

AUDIT COMMITTEE

AGENDA

7.30pm

Tuesday,
24 April 2007

Havering Town Hall
Main Road, Romford

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

David Grantham (C)
Frederick Thompson (V.C)
Michael Armstrong
Eddie Cahill
David Charles

Residents' Group (2)

Clarence Barrett
Barbara Matthews

Rainham and Wennington Independent Residents Group (1)

Mark Stewart

For information about the meeting please contact:

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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 in case of fire or other events that might require the meeting room or building's evacuation.

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

3. DECLARATION OF INTERESTS

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

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 1 March 2007 and to authorise the Chairman to sign them.

5. ANNUAL AUDIT AND INSPECTION LETTER 2005/06 - AUDIT COMMISSION – Report attached

6. ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE AND WORK PLAN FOR 2007/08 – Report attached

7. 2005/2006 AUDIT REPORT OF GRANT CLAIMS AND RETURNS – Report attached

8. ANTI-MONEY LAUNDERING POLICY STATEMENT AND STRATEGY - Report attached

9. URGENT BUSINESS

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

CHERYL COPPELL
Chief Executive



MEETING	DATE	ITEM
AUDIT COMMITTEE	24 APRIL 2007	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL AUDIT AND INSPECTION LETTER 2005/06

SUMMARY

This the Audit and Inspection Annual Letter for members which incorporates the Annual Audit Letter for 2005/06, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission.

The Council will produce an action plan to address the recommendations for improvement highlighted in this report. This will go to the Audit Committee on 29th June 2007.

Financial Implications and risks:

In accepting audit recommendations, managers are obligated to consider financial risks and costs associated with the implementation of the recommendations.

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

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CHERYL COPPELL
Chief Executive

Background Papers

None

Annual Audit and Inspection Letter

London Borough of Havering

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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

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For further information on the work of the Commission please contact:

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Contents

Our overall summary	4
Action needed by the Council	4
How is Havering Council performing?	5
The improvement since last year - our Direction of Travel report	6
Corporate Assessment	6
Service inspections	7
Other Inspectorates and Regulators	8
Financial management and value for money	9
Conclusion	12
Availability of this letter	12
Appendix 1 – Fee information	13

Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from the Corporate Assessment and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The letter is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
 - the Council has progressed to a three star authority under the CPA framework and is improving well;
 - we issued an unqualified opinion on the Council's 2005/06 Accounts and an unqualified value for money conclusion; and
 - improvements in service areas and the corporate centre have been recognised in recent inspection and review scores.

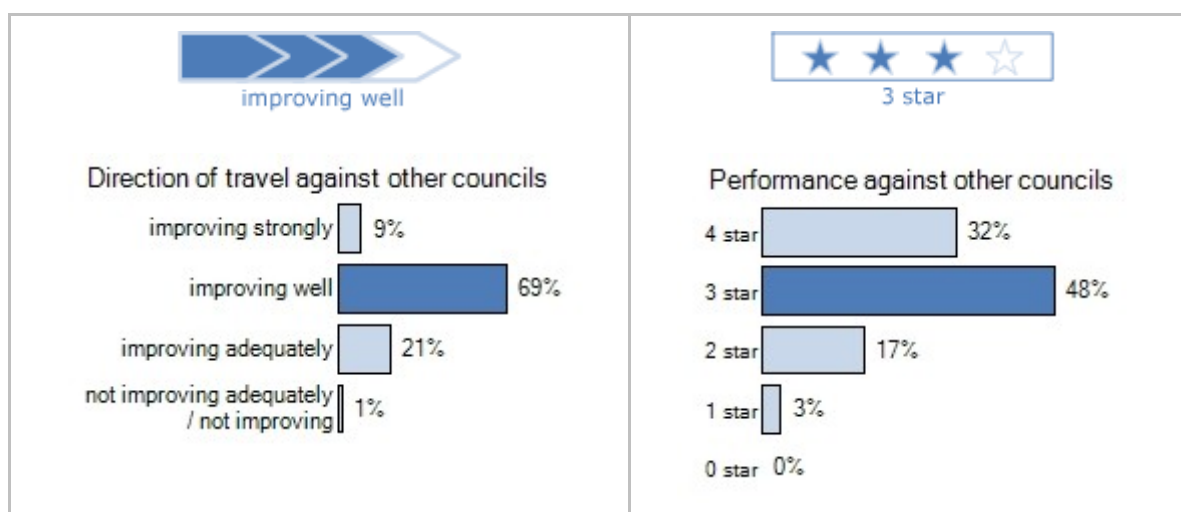
Action needed by the Council

- 4 The Council should:
 - implement appropriate actions to address the improvement areas highlighted in the Corporate Assessment;
 - ensure there are appropriate systems and processes in place to generate robust information for all performance indicators; and
 - review adult social services to identify and address the barriers to achieving service improvements at a faster rate.

How is Havering Council performing?

- 5 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.

Table 1



Source: Audit Commission

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

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 star
Current performance	
Children and young people	3 out of 4
Social care (adults)	2 out of 4
Use of resources	3 out of 4

Element	Assessment
Housing	2 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve	3 out of 4

(Note: 1=lowest, 4=highest)

The improvement since last year - our Direction of Travel report

- 7 Havering has a track record of service improvement and is making effective contributions to wider community outcomes. It has prioritised work in previously poorly performing services such as planning, housing and adult social services. All have shown improvements although the improvement in adult social services has been slower than that of other councils. The quality of children’s social care services is improving well and excellent performance in education has been maintained.
- 8 The Council shows improvement in serving its diverse communities but there is more to do. The Council has plans to address this. It has improved the accessibility of services, including services for ‘hard to reach’ groups. Resident satisfaction is improving. Overall spending remains low and service costs compare well to similar boroughs.
- 9 The Council has strengthened its systems and management processes and has robust plans to drive further improvements. It has successfully enhanced its capacity through effective partnership working, both locally through the strategic partnership and increasingly through working with other boroughs. It is developing its capacity further by improving Information Communications and Technology and exploring alternative delivery models.

Corporate Assessment

- 10 The Corporate Assessment, undertaken in October 2006, identified three key factors that are now embedded in the Council’s culture and have been fundamental to securing the significant improvements to service outcomes since the last assessment in 2002:
 - there is strong partnership working, both with the private, public and voluntary sector within the Borough and with other agencies at a pan-London level;

- effective performance management arrangements are in place and there is a visible cascade of corporate objectives into service, team and personal performance targets; and
 - there is a strong emphasis on achieving financial efficiency and value for money.
- 11 These arrangements have supported the delivery of improved outcomes. The Corporate Assessment also recommended further work in the following areas:
- the Council's approach to diversity should extend beyond the current focus on BME issues and incorporate other areas such as community cohesion;
 - a senior councillor should be identified to take lead responsibility for engagement with the health sector;
 - scrutiny processes should be reviewed to ensure they are aligned to corporate priorities; and
 - greater transparency and accountability is needed in the support and funding arrangements provided to the community and voluntary sectors.
- 12 The assessment concluded that Havering Council is performing well and it was awarded a score of three out of a possible four.

Service inspections

Supporting people

- 13 In March 2005, the Supporting People inspection assessed the service provided by the Council as zero-star with uncertain prospects for improvement. The service was therefore re-inspected in summer 2006. The re-inspection found that much progress had been made to address the weaknesses identified in the 2005 review. In particular:
- the service is now better aligned within the Sustainable Communities directorate and there is more joint working with adult services and other partners;
 - information on the service's availability is better publicised and there is improved user focus; and
 - there is a robust process for completing service reviews which has supported independent living while generating savings.
- 14 The progress made by the Council is reflected in the updated service assessment of one star with promising prospects for further improvement.

Other Inspectorates and Regulators

- 15 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)

- 16 BFI assessed the Council as providing a good service. In January 2006, the Council implemented the Verification Framework (VF). The VF specifies minimum standards for the information, evidence and checks that must be obtained or performed prior to awarding, or continuing to award, benefit payments. During 2005/06, there was also a major exercise to recruit 25 new staff to the Benefits service. Despite these changes, the Council continued to meet three out of the six targets for the speed of processing claims and in the case of administering new claims, the turnaround time improved from 40 days in 2004/05 to 31 days. However, the BFI reported that performance on user focus requires improvement as only 44 per cent of appeals were heard within the four week target in 2005/06.

Ofsted/Commission for Social Care Inspection (CSCI)

Education and children's social care services

- 17 A Joint Area Review (JAR) of services for children and younger people was completed alongside the Council's Corporate Assessment. The JAR found that the Council is performing well in its provision of such services. Good outcomes are achieved, most notably in educational attainment, protecting vulnerable children and reducing anti-social behaviour. There is good partnership working through the Children and Young People's Strategic Partnership and a Children's Trust is being developed with Havering Primary Care Trust. The quality of children's social services is improving and the excellent performance in education has been sustained. Good value for money is already achieved and capacity exists to further improve outcomes, in particular, by more involvement of young people in the planning and design of service delivery.

Adult social care services

- 18 CSCI's Annual Performance Assessment found some service improvements have occurred during the year, including a reduction in the number of older people moving into residential care and increasing the provision of home care services. There is also better engagement with service users and carers in service planning. However, the pace of change and improvement is slower than that of similar councils and a number of internal targets have not been met. Performance on delayed transfer of care has deteriorated and the rising costs of intensive social care are not being addressed effectively. Performance management systems need to improve to ensure action plans deliver the desired outcomes and targets are more challenging.

Financial management and value for money

- 19 As your appointed auditor, I have reported separately to the Audit Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts and the Pension Fund;
 - an unqualified conclusion on your value for money (vfm) arrangements; and
 - a report on the 2005/06 Best Value Performance Plan confirming that the Plan has been audited and the content complies with statutory requirements.
- 20 The accounts were produced within the deadline and were subject to robust Member scrutiny. Our audit resulted in two non-trivial amendments, neither of which affected the net assets or net expenditure of the Council. The quality and timeliness of working papers had improved since last year. The Council will need adequate handover arrangements for the planned departure of key staff involved in the closedown process, to ensure that improvements in the accounts preparation processes continue.
- 21 The vfm conclusion is based on a review of performance and financial management criteria specified by the Audit Commission. The twelve specified criteria include, amongst other things, setting corporate objectives, robustness of performance information, budget monitoring arrangements and internal control. Our work to support the vfm conclusion did not identify any weaknesses in the Council's arrangements that would give rise to a qualification. We did find scope to strengthen existing arrangements by introducing a formal policy on data quality and ensuring that the Council continues to monitor internal audit's compliance with professional standards and delivery of the internal audit annual plan.
- 22 Our work on data quality included a sample of spot checks on reported performance information. Our review of eight performance indicators found that only one had been fairly stated. Four indicators required amendment, three of which affected significantly the reported performance. Due to weaknesses in the underlying information systems, the correct performance could not be calculated for a further three indicators. Our work demonstrated that a more proactive approach is required to ensure that all performance information generated by the Council is robust.
- 23 Our audit of the Council's grant claims found that improvements to the administration and preparation of grant claims and returns have been made. We have therefore been able to place more reliance on the Council's controls to reduce our audit testing.

- 24 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); and
 - value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 25 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

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)

- 26 The assessment of 3 represents an improvement on last year's score and the Council has strengthened its arrangements across all five elements. The key issues arising from the audit, as reflected in the above judgements, are as follows.
- the Council's approach to briefing members on local government accounts prior to approving the financial statements, its debt management strategy and the medium term financial strategy were all identified as notable practice;
 - historic overspends within children's social services are being addressed through more robust financial planning;

- the target level of general reserves is now supported by a risk assessment which is presented to Members; and
- anti-fraud arrangements have strengthened, the Council's whistleblowing policy has been communicated externally and registers of interests and gifts and hospitalities are now up-to-date.

27 Moving forward, to further strengthen existing arrangements, the Council needs to:

- communicate summary financial information in a format accessible to the public and other stakeholders;
- more clearly communicate key financial health indicators and the relationship between finance and activity data to Members;
- demonstrate and evaluate the impact from asset management benchmarking;
- extend robust internal governance and risk management arrangements to partnerships; and
- finalise and test business continuity plans.

28 The financial position for 2007/08 and beyond will be challenging. The Council will need to build on the improvements already secured to its financial management arrangements and ensure that the level of reserves remains appropriate to the risks that it faces.

Conclusion

- 29 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 18 April 2007 and 24 April 2007 respectively.
- 30 The Council has taken a positive and constructive approach to our audit and inspection and I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.
- 31 An update on the fees charged for audit and inspection work is provided at Appendix 1.

Availability of this letter

- 32 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

Appendix 1 – Fee information

Table 4

Fee estimate	Plan 2005/06	Actual 2005/06
Accounts*	£205,000	£215,000
Use of resources	£137,000	£137,000
Total Code of Audit Practice fee	£342,000	£352,000
Inspection	£58,000	£58,000
Grant claim certification**	£195,000	£140,000
Voluntary improvement work (under section 35)	£0	£0
Total fee	£595,000	£550,000

*An additional fee of £10,000 had to be raised for further audit work required in documenting material systems that had not been covered by internal audit.

**Our audit of the 2005/06 grant claims is currently in progress. The planned outturn fee represents a reduction on the fee for 2004/05, which was £170,000.

- 1 The work reported in this Letter has been funded by an element of the fee covering 2005/06 and by an element of the fee covering 2006/07.



MEETING	DATE	ITEM
AUDIT COMMITTEE	24 APRIL 2007	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE AND WORK PLAN FOR 2007/08

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 2006/07

- 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 2007 to 30th April 2008 and be reported to July 2008 Council.

2. **Work Plan 2007/08**

- 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 2006.

Financial Implications

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

Legal Implications

None arising directly.

HR Implications

None arising directly.

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CHERYL COPPELL
Chief Executive

Background Papers

There are none.



**REPORT ON THE WORK
of the
AUDIT COMMITTEE
IN RELATION TO THE HAVERING PENSION FUND
TO ALL COUNCIL MEMBERS**

2006 / 2007

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

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Fax: 01708 432162

1. Introduction

This report covers the period May 2006 to March 2007 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:

Internal Control

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

External Audit

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

Internal Audit

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

3. The Management Structure

Audit Committee	Cllr David Grantham Cllr Frederick Thompson Cllr Michael Armstrong Cllr Eddie Cahill Cllr David Charles Cllr Clarence Barrett Cllr Barbara Matthews Cllr Mark Stewart
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Internal Auditors	Internal Service
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External Auditors	Audit Commission
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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;
- agreed clear Terms of Reference for Internal Audit;
- 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;
- reviewed and discussed the role of the Audit Committee against Best Practice;
- 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. However the Audit Commission has specifically made recommendations to strengthen internal audit and this has been taken on board in considering future service provision and working methods.

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

During the recent Comprehensive Performance Assessment (CPA), the Inspectors were quoted to have said that: "The Council has a well established Audit Committee which receives a good level of officer support".

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 MAY 2006 TO DATE**

29th June 2006

- Annual Statement of Accounts 2005/2006
- Statement of Internal Control 2005/2006
- Annual Head of Internal Audit Report 2005/2006
- External Audit – Audit and Inspection Plan 2006/2007
- Internal Audit Report
- Client Manager Internal Audit Report
- Audit Committee Work Plan Including Training Programme

28th September 2006

- Results of External Audit of Accounts 2005/06
- Audit Commission Annual Governance Report
- Role of the Audit Committee/Compliance Report
- Terms of Reference for Internal Audit
- Internal Audit Report
- ISA Report
- Client Manager Internal Audit Report
- Audit & Inspection Annual Letter 2004/05 Progress
- Annual Review of School's Internal Audit 2005/06

12th December 2006

- Audit Commission Progress Report December 2006
- Internal Audit Progress Report 1st July 2006 – 30th September 2006
- Internal Audit Strategy & Plan for Years 2007/08 – 2009/10
- Client Manager Internal Audit Report
- Annual Review of Fraud and Corruption
- Internal Audit Service Provider
- Audit and Inspection Annual Letter 2004/05 – Action Plan
- Annual Review of Risk Management Arrangements

1st March 2007

- Audit Commission Progress Report February 2007
- Internal Audit Progress Report 1st October 2006 – 31st December 2006
- Client Manager's Report 1st October 2006 – 31st December 2006
- Internal Audit Plan 2007/10
- Audit and Inspection Annual Letter 2004/05
- Establishment of a Joint Panel to Consider Reports on Cultural and Leisure Services Capital Projects

ANNEX B

AUDIT COMMITTEE MEMBERS TRAINING/AWARENESS

Timescale	Session	Coverage
May/June 2006	Session 1	Statement of Accounts <ul style="list-style-type: none"> • What they are • Purpose • Key Matters that arise • Member's role and responsibility
May/June 2006	Session 2	Assurance Framework <ul style="list-style-type: none"> • What is it • Audit Committee's role • The Statement of Internal Control
August 2006	Session 3	Risk Management <ul style="list-style-type: none"> • An introduction • Risk Management in Havering • Identification of Corporate risk • Audit Committee's role
August 2006	Session 4	Internal Audit <ul style="list-style-type: none"> • Roles • Reporting • Planning • Audit Committee's role
August 2006	Session 5	External Audit <ul style="list-style-type: none"> • Role • Reporting • Planning • Audit Committee's role
September 2006	Session 6	Fraud and Corruption <ul style="list-style-type: none"> • What, why, who • Types of areas • Preventing/detecting • Investigating • Internal control • Havering position

Timescale	Session	Coverage
		<ul style="list-style-type: none">• Case example• Audit Committee's role

APPENDIX B

AUDIT COMMITTEE – FORWARD PLAN/TRAINING

FORWARD PLAN	TOPIC	TRAINING
24 th April 2007 (12 th April 2007) Check annual review of ongoing recs in place	<ul style="list-style-type: none"> • As per Agenda 	
27 th June 2007	<ul style="list-style-type: none"> • Annual Accounts • Audit Commission Progress/Work • Audit Commission Annual Plan • Annual Report of Internal Audit • IA Client Report – including ongoing recs • Internal Audit Work • Annual Letter Progress 2005/06 • Statement of Internal control 	Session on Annual Accounts
27 th September 2007	<ul style="list-style-type: none"> • Audit Commission Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual School Report • Audit Commission Audit of Accounts etc. • Internal Audit Terms of Reference and Code Compliance Check 	Session on Impact of Control Weaknesses
11 th December 2007	<ul style="list-style-type: none"> • Annual Review of Anti Fraud and Corruption Arrangements • Audit Commission Progress • IA Client Report, inc school recs • Internal Audit work • Annual Letter Progress • Audit Plan Strategy • Annual Review of Risk Management Arrangements • Provision of Audit Service 	Session on Risk Management and Current Register
4 th March 2008	<ul style="list-style-type: none"> • Agree Audit Plan • Annual Letter Progress • Annual Grants Performance/Co-ordinator effectiveness • Audit Commission Progress/work • Review of Committee against Best Practice and Toolkit 	Session on Ensuring an Effective Audit Committee



MEETING	DATE	ITEM
AUDIT COMMITTEE	24 APRIL 2007	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2005/2006 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

SUMMARY

This report updates the Committee of the position regarding the final version of the 2005/2006 audit report of grant claims and returns and subsequent Action Plan for the 2006/2007 grants process and to highlight the effectiveness of the Grant Co-ordinator post.

The 2006/2007 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 2005/2006 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. raise any issues on the review of the grants co-ordinator role
5. otherwise note the report.

REPORT DETAIL

Overall summary of 2005/2006 grant claims compared to 2004/2005

1. Performance

- 1.1 There was an overall improvement in the submission and certification of 2005/2006 claims for audit.
- 1.2 The total number of grants requiring audit certification reduced to 23 for 2005/2006 compared to 24 for 2004/2005, this was mainly due to the grant paying bodies reducing the number of grants that were ring-fenced, therefore reducing the need for audit certification. In 2005/2006 the Audit Commission also certified 1 late 2004/2005 grant claim, thus increasing the number of audited grants for 2004/2005 from 24 to 25.
- 1.3 All 23 claims due for 2005/06 have now been certified as were all 24 claims completed when the audit report was produced last year.
- 1.4 The number of amended claims rose to 11 (48%) for 2005/2006 compared to 8 (33%) for 2004/2005. These amendments were made due to expenditure being classified as ineligible as a result of audit findings.
- 1.5 The number of qualified claims was 4 (17%) in 2005/2006, this matched the number of qualified claims for 2004/2005.
- 3 of these 4 were repeated qualifications.
HOU01 - Housing subsidies and Grants, HOU02 - HRA Subsidy Base Data (07/08) and LAO1 – NNDR were qualified in both 2004/2005 and 2005/2006.
 - BEN01 - Housing Benefits and Council Tax was qualified in 2005/2006.
 - For HOU01 the qualification issue will not apply in 2006/2007.
 - For BEN01, HOU02 and LAO1 the Audit Commission recommendations can be found in the 2006/2007 Action Plan (See Appendix 1).
- 1.6 The number of claims not certified by the certification deadline reduced to 3 (13%) for 2005/2006 compared with 5 (21%) for 2004/2005.

Summary

	2004/2005 *		2005/2006	
	No.	%	No.	%
Submitted by due date	19	76	23	100
Submitted late	6	24	0	0
Total claims	25	100	23	100

Amended claims	8	32	11	48
Claims not amended	17	68	12	52
Total claims	25	100	23	100

Qualified claims	4	16	4	17
Unqualified claims	21	84	19	83
Total claims	25	100	23	100

Certified by deadline	19	76	20	87
Uncertified by deadline	6	24	3	13
Total claims	25	100	23	100

* The above table has been amended to include the late grant claim for 2004-2005 that was certified in 2005-2006.

2. Recommendations

2.1 The 2006/2007 Recommendations/Action Plan is attached as Appendix 1 and contains a number of issues identified during the 2005/2006 audit process for implementation during the 2006/2007 grant process.

2.2 The Audit Commission have identified 22 recommendations to address in the 2006/2007 Action Plan in comparison to 23 for 2005/2006. It should be noted that this is not a reflection of the Council's performance. 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 23 recommendations identified in 2004/2005

- 13 have been addressed.
- Of the remaining 10 recommendations: 8 were repeated in both years, 3 of which refer to grant claims that were also qualified in both years. (LA01 and HOU02).
- 1 recommendation (HOU01) is still being addressed

- 1 recommendation (HOU01) does not apply in 2006/2007.

The Grants Co-ordinator will raise any outstanding issues with the claim compiler when reviewing the 2006/2007 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 2004/2005 re 2003/2004 audits	Paid in 2005/2006 re 2004/2005 audits	Paid in 2006/2007 re 2005/2006 audits
£243,000	£195,000	£145,000
No of Grant Claims Audited 33	No of Grant Claims Audited 25	No of Grant Claims Audited 23

The above table shows that the audit fee saving in 2005/2006 was £48,000 being 20% less than the 2004/2005 charges. The saving in 2006/2007 was £50,000 being 26% less than the 2005/2006 charges. The overall saving in audit fees since 2004/2005 is £98,000 being 40%.

- 3.2 The reduction in fees is partly accounted for in the grant paying bodies reducing the number of claims requiring auditing and partly due to a majority of the working papers meeting the required Audit Commission standards. It is envisaged that audit fees would expect to be reduced in the medium to longer term to reflect the improved control environment, i.e. once claims that meet the required standard are consistently submitted, the amount of testing will be reduced and subsequently audit fees will reduce.
- 3.3 The threshold for Audit Certification has been increased. In 2006/2007 it rises from £50,000 to £100,000. 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 2006/2007 will be 19.
- 3.4. For grant claims that require Chief Financial Officer certification a mini audit is carried out by the Grants Co-ordinator. For 2006/2007 are 25 grant claims that fall into this category, however this figure may change as new grants that require CFO certification are allocated to Havering. The Chief Financial Officer requires assurance that grants that fall into this category are accurately claimed/reported prior to certification. The Grants Co-ordinator checks the working papers provided to the grant

claim/return form and verifies their accuracy prior to submission to the Chief Financial Officer for signature. This process ensures that the standard of working papers is maintained, and encourages best practice.

4. Progress made by the Grants Co-ordinator

4.1 The post of grants co-ordinator was originally established on an “invest to save” basis to reduce the level of errors and considerably improve the speed of throughput for grants claims.

4.2. In addition to the improved performance and reduction in audit fees as indicated in Section 3 of this report, the Grants Co-ordinator has built on the progress made. The following developments planned for 2005/2006 as outlined in the October 2005 Grant Co-ordinator report to Audit Committee have been delivered and are outlined below.

- Two training workshops to claim compilers were delivered in May 2006.
- Updated working papers and guidance notes have been drafted.
- In 2005/2006 post audit reviews were completed for each grant claim/return Issues identified have helped to avoid delays in finalising the annual grants report and will improve the preparation of the 2006/2007 claims.
- The 2005/2006 and 2006/2007 grant income has been reconciled to the Specific Grants schedule and all budgets in the Oracle FIS system have been agreed to the schedule.

4.3 The continued reduction in external audit fees is clear evidence of the impact of and effectiveness of the grants co-ordinator role. However, in addition to these cash savings there are hidden savings to the Council through reduced officer time spent dealing with queries once the audit is underway, and the improvements to the Council's working practices and financial standing, which are recognised through the Use of Resources judgement.

5. Future Planned Developments

5.1 To build on the progress made so far a number of developments are planned in preparation for the 2006/2007 grants process and are outlined below.

- To finalise the updated Working Papers checklist and guidelines for use in the 2006/2007 audit process.

- Further training/workshops to claim compilers, to be delivered before the 2006/2007 audit process begins.
- Identify those Local Authorities with higher performance and investigate adopting best practice.
- To finalise and publish the updated Grant management Protocol in the intranet.
- To finalise and publish the Grants Risk Register on the intranet.

Financial Implications and risks:

For 2005/2006 specific grant claims provided £106M 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 Legal Implications and risks arising from this report

Human Resources Implications and risks:

There are no Human Resources Implications and risks arising from this report.

Equalities and Social Inclusion implications:

There are no Equalities and Social Inclusion Implications arising from this report.

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CHERYL COPPELL
Chief Executive

Background Papers List

2006/2007 Recommendations/Action Plan

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
General Recommendations					
<p>R1 Ensure that the role of the grants co-ordinator includes responsibility for following up with claim compilers the progress with all claims, in particular, when the audit is problematic.</p> <p><i>A greater level of involvement from the grants coordinator in the audit of the housing claims (HOU01 and HOU02) could have</i></p>	3	Grants Co-ordinator.	Yes	<p>The new Grants Co-ordinator is now in post. She had a dual role during the 2005/2006 audit process but will be able to devote all her time to the 2006/2007 audit process.</p> <p>She will act on the recommendation by increasing liaison with claim compilers to follow up progress with all claims, to assist with claim compilation as required, in particular, when the audit has been problematic in the past.</p>	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p><i>facilitated a more effective audit process.</i></p>					
Sustainable communities - recommendations					
Discretionary Housing Payments - HOU11					
<p>R2 To ensure grant income allocated to the Council is fully utilised, increase awareness of entitlement amongst eligible applicants.</p> <p><i>The Council was given a</i></p>	1	Head of Exchequer Services.	Yes	Arrangements are in place to ensure that there is awareness of entitlement amongst eligible applicants. Officers ensure that every eligible person is notified that they can apply for DHP. This	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<i>Government Contribution of £59,514 but only spent £50,709.</i>				notification comes in the form of Information carried in the Inside Havering newsletter (sent to all households in the borough), information sent to eligible parents of school pupils and leaflets sent to eligible tenants.	
Pooling of Housing and Capital receipts - CFB06					

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>R3 Put in place arrangements to ensure prompt responses to all audit queries in line with the grants protocol.</p> <p><i>There were delays in receiving some of the working papers requested at the start of the audit. In some cases, working papers requested were only provided by the claim compiler on the grant certification due date.</i></p>	3	Head of Housing and Health/Head Of Financial Services.	Yes	<p>The Grants Co-ordinator will remind claim compilers of the deadline for responses to audit queries in line with the grants protocol.</p> <p>It must be noted that the Grants Co-ordinator must be copied into all emails and responses so that if a delay occurs these issues will be escalated.</p>	May 2007
<p>R4 Put in place a review process to ensure adequate and accurate working papers are provided to support all figures included in the claim.</p> <p><i>Working papers provided to support capital allowance deducted from the claim did not tie up to the HRA asset register. This resulted, in an amendment to a number of cells on the claim, although the amendment had no overall effect on the amount pooled.</i></p>	3	Head of Housing and Health/Head Of Financial Services.	Yes	<p>The Grants Co-ordinator will act on this recommendation for 2006/2007 when reviewing the grant claim files. Working papers which are provided by finance officers (capital working papers) other than the Claim compiler are sometimes updated after the file has been raised. The Claim Compiler/Grants Co-ordinator will ensure that the correct working papers have</p>	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
				been included in the claim.	
<p>R5 Ensure that all apportionments included in the claim are based on reasonable judgements.</p> <p><i>The sample month which included the 1st week of the year selected by the Council to identify the time spent on administrative duties was not representative of the whole year due to bank holidays, annual leave and courses taken. This contributed to the low administrative charges apportioned to the claim.</i></p>	2	Head of Housing and Health/Head of Financial Services.	Yes	Officers will ensure that all apportionments included in the claim are based on reasonable judgements.	May 2007
Housing subsidy - HOU02					
R6 As per the DCLG's requirements, measure the complete internal area and not just the foot print of	3	Head of Housing and Health/ Head of Financial Services.	Yes	Note: This grant claim was qualified on 2004/2005. This is a repeated recommendation.	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>buildings when analysing all dwellings. <i>During detailed testing we identified some properties where internal measurements were not obtained.</i></p>				<p>The Head of Service informed the DCLG in letter 24 Nov 06 as to why the measurements were taken as a footprint. This issue has been resolved for 2005-2006. HOS will speak with the DCLG re 2006/2007.</p>	
<p>R7 Put in place arrangements to ensure that adequate supporting working papers are retained for properties classified as void.</p> <p><i>We were unable to obtain adequate support for two of the five voids selected for testing.</i></p>	3	Head of Homes in Havering/Head of Housing and Health/Head of Financial Services.	Yes	<p>Homes in Havering retain supporting working papers that are required for inclusion as audit evidence.</p> <p>Officers will ensure that arrangements are in place to provide the supporting working papers for properties classified as void for the 2006/2007 audit by informing HIH that once audit process has begun, sample evidence will be requested and should be easily accessible so that the grant protocol deadlines can be met.</p>	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
LSC Funding of Further Education in LEA Institutions - EDU23					
<p>R8 Ensure that the estimated claim is submitted to audit within the deadline.</p> <p><i>The estimated claim, due for submission on the 31/8/06, was not received until 25/10/06. The period between the submission and certification deadlines is limited to one month on the understanding that early testing can be completed on the estimated claim. The late submission of the estimated claim prevented early testing.</i></p>	3	Head of Regeneration and Strategic Planning.	Yes	The LSC Circular did not clearly state that submission of an estimated claim was required, however the Head of Service will ensure that all deadlines for the 2006/2007 grant claim are met.	May 2007
<p>R9 Ensure all working papers required for the audit are included in the audit working paper file.</p> <p><i>There was no analytical review on file.</i></p>	2	Head of Regeneration and Strategic Planning.	Yes	The Head of Service agrees to ensure that all working papers required for the audit are included in the working paper file.	May 2007
Adult and Community Learning - EDU02					
R10 Put in place arrangements	2	Head of	Yes	The Head of Service	May

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>to annually review the basis of apportionments included in the claim.</p> <p><i>We noted minor errors in the calculation of apportionments included in the claim.</i></p>		Regeneration and Strategic Planning.		comments that an annual review of apportionments will take place and a re-calculation will take place if there is any material change.	2007
<p>R11 Carry out a review to identify the reason for the continued significant under spend on this grant.</p> <p><i>We identified a significant under spend (£290K) in respect of the family language, literacy and numeracy and family learning grants. This under spend increased from £205k in 2004/05 to £290k in 2005/06.</i></p>	1	Head of Regeneration and Strategic Planning.	Not Agreed	This budget has been reviewed on an annual basis and the reason for the under spend identified. A further review is not deemed necessary because the Head of Service comments that the reasons for the under spend of the allocation for Family Literacy , Learning and Numeracy (FLLN) over the past 3 years are already known, and are due to the stringent conditions the LSC imposes on eligible expenditure. Until now the LSC has refused requests to vire FLLN funds to other	

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
				forms of ACL, and an increasing under spend has consequently accumulated. LSC are however positively considering a current application to vire funds from FLLN to Wider Family Learning, and if as expected this is approved it should allow the remaining balance to be utilised in the same way.	
Mental Health Grant - HC08					
R12 Ensure that a delivery plan is agreed with the grant paying body before grant expenditure is incurred. <i>There was no delivery plan in place for 2005/06.</i>	3	Head of Adult Social Services.	Yes	Officers will arrange that a delivery plan will be agreed with the grant paying body before that grant expenditure is incurred.	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>R13 Implement arrangements to ensure that, when funding is passed to a third party, all expenditure incurred by that party is spent in line with the conditions of the grant funding. This should include a formal agreement and monitoring arrangements.</p> <p><i>A formal agreement and evidence of monitoring could not be provided for expenditure incurred by North East London Mental Health Trust on the Authority's behalf.</i></p>	2	Head of Adult Social Services.	Yes	<p>Some arrangements are in place for the monitoring of the expenditure of the grant passed to a third party however further monitoring arrangements will be introduced.</p> <p>Also arrangements will be implemented to raise a formal agreement to ensure that when funding is passed to a third party that this is spent in line with the grant conditions.</p>	May 2007
Improving Information Management Capital Grant - SOC08					
R14 Put in place arrangements to ensure only eligible expenditure is included in the	3	Head of Adult Social Services.	Yes	Arrangements will be put in place to ensure that only eligible expenditure is	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>claim.</p> <p><i>Ineligible expenditure relating to 2004/05 and 2006/07 financial periods was initially included in the claim. The claim was amended to remove this expenditure.</i></p>				<p>included in the claim. Officers will check invoices prior to inclusion in the claim to ensure they are claimable in the year of audit. Accruals will be raised where required.</p>	
Finance and Commercial recommendations					
Housing and Council tax benefits - BEN01					
<p>R15 Ensure procedures in place are sufficiently robust to support the correct classification of eligible overpayments. This may be done, for example, through quality control procedures such as sample checking or through specific staff training.</p> <p><i>Of 77 cases tested, our testing</i></p>	3	Head of Exchequer Services.	Yes	Officers would update a plan for an annual activity of training has been drawn up and refresher training is in place.	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<i>identified 14 cases where the eligible overpayment classification was incorrect.</i>					
<p>R16 Review the Academy reporting tool to ensure that it reports backdates and extended payments net of overpayments.</p> <p><i>Our testing identified backdates and extended payments being shown gross of overpayments. This is not in line with the relevant parts of the CI which require both to be shown net of overpayments. Subsequent work by the authority identified a further 13 cases in extended payments and 16 cases in backdates where there was incorrect inclusion of overpayments.</i></p>	3	Head of Exchequer Services.	Yes	This recommendation is in the process of being resolved by Academy and officers are monitoring its progress.	May 2007
Non Domestic Return – LA01					
R17 Where practical, process all	3	Head of	Not	Note: This grant claim was	

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<p>Valuation Officer directives received prior to 31 March and ensure they are included in the claim relating to that financial period.</p> <p><i>Our review identified that valuation officer directions received between 31 January 2006 and 31 March 2006 were not taken into consideration when compiling the 2005/06 claim.</i></p>		Exchequer Services.	Agreed	<p>qualified on 2004/2005. This is a repeated recommendation. Officers are not required by the DCLG to note valuation officer directions received after 31 January 06 when completing their claim. Other strands of grant included in the claim require that the date entered on the return is 31 March, thus there is a conflict. Officers will write to the DCLG to inform them of the conflict between the DCLG instruction and the Certification instruction to which the Audit Commission works.</p>	
<p>R18 Retain sufficient evidence to adequately support the periods during which premises were empty.</p> <p><i>The Council was unable to provide supporting Evidence to enable us to verify the periods</i></p>	2	Head of Exchequer Services	Yes	<p>Confirmation of departure is obtained from owner/leaseholder and the Academy module is updated to ensure that there is sufficient evidence to support the periods during</p>	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<i>For which four of the premises were declared Empty.</i>				which premises are empty.	
Children Services-recommendations					
Child care grant - EYC02					
<p>R19 Ensure that adequate audit trails are retained to support all entries on the claim.</p> <p><i>We experienced prolonged delays in obtaining relevant supporting working papers for money that had been passed on to nurseries during the financial period under review.</i></p>	2	Head of School and Student Services.	Yes	Arrangements will be put in place to obtain supporting evidence throughout the year to ensure that an audit trail is held regarding expenditure and recharges.	May 2007
Sure start revenue and capital grant - EYC08					
<p>R20 Ensure that only eligible expenditure is included in the claim.</p> <p><i>Our audit identified the inclusion of ineligible expenditure which resulted in amendments to the</i></p>	3	Head of School and Student Services.	Yes	Officers will ensure that all expenditure included in the grant claim is eligible.	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
<i>claim.</i>					
Children's Fund Partnership Grant 2005-06 -EYC06					
<p>R21 Ensure that adequate supporting information is retained to provide audit trails for all expenditure included in the claim.</p> <p><i>Adequate support was not readily available for journals that had been used to compile the claim.</i></p>	2	Head of School and Student Services.	Yes	Officers noted that adequate supporting information to provide audit trails is already retained. The Audit Commission should take school holidays into account when requesting their evidence as Education staff take half term leave and are not always available to respond. The evidence is held securely, to which the Programme Manager, rightly, does not have access. Earlier	May 2007

2006/2007 RECOMMENDATIONS/ACTION PLAN

Recommendations	Priority 1=Low 2=Medium 3= High	Responsibility	Agreed	Comments/Actions	Date
				requests would not meet with any delays.	
<p>R22 Put in place adequate arrangements to ensure that only eligible expenditure is included in the claim.</p> <p><i>Our audit identified the inclusion of ineligible expenditure which resulted in amendments to the claim.</i></p>	3	Head of School and Student Services.	Yes	<p>Officers agreed that this would be addressed by meetings with project leaders being held and monitoring by the individual finance officers.</p> <p>A programme highlighting the importance of controlled financial environments has also been put into place.</p>	May 2007



MEETING	DATE	ITEM
AUDIT COMMITTEE	24 APRIL 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Anti-Money Laundering Policy Statement and Strategy

SUMMARY

This report provides Members with the annual update and revision of the Council's Anti-Money Laundering Policy Statement and Strategy.

RECOMMENDATIONS

To amend or add to the Policy Statement and the Strategy as shown in annexe 1 and 2.

To approve the contents of the both the Policy Statement and the Strategy as forming a robust process for detecting and reporting money laundering activity within the Council's operations and procedures.

REPORT DETAIL

1. The Proceeds of Crime Act (2002) created Anti-Money Laundering requirements for those conducting "relevant business" to have systems in place to obtain evidence of the identity of their clients, keep records, train staff, and make internal reports.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the 'Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Service Organisations' (2005) to guide public service organisations

implementing the Anti-Money Laundering regulations. This guidance recognised that while the term “relevant business” does not necessarily include the operations of public service organisations, the main money laundering offences and obligations apply in law to all organisations and persons in the UK. As a result CIPFA states that all public service organisations should “embrace the underlying principles behind the money laundering legislation”. The Council has prepared the Anti-Money Policy Statement and Strategy in accordance with this guidance.

3. At the London Borough of Havering, the relative responsibilities for the reporting of money laundering suspicions are identified within the Council’s Anti-Money Laundering Strategy. The Council’s nominated officer, the Money Laundering Reporting Officer, receives all reports and investigates suspicions to establish whether it is necessary, to make an official report to the Serious Organised Crime Agency (SOCA), or other Law Enforcement Agency (LEA).

4. Financial Implications and risks:

Service areas with an inherent risk of money laundering already conduct anti-money laundering checks and have established reporting arrangements, with the Council’s Money Laundering Reporting Officer. However, it is prudent and good management practice to globally remind staff about their Anti-Money Laundering responsibilities as employees.

All employees have a duty to report any anti-money laundering concerns and suspicions to the Council’s Money Laundering Reporting Officer. If they fail to do so they may face a fine and/or imprisonment. Staff affiliated to professional bodies (e.g. accountants and legal staff) also risk disciplinary action from the respective body’s Disciplinary Committee.

5. Legal Implications and risks:

None arising from this report.

6. Human Resources Implications and risks:

None arising from this report.

7. Equalities and Social Inclusion implications:

None arising from this report.

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CHERYL COPPELL
Chief Executive

8. Background Papers List:

Proceeds of Crime Act (2002)

Anti-Money Laundering Regulations (2003)

Terrorism Act (2000)

The Proceeds of Crime Act 2002 & The Money Laundering Regulations 2003:
Obligations of Accountants to Report Money Laundering (2004)

Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Service
Organisations' - Chartered Institute of Public Finance & Accountancy (CIPFA).

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral
Guidance Notes (2001)

- Treasury Management Practice 9: Money Laundering

Treasury Management in the Public Services Code of Practice: Anti-Money
Laundering – Cross-Sectoral Guidance Notes Update (2006)

Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Service
Organisations (CIPFA, 2005)

Websites:

WWW.CIPFA.ORG.UK

WWW.SOCA.ORG.UK



Annex 1

ANTI-MONEY LAUNDERING POLICY STATEMENT

The Council's approach to Anti-Money Laundering as detailed in the Anti-Money Laundering Strategy, meets with best practice as laid out in the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The basis for the latest CIPFA guidance is the new statutory framework, created by the following legislation:

- Proceeds of Crime Act (2002).
- Terrorism Act (2000)
- Money Laundering Regulations (2003)

The new regulations and guidance require the Council to have systems in place to facilitate the internal reporting of known and suspected money laundering. The Proceeds of Crime Act brought new offences under the heading of money laundering which extended criminal liability to individuals failing to report known or suspected money laundering, as well as those prejudicing an investigation, by tampering with evidence or 'tipping-off' a suspect.

The internal reporting procedure is now further embedded around the Council's nominated officer, the Money Laundering Reporting Officer (MLRO). The role of the MLRO is to act as the point of contact for individuals wanting to raise their concerns or report their suspicions about money laundering activities. The Strategy provides advice and guidance as to when to be suspicious and by referring to the Council's Confidential Reporting Policy, offers protection for those making disclosures. The MLRO conducts investigations as necessary to establish whether there are sufficient grounds to make a Suspicious Activity Report (SAR), to the Serious Organised Crime Agency (SOCA).

The Council is unequivocal in its support of the Police and other external agencies in fighting money laundering within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. We actively foster relationships with different service areas within the Council to introduce new reporting arrangements to help combat money laundering.

Cheryl Coppell
Chief Executive

Councillor Michael White
Leader of the Council

ANTI-MONEY LAUNDERING STRATEGY

Contents

- 1 Introduction
- 2 Scope
- 3 Definition of Money Laundering
- 4 When to be Suspicious
- 5 Requirements of YOU and the Council
- 6 Identification Procedures
- 7 Internal Reporting Procedures
- 8 Record Keeping Procedures
- 9 Training of Staff
- 10 Failure to Report
- 11 Reviewing the Anti-Money Laundering Strategy
- 12 This Strategy is supported by the following appendices:
 - Appendix 1: Treasury Management Procedures for Establishing the Identity/Authenticity of Lenders
 - Appendix 2: Flowchart: Money Laundering Reporting Process
 - Appendix 3: Money Laundering Reporting Form (MLRF)
 - Appendix 4: Responsibility For Making a Disclosure

Anti-Money Laundering Strategy

1 Introduction

1.1 Significant changes have occurred to the statutory framework surrounding money laundering as a result of the following legislation:

- Proceeds of Crime Act (2002)
- Money Laundering Regulations (2003)
- Terrorism Act (2000)

1.2 The UK's Anti-Money Laundering regime was designed primarily with the objective of identifying and combating large scale organised crime. Now, under the Proceeds of Crime Act (2002), the offences of money laundering relate to the proceeds of crime from any criminal conduct, however minor.

1.3 CIPFA (Chartered Institute of Public Finance & Accountancy) have produced guidance for public sector organisations in the form of their publications Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Service Organisations (2005), and Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2001).

1.4 CIPFA recognise that the regulations related to 'relevant business' do not necessarily apply to public service organisations. However, as the main money laundering offences and obligations apply in law to all organisations and persons in the UK, all public service organisations should "embrace the underlying principles behind the money laundering legislation". The Council is, therefore, following best practice in establishing internal procedures and policies to prevent, detect and report the use of their services for money laundering activities.

2 Scope

2.1 All elected members and officers all subject to the relevant criminal law, particularly to the Criminal Justice Act (1993) and the Proceeds of Crime Act (2002). This strategy aims to maintain the high standards of conduct which currently exist within the Council by working together to prevent and detect criminal activity through money laundering. It sets out the requirements which must be followed to enable the Council and its employees to comply with the legal obligations, and the guidance provided by CIPFA.

2.2 The Anti-Money Laundering Strategy is supported by the Council's Whistle-blowing and Confidential Reporting Policy, and sits beside the Anti-Fraud and Corruption and Risk Management Strategies, as well as embedded Treasury Management procedures.

3 Definition of Money Laundering

- 3.1 CIPFA defines money laundering as “possessing or in any way dealing with or concealing the proceeds of any crime”.
- 3.2 The Proceeds of Crime Act (2002) states that money laundering now covers a range of activities and it is technically defined as any act constituting an offence under sections 327 to 329 of the Act, as summarised below:
- Concealing, disguising, converting, or transferring criminal property or removing it from the UK (section 327)
 - Entering into, or becoming concerned in, an arrangement which a person knows (or suspects) facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328)
 - Acquiring, using or possessing criminal property (section 329)
 - An attempt, conspiracy or incitement to commit such an offence
 - Aiding, abetting, counselling or assisting in the procurement for such an offence.
- 3.3 Criminal property is widely defined as property representing a person’s benefit from criminal conduct. It includes all proceeds from crime such as property (in the UK or abroad), which could include money, and other assets that could also cover any interest held in land/land rights and/or property.
- 3.4 In court proceedings in order to secure a conviction it is only necessary to prove that the laundered property was criminal property. In other words even if the criminal property was generated as a result of the criminal activity of another person, the individual holding that property can be convicted of money laundering under the Proceeds of Crime Act (2002).
- 3.5 The Terrorism Act (2000) also deals with the laundering of ‘terrorist property’ – property likely to be used for the purposes of terrorism, or property gained as a result of terrorism. In complying with the Act, the Council has a duty to be vigilant against its services being used in such a way that it “facilitates the retention or control by or on behalf of another person of terrorist property”.
- 3.6 In addition to the actual offences of money laundering the Proceeds of Crime Act (2002) sets out related offences of failing to report where a person has knowledge, suspicion or reasonable grounds that money laundering is taking/has taken place. It is also a criminal offence to directly or indirectly tip off

a suspect or to do anything that might prejudice an investigation, for example falsifying a document.

4 When to be Suspicious

4.1 The Court of Appeal has dealt with clarifying the meaning of suspicion in money laundering legislation. The Court stated that suspicion would arise when “there was a possibility which was more than fanciful, that the relevant facts existed”.

4.2 It is not possible to provide an exhaustive list of the ways to spot money laundering or state every scenario in which you should be suspicious. It will very much depend on the unique circumstances.

4.3 However, in providing guidance SOCA has produced a list of possible ‘indicators of suspicion’ for money laundering activity :

- Is the person's behaviour unusual in the circumstances?
- Has the person refused to supply any form of identification and if so, why?
- Is the activity unusual in itself?
- Is the activity unusual for the customer?
- Do I have other knowledge which leads me to believe the customer or activity is criminal?
- Do I think the property may be criminal?

4.4 In developing this guide the list below provides examples relevant to the London Borough of Havering’s activity, in which money laundering could be taking place:

- Payment of a substantial sum in cash (over £5,000) by a single client in a single transaction or over a short period of time. As a general rule staff in the Council who process cash payments are asked to provide the details of any cash transaction over £5000 to the MLRO, so that precautionary checks can be performed
- Overpayments or duplicate payments made by a client followed by a refund, or a request for a refund
- Right To Buy property sold before expiry of discount period
- Purchase of land and buildings re-sold within 3-12 months
- Purchase of council assets re-sold within 3 months

- 4.5 This duty to report suspicion or knowledge of money laundering applies whether or not the transaction is in the course of the officer's, or the Council's normal business.

5 Requirements of YOU and the Council

- 5.1 The key requirements of the regulations can be split into 4 areas: identification procedures (Treasury Management), internal reporting procedures, record-keeping procedures, and training of staff.

6 Identification Procedures

- 6.1 These are requirements concerned primarily with the Council's Treasury Management Function and as such the detailed procedures are set out in Appendix 1. In brief it involves obtaining appropriate identification/authenticity of a counterparty at the commencement of a business relationship, such as lending. The Treasury Manager will only undertake dealings with specific organisations. Information on potential lenders is provided by SECTOR, a consultancy organisation that provides the Council with treasury management and funding advice. The Council's bank is subject to all of the rules regarding suspicious transactions and with the renewed focus on money laundering will be taking greater care in vetting transactions routed through them.

7 Internal Reporting Procedures

- 7.1 These procedures are in place to guide staff in reporting any suspicious transactions. Staff that do not report in accordance with the procedure specified below will themselves be unprotected from being implicated in money laundering and could thus become personally liable for a criminal offence.
- 7.2 The Council's Whistle-blowing and Confidential Reporting Policy is designed to protect individuals when making a disclosure from any fear of victimisation or harassment. If you are unsure please consult this policy; it can be downloaded from the intranet at Intranet Home / Standard Procedures / Human Resources / HR Policies & Procedures.
- 7.3 The Council has appointed a nominated officer, the Money Laundering Reporting Officer (MLRO). The purpose of this role is to act as a point of contact to receive and act upon reports of suspected and known instances of money laundering activity involving the Council's services. At the London Borough of Havering this officer is the Client Manager Internal Audit (Extn 2946). In the absence of the MLRO, the Audit Services Manager (Extn. 2610) is authorised to act as the Deputy MLRO.

- 7.4 Reports could be made from staff, members of the Council, contractors, the public or the Police, or any other related party or partner. All cases where there are genuine reasons for suspicion will be investigated and no time should be wasted once you suspect the Council's services are being used to launder money. The process detailed below is shown as a flowchart in Appendix 2
- 7.5 In the first instance (and where possible) you should call the MLRO where you will be free to discuss your concerns in confidence. Where it is deemed necessary, and is requested by the MLRO, this discussion should be followed by your submission of a Money Laundering Reporting Form (MLRF). Where practical this must be submitted the same day as the initial telephone call. An example of the MLRF can be found in Appendix 3. This form can also be downloaded from the intranet under Intranet Home / Standard Procedures / Internal Audit / Anti-Money Laundering.
- 7.6 The MLRO will communicate with your line manager/Head of Service/Group Director if and when necessary. You must not take any further action without the expressed permission of the MLRO, as this may hamper the investigation process. You should also be aware of the need for confidentiality in relation to the suspected and/or known instances of money laundering. You should not do anything that may tip off individuals suspected of being involved.
- 7.7 The MLRO has a duty to consider any submission promptly and undertake any investigation as necessary. Should the MLRO feel it is warranted a report will be made to the Serious Organised Crime Agency (SOCA), by way of a Suspicious Activity Report (SAR), or another relevant Law Enforcement Agency (LEA).
- 7.8 Disclosures made in the form of a request for consent (prior to a prohibited act occurring) may be referred to SOCA or other relevant LEA. The SOCA/LEA then has a Notice Period of 7 working days in which to respond. If they don't respond the MLRO has the power to give consent. If SOCA objects to the transaction proceeding, within the Notice Period, then a further period of 31 days moratorium applies, after which the transaction can proceed with deemed consent. The relative responsibility for making a disclosure of suspicions of money laundering are outlined in Appendix 4.
- 7.9 Submitting a SAR to SOCA is a statutory requirement if there are grounds to do so. However, if there is no actual knowledge that money laundering is taking place, or there are no reasonable grounds for suspicion, then the nominated officer (MLRO) does not commit an offence by not making a report to SOCA.
- 7.10 The MLRO will send an annual letter to SOCA informing them of the Council's Anti-money laundering checks at the end of each financial year.

8 Record Keeping Procedures

8.1 The MLRO must maintain records of reports received and disclosures made, so that they may be used as evidence in any subsequent investigation by appropriate agencies. The records must be capable of providing an audit trail that identifies the client and the relevant transaction. All such information will be held in a confidential file for a minimum of 5 years. The MLRO will also maintain a confidential log of activities, including details of the checks made on cash transactions over £5000 – as notified to the MLRO by staff processing cash payments and other teams receiving large cash payments such as the Public Advice and Service Centre (PASC).

9 Training of Staff

9.1 Awareness training will be provided for those staff in high risk roles, where they are more likely to experience possible signs of money laundering. High risk roles may include staff processing cash payments, those dealing with Right-to-Buy applications, PASC staff, Legal Services and those involved in the payment of refunds. This will be coordinated and delivered by the MLRO as and when necessary.

9.2 All Group Directors and Heads of Service must ensure that these procedures are brought to the attention of all staff.

10 Failure to Report

10.1 The maximum punishment for failure to report knowledge or suspicion of money laundering is five years imprisonment and/or a fine. The same punishment applies to 'tipping off' the person who is the object of suspicion thereby prejudicing an investigation. Where a member of staff provides assistance to a money launderer to obtain, conceal, retain or invest funds, maximum punishment is up to fourteen years in prison and/or a fine. For those staff affiliated to a professional body (e.g. accountants and legal staff) there is also the risk of disciplinary action being taken by the respective body's Disciplinary Committee.

11 Reviewing the Anti-Money Laundering Strategy

11.1 The MLRO will undertake an annual review to assess the adequacy of the Strategy and compliance with legislation. The MLRO will also assess compliance with the procedures outlined above on an ongoing basis.

11.2 The major changes that have taken place since last year are:

- The Serious Organised Crime Agency (SOCA) have replaced National Criminal Intelligence Service
- Improved the guidance for staff in terms of reporting their suspicions based upon new information from SOCA
- There is now a strategy and a policy statement. Previously there was a policy statement and procedure notes.

- Linked the Council's Treasury Management and Anti-Money Laundering policies

11.3 This strategy and policy statement was updated and revised on 31st March 2007, for approval by the Audit Committee on 24th April 2007. The last review took place on 8th March 2006. The Next review date for this strategy will be 31st March 2008.

11.4 Once the strategy and policy statement have been approved, they will be publicised by means of a global e-mail and by a payslip message.

Appendix 1

Treasury Management Procedures for Establishing the Identity/Authenticity of Lenders

For the purposes of treasury management, Havering does not currently accept loans from individuals. All loans are obtained from the following organisations:

- Public Works Loan Board (PWLB)
- Other UK local authorities or public corporations (including fire, police & health)
- Authorised institutions under the Banking Act 1987: (the register of these institutions can be found on the Financial Services Authority (FSA) website at www.fsa.gov.uk)
- A restricted list of well-established Council-supported or Council-related organisations and charities. The accounts of most of these organisations are audited by qualified Council staff.

Currently these organisations are:

- The Havering Arts Council
- The Havering Theatre Trust Ltd (A Charity)
- The Lucas Playsite Trust
- The Richard Ballard Charity
- The Theatre Development in Havering Fund (A Charity)

The settlement details which apply to any of the above possible lenders are held:

- a) on the relevant loan files,
- b) on the Logotech treasury management software
- c) on the NatWest Bankline software.

The details of money market lenders are authenticated by brokers notes and in some instances by the UK Clearing Directory of sort code numbers.

Outside the ambit of treasury management, the Council accepts deposits or acts as a deposit-taker from individuals in connection with the provision of its services.

Refundable deposits are taken in connection with, among other things:

- New Streets
- Carriage Crossings
- Shop leases

In all such cases, the individuals concerned would be known to the Council and the deposit would only be accepted as part of normal service delivery.

Methodology for Identifying Possible Money Laundering Transactions

In the case of treasury management, the sources of deposit will be mainly from public sector funds or from major banks and building societies, or the known local charities or bodies mentioned above.

The possible identifying characteristics of money laundering transactions are:

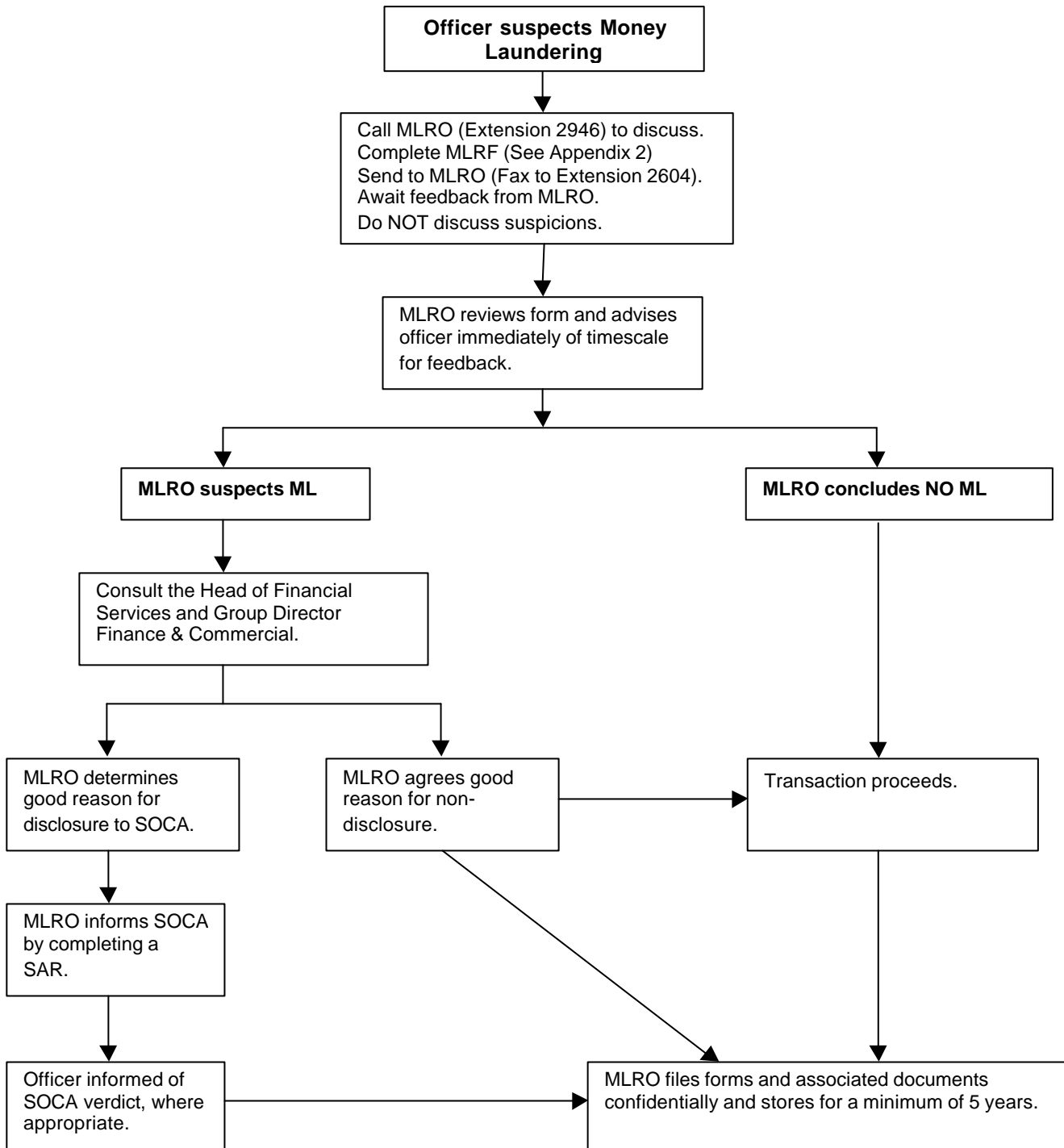
- unknown counterparties,
- complicated payment arrangements,
- unusually attractive interest rates,
- unusual size,
- different bank account for repayment,
- urgency,
- pushiness from the counterparty encouraging normal protocols/procedures to be by-passed,
- repetitiveness of payment
- suspicious regional origin (e.g. Latin America, Eastern Europe)

Brokers are not required to carry out these checks and the onus is on officers to recognise possible cases and report their suspicions.

Reporting Procedures where Money Laundering Transactions are Suspected in the Course of Treasury Management

If in the course of treasury management activities, any suspicion should arise that a proposed transaction might involve money laundering, the officer concerned has an obligation to report this suspicion to the MLRO, in the way that is outlined in the Anti-Money Laundering Strategy. The MLRO will then refer this to the S151 Officer and the Assistant Chief Executive - Legal and Democratic Services as necessary.

Anti-Money Laundering Flow Chart



Key	
ML	Money Laundering
MLRO	Money Laundering Reporting Officer (Client Manager Internal Audit or Deputy)
MLRF	Money Laundering Reporting Forms
SOCA	Serious Organised Crime Agency
SAR	Suspicious Activity Report

CONFIDENTIAL

Report to Money Laundering Reporting Officer

To: CLIENT MANAGER, INTERNAL AUDIT

From (staff member's name):

Post Title:

Directorate:

Extn/Tel No:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please include details of any indicators. Continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)? *[Please tick the relevant box]* Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else? *[Please tick the relevant box]* Yes No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society) *[Please tick the relevant box]* Yes No

If yes, please specify below:

Do you feel you have good reason for not disclosing the matter to the SOCA? (e.g. are you a lawyer and wish to claim legal professional privilege?) *[Please tick the relevant*

box]

If yes, please set out full details below:

Please set out below any other information you feel is relevant:

Signed:..... **Dated:**.....

Please do not discuss with anyone the content of this report or the circumstances relating to it. To do so may constitute a ‘tipping off’ offence, which carries a maximum penalty of 5 years imprisonment and/or it could lead to disciplinary action.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt of report acknowledged:

Unique case reference number used:

CONSIDERATION OF DISCLOSURE:

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the SOCA? *[Please tick the relevant box]* Yes No

If yes, please confirm date of report to SOCA:
and complete the box below:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

[Please set out good reason(s) for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed:

.....

Other relevant information:

Categories:

- Debt/charge Yes/No
- Overpayment Yes/No
- Refund Yes/No
- Cashier error Yes/No
- Land/buildings resale within 3-12 months Yes/No
- House resale before expiry of discount period Yes/No
- Assets resale within 3 months Yes/No
- Other

Signed:..... Dated:.....

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

Responsibility For Making a Disclosure

Reporting by staff to the Money Laundering Reporting Officer

1. Staff members must:
 - (a) Report their suspicions or knowledge of money laundering activity;
 - (b) Retain full documentation about the transaction;
 - (c) Not arouse suspicion that they are concerned;
 - (d) Not tip off any persons involved or suspected to be involved.

Consideration of disclosure by the Money Laundering Reporting Officer

2. Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. She/he should also advise you of the timescale within which he/she expects to respond to you.
3. The MLRO will consider the report and any other available internal information she/he thinks relevant and undertake any reasonable enquiries she/he thinks appropriate, in order to decide whether a report to the SOCA is required. Where necessary, the matter will be discussed with the Head of Financial Services and the Group Director Finance and Commercial. The MLRO may also need to discuss the report with you.
4. Where the MLRO concludes that it is necessary to make a disclosure, he/she must disclose the matter as soon as practicable to the SOCA on their standard report form (SAR) and in the prescribed manner. The only exception to this is where it is felt that there is good reason for non-disclosure to the SOCA. An example of this would be if a lawyer who wished to claim legal professional privilege for not disclosing the information.

Consideration of disclosures by SOCA and Law Enforcement Agencies (LEA)

5. Where an internal report is made to the MLRO before a prohibited act (an act of money laundering), and a SAR is made to SOCA or another Law Enforcement Agency, the MLRO is not allowed to give consent to the act until they receive consent from SOCA that this can go ahead. The exception to this is where the Notice Period for reply has expired. The Notice Period runs for 7 working days beginning the day after the report is received.
6. Below are examples of the actions taken when SOCA or another LEA receive a disclosure report:

SOCA:

- Prioritise and process all consent requests, contacts those who have made a report with the results of decisions made.
- Records all SARs on the SOCA database.

- Analyses SARs on the SOCA database to extract strategic and tactical intelligence
- Makes SARs available to Law Enforcement for investigation.

LEAs:

- Prioritise and deal with all consent requests forwarded by SOCA.
- Check SAR subject details against Force Intelligence databases for relevant additional information/current or future operations.
- Depending on outcome of above, commence investigation or uses information to enhance existing operation or knowledge of subject

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
1 March 2007 (7.30pm – 8.45pm)

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), Michael Armstrong, Eddie Cahill, Robby Misir, and Roger Ramsey

Residents' Group Clarence Barrett

+ Substitute Members: Councillors Robby Misir (for Frederick Thompson) and Roger Ramsey (for David Charles)

Apologies for absence were received from Councillors David Charles, Barbara Matthews, Frederick Thompson and Mark Stewart

No member declared an interest in any matter under consideration.

All decisions were made with no member voting against.

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

27. MINUTES

The minutes of the meeting held 12 December 2006 were agreed as a correct record and signed by the Chairmen subject to it being noted that minute item 24, paragraph 4 be amended to read:

‘The Committee requested that a further report be submitted at a future meeting covering the issue of costs and that the content of the presented report be noted.

28. AUDIT COMMISSION PROGRESS REPORT FEBRUARY 2007

A report updating the Committee on work completed by the Audit Commission since the last meeting and of the work to be completed during the rest of the financial year was presented to them.

It was noted that on the Partnership Review, the key area for action was to ensure that lessons learnt from previous phases of development were used to inform future phases and other partnerships. Formal mechanisms should be put in place to ensure that it happened.

In response to a question, it was noted that one of the key area for inspection was Culture, and that the inspection rescheduled from Spring 2006 was to take place from week commencing 19 March 2007.

Members **noted** the Audit Commission progress report.

29. INTERNAL AUDIT PROGRESS REPORT 01 OCTOBER 2006 – 31 DECEMBER 2006

A report advising the Committee of audit issues from internal audit activities for the period 1 October to 31 December 2006 was presented to the Committee. It was noted that it included management summaries from internal audit work.

Officers informed Members that all draft reports had now been finalised.

The Committee were advised that a qualified audit opinion was given to Planning, as reconciliations of income banked to 'FIS' were not being undertaken. The Head of Development and Building control explained to the Committee why reconciliations had not been happening and explained what systems were now in place to ensure that these occurred.

A qualified audit opinion was also given on the sale of green sacks as transactions were sometimes not accurately recorded. The Group Director, Public Realm explained to the Committee that arrangements were in hand to ensure that controls were put in place by April 2007. Furthermore that changes in service provision were to be introduced in the very near future, which would mean that the reconciliation of income received through the sale of green sacks would no longer be an issue.

Key risk areas were identified in the management of car parks and parking meters, the Group Director, Public Realm reported that of the risk areas identified, 5 of the areas had been resolved and the rest were in progress.

A qualified audit opinion was given on Receiverships, due to the large number of significant issues identified during the audit review. The Head of Adult Services

commented that work had now been undertaken to address getting the process under control.

Members wanted to know why there had been no annual financial reviews as the cost of administering the service could be recovered as part of expenses, which meant that it could be entirely self funding.

With regards to Fraud and investigation work, Members were advised that controls were now in place to ensure that duplicate payments to agencies for services rendered was no longer occurring.

- Members requested a further report on Receivership setting out actions taken and including Financial statements for the Receivership Service. In order that Members could see the costs and income relating to the service, it was **agreed** that this be presented to them as an appendix to the Client Manager's next report.
- Members noted the internal audit progress report.

30. CLIENT MANAGER'S REPORT 1 OCTOBER 2006 – 31 DECEMBER 2006

A report containing information on

- Implementation of External Audit's recommendations
- Summary of the External Audit's activities since the last Committee meeting
- Implementation of Internal Audit's recommendation
- Internal Audit Key Performance Indicators
- Internal Audit Customer Survey results
- Comparative analysis of internal audit plan
- Statement on internal control action plan
- Anti-Fraud and Corruption
- Budget Analysis
- Risk Management
- Benefits Investigation
- Code of Practice for Internal Audit in Local Government in the UK 2006
- Accounts and Audit Regulations 2006
- Excellent Internal Auditor
- Toolkit for Local Authority Audit Committees
- System based auditing control matrices series 5
- Audit Committee work and training plan

was presented to the Committee.

A table showing the latest position relating to Internal Audit performance from 1 April to 31 December 2006 was brought to the attention of the Committee. A 'RAG' status was used, where red (R) denoted behind plan, amber (A) meant on plan and green (G) suggested ahead of plan. It was noted that there was only one red.

Following further discussion, Members **noted** the Client Audit Manager's report.

31. INTERNAL AUDIT PLAN 2007/10

A report showing the final audit plan for the years 2007/08 – 2009/10 was presented to the Committee. Members were advised that the last two years of the plan would be reviewed next year as part of the annual audit planning process.

In response to a question, it was noted that the plan was based on risk with systems in place to ensure that all risk areas were taken into consideration. Furthermore that flexibility was built into the plan to allow for changes and/or additional work.

With regards to the use of fuel cards, it was noted that storage tanks were to be used and as this meant that fuel cards would be phased out, (the intention was for no fuel cards to be in use by April 2007). There was no requirement for audits of fuel cards in later years

Members **approved** the 2007/08 Audit Plan and provisionally **approved** the Audit Plan for 2008/09 and 2009/10 subject to the outcome of the next annual review.

32. AUDIT AND INSPECTION ANNUAL LETTER 2004/05

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

It was reported that the Audit and Inspection Annual Letter was considered by Cabinet on 15 February 2006 and subsequently considered by the Corporate Overview and Scrutiny on 13 April 2006.

It had been previously agreed by the Committee that they would receive regular reports so that they could monitor the progress of the Action Plan.

The Committee **noted** the contents of the Action plan and the progress made to date.

33. ESTABLISHMENT OF A JOINT PANEL TO CONSIDER REPORTS ON CULTURAL AND LEISURE SERVICES CAPITAL PROJECTS

A report was presented to the Committee outlining the need to establish a joint panel of the Committee and the Culture and Regeneration Overview and Scrutiny Committee.

The remit of the joint panel was to receive and consider reports on:

- Central Park Leisure Centre final account,
- Hornchurch Sports Centre overspend and
- further audit related matters

The Committee were advised that in May 2006, an Executive Decision 6/72 'Overspend at Hornchurch Sportscentre' was requisitioned. It was due to go to the Culture and Regeneration Overview and Scrutiny Committee but the requisition was withdrawn.

Regarding timescales, it was noted that there was no target date for the joint panel to conclude their investigations, but the Group Director, Public Realm advised the Committee that the intention was for the joint panel to conclude by the end of April 2007 at the latest.

Following further discussion, it was **agreed** that Councillors Barrett, Cahill and Armstrong would be on the joint Panel.

34. URGENT BUSINESS

On behalf of the Committee, the Chairman thanked Barry Adams, the Internal Audit Service Manager for his hard work and wanted to place on record their appreciation, as this was going to be his last meeting because he was retiring from the Council.

Secondly, the Chairman mentioned that during the recent Comprehensive Performance Assessment (CPA), said that the Audit Commission reported that:

'The Council has a well established Audit Committee which receives a good level of officer support',

The Chairman congratulated Committee Members and Officers both past and present and encouraged everyone to keep up the good work.