sublets/Right To Buy	'Notice To Quit' Served
T8laan	Fraudulent Cheque, School	SC&L	Cheque Fraud	Refund Received
T8laao	Housing Benefit Overpayment	SC&L	NFI	HB investigated.
T8laap	Internet Misuse and Abuse	C&C	PC Misuse and Abuse	Further Review

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8laaq	Use of Fuel Bearer Cards and Fuel Cards	C&C	Theft of Monies	Explanations Received
T8laaw	Complaint Re procedural breach	L&D	Breach of Council Procedures	Not Further Action
T8laax	Information for HB Fraud	F&C	General Fraud	No Further Action
T8maaa	Fuel Issues	F&C	Breach of Council Procedures	No Further Action
T8maab	Possible Misuse and Abuse	HiH	PC – Misuse and Abuse	Further Reviews
T8maac	Alleged Misuse and Abuse IT equipment / internet	CE	PC – Misuse and Abuse	Resigned
T8maag	Allegations re use of Council vehicle during Council time	C&C	Misuse of Council Time	No Further Action
T8maai	Allegations re misuse and abuse Internet	SC&L	PC Misuse and abuse	Officer Resigned
T8maaj	Review of attendance times – and PC usage	SC&L	Miscellaneous	Insufficient Evidence
T8maak	Alleged theft/ borrowing of residents money	SC&L	Theft of Monies, Equipment	Insufficient Evidence

Abbreviations in table:

- SC&L - Social Care and Learning
- F&C – Finance & Commerce
- C&C – Culture & Community
- L&D – ACE Legal & Democratic
- HiH – Homes in Havering
- CE – Chief Executives Office
- IT – Information Technology

C) Proactive Audit Findings

Below are summaries of the results of the pro-active audits concluded in quarter one.

Audit Title & Scope	Recs Total	H	M	L	Comments
<p><u>FUEL ISSUES</u></p> <p>A review of fuel invoices for the period April to September 2007 sought to identify any inappropriate transactions with regards the purchase of fuel for Council vehicles.</p> <p>Further to the above some additional work has been undertaken by to confirm anomalies identified and satisfactory explanations were received.</p>	11	2	8	1	<p>Two significant issues were identified. There is a lack of management information and therefore also management checks in this area to prevent and detect abuse of the system and that fuel is not being purchased in accordance with the fuel barer card procedures.</p> <p>The audit concluded that due to the lack of management information it is not possible to confirm any misuse or abuse of the system.</p> <p>There is a Transport Working Group lead by the Group Director for Finance & Commerce, who since the restructure formally leads this service area. Further to this a sub group was set up to specifically look at the findings of the audit.</p>
<p><u>HOUSING REPAIR & DISABLED FACILITY GRANTS</u></p> <p>A sample of 18 Disabled Facility Grants and seven Repair Grants were selected for review.</p> <p>In addition an exercise to review other grants has been instigated and work is ongoing.</p>	7	1	4	2	<p>One significant issue came out of the audit regarding the lack of segregation of duties in the process as the same officer was responsible for administering the application and completing all visits and inspections to the property.</p> <p>In one case it was identified that false information had been included within the application. A separate exercise to investigate this case was started and the recommendation arising from this work was for the Council to take legal action to reclaim the grant monies paid.</p> <p>Other issues highlighted by the audit related to file completion, lack of management spot checks and general checks on documents and information provided.</p>

<p><u>TRAVEL, SUBSISTENCE & CAR ALLOWANCES</u></p> <p>From information provided by salaries and wages a sample of 201 officers in receipt of essential car allowance were selected at random and their mileage claims reviewed to ensure appropriately completed and that the requisite number of 1500 miles per year had been achieved.</p>	5	0	4	1	<p>Of the 201 officers selected 98 had not driven 1500 miles in 2006/07 and looked unlikely to achieve this total in 2007/08. Of those 19 had not made a mileage claim during the period.</p>
<p><u>TRADE REFUSE</u></p> <p>30 customers of the trade waste service, from a population of 850, were selected at random.</p>	3	1	1	1	<p>Two significant issues were identified during the audit, these related to over complicated and potentially incorrect record keeping this may have impacts on services provided to or the accurate billing of customers and lack of security marking on bin stock, meaning that loss or damage to bins can not be accurately attributed and therefore compensation sought.</p>

D) Work In Progress as at end June 2008

At the end of June there were 16 cases in progress.

The table below indicates the audit by name and type.

Code	Audit Name	Type of Audit
T8kaay	Alleged Misuse and abuse of internet	Misuse and Abuse of Internet
T8kaaz	Overcharging Leaseholders repair costs	Miscellaneous
T8laah	Improvement grant and HB claim	Housing Benefit
T8laam	Review of Web based Email usage	Misuse and Abuse of Internet
T8laay	Review SurfControl Blocked Category Reports	Internet Abuse
T8laaz	Alleged Abuse & Misuse of Internet	Misuse and Abuse of Internet
T8maad	Tenancy check re application for Right To Buy	Right To Buy
T8maaf	Allegations re abuse of position	Miscellaneous
T8maah	Allegations re unauthorised use of Blue Badge by member or the public	Miscellaneous
T8maal	Review of Empty Property Grant applications	Miscellaneous
T8maam	Clacton Family Trust – Residents Accounts	Miscellaneous
T8maan	Day Services Centre – Amenities Account Anomalies over signature arrangements	Miscellaneous
T8maap	Use of greenbelt land general non compliance issues by owner.	Miscellaneous

Code	Audit Name	Type of Audit
T8maas	Review of Internet usage	PC Misuse and Abuse
T8maat	Review of Internet Use – Top 50	PC – Misuse and Abuse
T8maav	Lost property – Clearance of Vault	Miscellaneous

Five pro active audits were also in progress at the end of June 2008.

There are also an additional nine assignments which are ongoing throughout the financial year. These tasks include:

- National Fraud Initiative 06/07.
- Fraud Awareness Training.
- Fraud Awareness Campaign.
- Requests from other authorities and government agencies.
- Approval of proxy access requests.
- Whistle Blower Reports.
- Fraud Hotline Reports.
- Advice to Directorates.
- National Fraud Initiative 08/09.

E) SAVINGS & LOSSES

When a fraud is committed there may be two elements to the financial consequences. The table below details the losses identified in the period 01 April to 30 June 2008 and the case details. No savings were identified in the period.

Definitions of terms in table:

Losses - These are the sums of money that the audit determined have the lost or stolen.

Savings - refer to the amounts of money that the detection of the fraud has prevented being lost. A prime example of this would be the discount on a right to buy. If we prevent the sale then we prevent the discount being given and thereby we save the Council money.

Management to recover - These are the actual sums of money which management can take action to recover from those "lost".

Cost of audit - This is the cost based on the Internal Audit resources required.

Case details	Losses Identified	Management to recover	Cost of Audit £
<p>Encashment of fraudulent/ altered cheque</p> <p>A fraudulent cheque was debited to a school account and subsequent requests to the bank resulted in a full refund being received. Details of the fraud were reported to the Metropolitan Police and a formal Crime Report completed. Other cheques were identified as being altered from other schools but not encashed.</p>	4,912	4,912	658
<p>Non entitlement to Single Person Discount</p> <p>Following a 'whistleblower' report a member of staff was investigated. During the investigation it came to light that her husband had been living with her but she had been claiming Single Person Discount. Council Tax were informed and subsequent recovery of the overclaiming of £2,200 were recovered. Prosecution is being considered.</p>	2,200	2,200	199

Section 2 Fraud Review – direction of travel

Since July 2007 the fraud section, of the Internal Audit Team, has included an additional post; a third officer working predominantly, but not exclusively, on proactive assignments. A review to establish the level of success of the newly created post and evaluate the structure of the team going forward was commenced in April 2008. This review considered:

1. The increase in the level of fraud work completed as a result of the additional post;
2. Whether the additional post can be justified and sustained financially;
3. The change in the dynamic of the team and the opportunities for development going forward (of both the team and for the officers within it);
4. The appropriateness of the grade of the post; and
5. Specific performance feedback re the holder of the post – details not included below.

The main conclusions of the review are detailed below:

- The introduction of a third fraud post has proven successful.
- The grade of the post could be reduced without significant impact on the objectives for the team
- The finances are in place to sustain a third member of the fraud team

The consequences of not having the post going forward have also been considered as part of this review. The main conclusions relate to:

- Insufficient resource to deliver 2008/09 fraud plan;
- Reduced capacity for future years; and
- Increased cost of audits as higher grade staff will have to be used.

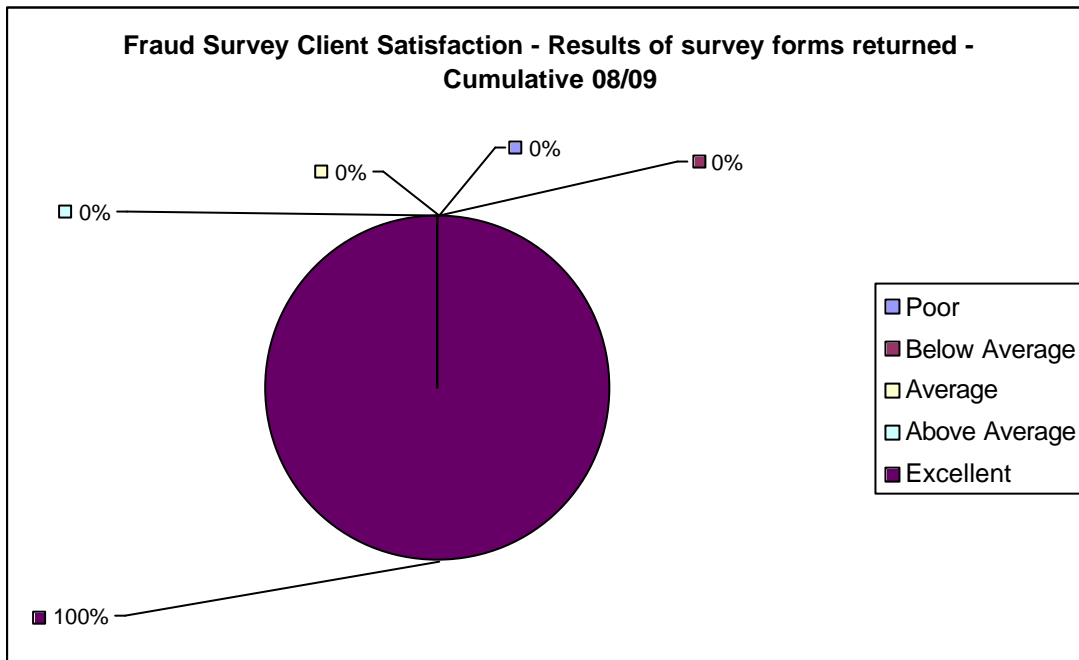
The results of the Review have been presented to the Head of Finance & Performance and the Group Director Finance & Commerce for consideration. The final results of the review and resulting decisions will be reported at the next meeting.

Section 3 Key Performance Indicators (KPIs)

The following KPIs are monitored specifically in relation to fraud assignments and outlined in the 2008/09 Internal Audit Service Plan.

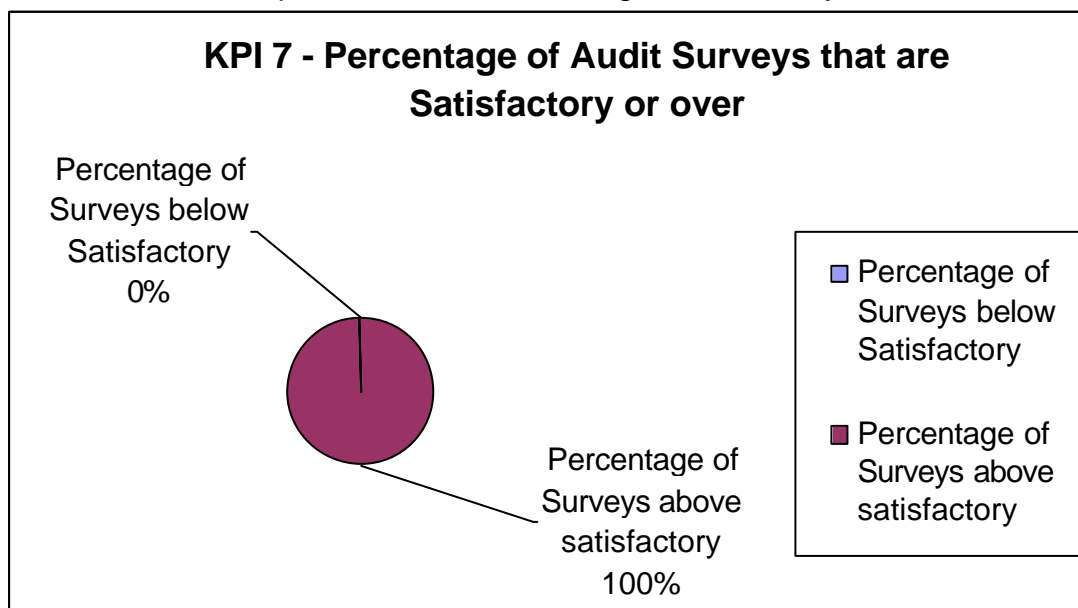
KPI 06 Fraud audit survey forms assessed (%).

All eight survey forms distributed for quarter one assignments have been received back.



KPI 07 Management Satisfaction Survey forms results above average / satisfactory (%).

All feedback for the period was above average / satisfactory.





REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE ANTI FRAUD & CORRUPTION ARRANGEMENTS

SUMMARY

This report updates the committee on the annual review of the anti fraud and corruption arrangements which included a review of the Council's strategy.

RECOMMENDATION

1. To comment on the progress to date and the approach to the review of anti fraud and corruptions arrangements.
2. To approve the revised Anti Fraud & Corruption Strategy.

REPORT DETAIL

A review of the Anti Fraud and Corruption Strategy is planned annually. The strategy was last reviewed in November 2007. This year's review was undertaken earlier to avoid the work coinciding with the review of risk management arrangements which was also planned for later in the year.

The review of the strategy has been part of a wider review designed to consider the general arrangements, procedures and processes in place with regards fraud and corruption. This review will be on-going but progress to date and the scope of the review is included within this report in Appendix 1.

The revised strategy is attached as appendix 2 and takes on a reduced format following this year's review. The strategy previously totalled 28 pages but at time contained excessive detail and had incorporated a great deal of procedural information over time. The wording has been reviewed to ensure the Council's intentions and arrangements are communicated in a clear and concise manner. It is hoped that the reduced format will make the strategy a more useful and informative tool to its readers. Any procedural guidance still relevant to how the team will work going forward will be included within the fraud manual and other key procedural documents, or made available on the intranet.

Appendix 1. Fraud Review

Appendix 2. Draft Anti Fraud & Corruption Strategy

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. Fraud counter measures are budgeted for annually and activity is maintained within these budgets. There are no 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. Guidance is provided with regards Anti Fraud & Corruption Arrangements and a campaign to raise and maintain awareness is on-going. Any breaches in compliance with the procedures will be dealt with in accordance with the Council's disciplinary procedures.

Equality and Social Inclusion implications

An Equality Impact Assessment was completed during the review of the strategy. There were no issues identified.

Staff Contact: Vanessa Bateman

Designation: Internal Audit & Corporate Risk Manager

Telephone No: 01708 43 3733

E-mail address: vanessa.bateman@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Anti Fraud and Corruption Strategy 2007

Other Council Strategies

Fraud Act 2006

Managing the Risk of Fraud, Actions to counter fraud and corruption 2006.

Fraud Review

The scope of the review being undertaken with regards the fraud team is outlined below, along with a brief update on progress in each area. Work is on-going in this area and future outputs, findings and recommendations from the review will be presented to the Audit Committee.

Area	Progress
Strategies and policies– update and refresh	The review of the fraud strategy is complete and the confidential reporting policy will be reviewed in November 2008. It has been agreed that Internal Audit will in future 'own' the confidential reporting policy; previously it has been considered a human resource document which has caused some confusion regarding roles and responsibilities.
Reporting Processes – content, frequency and recipients of reports	Efforts have been made to consider the recipients requirements from the management information produced by the team. Some amendments have been made to the information reported and relevant officers will be asked to feed back to ensure approach is satisfactory to all. The way in which the team reports to Audit Committee is included here and this will be picked up in more detail under agenda item 11.
Compliance with the 2009 Key Lines of Enquiry (KLOEs)	Some consideration was given to the requirements of the KLOEs during the consultation period, the final definitions have now been agreed and a meeting will take place in September to agree where evidence exists and action plans to strengthen evidence of compliance.
Liaison with other agencies and departments	The review has highlighted that robust arrangements are in place with regards liaison, however this will be reviewed on an on-going basis to ensure that relationships are maximised, particularly with the Housing Benefits Investigations Team.
Local procedures – to streamline and identify efficiencies	Some work has been completed however the team's away day in September will seek to draw out new ideas and ways of working. It is hoped that technological facilities to support efficient working practices will be advanced
Fraud manual – update and refresh	The Principal Fraud Manager has updated the fraud manual and this will be rolled out as part of the training at the team's away day.
Fraud Campaign – progress	The 2008/09 campaign is on target, the action plan is monitored by the Principal Fraud Manager.

Area	Progress
Awareness and training programme going forward	The work has started in this area, but the plan is not yet complete.
Follow Up – to streamline and identify efficiencies	The review has identified some inconsistencies in how fraud recommendations are followed up. New procedures have been put in place to ensure a consistent approach is applied. It is planned that Havering Performs will bring efficiencies to this process.
Structure of the team, direction of travel and succession planning	More detail is included in item 9 of the agenda. A review of the structure is underway and the result will be reported to the next meeting.

Appendix 2



**ANTI FRAUD AND
CORRUPTION STRATEGY**

Version: September 2008



ANTI FRAUD & CORRUPTION POLICY STATEMENT

This Council requires Members, employees and contractors working on its behalf to act with honesty and integrity at all times, when dealing with resources owned by the Council or those for which it is responsible. This includes the responsibility for ensuring that assets are safeguarded and that procedures exist within areas of their responsibility to prevent and detect fraud.

Fraud is an ever-present threat to resources and hence must be of concern to everyone. The Council will rigorously enforce sanctions laid down in its "Disciplinary Procedures" and will seek prosecutions where necessary in order to deter fraudulent activity. The Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. In addition we actively foster relationships with external organisations for the purpose of introducing new initiatives to help combat fraud.

We recognise the important part our employees play in countering the damage that fraud can do if unchecked. We actively encourage the reporting of concerns about fraud and corruption and a "Confidential Reporting (Whistle Blowing) Policy" is available to address this.

Cheryl Coppel
Chief Executive

1. INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Council has always sought to adopt a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability.
- 1.2 In adopting this strategy the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefit and those that do not.
- 1.3 This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into five areas:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.4 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, the Local Government Ombudsman, HM Customs & Excise, the Inland Revenue and other inspection bodies. These bodies are important in highlighting any areas where improvements can be made.
- 1.5 Fraud and corruption are defined by the Audit Commission as:
- Fraud – “the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to conceal the misappropriation of assets or otherwise for gain”.*
- Corruption – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*
- Fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the Council which is carried out to mislead or misrepresent”.*
- This strategy also covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*
- 1.6 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and their actions will not be tolerated.

2. CULTURE

- 2.1 The culture of the Council has always been one of openness and the core values of accountability and probity support this. The Council's culture therefore supports its opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone's responsibility.
- 2.3 The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence.
- 2.4 Concerns must be raised when members, employees reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:
- a criminal offence;
 - a failure to comply with a statutory or legal obligation;
 - improper unauthorised use of public or other funds;
 - a miscarriage of justice;
 - maladministration, misconduct or malpractice;
 - endangering of an individual's health and safety;
 - damage to the environment; and/or
 - deliberate concealment of any of the above.
- 2.5 Processes are also in place to ensure the public, contractors and partners of the Council are aware of the arrangements and feel confident highlighting concerns.
- 2.6 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner.
- 2.7 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 2.8 When fraud or corruption has occurred because of a breakdown or weakness in the Council's systems or procedures, Managers will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

3. PREVENTION

3.1 The Role of Elected Members

- 3.1.1 As elected representatives, all members of the Council have a duty to citizens to protect the Council from all forms of abuse.
- 3.1.2 This is achieved by supporting the anti-fraud and corruption strategy, promoting a culture of openness and compliance with the national code of conduct for members, the Council's procedure rules and the relevant legislation.
- 3.1.3 Elected members sign to confirm that they have read and understood the national code of conduct when they take office. These conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Assistant Chief Executive, Legal and Democratic Services advises members of new legislative or procedural requirements.

3.2 The Role of Managers

- 3.2.1 Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's policies, procedure rules, and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the national code of conduct for local government employees through the induction process.
- 3.2.2 Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.
- 3.2.3 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.
- 3.2.4 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. As with other public bodies, Criminal Records Bureau or appropriate checks are undertaken on employees. Further checks may be introduced in areas where an increased risk of potential fraud and corruption has been identified.

3.3 Responsibilities of Employees

3.3.1 Each employee is governed in their work by the Council's procedure rules, Financial Framework, Procurement and Contract Rules and other codes of conduct and policies (e.g. Health and Safety, Business Systems Policy). They are also governed by the code of conduct for local government employees. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the Council. All documents are also available to employees on the Council's intranet.

3.3.2 The Financial Procedure Rules clearly state:

“Every employee of the Council is responsible for reporting any matter that they believe to involve financial irregularity or misadministration in the Council's business, to their Group Directors, Assistant Chief Executive, Assistant Directors and Heads of Service, or directly to the Internal Audit & Corporate Risk Manager”.

3.3.3 In addition employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Council. These will be included in induction training and procedure manuals.

3.4 Responsibilities of Contractor and Partners

3.4.1 The Council expects all of its contractors, suppliers and partner organisations and individuals to act with honesty and integrity.

3.4.2 Arrangements are in place, in accordance with the Contract and Financial Rules, to have designated employees monitoring and controlling contracts. These employees will ensure contractors are aware of the arrangements in place for preventing fraud and corruption and the process by which concern can be raised. They will also ensure that terms of reference require contractors to co-operate with any investigation undertaken by Council officers.

3.4.3 Any person employed either through an agency on a temporary appointment, is expected to comply with the same rules as permanent employees within the organisation.

3.4.4 Partnership working is a key focus for the Council and key to the achievement of corporate objectives and goals. Responsibilities will regards reporting fraud and corruption as well as the means to do so will continue to be communicated during liaison meetings to ensure robust arrangements are in place.

3.5 Conflicts of Interest

- 3.5.1 Both elected members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, tendering of contracts, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

3.6 Role of Internal Audit

- 3.6.1 Internal Audit is within the Finance and Commerce Directorate and it plays a vital preventative role in trying to ensure that systems and procedures are in place.
- 3.6.2 Internal Audit promote a culture or awareness and zero tolerance to fraud via workshops, training and presentations.
- 3.6.3 It would be impossible to irradiate fraud completely and Internal Audit support management in considering risks within their areas, including the risk of fraud, and ensuring that appropriate controls are applied to prevent, deter and detect.
- 3.6.4 Internal Audit investigate cases of suspected irregularity, except benefit fraud investigations (see below), and liaise with management to recommend changes in procedures to prevent or mitigate further losses to the Council.
- 3.6.5 Internal Audit assists the Chief Financial Officer whose statutory role as S151 Officer requires her to ensure that the proper arrangements are in place to administer the Council's finances.

3.7 The Role of the Benefits Investigation Team

- 3.7.1 The Housing Benefits Fraud Investigation team is responsible for all benefit fraud investigations, in accordance with the requirements of relevant legislation. In cases where employees are involved, they will work with Internal Audit and senior management to ensure that correct procedures are followed and that this strategy is adhered to.

3.8 The Role of External Audit

- 3.8.1 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's

arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

3.9 Co-operation with Others

3.9.1 Internal Audit and Housing Benefits Fraud has links and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Metropolitan Police;
- London Audit Group;
- External Audit;
- Audit Commission;
- National Anti-Fraud Network;
- HM Revenue and Customs;
- Director of Works and Pensions;
- Benefit Fraud Inspectorate; and
- Other outside agencies.

4. DETERRENCE

4.1 Prosecution

4.1.1 The Council has adopted a benefits sanction policy and will review the need for a wider corporate prosecution policy to encompass the public, elected members and employees. It will be designed to clarify the Council's action in specific cases and to deter others from committing offences against the Council. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings.

4.2 Disciplinary Action

4.2.1 Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner.

4.2.2 Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Such cases, if not referred to the police, will be referred to the standards committee or group leader, as appropriate.

4.3 Publicity

- 4.3.1 The Council's Head of Communications will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. S/he will also ensure that the results of any action taken, including prosecutions, are appropriately reported via our internal and external publications.
- 4.3.2 In cases where financial loss to the Council has occurred, the Council will seek to recover the loss and where appropriate advertise this fact.
- 4.3.3 All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make the employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.
- 4.3.4 Regular reports will be made to the elected members and in particular the Audit Committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 Internal Audit plays an important role in the detection of fraud and corruption. Included in their Strategic plan are reviews of system financial controls and specific pro active fraud and corruption tests, spot checks and unannounced visits.
- 5.2 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.3 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with.
- 5.4 All suspected irregularities are required to be reported (verbally or in writing) to the Internal Audit and Corporate Risk Manager either by the person with whom the initial concern was raised or by the originator. This is essential to the strategy, and:
- ensures the consistent treatment of information regarding fraud and corruption;
 - facilitates a proper and thorough investigation by an experienced audit team.
- 5.5 Investigations undertaken by Internal Audit, or other appropriate Officers, must comply with codes of practice and other regulated powers. All interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000.

- 5.6 This process will apply to all the following areas:
- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by Council employees
 - d) fraud by contractors and their employees
 - e) external fraud (the public).
- 5.7 Any decision to refer a matter to the police will be taken by the Internal Audit and Corporate Risk Manager and where appropriate following consultation with the Finance and Commerce Group Director and the Council's Monitoring Officer.
- 5.8 Depending on the nature of an allegation under b) to e), the Internal Audit and Corporate Risk Manager or the Principal Audit Manager, Fraud will normally work closely with the Director concerned and Human Resources to ensure that all allegations are thoroughly investigated and reported upon.
- 5.9 The Council's disciplinary procedures will be used where necessary to facilitate a thorough investigation of any allegations of improper behaviour by employees.
- 5.10 The use of technology is an essential tool for Internal Audit in detecting and identifying misuse and abuse of IT systems. SurfControl Report Central is a web-based reporting tool that enables Internal Audit and Business Systems to run reports to investigate and identify Internet use of staff. A protocol is in place to ensure forensic examinations, either planned or random, are performed to a high level of confidentiality and securely.
- 5.11 Computerised fraud data bases are managed and controlled for all investigations into suspected fraud and corruption. This provides management control for the recording, monitoring and reporting of investigations carried out.

6. AWARENESS AND TRAINING

- 6.1 The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the Council.
- 6.2 To facilitate this, positive and appropriate provision has been made via induction and for new employees. The Internal Audit and Corporate Risk Manager also manages the annual fraud awareness campaign and this includes specialist training for certain elected members and employees.
- 6.3 The Chief Executive also communicates with employees on a regular basis reminding them of the importance of being vigilant and alert to the effects of fraud and encouraging employees to report any matter of concern.

- 6.4 The Internal Audit & Corporate Risk Manager reports general fraud and corruption issues to Corporate Management Team and Risk Management Group to ensure management consider the implications of issues arising and ensure appropriate steps have been taken to prevent similar issues in other parts of the Council. Internal publications are also used to communicate issues and good news stories with regards the prevention or detection of fraudulent activity.

7. CONCLUSION

- 7.1 The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values of accountability and openness. This strategy fully supports the Council's desire to maintain an honest Council, free from fraud and corruption.
- 7.2 The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The Council will maintain a continuous review of all these systems and procedures through Internal Audit.

8. STRATEGY REVIEW

- 8.1 This strategy will be reviewed annually and presented for approval by the Audit Committee.
- 8.2 The next review will be completed in August 2009.

9. KEY CONTACTS

Principal Audit Manager (Fraud) – Chris Nower ext 2617

Internal Audit & Corporate Risk Manager – Vanessa Bateman ext 3733

Benefits Investigation Service – Chris Henry ext 2413



MEETING	DATE	ITEM
AUDIT COMMITTEE	16 September 2008	11

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE EFFECTIVENESS OF AUDIT COMMITTEE

SUMMARY

This report reviews the role of the Audit Committee against guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and makes recommendations for action to further improve the arrangements in place.

RECOMMENDATION

1. To comment and confirm the results of the self assessment attached as Appendix 1.
2. To consider the criteria where full compliance is not evident and agree any action considered necessary.
3. To review the Committee's terms of reference and suggested amendments and comment.
4. To decide whether a revised terms of reference should be referred to the Governance Committee for formal approval.
5. To agree if action should be taken to address the other 'not met' criteria.
6. To consider the forward plan for the Committee and the appropriateness of agenda item and content.
7. To agree any changes to the format of agenda, following the discussions held.

REPORT DETAIL

A self assessment checklist provided by Cipfa has been used to assess the Audit Committee's effectiveness. The self assessment has been undertaken by the Internal Audit and Corporate Risk Manager with input from other relevant officers. There are 74 criteria overall and a met, not met or n/a rating has been attributed to each. Comments have been noted where further clarification or consideration of action is required, by the Committee.

The self assessment is broken down into areas and the results are as follows:

Composition and Establishment includes 23 criteria of which two are not fully met. The current terms of reference and a suggested update are attached as appendix B and C of this report.

Internal Control and Risk Management contains seven criteria all of which are met.

Regulatory Framework has six criteria for the Committee to assess themselves against. All are currently met.

There are 21 criteria with regards Internal Audit all are currently met.

There are eight criteria for External Audit. In two areas the Committee needs to consider its compliance.

Administrative Arrangements includes 6 criteria all of which are currently met.

There are three criteria under other issues. Consideration is needed for the criterion which is not currently met. It is suggested that no action is necessary.

As part of this review other examples of good practice were considered that may not have been specifically highlighted within the self assessment tool. These include:

- External Audit provided a session on 'Effective Audit Committees' with no significant actions arising;
- Robust challenge of information is evident in the minutes;
- Timetable for training is not just an ad hoc programme, but is in place going forward and reviewed periodically;
- Members Development Group exists and Leader of the Council is involved in work to enhance competencies generally; and
- Chairmanship and membership have not been subject to change.

Appendix D contains details of the planned agenda items for the Audit Committee. As part of this effectiveness review some consideration has been given to the format of the agenda and what is included within the reports. Members of the Committee are asked to consider the items they receive and how effective they are in providing information and assurance.

Financial Implications and risks:

None arising directly from this report, however the existence of an effective audit committee is fundamental in ensuring the Council maintains robust systems of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in appropriate action not being taken to address issues that arise.

Legal Implications and risks:

Any amendments to the Committee's Terms of Reference need to be reported to and agreed by Governance and Council.

Human Resources Implications and risks:

None arising directly from this report.

Equalities and Social Inclusion Implications and risks:

None arising directly from this report.

Staff Contact: Vanessa Bateman

Designation: Internal Audit & Corporate Risk Manager

Telephone No: 01708 43 3733

E-mail address: _____ .gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Cipfa publication 'Audit Committees – practical guidance for Local Authorities'.

SELF ASSESSMENT CHECKLIST – Review 2008

Status Key

1 = must do; 2 = should do; 3 = could do

		Met	Not Met	N/a	Comments
COMPOSITION, ESTABLISHMENT AND DUTIES					
1	Does the Audit Committee have written terms of reference that adequately and realistically define the committees role in accordance with CIPFA guidance		Not Met		The current Terms of Reference do not contain sufficient detail when assessed against guidance.
1	Have the terms of reference been approved by the full Council?	Met			
2	Are the terms of reference reviewed annually to take into account governance developments and the remit of other committees within the organisation?		Not Met		See Appendix C containing current terms of reference for review and comment. Issue of annual review of terms of reference to be raised at next Governance Group.
1	Has the membership of the committee been formally agreed and a quorum set?	Met			
1	Are committee members sufficiently independent of other key committees of this council?	Met			
1	Are meetings free and open without political influences being displayed?	Met			
1	Does the committee meet regularly?	Met			

		Met	Not Met	N/a	Comments
2	Are decisions reached promptly?	Met			
1	Does the authority's s151 officer or deputy attend all meetings?	Met			
2	Does the committee have the benefit of attendance of appropriate officers at its meetings?	Met			
1	Are the key officers available to support the Committee?	Met			
2	Can the Committee access other Committees as necessary?	Met			
3	Are agenda papers circulated in advance of meetings to allow adequate preparation?	Met			
2	Has the committee established a plan for the conduct of its own work across the year?	Met			
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Met			
2	Are changes to the Committee's current and future workload discussed and approved at Cabinet level?	Met			
2	Does the Committee report regularly to the Cabinet?	Met			
1	Is induction training provided to members?	Met			
2	Is more advanced training available as required?	Met			

		Met	Not Met	N/a	Comments
2	Have all members skills and experiences been assessed and training available / given for identified gaps?	Met			
2	Do members have sufficient knowledge of the organisation to identify key risk areas and to challenge both line management and the auditors on critical and sensitive matters?	Met			
2	Does at least one Committee member have a financial background?	Met			
2	Does the Committee prepare an annual report on its work and performance in the preceding year for consideration by Cabinet?	Met			
INTERNAL CONTROL AND RISK MANAGEMENT					
2	Has the Committee formally considered how it integrates with other committees that are reviewing risk?	Met			
2	Has the Committee formally considered how its work integrates with wider performance management and standards compliance?	Met			Agreed to reconfirm the relevant roles of Audit and Governance Committee to ensure both are clear and no duplications or overlaps arise.
1	Does the Committee take a role in overseeing:- <ul style="list-style-type: none"> • Risk Management Strategies • Internal Control Statements • Anti-fraud arrangements • Whistleblowing Strategies 	Met			

		Met	Not Met	N/a	Comments
2	Has the Committee been briefed on its assurance responsibilities with regard to internal control and risk management, particularly with regard to the statement on Internal Control, the Assurance Framework, and the Chief Auditor's Opinion?	Met			
2	Has the Committee reviewed whether the reports it receives are timely and have the right format and content to ensure its internal control and risk management responsibilities are discharged?	Met			
2	Is the Committee satisfied that Cabinet has been advised that assurance reporting is in place to encompass all the organisations responsibilities?	Met			
2	Is there clarity over the timing and content of the assurance statements received by the Committee from the Chief Auditor?	Met			
REGULATORY FRAMEWORK					
2	Does the Committee maintain an overview of the council's constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour?			N/a	This falls within the remit of the Governance Committee, and the Standards Committee for the Members Code of Conduct.
1	Does the committee review any issue referred to it by the Chief Executive or a director, or any council body.	Met			
1	Does the Committee monitor the effective development and operation of risk management and corporate governance in the council.	Met			Audit Committee monitor Risk Management. Corporate Governance is on Governance Committee agenda.

		Met	Not Met	N/a	Comments
1	Does the committee monitor council policies on “Raising Concerns at Work” and the antifraud and corruption strategy and the council’s complaints process?	Met			
1	Does the Committee oversee the council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice?			N/a	This falls within the remit of the Governance Committee.
2	Does the Committee consider the council’s compliance with its own and other published standards and controls?	Met			
INTERNAL AUDIT					
1	Do formal terms of reference exist, defining Internal Audit’s objectives, responsibilities and reporting lines?	Met			
1	Are the terms of reference approved by the Committee and routinely reviewed?	Met			
2	Do the terms of reference adequately specify the relationship between the Chief Auditor and the Audit Committee?	Met			
2	Are the key principles of the terms of reference set out in the Financial Standing Orders?	Met			
1	Does the Committee input to the strategic audit approach?	Met			
1	Does the committee input to the Internal Audit Plan at the beginning of the financial year?	Met			
2	Does the Committee consider any material changes to the plan?	Met			

		Met	Not Met	N/a	Comments
2	Are audit plans derived from clear processes based on risk assessment with clear links to the Assurance Framework?	Met			
1	Does the Audit Committee receive periodic / annual report from the Chief Auditor on the work of Internal Audit?	Met			
3	Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	Met			
2	Does the committee effectively monitor the implementation of management actions arising from audit reports?	Met			
1	Does the Chief auditor have a direct line of reporting to the Committee and its chairman?	Met			
2	Are any scope restrictions placed on Internal Audit and, if so, What are they and who establishes them?	Met			
2	Is Internal Audit free from any operating responsibilities or conflicts of interest that could impair its objectivity?	Met			Nb. Risk Management responsibilities sit with the Internal Audit Team, however this is considered in the auditing of such activities and independent auditors will be used.
2	Has the Committee determined the appropriate level of detail it wishes to receive from Internal Audit?	Met			
1	Does the Committee hold periodic private discussions with the Chief Auditor?	Met			
2	Does the Committee review the effectiveness of Internal Audit and the adequacy of staffing and resources within Internal Audit?	Met			

		Met	Not Met	N/a	Comments
3	Has the Committee agreed a range of Internal Audit performance measures to be reported on the routine basis?	Met			
1	Are summaries of quality questionnaires from clients reviewed?	Met			
2	Does the Committee review the effectiveness of Internal Audit and the adequacy of staffing and resources within Internal Audit?	Met			
3	Has the Committee agreed a range of Internal Audit performance measures to be reported on the routine basis?	Met			
1	Are summaries of quality questionnaires from clients reviewed?	Met			
2	Is there appropriate cooperation with the External Auditors?	Met			
3	Are there any quality assurance procedures to confirm whether the work of the Internal Auditors is properly planned, completed, supervised and reviewed?	Met			
EXTERNAL AUDIT					
1	Does the Audit Committee have an input to the External Auditors audit plans and strategy?	Met			
2	Has the Committee satisfied itself that work not relating to the financial statements work is adequate and appropriate?	Met			
1	Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations?	Met			
2	Does the committee receive and monitor actions taken in respect of prior year's reviews?	Met			

		Met	Not Met	n/a	Comments
1	Does the Committee review the External Auditors reports / annual audit letter?	Met			
1	Does the Committee hold periodic private discussions with the External Auditor?		Not Met		Suggested that Committee Chair invites External Auditor to annual private meeting. Action to be considered by Committee.
2	Does the Committee assess the performance of External Audit?	Met			
1	Are reports on the work of other inspection agencies presented to the Committee?		Not Met		Suggested no action necessary as changes to inspection regime as we move to Corporate Area Assessment will mean that inspections are harmonised. To be considered by Committee at meeting.
ADMINISTRATIVE ARRANGEMENTS					
2	Does the Committee have a work plan covering the coming year?	Met			
1	Are papers circulated in good time and are minutes received as soon as possible after the meetings?	Met			
2	Does the Committee meet the appropriate number of times to deal with planned matters?	Met			
1	Are Committee papers distributed in sufficient time for members to give them due consideration?	Met			
2	Are Committee meetings scheduled prior to important decisions being made?	Met			

		Met	Not Met	n/a	Comments
2	Is the timing of Committee meetings discussed with all the parties involved?	Met			
OTHER ISSUES					
3	Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and the benefits?		Not Met		Suggested no action necessary as Annual Report details the activity of the Committee. To be considered by Committee at meeting.
2	Does the committee assess its own effectiveness periodically?	Met			
3	Does the Annual Report and Accounts of the Authority include a description of the Committee's establishment and activities?	Met			

APPENDIX B

Current Terms of Reference for Audit Committee from the Councils Constitution.

Audit 6 Councillors, or the number of councillors determined by Council from time to time.

Internal control

- To consider and monitor the adequacy and effectiveness of the authority's risk management and internal control environment and to make recommendations to full Council where necessary.

External audit

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

Internal audit

- To support the Group Director Finance & Commercial with his or her delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To receive and approve the Annual Statement of Accounts.
- To monitor proactive fraud and corruption arrangements.

APPENDIX C

Suggested Revised Terms of Reference for Audit Committee

Membership

Audit 6 Councillors, or the number of councillors determined by Council from time to time.

Responsibilities

The Audit Committee will annually agree a work programme to monitor, review and comment on the following areas:-

Internal Control & Risk Management

Monitoring the adequacy and effectiveness of the authority's risk management and internal control environment, receive the Head of Internal Audits annual report and opinion, and to make recommendations to full Council where necessary.

Monitor implementation of audit recommendations in reasonable timescale.
Approval of relevant policy and strategy documents.

Internal Audit including Anti Fraud and Corruption arrangements

Performance and effectiveness of service
Consideration of summaries of specific audit reports.
Approval of Audit Plan and relevant policy and strategy documents.

Financial Management

Receive and approve the Annual Statement of Accounts. Consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the audit that need to be brought to the attention of Council.

External Audit

Performance, effectiveness and value for money of service.
Findings of external audit work.
Appointment of External Auditor via liaison with the Audit Commission.

Appendix D**Agenda Items by meeting**

The table below illustrates the agenda items at each Committee Meeting during the year.

Agenda Item	June	Sept	Dec	March	April
External Audit Progress Report	Y	Y	Y	Y	
Annual Accounts	Y				
External Audit Plan	Y		Y		
Annual Governance Report		Y			
Internal Audit Annual Report	Y				
Internal Audit Progress Report Audit	Y	Y	Y	Y	
Internal Audit Progress Report Fraud	Y	Y	Y	Y	
Internal Audit Progress Report Risk Management	Y		Y		
Annual Review of Fraud		Y			
Annual Review of Risk Management			Y		
Annual Schools Report		Y			
Audit Plan & Strategy					
Internal Audit Charter & Terms of Reference					
Annual Grants Report					Y
Annual Review of Whistle blowing					Y
Annual Review of Money Laundering					Y
Audit Committee Annual Report					Y
Use of Resources Report				Y*	Y
Annual Audit Letter				Y*	Y
Total Planned Agenda Items	7	7	6	4 or 6	4 or 6

Notes on table contents

* May be March or April depending on timing of Committee.

The Internal Audit Progress Report has been split into three agenda items as report was not manageable as one item with current content.

The reports previously provided regarding outstanding audit recommendations would in future form part of the Internal Audit Progress Report.

Possible changes to format of agenda for discussion

Having considered the self assessment of the Committee and the current Terms of Reference it is timely to review how the meetings work, the agenda and the information provided. This process is key to ensuring the Audit Committee remains effective going forward and members receive the assurance they need to fulfil their relevant roles and responsibilities.

Feedback previously provided by Members on the contents of the management summaries of audit reports, which are included in the Internal Audit Progress Report, have been considered and a new report format designed and rolled out for 2008/09.

Below is a list of possible changes to the format:

- Fraud progress could be reported to two meetings per year rather than four;
- Some information could be distributed outside of the agenda in a more timely manner than quarterly reporting allows;
- Internal Audit Progress Report could focus on higher risk and lower assurance audits rather than giving same level of detail with regards all reviews; and
- Consideration needs to be given to whether the Committee wishes to receive the Annual Whistle Blowing Report as this review has highlighted that the Constitution indicates that this report should go to Standards Committee.

Other factors for members to consider

- Should content of reports revised to meet needs of Committee?
- Does the frequency of meetings meet the needs of the Committee?



MEETING	DATE	ITEM
AUDIT COMMITTEE	16 th September 2008	12

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ADULT SOCIAL SERVICES REVIEW

SUMMARY

This report sets out the results of the review into the circumstances surrounding the additional £5m investment into Adult Social Services in 2007/08.

RECOMMENDATION

1. To note the report.
2. To agree the Panel meets to review the position in six months.

REPORT DETAIL

1. **Background**
 - 1.1 Members of the Audit Committee requested a full report surrounding the issues in respect of Adult Social Services.
 - 1.2 Corporate Overview and Scrutiny Committee reviewed the circumstances surrounding the in year budget growth and requested further information when it was available.

1.3 It was appropriate, given the level of review, that a Panel be formed to review the report and all supporting papers. This was agreed and it was also deemed appropriate that Adult Overview and Scrutiny Committee has an involvement in a review and, hence, the Chair of the Adult Overview and Scrutiny Committee was invited to join the Review Panel.

1.4 The Review Panel consisted of:

Cllr Clarence Barrett – Audit Committee
Cllr Jeffrey Brace – Adult Overview & Scrutiny Committee
Cllr David Grantham – Audit Committee
Cllr Robby Misir – Corporate Overview & Scrutiny Committee
Cllr Ray Morgon – Corporate Overview & Scrutiny Committee

2. Operation of the Panel

2.1 The Panel met three times in July and August.

2.2 The first meeting involved a presentation of a pack of information. This included:

- Interim Management assessment
- All Audit reports from 2007/08
- The basis of the budget
- Actions already taken to date

2.3 As a result of the first meeting, a further pack of information was requested, which included the management information that was being used in 2006/07 and the type of management information being used now.

2.4 Prior to the second meeting, a number of questions were posed by the Members and this formed the basis of the discussions at the second meeting.

This included discussing:

- (i) Breakdown of all Adult Services activities and who provides them.
- (ii) How all activities are recorded and monitored.
- (iii) List of statutory services.
- (iv) Details of how all activities are case managed.
- (v) Adult Services Establishment.
- (vi) Is there now sufficient budget to support all the established posts?
- (vii) What are the budgets in the last three years compared with out-turn?
- (viii) The overspend for 2005/06 was £1.5m and 2006/07 £4.4m, but what were the out-turn positions in 2003/04 and 2004/05?

- (ix) Income from each activity (including grants).
- (x) Have income levels now been adjusted to reflect a realistic position?
- (xi) What is the current level of outstanding debt and how old is it?
- (xii) What levels of debt have been written off in the last couple of years?
- (xiii) Details of unresolved income or expenditure claims.
- (xiv) Unit cost per activity benchmarked against other neighbouring Councils.
- (xv) List of management reports generated by Swift.
- (xvi) Contractual arrangements with 3rd parties.

3. The Outcome

3.1 Having reviewed and discussed the circumstances, the Panel requested the Group Directors for Social Care and Learning and Finance and Commerce discuss with CMT the following:

3.1.1 Systems are reviewed to ensure:

- (a) Clear accountability for data quality with adequate cross checks to validate accuracy and “smartness”.
- (b) Links exist between financial and non-financial information, e.g. number of placements, and are used in managing the service.
- (c) The establishment reconciles to the budget and is reported upon at the review meeting in 6 months.

3.1.2 Group Directors should satisfy themselves that

- (a) performance reporting, both finance, is robust and they provide adequate challenge;
- (b) savings options being put forward are robust and sustainable.

3.1.3 Audit recommendations are addressed promptly and Heads of Service report to Audit Committee to explain when this has not been achieved.

3.1.4 Managers are encouraged to share problems they have in order to get support in resolving these.

3.2 These recommendations have been discussed at the Corporate Management Team and are being taken forward.

Financial Implications and risks:

None arising directly.

Legal Implications and risks:

None arising directly.

Equalities and Social Inclusion Implications and risks:

None arising directly.

Staff Contact:	Rita Greenwood
Designation:	Group Director Finance & Commerce
Telephone No:	01708 432218
E-mail address:	rita.greenwood@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Notes of the Panel meetings.