

AUDIT COMMITTEE

AGENDA

7.30pm

Tuesday,
22 April 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
Barbara Matthews

Rainham and Wennington Independent Residents Group (1)

Mark Stewart

For information about the meeting please contact:

Norman Bond (01708) 432439

E-mail: Norman.Bond@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 4th March 2008 and to authorise the Chairman to sign them.

5. AUDIT COMMISSION REPORTS & PROGRESS UPDATE ON PRIOR YEAR REPORTS.

6. GRANTS REPORT 2007/08.

7. UPDATE ON INTERNAL AUDIT 2003/2004 OUTSTANDING RECOMMENDATIONS.

8. ANNUAL REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS.

9. ANNUAL REVIEW OF THE COUNCIL'S MONEYLAUNDERING ARRANGEMENTS.

10. ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE & WORK PLAN FOR 2008/09.

11. URGENT BUSINESS

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

Cheryl Coppel
Chief Executive

Audit Committee, 22 April 2008

AUDIT COMMITTEE

Additional Papers (Item 5) *

7.30pm	Tuesday, 22 April 2008	Havering Town Hall Main Road, Romford
--------	---------------------------	--

COUNCILLORS:

Conservative Group (5)

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

Residents' Group (2)

Clarence Barrett
Barbara Matthews

Rainham and Wennington Independent Residents Group (1)

Mark Stewart

* ***Regrettably due to confusion between our District Auditor and Council Officers, the material and background papers for item 5 of the 22 April 2008, Audit Committee agenda are incomplete.***

I attach a revised full set of papers for item 5 and ask that you disregard the previous papers relating to this item that were attached to the original agenda. (The remainder of the agenda paperwork is unaffected)

Please accept our apologies for this omission and the limited time you may now have to scrutinise the enclosed material.*

For information about the meeting please contact:

Norman Bond (01708) 432439

E-mail: Norman.Bond@haverling.gov.uk



MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
4 March 2008 (7.30pm – 9.15pm)

Present:

COUNCILLORS

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

Residents' Group Clarence Barrett and Barbara Matthews

Apologies were received from Councillor Michael Armstrong

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.

23 MINUTES

After minor amendment the minutes of the meeting held on 11 December 2007, were agreed as a correct record, and signed by the Chairman.

24 AUDIT COMMISSION PROGRESS REPORT – Audit Commission

The Audit Commission – District Auditor presented the report to the Committee. The Committee's attention was drawn to the completed ALMO inspection and the Comprehensive Area Assessment (CAA) that will now replace the Comprehensive Performance Assessment (CPA).

Members were led through Appendix 1 and the Committee noted the Council's assessment as three (out of four) star authority and the comment that it is improving well.

The Committee sought clarification as to the District Auditor's opinion of the measures it had put in place for such contingencies as referred to in 'Staying afloat: financing emergencies' and the level of assistance that could be available. The District Auditor explained that the Audit Commission does not assess plans but examines the Council process of questioning its measures to enable robust and adequate strategies to be put in place.

Clarification on investigating market competition and testing was also provided by the District Auditor.

Members were informed that interim visits to test control of systems leading to the accounts had not been reported as these were not complete. This will form part of a future report.

The Committee **considered and noted** the Audit Commission's report.

25 INTERNAL AUDIT REPORT (1 October 2007 – 31 December 2007)

The Internal Audit & Corporate Risk Manager presented this report to the Committee which was scrutinised by Members.

The Committee's attention was drawn to two qualified audits within schedule 3 and the deferred audits within schedule 5. The deferred items will be given priority at the start of the new year.

Other areas highlighted for Members were the closed fraud investigations (section 5), the fraud hotline reporting (schedule 10) and the improved KPI's that were now back on track.

The Internal Audit & Corporate Risk Manager expanded on the outstanding internal audit recommendations 2003/04 (schedule 10). The final accounts item is overdue but now underway. Adult Social Services items were delayed due to external inspection. It is hoped these can be cleared off by the next meeting. The Libraries' item is unlikely to be complete until 2008/09.

Members expressed concern at the large number of outstanding historic items. The Internal Audit & Corporate Risk Manager offered to provide further background information should Members wish. An explanatory paragraph will be included in future reports to clarify the position of each of the outstanding item from 2003/04. This will compliment new profiles being put in place to improve reporting lines to the Committee. Members expressed a wish to see these historic items completed and removed as soon as possible.

In response to Members questions the Internal Audit & Corporate Risk Manager confirmed that:

1. risk assessments would be undertaken on the outstanding internal and external audit recommendation.
2. a review of the risk of non-compliance would be completed and reported to the Committee.
3. new performance systems being introduced will assist the Committee and Head of Service.

4. clarification of the income and expenditure costs for receiverships will be circulated to Members by e-mail.
5. although action has been taken to address the issues raised by the employment status audit, The Head of Financial Services is not yet able to provide the Committee with complete assurance as to the system in place. Managers are regularly reminded regarding the appointment of consultants and agency employees. Consultant and agency spending is tracked and is cross-checked against the type of organisation with whom the Council is dealing. This area will be revisited as part of the Internal Audit programme and the employment status audit is due to be followed up in May 2008.
6. the duplicate payment item is thought to be a rarity now new agency payment arrangements were in place. Concern was expressed that, given the small sample, a duplicate payment was found. Members were informed that the Payments Team now trawl all Council payments in addition to completing a creditor's audit. This should remove most duplicate payments. Reminders are regularly sent to staff not to pay fax or photocopy invoices. New e-procurement systems that do not allow for the input of duplicate invoice number should help eliminate duplicate payments. It was noted that one-off suppliers can give problems when credit notes are issued where no off-set is possible. These must be recovered manually.
7. the £240 duplicate payment mentioned in the report would have been picked up within the existing systems if this had not been identified within the audit sample.
8. the controls over payments were reviewed in a separate creditors audit will come to the Committee in June.
9. following the closure of the Town Hall Cash Office, new cash handling procedure have been issued. These updated and improved the whole petty cash framework. It is hoped that, in time, it will be possible to take cash out of offices by using p-cards.
10. where audits were delayed due to officer sickness, this was at Internal Audit's discretion, often to prevent the service concerned from missing important deadlines or targets when new systems were being installed. Members were asked to note that Internal Audit often request Heads of Service to bring an audit forward when surplus Internal Audit resources become unexpectedly available.

The Head of Business Systems provided confirmation to the Committee that:

- a. e-mail security and governance were reviewed annually and the current policy was to be reviewed in June for report to the Committee in September.
- b. all new employee's are asked to sign up to the Council's policy confirming that their e-mails can be monitored.
- c. Freedom of Information and Data Protection schemes were reviewed regularly with the Information Commissioner.

- d. new e-mail users are now given an arbitrary initial password and follow-up enquiry is made to ensure this has later been changed by the user. The process for changing Members' passwords was briefly outlined.

Members **noted** the report.

26 INTERNAL AUDIT CHARTER & TERMS OF REFERENCE

The Committee were informed that the Internal Audit Charter and Terms of Reference had been up-dated using the CIPFA Code of Practice – UK 2006, and example documents from other local authorities.

Members **resolved** to **approve** the revised Internal Audit Charter and Terms of Reference.

27 INTERNAL AUDIT STRATEGY & OPERATIONAL PLAN 2008/09

The Internal Audit & Corporate Risk Manager presented a report to the Committee and highlighted that the Audit Strategy had been drafted with reference to guidance from CIPFA and examples from other local authority audit teams.

The Internal Audit & Corporate Risk Manager had met all Heads of Service to discuss the new systems. The total audit day allocation had been included for Members information. The Strategy will help future performance planning.

A review of service risk registrars had been undertaken and the Plan will go out again to service managers for consultation and then to the Council's senior management team. The size of the Plan now reflects the increased workload of the Audit Services Team. Once the Plan was complete the document will be referred back to the Committee for approval.

Responding to Members' questions the Internal Audit & Corporate Risk Manager clarified:

- I. the Audit Commission do rely on the work of the Internal Audit Services Team but currently no discount for this is given. New auditing arrangements should encourage more benefits from the managed audit approach.
- II. a new Internal Audit Services Team structure is being put in place. The budget provided will permit a total team strength of nine (currently 6) and recruitment will take place shortly with the posts being advertised internally and externally. The additional posts when recruited to, will allow completion of the larger audit plan that has been put forward for approval.

Audit Committee, 4 March 2008

- III. specialist computer audit services are contracted-in from Deloitte's.
- IV. exploratory discussions have been undertaken with neighbouring borough's to exchange internal auditing services, standardise reporting and review risk management mechanisms. This will improve independence, especially in governance.
- V. She felt able to proactively approach colleagues as part of her role and had the means to interface privately, where necessary, with Committee Members.

The Committee **approved** the strategy and plan and **agreed** the report recommendations.

28 AUDIT AND INSPECTION ANNUAL LETTER 2005/06

The Committee **deferred** consideration of this report.

29 URGENT BUSINESS

None.



MEETING	DATE	ITEM
AUDIT COMMITTEE	22 April 2008	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION REPORTS AND UPDATE ON PREVIOUS AUDIT COMMISSION ACTION PLANS

SUMMARY

This report updates the Committee on a range of Audit Commission reports and where appropriate the progress that has been made towards implementing the recommendations.

The Audit Commission reports covered are;

Annual Letter 2004/05
Annual Letter 2005/06
Annual Letter 2006/07
Use of Resources report 2007/08

RECOMMENDATION

To consider the contents of the reports and to note the progress made towards implementing the recommendations.

REPORT DETAIL

1 Annual Letter 2004/05

1.1 The 2004/05 Annual Letter was re-presented to the Audit Committee during 2007 following the overspend identified in Adult Social Services. Since then, the issues arising from the 2004/05 Annual Letter have been addressed and Adult social Services have been subject to an external inspection by the Commission for Social Care Inspectorate. The results from this inspection are being considered by a separate panel; the updated elements to the 2004/05 Action Plan are attached as Appendix 1.

2 Annual Letter 2005/06

2.1 The main messages for the Council included in this report are:

2.1.1 the Council has progressed to a three star authority under the CPA framework and is improving well;

2.1.2 an unqualified opinion was issued on the Council's 2005/06 Accounts and an unqualified value for money conclusion; and

2.1.3 improvements in service areas and the corporate centre have been recognised in recent inspection and review scores.

2.2 The report identified actions that the Council needed to take. The Council should:

2.2.1 implement appropriate actions to address the improvement areas highlighted in the Corporate Assessment;

2.2.2 ensure there are appropriate systems and processes in place to generate robust information for all performance indicators; and

2.2.3 review adult social services to identify and address the barriers to achieving service improvements at a faster rate.

2.3 In response to these actions;

2.3.1 The Council's Management Team has developed and agreed a series of actions to address the improvement areas highlighted in the Corporate Assessment. These are all either completed or embedded in existing workstreams, so will not now be monitored as a separate concern, though the remaining outstanding issues will be picked up in Service Plans.

2.3.2 An Action Plan for implementing the recommendations in respect of data quality was agreed; an item in respect of updating the training around data quality will be implemented as part of the training to implement the electronic performance e management system during April – May 2008. The Audit Commission have carried out a follow up review of Data Quality, the draft report published earlier this year. This noted that all PIs checked were unqualified, an improvement on the previous report, noting that the Council's systems are adequate. A further Action Plan has been put forward and is being agreed. This will be presented to a future meeting of the Audit Committee.

2.3.3 As noted earlier, a range of actions have been taken to improve the situation in Adult Social services, and these are being reported to a separate panel.

3 Annual Letter 2006/07

3.1 This was presented to the Cabinet on 26 March 2008. The Annual Letter 2006/07 is presented to the Committee for the first time and is therefore attached in full as Appendix 2. The main messages for the Council included in this report are:

3.1.1 the Council is a three-star authority and continues to improve well;

3.1.2 an unqualified opinion was issued on the Council's 2006/07 accounts and an unqualified value for money conclusion;

3.1.3 inspections of the Council's culture service and ALMO concluded that they were both providing a one-star service with promising prospects for improvement; and

3.1.4 there has been some improvement in the quality and robustness of performance information, although more needs to be done.

3.2 Actions needed by the Council. The Council should:

3.2.1 ensure that funding levels for adult social services are sustainable and that investment is delivering the planned efficiency gains and service improvements;

3.2.2 implement the recommendations included in the culture inspection report;

3.2.3 work in partnership with the ALMO to secure improvements arising from the recent inspection report; and

3.2.4 embed arrangements for ensuring the robustness of performance information.

3.3 The Cabinet on 26 March 2008 agreed that the relevant Group Directors and Portfolio holders implement the improvements identified.

4 Use of Resources 2007/2008

- 4.1 This was reported to the Cabinet on 26 March 2008. The Auditor's judgement was that the Council achieved 'level 3' on the Use of Resources – 'Consistently above minimum requirements – performing well.
- 4.2 The Use of Resources assessment is expected to undergo a fairly major change in 2009, with the focus moving away from finance specifically to look at resources in a broader sense. It is essential that senior officers are aware of this and that actions are in place to embed the new requirements ahead of the assessment in late 2009.
- 4.3 The Report / Action Plan has been agreed and is attached. It contains the steps the Auditor judges the Council needs to take to reach level four and is therefore longer than normal. As with the 2006/07 Annual Letter, the Cabinet on 26 March 2008 agreed that the relevant Group directors and Portfolio holders implement the improvements identified.

5 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.

6 Legal Implications and risks:

None arising directly from this report

7 Human Resource implications and risks:

None arising directly from this report

8 Equalities and Social Inclusion implications:

None arising directly from this report.

Staff Contact: Jonathan Owen
Assistant Chief Executive Strategy & Communications

Telephone: 01708-43074

E-mail address: Jonathan.Owen@havering.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers : None

Appendix 1 - ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN as at 18 February 2008.

Recommendation & Key Tasks	Lead Officer	Comments; including progress & Next Steps	Timescale
<ul style="list-style-type: none"> Ensure better budget setting and financial management in care provision 	Chris Haynes - Interim Modernisation Manager.	<p>A systems integrity team has been developed to support the recommendation. To date the following has been achieved:</p> <p>All residential and nursing care provisions with costs are known and reconciled to budget and actuals monthly. From April 2008, the budget allocation, expenditure, and income will all be linked within the care management system (SWIFT). The payments to providers and collection of income will be made via SWIFT, proving one data source for financial management.</p> <p>The introduction of an electronic data capture system for homecare being introduced April 2008 will link between budget, expenditure and income. There will be in built budget controls will ensure no costs can be committed where there is insufficient budget and/or not the appropriate delegated authority.</p> <p>2008/09 budget development has been based upon current and expected future care provision and likely cost pressures. A number of regular monitoring reports to map variances between budget, expenditure and income have been developed.</p>	Complete
<ul style="list-style-type: none"> Improve performance on direct payment 	Eileen Means - Interim HoS	Take up of Direct Payments has risen steadily from 21 at the start of 2004/5, 102 in 2005/6 and 188 in 2006/7. The service continues to actively promote this facility especially for Older People and People from BME groups.	Complete
<ul style="list-style-type: none"> Improve the number of service users who receive care reviews 	Eileen Means - Interim HoS	Service users who have received a review continues to increase: 2004/5 = 46.1%, 2005/06 = 43.5% and 2006/7 = 64.6%. Weekly monitoring meeting chaired by the Interim Head of Service have been implemented which has effected close performance monitoring and more accurate recording of reviews on the SWIFT. Target for 2007/8 is 75%.	Complete

Appendix 1 - ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN as at 18 February 2008.

Recommendation & Key Tasks	Lead Officer	Comments; including progress & Next Steps	Timescale
<ul style="list-style-type: none"> • Improve recording of ethnicity 	Eileen Means -Interim HoS	Ethnicity recording of Service Users has increased from 74% in 2004/5, 91.2%in 2005/6 and 93.5% in 2006/7. Work continues to achieve 100%.	Complete
<ul style="list-style-type: none"> • Monitor performance information 	Eileen Means - Interim HoS	Monthly Performance packs are produced by Quality & Performance Team which are monitored internally by Adult Social Service Board and by Corporate Performance Team.	Complete

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

London Borough of Havering

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.
- 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, 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

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to 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 0844 798 7070.

© Audit Commission 2008

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

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is Havering Council performing?	6
The improvement since last year - our Direction of Travel report	7
Service inspections	8
Other Inspectorates and Regulators	9
The audit of the accounts and value for money	11
Looking ahead	14
Closing remarks	15
Availability of this letter	15

Key messages

- 1 The main messages for the Council included in this report are:
 - the Council is a three-star authority and continues to improve well;
 - we issued an unqualified opinion on the Council's 2006/07 accounts and an unqualified value for money conclusion;
 - inspections of the Council's culture service and ALMO concluded that they were both providing a one-star service with promising prospects for improvement; and
 - there has been some improvement in the quality and robustness of performance information, although more needs to be done.

Action needed by the Council

- 2 The Council should:
 - ensure that funding levels for adult social services are sustainable and that investment is delivering the planned efficiency gains and service improvements;
 - implement the recommendations included in the culture inspection report;
 - work in partnership with the ALMO to secure improvements arising from the recent inspection report; and
 - embed arrangements for ensuring the robustness of performance information.

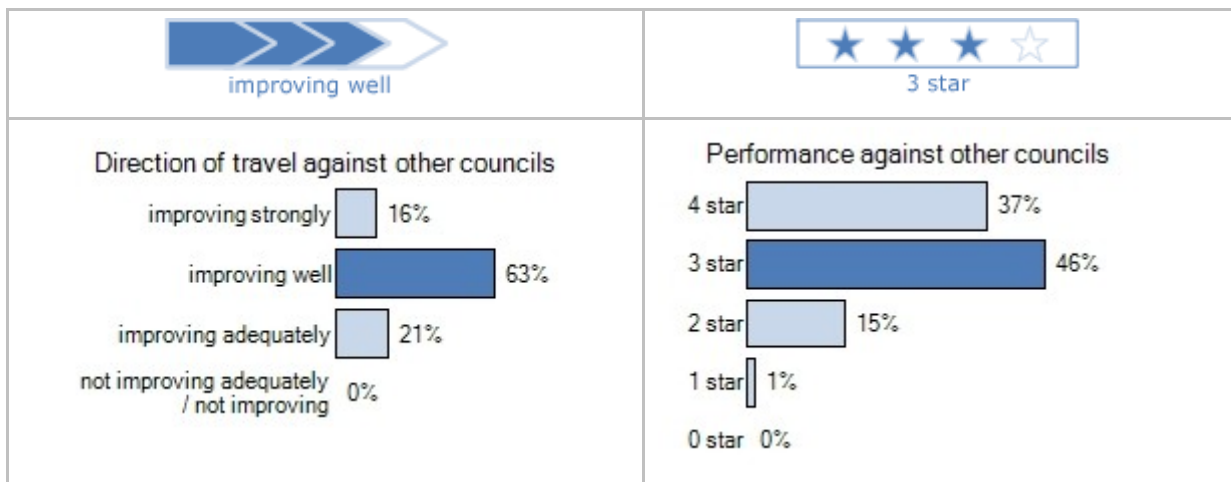
Purpose, responsibilities and scope

- 3 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 We have addressed this letter to Members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 5 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish it on its website.
- 6 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 7 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 8 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Havering Council performing?

- 9 The Audit Commission’s overall judgement is that Havering Council is improving well and we have classified Havering Council as three-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis

Source: Audit Commission

- 10 The detailed assessment for Havering Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 star
Corporate assessment	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	2 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	3 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

- 11 Havering Council is improving well. Havering is continuing to improve local services. The quality of children's social care services is good and excellent performance in education has been sustained. The focus on priority services has continued and housing services have improved. Progress in improving adult social care has been made, but the Council recognise further work is needed. Council spending is robustly monitored and remains low compared with other London boroughs. The Council can demonstrate it is delivering value for money.
- 12 The Council is working well with partners and there are significant reductions in crime and improvements in regeneration, attracting investment to the town centres and Thames Gateway. The Council is increasing its capacity to improve services to diverse communities. Access to local services has advanced. Work continues to enhance public satisfaction levels, which although significantly increased, remain below the London average.
- 13 The opportunities from the 2012 Olympics are recognised and are being taken forward. There are ambitious plans to further develop Romford town centre. Priorities are supported by robust performance monitoring arrangements. The Council is well placed to deliver further improvements to frontline services.

Service inspections

Culture

- 14 The inspection reviewed cultural services provided by the Council including libraries, parks and open spaces, leisure services and facilities for the arts. The inspection found that cultural services are contributing towards the achievement of national and local objectives. There are good examples of partnership working to improve the availability, accessibility and funding of services. Investment is allocated according to responses from user consultation and there is a strong track record of improvement. However, more needs to be done to encourage participation by under-represented groups in the Borough. Standards of service are inconsistent and the Council would benefit from defining more clearly its quality standards. Scope also exists to increase on-line access. The inspection concluded that the Council currently provides fair (one-star) cultural services which have promising prospects for improvement.

Homes in Havering (ALMO)

- 15 The ALMO was assessed as providing a fair (one star) service with promising prospects for improvement. Since it was established in July 2006, the ALMO has delivered improvements in tenant choice, participation and access to services which has led to increased resident satisfaction. Condition surveys are robust and inform the maintenance programme. While the administration of responsive repairs has improved, repairs are not always completed within the target time or on the first visit. Performance in ensuring services meet stated equality and diversity objectives also needs improvement. The ALMO is working with other agencies to reduce crime and disorder although customer satisfaction levels in this area are less positive. While standards of grounds maintenance are generally good, they are poor in some internal communal areas. The ALMO delivers a comparatively low cost service and significant savings have been achieved through reviewing contracts. However, action plans need to be developed to ensure value for money continues to be delivered over the medium term. Capacity at a senior level is good although the dependency on agency staff at other grades needs to be addressed.

Other Inspectorates and Regulators

- 16 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year, the Council has received the following assessments from other inspectorates.

Benefit Fraud Inspectorate (BFI)

- 17 BFI assessed the Council as providing a good service. During the year, the Council's performance improved across a number of areas, including a reduction in the time taken to process new claims from 31 days in 2005/06 to 27 days in 2006/07 and a reduction in the average time to process changes in circumstances, from 15 days in 2005/06 to 13 days in 2006/07. The benefits service continues to take appropriate action to prevent and detect fraudulent claims and has effective arrangements in place for managing its resources.

Ofsted

- 18 Ofsted has assessed the Council's services for children and young people as level 3 (out of 4). The Council has responded promptly and positively to the recommendations from last year's Joint Area Review. The education service remains outstanding and makes an excellent contribution to the achievement of children and young people. Results for GCSEs and A Levels are well above the national average. Actions taken in the year, such as transforming the strategy for 14-19 year olds and increasing the range of provision in secondary schools, are expected to deliver positive outcomes. The Council has worked with the local primary care trust to tackle physical and mental health priorities. Performance on looked after children compares favourably with London and national averages. The Council's capacity to improve is also now considered outstanding and there are innovative models of service development that are based on consultation with users and extensive multi-agency joint-working.

Commission for Social Care Inspection (CSCI)

- 19 The Council's services for adult social care have been assessed by CSCI as having adequate outcomes with promising prospects for improvement. The Council has progressed its service modernisation programme with a shift towards community based support and preventative action. Two new extra-care housing sites and a new facility for people with learning disabilities opened during the year. The promotion of health and well-being has led to a reduction in health inequalities. However, more needs to be done to help older people live at home and to improve the timeliness of needs assessments and engagement with carers and stakeholders. Safeguarding practices were assessed as inadequate with a need to strengthen multi-agency and police co-operation. Arrangements are in place to increase senior management capacity and there is now a clear sense of strategic direction. The service incurred a £3m overspend in 2006/07 and a further £5m has been allocated in 2007/08 with no planned service reductions. Staffing issues such as turnover, vacancy levels, sickness and training need to be addressed.

The audit of the accounts and value for money

- 20** As your appointed auditor, I have reported separately to the Audit Committee on the issues arising from our 2006/07 audit and have issued:
- an unqualified opinion on your accounts and on the accounts of the Pension Fund on 28 September 2007;
 - an unqualified conclusion on your vfm arrangements on 28 September 2007; and
 - my report on the Best Value Performance Plan 2007/08 confirming that the Plan has been audited and the content complies with statutory requirements.

Use of Resources

- 21** The findings of the auditor are an important component of the CPA framework described above. In particular, the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 22** For the purposes of the CPA, we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

Accounts

- 23 The regulations governing the format and the content of local government accounts changed significantly in 2006/07. In addition, there were changes to many key staff involved in preparing the Council's accounts. Robust handover arrangements and a detailed accounts preparation plan and timetable helped to ensure that the Council responded well to these challenges. A complete set of draft accounts, including the Pension Fund, was produced within the deadline and our audit did not identify any significant errors or omissions.

Value for money

- 24 To support our work on the vfm conclusion, a survey was sent to Members and senior officers to determine the level of understanding of, and compliance with, the Council's arrangements for maintaining high standards of ethical behaviour. The survey results demonstrated that both Members and officers have a clear understanding of expected standards of personal conduct and their responsibilities under the ethical framework. The Leader and Chief Executive are viewed as positive role models who are proactive in promoting the ethical agenda. Members are considered to be accountable for their decisions and actions. The survey did highlight the need for further training for Members on key legislation and the action to take should they believe there has been a failure to comply with the code of conduct. There is also a need to better communicate the role of the Standards Committee to officers and the public. An action plan has been agreed to address these issues.

Use of resources

- 25 The 2007 key lines of enquiry raised the standard required for level 2 and level 3 assessments. Our review found that the Council had responded well to these new requirements. At the same time, the Council has consolidated and continued to embed the arrangements put in place in 2006 and is now in a stronger position than last year. Further improvements have been implemented during 2006/07, although the impact and outcome of all of these actions will not be fully realised until 2007/08 onwards. Moving forward, key areas for the Council to focus on include:
- delivering anti-fraud and corruption training to staff;
 - identifying sources of funding to address backlog maintenance of Council-owned properties; and
 - ensuring that investment in services delivers the planned improved outcomes.

Data Quality

- 26** We performed a spot check on six performance indicators published by the Council. Two indicators required significant amendment and a further two required minor amendment to ensure they were fairly stated. There were no qualifications. This represents an improvement since last year. However, there is still some way to go to ensuring the quality of all performance data. The Council has now introduced a strategy to achieve consistently robust performance data and its implementation will need to be supported by training and guidance notes.

National Fraud Initiative (NFI)

- 27** The NFI is a computerised data matching exercise designed to identify overpayments to suppliers and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007. The Council has been proactive in reviewing the output from NFI. Internal Audit co-ordinates the follow-up of matches, which is undertaken by the responsible department, for example, council tax and payroll. As at the end of December 2007, the Council had identified over £300,000 of potential savings arising from the exercise.

Grants

- 28** Due to an increase in the financial thresholds above which grant claims and returns require an audit certificate, the number of grants we audited reduced from 23 in 2005/06 to 12 this year. The audit fee for this work was £105,000, a reduction of £38,000 against the planned fee.

Looking ahead

- 29 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of sustainable communities strategies and local area agreements and the importance of councils in leading and shaping the communities they serve.
- 30 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 31 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new local area agreements.

Closing remarks

- 32 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet and Audit Committee meetings on 26 March 2008 and 22 April 2008 respectively. Copies need to be provided to all Council Members.
- 33 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan 2006/07	April 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Best value performance plan	December 2007
Culture Inspection	July 2007
ALMO Inspection	January 2008
Annual audit and inspection letter	February 2008

- 34 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 35 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Jon Hayes
Relationship Manager and District Auditor

February 2008

Use of Resources Auditor Judgements

London Borough of Havering

Audit 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.
- 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, 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

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 0844 798 7070.

© Audit Commission 2008

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

Introduction	4
Use of resources judgements	6
Theme summaries	7
Financial reporting	7
Financial management	9
Financial standing	11
Internal control	12
Value for money	14
Conclusion	16
Use of resources 2008	16
Appendix 1 – Action plan	17
Appendix 2 – Summary of changes for the 2008 Use of Resources assessment	23

Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at the London Borough of Havering (the Council). Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

Table 1 **Standard scale used for assessments and inspections**

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the *Use of Resources Guidance for Councils 2007*, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for the Council are outlined overleaf.

- 6 This summary sets out our key findings in relation to each theme and the key areas for improvement. The 2007 key lines of enquiry increased the standard of level two and level three assessments with the introduction of new criteria and mandating previous 'non-bold' criteria in certain themes. Our review found that the Council had responded well to these new requirements. At the same time, the Council has consolidated and continued to embed the arrangements put in place in 2006 and is now in a stronger position than last year. Further improvements have been implemented during 2006/07, although the impact and outcome of these actions will not be realised until 2007/08 onwards which is beyond the period covered by the current assessment.
- 7 Our report on the 2006 assessment contained a number of recommendations to enable the Council to consolidate and strengthen further its arrangements to maintain the Level three assessment. Our review this year found that good progress has been made in implementing the 2006 recommendations. The recommendations contained within this report therefore focus on the improvements the Council should consider in order to progress to a Level four assessment and are therefore more than last year.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	3
Financial management	3	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	3	3
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
Value for money	3	3
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	2

Theme summaries

- 8 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score: 3	
Key findings and conclusions	
<p>The Council produced a complete set of draft financial statements and submitted them for audit within the required timetable. The draft statements were subject to robust Member scrutiny, which was enabled by the financial training provided to Members beforehand. A more detailed analysis of the key issues in the financial statements in the covering report to the Audit Committee would further enhance Member scrutiny. While the Council provided detailed working papers, the explanations for analytical review variances could be strengthened as could cross referencing within the files. The audit process was supported by competent officers responding to audit queries in a timely manner. Although there were some non-trivial errors identified, these were largely a product of audit amendments made to the ALMO's financial statements. An unqualified opinion was given.</p> <p>The audited accounts and the Annual Audit and Inspection Letter (AAIL) are published on the Council's website, although the search engine does not readily identify the AAIL. The Council consulted stakeholders on the need for an annual report and consequently produced its first annual report in 2006/07. The annual report is available through the Council's website and at a number of public buildings. Accessibility to the annual report could be improved by making it available in different formats and languages.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p><i>R1 Provide a more detailed analysis of the key issues in the draft statement of accounts as part of the covering report to the Audit Committee.</i></p> <p><i>R2 Ensure working paper files are adequately cross-referenced and contain a robust analytical review.</i></p>

Theme score: 3	
KLOE 1.2 The Council promotes external accountability.	<i>R3 Improve the accessibility of the Annual Audit and Inspection Letter on the website.</i> <i>R4 Make the Annual Report available in other formats and languages.</i>

Financial management

Table 4

Theme score: 3
Key findings and conclusions
<p>The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based. Business planning is fully integrated with financial planning and there are clear links between the corporate plan, the MTFS and resource allocations. A balanced budget was set in 2006/07 taking into account financial pressures from previous periods. The budget setting process involves all budget holders and is subject to robust challenge and review at Member level through the Council's Star Chambers. Detailed cash flow forecasts are produced covering daily, monthly annual and medium term flows which are used to plan investments and borrowing. However, limited evidence was provided to show that the key messages from the Council's MTFS are communicated to staff and stakeholders. In addition, the MTFS for 2006/07 - 2008/09 included limited reference to the financial aspects of the Council's partnerships.</p> <p>Robust budgetary control arrangements are in place, including clear and accurate monthly budget monitoring reports for Members. These reports could be further improved by the use of a traffic light system to flag key variances and risk items within the budget and the introduction of regular reporting of balance sheet items, such as creditors, debtors and fixed assets. In response to budget pressures in Adult Social Services during 2006/07, the directorate was put under special measures, including the development of a recovery plan and regular reporting to the lead Member. Overspends for the year were contained without any adverse impact on service delivery. Moving forward, the Council should review the effectiveness of its financial management, for example, by assessing itself against CIPFA and World Class financial management standards. It should also undertake surveys to ensure that the output from the financial systems is in a format that meets the needs of users.</p> <p>The Council's asset management plan has clear links to corporate objectives and the MTFS. There is a lead Member with specific responsibility for the Council's management of its asset portfolio. Backlog maintenance has been identified clearly although the Council has yet to identify the funding to address these needs in the medium to long term.</p>

Theme score: 3	
<p>The Council makes investment and disposal decisions based on option appraisals and whole life costing, although the cost benefit analysis of disposal options could be set out more explicitly for Members in the reports to Committee. The Council has introduced a number of performance indicators relating to property management. It will need to ensure that this information is used proactively to support challenge and secure further improvement.</p>	
Improvement opportunities	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p><i>R5 Communicate consistently and concisely the key aspects of the MTFS to staff and stakeholders.</i></p> <p><i>R6 Provide more detail within the MTFS on joint plans/funding agreements with partners.</i></p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p><i>R7 Undertake surveys to ensure that the output from financial systems is in a format that meets the needs of users.</i></p> <p><i>R8 Review the Council's financial management against CIPFA/World Class FM standards.</i></p> <p><i>R9 Introduce a traffic light system for variances reported in the monthly performance monitoring packs.</i></p> <p><i>R10 Introduce regular balance sheet reporting to the performance monitoring packs.</i></p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p><i>R11 Identify the funding to address backlog maintenance requirements over the medium to long term.</i></p> <p><i>R12 Set out more explicitly for Members the cost benefit analysis of options for disposal.</i></p> <p><i>R13 Use performance information to provide challenge and secure improvements in asset management.</i></p>

Financial standing

Table 5

Theme score: 3	
Key findings and conclusions	
<p>The Council continues to maintain expenditure within its overall budget. The anticipated overspend in Adult Social Services was financed by a combination of compensating under-spends and drawing on reserves. Nevertheless, the on-going funding of this service needs to be monitored closely in 2007/08 and beyond to ensure the financial stability of the Council is maintained. The Council has a sound process in place for determining the required level of ear-marked and general reserves and this is reported to Members at a summary level. Members could also be informed of the opportunity cost of holding reserves.</p> <p>The Council has a Debt Management Board which monitors all sources of income. The Debt Management Strategy, introduced in 2006, was informed by an assessment of the cost effectiveness of debt recovery. This continues to be considered notable practice.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p><i>R14 Continue to monitor closely the arrangements for funding the on-going overspend in Adult Social Services to preserve the financial stability of the Council.</i></p> <p><i>R15 Report to Members the opportunity costs of holding reserves.</i></p>

Internal control

Table 6

Theme score: 3	
Key findings and conclusions	
<p>The Council has a robust risk management framework in place. Risk management awareness training is included in the Member induction process, although the ongoing training needs of Members should also be considered. The Council has developed a useful partnerships toolkit to help staff perform a risk assessment for all partnerships. This now needs to be applied fully in 2007/08.</p> <p>The Council has a well-established Audit Committee. The Chairmanship of the Committee is particularly effective. Adequate arrangements are in place for the production of the Statement on Internal Control (SIC) although explicit consideration of the ALMO is now required, and regular meetings throughout the year to discuss the SIC would better inform the process. The SIC is underpinned by an assurance framework, however, this framework does not document clearly the links between the corporate risk register, the corporate objectives and the assurances obtained in relation to the risks. The Council has developed its governance arrangements for partnerships through the partnerships toolkit and should now ensure that the Constitution is compatible with these arrangements. A Business Continuity Plan (BCP) has been developed and was tested in March 2007. The Council now needs to ensure that issues identified from this test are promptly addressed and that the BCP is regularly reviewed.</p> <p>The processes surrounding Member and officer registers of interests and gifts and hospitalities are sound. Further promotion of the anti-fraud culture could be achieved with the provision of service level training on anti-fraud issues, reference to anti-fraud in risk management literature and greater involvement from Members in anti-fraud publicity campaigns. Following extensive promotion of the Council's whistleblowing policy, the effectiveness of the whistleblowing arrangements should now be reviewed. The Council actively participates in the NFI and has developed its own NFI strategy.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p><i>R16 Provide on-going risk management training to all Members.</i></p> <p><i>R17 Ensure the partnerships toolkit is applied appropriately in practice and embedded.</i></p>

Theme score: 3	
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p><i>R18 Ensure appropriate governance arrangements are in place for all partnerships and that the Constitution is compatible with the arrangements specified in the partnerships toolkit.</i></p> <p><i>R19 Hold regular meetings throughout the year to underpin the preparation of the SIC. Ensure that explicit consideration is given to the ALMO.</i></p> <p><i>R20 Document the assurance framework to demonstrate the links between the corporate risk register, the corporate objectives and the assurances obtained from various sources such as IA.</i></p> <p><i>R21 Ensure that issues identified from testing of the Business Continuity Plan are addressed promptly and that the Plan is reviewed regularly.</i></p>
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p><i>R22 Involve Members in anti-fraud publicity campaigns.</i></p> <p><i>R23 Make specific reference to fraud risks in the risk management guidance and strategy.</i></p> <p><i>R24 Provide training on anti-fraud issues to service areas.</i></p> <p><i>R25 Review the effectiveness of whistleblowing arrangements.</i></p>

Value for money

Table 7

Theme score: 3	
Key findings and conclusions	
<p>The costs of the Council's services compare well with those of other councils, allowing for local circumstances. Overall, there has been a steady improvement in services over the past six years. There are still some areas where performance could be improved and the Council is addressing these areas, for example, community housing and non-domestic rate collection. Since last year, the Council can demonstrate that progress has been made with recycling, user focus and allocating central overheads. Through early identification and forward planning, overspending in Adult Social Services during 2006/07 was contained without significant impact on service delivery. The Council can demonstrate that it evaluates the financial outcomes from its capital programme in accordance with its objectives, although it is less clear how the impact of investments is measured in terms of service improvement.</p> <p>Overall, the Council has good processes in place to review and challenge services with a view to improving value for money. There is evidence that these processes are becoming embedded although more work is required to demonstrate the links to improved outcomes. The Council has integrated Gershon efficiency reviews into its performance management processes and is currently exceeding its targets. Equity impact assessments have been done on all services in 2006/07 but there has been limited targeting of under-represented groups to increase participation in cultural activities such as sports, recreation and arts.</p>	
Improvement opportunities	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p><i>R26 Continue to deliver service improvements in areas where performance issues have been identified such as community housing, non-domestic rates collection and street cleaning.</i></p> <p><i>R27 Take action to identify and address the underlying causes of financial pressures on Adult Social Services to avoid overspends in future years.</i></p>

Theme score: 3	
	<i>R28 Ensure that the impact of investment in services is measured in terms of service improvements.</i>
KLOE 5.2 The Council manages and improves value for money.	<i>R29 Demonstrate whether the challenge process has lead to the desired value for money and service outcome improvements.</i>

Conclusion

- 9 The Council has taken positive action to implement the recommendations arising from our 2006 assessment. Further developments, such as the partnerships toolkit and a more challenging approach to value for money, have been introduced in the year and the Council will need to ensure that these developments are implemented fully and delivering the required outcomes. A detailed action plan is attached to support the Council in its aim to perform strongly across all areas of the assessment. Appendix 2 contains a summary of the new criteria that will be introduced for the 2008 assessment and the Council should also consider its arrangements in respect of these items.

Use of resources 2008

- 10 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 11 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 12 The key lines of enquiry give more emphasis, mainly at level four, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Provide a more detailed analysis of the key issues in the draft statement of accounts as part of the covering report to the Audit Committee.	2	Financial Services Manager	Yes	This will be reflected in the statement as well as in the presentation to Members.	June 2008
7	R2 Ensure working paper files are adequately cross-referenced and contain a robust analytical review.	2	Financial Services Manager	Yes	This is included in the closedown plan and a session will be held with staff to establish the way to progress the analytical review.	July 2008
8	R3 Improve the accessibility of the Annual Audit and Inspection Letter on the website.	1	ACE(Strategy and Communications)	Yes	This will be posted on the how we are performing section of the website, and also easily reached via the search facility. Will also be publicised via press release under news section.	April 2008
8	R4 Make the Annual Report available in other formats and languages.	2	ACE(Strategy and Communications)	Yes	Annual report will be published again in July and made available on web site. The Council's normal translation facilities will apply. Material from it will be provided in community newsletter. Other formats eg video will be considered subject to finances.	July 2008
10	R5 Communicate consistently and concisely the key aspects of the MTFS to staff and stakeholders.	2	ACE(Strategy and Communications)	Yes	MTFS proposals published on web site. Letter explaining and seeking comments sent by Leader to HSP. Discussion at HSP strategic board. HSP invited to area briefings – some members attended.	April 2008

18 Use of Resources Auditor Judgements | Conclusion

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R6 Provide more detail within the MTFS on joint plans/funding agreements with partners.	3	ACE(Strategy and Communications) Financial Services Manager	Yes	Will be referred to HSP finance sub group for action and incorporated in next year's MTFS discussions.	2009/09
10	R7 Undertake surveys to ensure that the output from financial systems is in a format that meets the needs of users.	2	Financial Services Manager	Yes	The existing FIS groups (finance and non-finance) will be used to progress this and it will also be covered as part of the year-end budget monitoring debrief process.	June 2008
10	R8 Review the Council's financial management against CIPFA/World Class FM standards.	2	Head of Financial Services	Yes	Reviews will be undertaken against other authorities, eg as part of the internal audit peer review process, and consideration will be given to how the CIPFA FM model can be best applied.	June 2008
10	R9 Introduce a traffic light system for variances reported in the monthly performance monitoring packs.	3	ACE(Strategy and Communications) Financial Services Manager	Yes	Will be incorporated in new look pack from April 2008 and through electronic performance management system.	April 2008
10	R10 Introduce regular balance sheet reporting to the performance monitoring packs.	2	Financial Services Manager	Yes	This has now been introduced into monthly monitoring reports and the longer-term approach will be implemented for 2008/09.	June 2008

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R11 Identify the funding to address backlog maintenance requirements over the medium to long term.	3	Group Director Finance & Commercial	Yes	It will not be possible to identify enough funding to address backlog maintenance. As part of the Annual AMP the Council reviews condition and the best strategy to address immediate and longer term needs. Where appropriate, funding arrangements are put in place to address priority requirements. Property management is being centralised to maximise the use of available resources.	Ongoing
10	R12 Set out more explicitly for Members the cost benefit analysis of options for disposal.	3	Group Director Finance & Commercial	Yes	This is included as a high level and more detail. This will be included in all relevant reports, however the confidentiality of commercially sensitive information will need to be taken into account.	Ongoing
10	R13 Use performance information to provide challenge and secure improvements in asset management.	2	Group Director Finance & Commercial	Yes	PI data is incorporated into future decision-making on asset management.	Ongoing
11	R14 Continue to monitor closely the arrangements for funding the on-going overspend in Adult Social Services to preserve the financial stability of the Council.	3	Interim Director of Adult Services & Group Director Finance & Commercial	Yes	Appropriate arrangements are in place to fund the overspend in 2007/08 and close monitoring is being undertaken to assess the projected position for 2008/09. Sources for transitional funding are included within the budget for 2008/09.	June 2008
11	R15 Report to Members the opportunity costs of holding reserves.	1	Head of Financial Services	Yes	This has been included in the reports to Cabinet in Jan and February 2008 on the corporate plan and MTFS. The recommendation has therefore been implemented.	February 2008

20 Use of Resources Auditor Judgements | Conclusion

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R16 Provide on-going risk management training to all Members.	2	Group Director Finance & Commercial	Yes	Risk Management training took place prior to the December Audit Committee. Risk Management is on the forward plan of work of the Committee.	December 2007
12	R17 Ensure the partnerships toolkit is applied appropriately in practice and embedded.	2	ACE (Strategy and Communications)	Yes	Well attended briefing held September 2007. Discussions at CLT and CMT. On-going regular briefings and updates. Incorporated in 2008/09 service planning guidelines.	April 2008
13	R18 Ensure appropriate governance arrangements are in place for all partnerships and that the Constitution is compatible with the arrangements specified in the partnerships toolkit.	2	ACE(Strategy & Communications) and ACE (Legal & Democratic)	Yes	Advice issued as part of toolkit. Constitution amended as necessary. This is also covered in the audit plan.	July 2008
13	R19 Hold regular meetings throughout the year to underpin the preparation of the SIC. Ensure that explicit consideration is given to the ALMO.	3	Group Director Finance & Commercial and ACE (Legal & Democratic)	Yes	Quarterly Governance meetings are already in place and these will continue throughout the year. Progress reports are also being made to the Audit Committee, CMT and Governance Committee.	Ongoing
13	R20 Document the assurance framework to demonstrate the links between the corporate risk register, the corporate objectives and the assurances obtained from various sources such as IA.	2	Group Director Finance & Commercial and ACE (Legal & Democratic)	Yes	A framework for assurance has been developed in preparation for the Annual Governance Statement. Work to match Risks, Objectives and Controls will continue throughout 2008/09.	March 2008 December 2008
13	R21 Ensure that issues identified from testing of the Business Continuity Plan are addressed promptly and that the Plan is reviewed regularly.	2	Group Director Finance & Commercial	Yes	The Plan is subject to annual review and review post-major alerts and after each BC exercise. Any major issues are dealt with promptly as required.	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	R22 Involve Members in anti-fraud publicity campaigns.	1	Group Director Finance & Commercial	Yes	Discussed at Audit Committee in December 2007 and various ideas noted and included in action plan for implementation during 2008/09. This also formed part of the Member Induction.	December 2008
13	R23 Make specific reference to fraud risks in the risk management guidance and strategy.	1	Group Director Finance & Commercial	Yes	Completed at last review. Strategy approved by Audit Committee in December 2007	December 2007
13	R24 Provide training on anti-fraud issues to service areas.	3	Group Director Finance & Commercial	Yes	Training included on Fraud action plan, two service areas have already requested and received training.	September 2008
13	R25 Review the effectiveness of whistleblowing arrangements.	2	ACE (Legal & Dem) & Group Director Finance & Commercial	Yes	Review to be undertaken during 2008/09. Outcome to be reported back to Governance Group.	March 2008 May 2008
14	R26 Continue to deliver service improvements in areas where performance issues have been identified such as community housing, non-domestic rates collection and street cleaning.	2	CMT	Yes	Performance improvement targets will be set as part of the service planning process and actual performance will be monitored through CMT and Board.	Ongoing
14	R27 Take action to identify and address the underlying causes of financial pressures on Adult Social Services to avoid overspends in future years.	3	Interim Director of Adult Services & Group Director Finance & Commercial	Yes	A service improvement plan has been put in place and both service and financial performance are scrutinised closely at officer and Member level. The financial monitoring information will be fed into the MTFs to ensure future budgets remain robust.	September 2008

22 Use of Resources Auditor Judgements | Conclusion

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
15	R28 Ensure that the impact of investment in services is measured in terms of service improvements.	3	ACE(Strategy and Communications)	Yes	Impact will be measured through monthly performance packs and star chamber process.	September 2008
15	R29 Demonstrate whether the challenge process has lead to the desired value for money and service outcome improvements.	2	ACE(Strategy and Communications)	Yes	Impact will be measured through monthly performance packs and star chamber process and through maintaining at least the Council's VFM score of three.	September 2008

Appendix 2 – Summary of changes for the 2008 Use of Resources assessment

Table 8 Changes to the UOR key lines of enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion on the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council’s environmental footprint.
Financial management		
2.1	2	Strategies are assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The Council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning.
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The Council rationalises its holding of property.

KLOE	Level	Summary of change
Financial standing		
3.1	3	The approved level of balances is adhered to; the Council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance.
4.2		'Statement of internal control' has been replaced with 'governance statement'.
4.2	4	Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the Standards Committee in local investigations and determination.
4.3	3	Publicising the work of the Standards Committee.
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
Value for money		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level four – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.

KLOE	Level	Summary of change
5.2	2, 3, 4	Data quality arrangements should be reliable (level two) or exemplary (level four), and including at level four, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels three and four) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.



MEETING	DATE	ITEM
AUDIT COMMITTEE	22 April 08	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2006/2007 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

SUMMARY

This report updates the Committee of the position regarding the final version of the 2006/2007 audit report of grant claims and returns and subsequent Action Plan for the 2007/2008 grants process.

The 2007/2008 Action Plan can be found at Appendix 1.

RECOMMENDATIONS

The Committee is recommended to:

1. review the findings of the Audit Commission's report on 2006/2007 grant claims
2. raise any issues of concern with officers on specific grant claims
3. note the year-on-year improvement in grant claims performance
4. otherwise note the report.

REPORT DETAIL**Overall summary of 2006/2007 grant claims compared to 2005/2006****1. Performance**

- 1.1 There was an overall improvement in the submission and certification of 2006/2007 claims for audit.
- 1.2 The total number of grants requiring audit certification reduced to 12 for 2006/2007 compared to 23 for 2005/2006. This was mainly due to the change in the Audit Commission Threshold for certification from £50,000 to £100,000 (being the total value of the grant and not the annual value).
- 1.3 All 12 claims due for 2006/2007 have now been certified as were all 23 claims completed when the audit report was produced last year.
- 1.4 The number of amended claims dropped to 5 (42%) for 2006/2007 compared to 11 (48%) for 2005/2006. 4 of these amendments related to errors in calculation , whilst 1 was due to a revision of the grant claim form prior to the audit.
- 1.5 The number of qualified claims was 4 (33%) in 2006/2007, this matched the number of qualified claims for 2005/2006.
- 3 of these 4 were repeated qualifications.
HOU02 - HRA Subsidy Base Data (08/09) and LA01 – NNDR were qualified in both 2004/2005, 2005/2006 and 2006/2007.
 - BEN01 - Housing Benefits and Council Tax was qualified in 2005/2006 and 2006/2007.
 - EYC02 – General Sure Start Grant was qualified in 2006/2007.

The Audit Commission recommendations regarding the above can be found in the 2007/2008 Action Plan (See Appendix 1).

- 1.6 The number of claims not certified by the certification deadline reduced to 1 (8%) for 2006/2007 compared with 3 (13%) for 2005/2006.

Summary

	2006/2007		2005/2006	
	No.	%	No.	%
Submitted by due date	12	100	23	100
Submitted late	0	0	0	0
Total claims		100	23	100

Amended claims	5	42	11	48
Claims not amended	7	58	12	52
Total claims	12	100	23	100

Qualified claims	4	33	4	17
Unqualified claims	8	67	19	83
Total claims	12	100	23	100

Certified by deadline	11	92	20	87
Uncertified by deadline	1	8	3	13
Total claims	12	100	23	100

2. Recommendations

- 2.1 The 2007/2008 Recommendations/Action Plan is attached as Appendix 1 and contains a number of issues identified during the 2006/2007 audit process for implementation during the 2007/2008 grant process.
- 2.2 The Audit Commission have identified 15 recommendations to address in the 2007/2008 Action Plan in comparison to 22 for 2006/2007. Some recommendations are repeated more than once as they are shown against each applicable claim within the service areas to which they apply. This is to ensure greater ownership of the individual recommendations in the action plan.
- 2.3 Of the 22 recommendations identified in 2005/2006
- 15 have been addressed.
 - Of the remaining 7 recommendations:
 - 7 were repeated in both years
 - 4 refer to grant claims that were also qualified in both years. (BEN01, HOU02 and LA01).

The Grants Co-ordinator will raise any outstanding issues with the claim compiler when reviewing the 2007/2008 working papers, and in particular to those where there have been repeated recommendations.

3. Audit Fees

3.1 The following table records audit fees paid each year:

Paid in 2005/2006 re 2004/2005 audits	Paid in 2006/2007 re 2005/2006 audits	Paid in 2007/2008 re 2006/2007 audits
£195,000	£145,000	*£102,000
No of Grant Claims Audited 25	No of Grant Claims Audited 23	No of Grant Claims Audited 12

The above table shows that the audit fee saving in 2006/2007 was £50,000 being 26% less than the 2005/2006 charges. The saving in 2007/2008 was £43,000 being 30% less than the 2006/2007 charges. The overall saving in audit fees since 2005/2006 is £93,000 being 48%.

*This figure includes invoices charged to February 2008. It is not anticipated that the March invoice will include any grant claim fees.

- 3.2 The reduction in fees is partly accounted for by the reduction in the number of grant claims that require audit certification and partly due to a reduction in auditor time and costs as a majority of the working papers met the required Audit Commission working papers submission standards in 2006/2007. It is envisaged that audit fees will be further reduced in the medium to longer term to reflect the improved control environment.
- 3.3 We have not received the annual audit index to date but at present we anticipate that the number of grants requiring Audit Commission certification for 2007/2008 will be 11.
- 3.4. In 2007/2008 £2.43 million of Specific Grants have been funded via the Havering Local Area Agreement. None of these grants were previously subject to external audit. There is, however, a requirement to report, in line with the grant determination, an audit opinion to Government Office by 27th June 2008. The Grants Co-ordinator will ensure this requirement is processed within the due deadline.
- 3.5 For grant claims that require Chief Finance Officer certification a mini audit is carried out by the Grants Co-ordinator. For 2006/2007 there were 31 grant claims that fell into this category. The Chief Financial Officer requires assurance that grants that fall into this category are accurately claimed/reported prior to certification. The Grants coordinator reviews the working papers and verifies the accuracy of the grant claim prior to submission to the Chief Finance Officer for signature. This process ensures a good control environment, that the high standard of working papers is maintained, and encourages best practice. All grant claims for 2006/2007 requiring Chief Finance Officer certification met the grant funding body deadlines.

4. IN YEAR ACHIEVEMENTS

- During 2007/2008 the grants co-ordinator delivered 3 grant claim workshops to both service and finance staff. One to one training was also delivered upon request.
- The Grant Management Protocol has been updated and placed on the Intranet.
- A grants risk register has been drafted.

5. FUTURE PLANNED DEVELOPMENTS

- Further training/workshops to claim compilers, to be delivered before the 2007/2008 audit process begins.
- To progress the identification of those Local Authorities with higher performance and investigate adopting best practice.
- To install the Grants Risk Register on the intranet.

Financial Implications and risks:

For 2006/2007 specific grant claims provided £168M in funding for the Council and poor performance in submitting claims puts the Council's Comprehensive Performance Assessment (CPA) and income at risk.

Qualified claims may lead to the Council having to repay grant income and delays leading to late certification of claims can result in the suspension of grant income.

These outcomes are mitigated by having the grants co-ordinator post in place, as this ensures that all grant claims are robustly examined before submission, and that any queries are taken back through a consistent route.

Legal Implications and risks:

There are no specific legal implications from this report.

Human Resources Implications and risks:

None arising directly from this report.

Equalities and Social Inclusion implications:

None arising directly from this report.

Staff Contact:	Lilian Thomas
Designation:	Grants Co-ordinator
Telephone No:	01708 432569
E-mail address	Lillian.thomas@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

2007/2008 Recommendations/Action Plan

Appendix one – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
General recommendations						
	<p>R1 Ensure that the grants coordinator works with officers to develop action plans to reduce the number of amendments and qualifications, in particular claims amended or qualified in the previous year.</p> <p><i>Our audit resulted in amendment to five claims, all of which were amended in the previous year. Three of the four claims which were qualified this year were also qualified in the previous year.</i></p>	2	Grants Coordinator/Heads of Service	Yes	<p>The Grants Coordinator (GC) will work with officers to develop action plans to reduce the number of amendments and qualifications, in particular claims amended or qualified in the previous year.</p> <p>However, it must be noted that of the 5 claims that were amended during the 06/07 audit process, 4 of these amendments were due to errors within calculations. The GC review is not a full audit and therefore technical errors cannot always be spotted prior to the audit process. The GC will ensure that practical errors are reduced.</p>	May 2008
Sustainable communities - recommendations						

Appendix 1

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<i>Pooling of Housing and Capital receipts - CFB06</i>					
	R2 Ensure prompt responses to all audit requests in line with the grants protocol. <i>Delays were experienced waiting for revised working papers to reflect errors noted on the claim.</i>	3	Head of Housing and Health/Head of Financial Services	Yes	We shall ensure prompt responses in line with the grants protocol, where possible.	May 2008
	R3 Implement a review process to ensure adequate and accurate working papers are provided to support all figures included in the claim. <i>Errors were identified in the calculation of interest on underpayments and late payments.</i>	2	Head of Housing and Health/Head of Financial Services	Yes	A review process is already in existence supported by files with working papers however, improvements to the existing systems will be continually reviewed.	May 2008
	<i>Housing subsidy and grants - HOU01</i>					
	R4 Ensure that the claim	3	Head if Housing	Yes	This recommendation will be taken	May

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>compiler performs a final review, prior to submission for audit, to check that the correct and most up to date figures have been included in the claim.</p> <p><i>Amendments were required to ensure actual figures, as opposed to estimates, were submitted for the mid year capital ceiling, average outstanding borrowing and capital financing requirement.</i></p> <p><i>Additionally, incorrect bedroom sizes were used for some properties to compute the formula rent in the CLG spreadsheet.</i></p>		and Health/Head of Financial Services		<p>on board for the HOU01 grant claim for 2007/2008.</p> <p>There was a misunderstanding with capital finance and the grant complier over what the year end capital financing figures were.</p>	2008
	Housing subsidy - HOU02					
	R5 As per the DCLG's requirements, when analysing all dwellings, measure the complete internal area and not just the foot print of	3	Head of Housing and Health/Head of Finance	Yes	Head of Housing - BK and HIH - MW to agree to check if any further properties need to be measured internally. The grant claim complier will send through all audit	May 2008

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>buildings.</p> <p><i>Despite the fact that this was an issue in the previous year, the audit identified some properties where internal measurements had not been obtained. These were sought by the Council during the audit, causing significant delays to the audit process.</i></p>				<p>commission guidelines to the Head of Housing – BK and HIH.</p>	
	<p>R6 Put arrangements in place to obtain relevant working papers from Homes in Havering within the timescales set out in the protocol between audit and the Council.</p> <p><i>We experienced significant delays in obtaining adequate supporting information for the samples we selected for testing.</i></p>	<p>3</p>	<p>Head of Housing and Health/Head of Financial Services</p>	<p>Yes</p>	<p>We shall ensure that we obtain the relevant working papers from HIH and would aim to meet the timescales set out in the protocol between audit and the Council, where possible.</p>	<p>May 2008</p>

Appendix 1

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>R7 In line with the requirements of the CLG, carry out an annual valuation of the certified market rent.</p> <p><i>Valuation of market rent has not been undertaken for the last two years despite it being an annual requirement and resulting in a qualification issue in the previous year.</i></p>	3	Head of Housing/Head of Financial Services	Yes	This recommendation has been noted and we shall undertake a review of our processes to address our compliance to this recommendation.	May 2008
	Mental Health Grant - HC08					
	<p>R8 Ensure that the claim is submitted on the correct version of the claim form provided by the Department.</p> <p><i>The claim was initially submitted on the wrong claim form.</i></p>	1	Head of Adult Social Services.	Yes	Service finance will ensure the claim is submitted on the correct version of the claim form by checking the DOH documentation. They will liaise closely with the Grant Coordinator to ensure that the correct version of the claim form is in the claim file.	May 2008
	Finance and Commercial recommendations					
	Housing and Council tax benefits - BEN01					

Appendix 1

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>R9 Ensure procedures in place are sufficiently robust to support the correct classification of eligible overpayments. This may be done, for example, by using quality control procedures such as sample checking or by delivering specific staff training.</p> <p><i>Of 167 cases tested, our testing identified 31 errors.</i></p>	3	Head of Exchequer Services.	Yes	<p>Benefits legislation and guidance has become more complex and challenging to administer over the years.</p> <p>Benefit Assessors are trained and monitored to minimise errors in payment of benefit. Overpayment training also forms a standard part of the annual training programme for Benefit Assessors. The training session itself is tailored to meet the training requirements identified from the audit of the benefit subsidy claim and monitoring that takes place during the year.</p> <p>All Assessors must attend this training regardless of their existing experience from other authorities. In addition, one to one training is provided where individual Benefit Assessors are found to be making patterns of errors.</p> <p>The training provided last year has proven successful because the number of errors found on</p>	May 2008

Appendix 1

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>monitoring has reduced.</p> <p>Therefore, The annual overpayment refresher courses will assist reduce errors in payments and therefore minimise qualifications.</p>	
	<p>R10 Ensure adequate controls are in place to prevent system errors that result in misstatement of the claim form.</p> <p><i>Our testing found a system error that impacted on the "total expenditure up to the maximum rent" (cell 101), . Regular reviews of Academy and individual cases may help to identify these errors so that they can be detected and fixed prior to audit.</i></p>	3	Head of Exchequer Services	Yes	<p>The Academy Benefit processing system is supported by both our ICT section and by the system suppliers themselves. The system suppliers tend not to notify us of each system error that occurs. They have a fall listing of 'enhancements' and a target date when they propose to address the issue and there are some 300 entries on this.</p> <p>Occasionally, the software provider may be unaware of a particular error until the customer identifies it and report it to their helpdesk.</p> <p>We carry out vast amounts of checking in year for various issues, including overpayments and backdated benefit and rent officer</p>	May 2008

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>referrals.</p> <p>Again, occasionally we will identify an error which may or may not already be known to the Academy supplier and will seek advice on what action to take to rectify the issue. This particular issue was found to be resolved on a later release of software and as there were no financial subsidy implications, a fix was not provided.</p>	
	<p>R11 Provide staff training to ensure correct dates are used when calculating extended payments.</p> <p><i>Our testing of extended payments found 8 out of 60 cases selected were incorrectly calculated. This often resulted in the claimant receiving less benefit than that to which they were entitled.</i></p>	<p>2</p>	<p>Head of Exchequer Services.</p>	<p>Yes</p>	<p>Staff training and development is reviewed at each one-to-one and following assessment monitoring.</p> <p>Refresher training on this specific area will be provided by a dedicated in-house Benefits Training Officer who will have tailored the session to meet the specific requirements of the Assessor.</p>	<p>May 2008</p>

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<i>National Non-Domestic Rates Return - LA01</i>					
	<p>R12 Where practical, process all Valuation Officer directives received prior to 31 March and ensure they are included in the claim relating to that financial period.</p> <p><i>As with previous years, our review identified that valuation officer directions received between 31 January 2007 and 31 March 2007 were not taken into consideration when compiling the 2006/07 claim.</i></p>	3	Head of Exchequer Services.	Yes	Where practical all Valuation Officer directives will be processed up to 31 st March.	May 2008
	<p>R13 Ensure supporting information relating to empty property is easily accessible.</p> <p><i>Obtaining support for empty properties was time consuming as the information was not easily obtainable</i></p>	2	Head of Exchequer Services.	Yes	An Inspection Module has now been introduced and this will provide easily accessible supporting documentation as required	Completed

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<i>from the Council's non-domestic rates system.</i>					
	Children Services- recommendations					
	Child care grant - EYC02					
	<p>R14 Award all contracts included in the claim in line with standing orders.</p> <p><i>A "Competition Financial Thresholds Exceptions Approval Form" was not completed in line with the requirements of the Council's standing orders for specialist contracts.</i></p>	3	Head of Pupil and Student Services.	Yes	All contracts included in future claims will be awarded in line with standing orders. Specialist contracts for 2008/09 are currently being prepared and Under Fives Finance Manager will ensure that contracts are awarded in line with standing orders and that the appropriate Exception Approvals, where required are raised.	May 2008
	<p>R15 Put arrangements in place to ensure the correct classification of all expenditure on the claim.</p> <p>Two blocks of capital expenditure were incorrectly classified on the claim and</p>	3	Head of Pupil and Student Services.	Yes	Arrangements are in place to ensure the correct classification of all expenditure on the claim. Transactions have been reviewed as part of 2007/08 quarterly monitoring and will be further reviewed as part of completion of the final claim.	May 2008

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	required amendment.					



MEETING	DATE	ITEM
AUDIT COMMITTEE	22 nd April 2008	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: UPDATE ON INTERNAL AUDIT 2003/04 OUTSTANDING RECOMMENDATIONS

SUMMARY

This report provides the update requested at the March Audit Committee meeting regarding the oldest audit recommendations, yet to be implemented by management.

Two of the six recommendations can now be closed as actions are complete. The status of the remaining four remains in progress and where applicable revised deadlines have been identified to aid future monitoring.

The processes to monitor and report, on implementation of audit recommendations, are being reviewed and more robust arrangements are being introduced in 2008/09.

RECOMMENDATION

- 1 To note the contents of the report.
- 2 To comment on the progress made and the revised deadlines identified, by management, and raise any queries on these.

REPORT DETAIL**1. 2003/04 Outstanding Recommendations**

- 1.1 The progress towards implementing Internal Audit recommendations has historically been presented, in summary form, to the Audit Committee as part of the Internal Audit Progress Report.
- 1.2 During recent meetings Members have been increasingly concerned by the lack of movement on recommendations which were raised in prior years, particularly those relating to 2003/04. As a result more detailed information was requested to establish whether the Committee can be satisfied that appropriate steps are being taken by management to address the areas of risk identified by Internal Audit work.
- 1.3 This report contains information regarding each of the six recommendations which date back to 2003/04 to provide the Committee with more detail of the circumstances as well as an update regarding the status of each recommendation.
- 1.4 Two of the six recommendations can now be closed and removed from the list.
- 1.5 Three are in progress and revised deadlines have been agreed.
- 1.6 One is in progress and the deadline remains as previously identified by the Head of Service.
- 1.7 Internal Audit took over the responsibility of tracking audit recommendations at the end of 2007. It is hoped that the new performance system, Havering Performs (HP), will facilitate a more efficient process for monitoring and reporting, on implementation of audit recommendations, and ensure that missed deadlines are reported appropriately to management, senior management and ultimately Audit Committee.
- 1.8 The table below contains information relating to each of the six recommendations that remain outstanding from financial year 2003/04.
- 1.9 Progress to implement these recommendations will be reported to future meetings.

Table 1 – Outstanding Internal Audit Recommendations 2003/04

Audit Report 03/04	Recommendation	Original Target Date	Revised Target Date(s)	Head of Service	Risk Rating	Updated Status
Final Accounts	Ensure that the engineer named under the contract confirms in writing the powers he is to delegate to the Highway Manager and his staff. Further, the Highways Manager must ensure that any changes in the Engineer are confirmed in writing to the contractors.	July 2004	May 2007 Complete Jan 2008	Bob Wenman	Medium	<p>To commence following the start of term contract. Present scheduled start date 1 December 2004. The Engineer named in the contract XX does not accept the role of engineer. This item requires further review to id designated engineer following XX departure.</p> <p>June 06 – XX is no longer with authority. Highways Manager currently seeking Chartered Engineer to fulfil this role.</p> <p>Dec 07 – Now included in new Technical Services Contract, if required. Contract commences January 08. Status says “In Progress”.</p> <p>April 08 – The new Technical Services contract which commenced January 08 allows for the use of a named engineer for such matters, where required.</p> <p>Status – Action Closed.</p>

Audit Report 03/04	Recommendation	Original Target Date	Revised Target Date(s)	Head of Service	Risk Rating	Updated Status
Community Care Packages	A more comprehensive and unified set of procedures should be produced to cover each stage of the assessment, award and monitoring process for Community Care packages. All relevant users should then make sure that these procedures are adhered to.	Sept 2004	July 2008	Steven Cody	Medium	<p>Sep 07 - Comprehensive process developed now being consulted on for implementation.</p> <p>Apr 08 – The new Head of Service has been tasked with reviewing all community care arrangements and making sure they are sufficiently robust.</p> <p>Status - “In Progress – revised deadline”.</p>
Homecare	Delegated authority should be formally documented and agreed by the Executive Director.	July 2004	April 2008	Bob Morgan	Medium	<p>Sep 07 - Instructions on delegation sent out to all staff. Delegation scheme being revised.</p> <p>Apr 08 – The new system of homecare delivery CM2000/TDM will have delegation not only documented but built entirely into the Swift database. Due to go live April 2008.</p> <p>Status - “In Progress – revised deadline”.</p>

Audit Report 03/04	Recommendation	Original Target Date	Revised Target Date(s)	Head of Service	Risk Rating	Updated Status
Libraries	CCTV cameras and other appropriate security measures should be installed in all libraries, together with appropriate warning notices.	Ongoing	March 2009	Dylan Champion	Medium	<p>CCTV currently installed at Upminster, Gidea Park, Collier Row, Hornchurch, Harold Hill and Harold Wood libraries.</p> <p>Refurbishment programme target completion date March 2009.</p> <p>Risk assessments in place for other libraries in the interim.</p> <p>Status "In Progress"</p>
Community Care Placements	The Social Services Department scheme of delegation should be formally approved as soon as possible.	Dec 2004	Complete April 2008	Andrew Ireland	High	<p>Sep 07 - Instructions on delegation sent out to all staff. Delegation scheme being revised.</p> <p>Apr 08 –Instructions on delegation sent out to all staff. Delegation scheme now operational.</p> <p>Status – Action Closed.</p>

Audit Report 03/04	Recommendation	Original Target Date	Revised Target Date(s)	Head of Service	Risk Rating	Updated Status
Community Care Placements	Only one standard contract needs to be prepared for each care provider, with signed amendment sheets being used to add or remove clients from the care placement with that service provider. Legal Services should advise on the format of these standard contracts.	July 2005	July 2008	Bob Morgan	Medium	<p>Sep 07 - The spot contract has now been fully drafted. It now sits with legal services to approve it. Once approved it will be implemented across all residential homes.</p> <p>Same update provided as at April 2008. The Interim Manager of Modernisation Group has been tasked with ensuring that the responses required by legal services are provided so that the approval of the contract can be provided. Changes in personnel involved in this action have contributed to the delay.</p> <p>Status - "In Progress – revised deadline".</p>

Financial implications and risks

None arising directly from this report. However, lengthy delays in implementing agreed recommendations may increase risks within services, especially where the recommendations have a high risk rating. Service managers need to ensure that they have robust procedures in place to implement recommendations arising from audits, and to take action where the original target timescales are missed or otherwise cannot subsequently be achieved.

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 - Internal Audit and Corporate Risk Manager
Telephone: (01708) 43 3733
E-mail: vanessa.bateman@haverling.gov.uk

Cheryl Coppel
Chief Executive



MEETING	DATE	ITEM
AUDIT COMMITTEE	22 nd April 2008	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS

SUMMARY

The review of the Council's Whistleblowing, also known as 'Confidential Reporting', arrangements was undertaken in March 2008, as planned, by the Internal Audit & Corporate Risk Manager (IA&CRM).

London Borough of Havering have received 11 Whistleblowing reports in the period April 2007 to March 2008. The activity was benchmarked against other Boroughs to provide assurance on levels of reporting. It is concluded that satisfactory arrangements are in place however there is scope to improve.

An action plan has been devised as a result of the review; this will be monitored going forward.

RECOMMENDATION

- 1 To note the outcome of the annual review.
- 2 To agree the proposed action plan arising from the annual review and confirm support for the arrangements in place.

REPORT DETAIL

1. Whistleblowing Arrangements

- 1.1 The Council has a Whistleblowing policy which was last reviewed in November 2007 as part of the review of the overall anti-fraud and corruption strategy.
- 1.2 The Whistleblowing policy is “owned” by the Assistant Chief Executive (HR) but reports of Whistleblowing are made via the s151 Officer, Monitoring Officer or the Internal Audit Team. It is noted that clear and concise wording in the information provided regarding policies and procedures is needed to ensure the roles and responsibilities are clearly communicated, this will be considered during future reviews of intranet and policy detail.
- 1.3 Whistleblowing is promoted via the corporate induction process and all new starters receive a copy of the policy as part of their induction pack, which they are asked to sign a declaration indicating they have received and read.
- 1.4 Information regarding Whistleblowing is also available on both the Fraud and HR pages of the intranet, a programme to promote awareness is in place but efforts need to be focused this financial year to ensure the message is clearly communicated to all staff within the Council.
- 1.5 The review noted there are arrangements in place to communicate the policy to organisations who work with the Council either as partners or contractors, although some arrangements are in place to promote the policy i.e. via contractual documentation, again this is an area where more promotion is needed. Of the 11 reports received during 2007/08 all were from staff within the Council none came from other related organisations.
- 1.6 The detail of the Whistleblowing reports received in 2007/08 are contained in the table below.

Case file	Date	Description	Action taken
T8jaag	16 April	It has been reported that pornography was seen in an office pc on 2 nd April @ 6:30pm by a member of staff.	Machine seized and forensic examination completed. No evidence.
T8jaam	31 July	A member of the cleaning staff at a school suspects collusion between one or two of the cleaning staff and the cleaning supervisor in falsifying working hours.	Records reviewed but lack of evidence. Improved controls implemented.

Case file	Date	Description	Action taken
T8jaaz	3 September	Allegations have been made against a member of staff regarding receipt of payments and holding unauthorised paid employment.	During investigations member of staff resigned.
T8kaaa	4 September	Allegations that a Head Teacher was receiving payment for seconded duties and purchased items of equipment.	Investigations identified allegations to be correct and request for repayment requested.
T8kaak	27 September	Homes in Having have requested assistance relating to the possible misuse of the organisations time during the working day by a member of staff. It has been alleged that member of staff is performing private driving lessons during the working day and completing fraudulent flexi records in that the times entered are incorrect and do not represent the correct times.	Allegations proved to be unfounded. Member of staff reminded of procedures for working from home/flexi.
T8kaao	27 October	<p>Members of staff had made allegations against two members of staff. The allegations were that these staff were receiving “backhanders” and that the Manager was turning a “blind eye”.</p> <p>The Line Manager explained that she had suspicions following confrontation with the staff identified over a days work.</p> <p>It has also be claimed by an ex employee that “the staff are never working”.</p>	Further evidence has been requested in order to perform possible covert surveillance.

Case file	Date	Description	Action taken
T8kaas	8 November	<p>A whistleblower has made an allegation that a member of staff is falsifying entries on her flexi record.</p> <p>Records for the last four week period informal records kept by the whistleblower indicate that attendance time has been overstated by a manager in excess of two hours.</p>	<p>An independent record is now being maintained by a Senior Manager to compare with time being recorded by the member of staff over the next two flexi periods.</p> <p>Management satisfied that record keeping is now being maintained correctly.</p>
T8kaau	14 November	<p>Allegations were made that a Line Manager had purchased goods without authorisation and possible subsequent misappropriation of equipment which has been purchased via the Corporate Credit Card system.</p>	<p>Allegations proved to be correct. Line Manager resigned during investigation.</p>
T8jaay	26 November	<p>Allegations that a member of staff was browsing the internet for personal reasons during the working day.</p>	<p>Currently being investigated.</p>
T8laac	10 January 2008	<p>Allegations that a member of staff was deleting emails and constantly using the Groupwise system to send and receive personal emails. There were also concerns of browsing the internet for personal reasons during the working day.</p>	<p>Following investigation member of staff was dismissed.</p>
T8laae	23 January	<p>Allegation that a member of staff is running a business whilst at work.</p>	<p>Advice to management to review systems of operations in relation to satellite working, flexi records, mileage, etc. prior to possible convert surveillance.</p>

1.7 The results of our benchmarking exercise are contained in the table below.

Through liaison with other Council’s we have been able to identify the Whistleblowing reports received and have included the workforce figure to provide context to results.

Council	Workforce (circa) (non schools based)	WB reports
LB Havering	2700	11
LB Redbridge	3400	37
LB Tower Hamlets	5700	20
LB Barking & Dagenham	4400	8

1.8 As a result of the review the action plan below has been devised.

Action Ref	Action	Responsible Officer	Target Date
1	Write to contractors regarding Whistleblowing arrangements.	BDU Manager	April 08
2	Update wording of all information provided on Whistleblowing and promote via ‘Team Briefs’ and intranet.	HR IA&CRM	May 08
3	Write to strategic partners regarding Whistleblowing arrangements.	IA&CRM	June 08
4	Undertake a random survey of awareness to feed into the next annual review.	IA&CRM	February 09

Financial Implications and risks

There are no financial implications or risks arising directly from this report. It is good practice for such arrangements to be subject to an annual review. This ensures that are fit for purpose, up to date and comply with latest guidance, and reflect both the views and work of the Audit Committee.

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 - Internal Audit and Corporate Risk Manager
Telephone: (01708) 43 3733
E-mail: vanessa.bateman@haverling.gov.uk

Cheryl Coppel
Chief Executive



MEETING	DATE	ITEM
AUDIT COMMITTEE	22 nd April 2008	9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF THE COUNCIL'S MONEY LAUNDERING ARRANGEMENTS

SUMMARY

The review of the Council's arrangements to prevent its services being used for money laundering was undertaken in March 2008, as planned, by the Internal Audit & Corporate Risk Manager (IA&CRM).

The Internal Audit Team has received three money laundering reports in the period April 2007 to March 2008. It is concluded that although adequate arrangements are in place, awareness needs to be raised to ensure that appropriate action is being taken to identify potential activity related to money laundering and more generally the proceeds of crime.

An action plan has been devised as a result of the review; this will be monitored going forward.

RECOMMENDATION

- 1 To note the outcome of the annual review.
- 2 To agree the proposed action plan arising from the annual review and confirm support for the arrangements in place.

REPORT DETAIL

1. Money Laundering

- 1.1 The Council has an Anti Money Laundering Strategy and Policy Statement which were last reviewed in March 2007. Both documents will need to be updated, following this review of arrangements, but this update has been delayed in order to allow sufficient time to research the new challenges in areas related to money laundering and to allow a new Money Laundering Reporting Officer to be appointed.
- 1.2 The Council faces new challenges going forward. ‘Terrorist Financing’ is mentioned in the 2009 Key Lines of Enquiry set by the Audit Commission and ‘Illegal Money Lending’ is an increasing problem across London with significant programmes being run to raise awareness and put controls in place to prevent such activity. Although each issue will be need to be considered in its own right, there are obvious links between these newly emerging activities and money laundering, therefore they have been considered as part of the review.
- 1.3 Information regarding money laundering is available on the Fraud pages of the intranet however it is noted that this has to be sought out and little proactive work to promote money laundering to staff has been completed in the last financial year.
- 1.4 The detail of the money laundering reports received in 2007/08 are contained in the table below.

Report Ref	Detail	Report From	Action Taken
1	Cash purchase under right to buy scheme - £172,000.	Home in Havering	Evidence of the source of the money requested and received before the sale continued.
2	Regular mortgage overpayment via all pay card. £552.53 in credit, overpaying by @ £85 each month.	Project Officer	Investigated within revenues and payee was contacted and provided appropriate evidence.
3	Payment of backdated council tax. £6317.18 in cash.	Team Leader	Investigated within revenues and payee was contacted and provided appropriate evidence.

1.5 As a result of the review the action plan below has been devised.

Action Ref	Action	Responsible Officer	Target Date
1	Appoint a new Money Laundering Reporting Officer.	s151 Officer	April 08
2	Update Strategy, Policy and Intranet (include reference to Terrorist Financing and Illegal Money Lending).	IA & CRM	May 08
3	Write to Homes in Havering regarding money laundering arrangements.	IA & CRM	May 08
4	Target relevant teams within the Council to improve awareness i.e. via team brief or attendance at team meeting.	IA & CRM	July 08
5	Undertake a random (but targeted) survey of awareness to feed into the next annual review.	IA & CRM	August 08 & February 09

Financial Implications and risks

None arising directly from this report, however criminal charges can result where employees do not fulfil their personal responsibilities in this area. Sanctions could also be imposed on the Council if it was considered not to be complying with the legislation properly.

Legal Implications and risks

None arising directly from this report, however criminal charges can result where employees do not fulfil their personal responsibilities in this area. Sanctions could be imposed on the Council if it was considered not to be complying with legislation.

Human Resource Implications and risks

None arising directly from this report, however the Council has a duty to protect its employees.

Equality and Social Inclusion implications

None arising directly from this report.

Staff Contact: Vanessa Bateman - Internal Audit and Corporate Risk Manager
Telephone: (01708) 43 3733
E-mail: vanessa.bateman@haverling.gov.uk

Cheryl Coppel
Chief Executive



MEETING	DATE	ITEM
AUDIT COMMITTEE	22nd APRIL 2008	10

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE AND WORK PLAN FOR 2008/09

SUMMARY

This report seeks Committee's approval to report on the work and the related outcomes of the Audit Committee over the last year for presentation to all Council Members at the July Council meeting.

RECOMMENDATION

That the Committee approves the attached report on the work of the Audit Committee, and agrees it for presentation to the July Council meeting.

REPORT DETAIL

1. Annual Report 2007/08

- 1.1. It is good practice that the Committee circulate to all Council Members the work of the Committee.

The attached Report (Appendix A) contains the following:

- Terms of Reference of the Committee.
- Key issues considered by the Audit Committee in the period under review.

The next report on the work of the Audit Committee will cover the period from 1st April 2008 to 30th April 2009 and be reported to July 2009 Council.

2. **Work Plan 2008/09**

- 2.1. The Audit Committee is currently planned to meet on five occasions over the next municipal year. There are specific reports planned throughout the year, commencing with the statement of accounts and running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor, the Audit Commission.
- 2.2. A work plan of coverage at each of these meetings is set out in Appendix B. This shows the activities already completed over recent meetings and the items planned for the current municipal year.
- 2.3. As indicated in the plan, there are a range of reports that the Committee will receive. Members may identify other areas or topics that they wish covered that arise from the information/reports elsewhere on the agenda, and are therefore asked to identify any at this stage for inclusion in the plan.

2. **Member Training Programme**

- 3.1. A training programme has been drawn up and this is incorporated into Appendix B. This takes on board the extensive training undertaken in previous years.

Financial Implications

None arising directly. Training is provided internally by diverting resources.

Legal Implications

None arising directly.

HR Implications

None arising directly.

Equality and Social inclusion implications

None arising directly from this report.

Staff Contact: Rita Greenwood **Title:** Group Director
Finance and Commercial

Telephone: 01708 432218

CHERYL COPPELL
Chief Executive

Background Papers

There are none.



**REPORT ON THE WORK
of the
AUDIT COMMITTEE
TO ALL COUNCIL MEMBERS**

2007 / 2008

Financial Services
Town Hall
Main Road
Romford, Essex, RM1 3BB

Tel: 01708 432217
Fax: 01708 432162

1. Introduction

This report covers the period April 2007 to April 2008 and outlines:-

- The work of the Audit Committee
- The performance of the authority in key audit matters.

2. Background to an Audit Committee

The Audit Committee has been in place for a number of years and has as its terms of reference:

- To consider and monitor the Authority's risk management and internal control environment.
- To focus audit resources.
- To receive and approve the Annual Statement of Accounts.
- To monitor performance of internal and external audit.
- To monitor proactive fraud and corruption arrangements.

3. The Management Structure

Audit Committee Cllr David Grantham
 Cllr Frederick Thompson
 Cllr Michael Armstrong
 Cllr Gary Adams
 Cllr Roger Ramsey
 Cllr Clarence Barrett
 Cllr Barbara Matthews
 Cllr Mark Stewart

Internal Auditors Internal Service

External Auditors Audit Commission

4. Audit Committee Coverage

4.1 The Audit Committee has received the reports as set out in Annex A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

4.2 Regular Work

The Committee has regularly reviewed:

- progress against the audit plan;
- key findings/issues arising from each audit undertaken;
- progress against implementation of the recommendations;
- anti fraud and corruption activity, including frauds identified;
- progress against Audit Commission Audit and Inspection Plan;

- regular reviews of progress against the variance action plans, including the Annual Letter and Statement of Internal Control.

4.3 Specific Review/Reports

There were several during the year including:

- undertook a full review of the Risk Management Strategy;
- undertook a full review of the Anti Fraud and Corruption Strategy;
- reviewed and approved the annual accounts as well as the findings of the external audit;
- approved the Statement of Internal Control having regard to the work of the Committee;
- agreed the strategy to use for developing the Audit Plan; considered and agreed the Audit Plan;
- reviewed the main information systems;
- received the annual report from Internal Audit;
- reviewed schools audit activity and findings;
- considered options for the Internal Audit Service provision and agreed to maintain an in-house service.

5. **Key Issues arising**

Generally there is good satisfaction with the Internal Audit Service. Previous recommendations made by the Audit Commission to strengthen internal audit have been taken on board and no issues have been raised.

The implementation of recommendations continues to improve and the Committee Members active involvement in requiring explanations of delays has contributed to this.

6. **Specific training undertaken**

The Committee has received dedicated training and awareness as set out in Annex B.

7. **Priorities and Plan for the forthcoming year**

A detailed Work Plan has been agreed and will be progressed.

**AUDIT COMMITTEE COVERAGE
FROM APRIL 2007 TO DATE**

24th April 2007

- Annual Audit and Inspection Letter 2005/06 – Audit Commission
- Annual Report on the work of the Audit Committee and Work Plan for 2007/08
- 2005/06 Audit Report of Grant Claims and Returns
- Anti-Money Laundering Policy Statement and Strategy
- Urgent Business

27th June 2007

- Annual Statement of Accounts 2006/07
- Statement of Internal Control
- Annual Head of Internal Audit Report
- Internal Audit Report
- External Audit 2007/08 Annual Audit and Inspection Plan
- Annual Letter Progress 2004/05
- Annual Letter progress 2005/06
- Urgent Business

31st July 2007

- Exclusion of the Public
- Chief Executive's Report containing Exempt Information

27th September 2007

- Audit Commission Annual Governance Report
- Results of the External Audit of Accounts 2006/07
- Internal Audit Report
- Annual Review of Schools Internal Audit 2006/07
- Data Quality Review 2006/07
- Audit & Inspection Annual Letter 2004/05 and 2005/06 Progress
- Urgent Business

11th December 2007

- Audit Commission Progress Report – Audit Commission
- Internal Audit Report
- Annual Review of Anti Fraud and Corruption Arrangements including Whistleblowing Policy
- Annual Review of Risk Management Arrangements
- Adult Social Services Report
- Urgent Business

4th March 2008

- Audit Commission Progress Report
- Internal Audit Report
- Internal Audit Charter and Terms of Reference
- Internal Audit Strategy and Plan 2008/09
- Audit & Inspection Annual Letter Progress

AUDIT COMMITTEE MEMBERS TRAINING/AWARENESS

Timescale	Session	Coverage
May/June 2007	Session 1	Statement of Accounts <ul style="list-style-type: none">• What they are• Purpose• Key Matters that arise• Member's role and responsibility
September 2007	Session 2	Housing Benefit Fraud <ul style="list-style-type: none">• What, why, who• Types of areas• Preventing/detecting• Investigating• Having position
Dec 2007	Session 3	Risk Management <ul style="list-style-type: none">• An introduction• Risk Management in Havering• Identification of Corporate risk• Audit Committee's role
March 2008	Session 4	<ul style="list-style-type: none">• Ensuring an Effective Audit Committee

AUDIT COMMITTEE – FORWARD PLAN/TRAINING
BOLD = COMPLETED

FORWARD PLAN	TOPIC	TRAINING
4 th March 2008 FEB CMT BUSINESS	<ul style="list-style-type: none"> • Agree Audit Plan and Strategy 2008/09 • Annual Letter Progress • Internal Audit Report, including SIC • Audit Commission Progress/work • Internal Audit Charter and Terms of Reference 	Session on Ensuring an Effective Audit Committee before Committee Audit Commission to deliver
22 nd April 2008 Check annual review of ongoing recs in place	<ul style="list-style-type: none"> • Receive Annual Letter 06/07 • 2007/08 Use of Resources Report • Annual Letter Progress • Annual Grants review • Audit Recommendations (detail on oldest) • Annual Report on activity and training • Money laundering • Whistleblowing 	Session on new Governance Arrangements
25 th June 2008	<ul style="list-style-type: none"> • Annual Accounts • Audit Commission Progress/Work • Audit Commission Annual Plan • Annual Report of Internal Audit, including review of Internal Audit effectiveness and direction of travel • Review of Committee against best practice and Toolkit • Internal Audit Report – including ongoing recs/remember comparative info • Statement of Governance to note 	Session on Annual Accounts
25 th September 2008 Could be 16 th Sept	<ul style="list-style-type: none"> • Audit Commission Progress/Work • Internal Audit Progress Report • Annual Letter Progress 2006/07 • Annual School Report • Audit Commission Audit of Accounts etc. • Annual Review of Anti Fraud and Corruption Arrangements 	Session on Impact of Control Weaknesses Before Committee
9 th December 2008 CMT 27 th November	<ul style="list-style-type: none"> • Annual Review of Risk Management Arrangements • Audit Commission Progress • Internal Audit Report covering: <ul style="list-style-type: none"> * current work, inc fraud * recs * provision of Audit Service (due again March) * compliance with CIPFA Code * 2008/09 planning * PI's 	Session on Fraud and Corruption
3 rd March 2009	<ul style="list-style-type: none"> • Agree Audit Plan and Strategy • Annual Letter Progress • Annual Grants Performance • Audit Commission Progress/work • Internal Audit report • Internal Audit Charter and Terms of Reference 	
21 st April 2009 Check annual review of ongoing recs in place	<ul style="list-style-type: none"> • Review of Committee against Best practice and Toolkit. • Agree Committee/Annual Report and Work Plan • Receive Annual Letter 07/08 • Audit Commission Progress/Plan? • Money laundering Review • Whistleblowing • Audit Strategy if necessary 	

NB : Annual Report to Council after May each year unless election

Audit Committee 22 April 2008

Item 10

September Committee needs to be mid September given publication