

AUDIT COMMITTEE

AGENDA

7.30pm

Tuesday,
26 April 2005

Havering Town Hall
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (3)

Eddie Cahill (Chairman)
Daryl Williams (Vice Chairman)
Graham Price

Residents' Group (2)

Gillian Ford
Barbara Reith

Labour Group (1)

Wilf Mills

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 on 26 January 2005 and to authorise the Chairman to sign them.

5. MEMBERSHIP

To note the appointment of Cllr Barbara Reith replacing Cllr Jeffrey Tucker.

6. AUDIT COMMISSION PROGRESS REPORT APRIL 2005 – Report attached.**7. PROGRESS REPORT 2002/2003 ACTION PLAN FOR GRANTS – Report attached.****8. INTERNAL AUDIT PROGRESS REPORT 1 JANUARY 2005 - 31 MARCH 2005 – Report attached.**

Audit Committee, 26 April 2005

9. **CLIENT AUDIT MANAGER'S REPORT 1 JANUARY 2005 – 31 MARCH 2005** – Report attached.
10. **AUDIT AND INSPECTION ANNUAL LETTER 2004**– Report attached.
11. **2003/04 PERFORMANCE INDICATORS**– Report attached.
12. **URGENT BUSINESS**

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

Stephen Evans
Chief Executive

5.

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Havering Town Hall, Romford

Wednesday, 26 January 2005 (7.30pm – 9.00pm)

Present:

Conservative Group Councillors Eddie Cahill (in the Chair), Daryl Williams and Graham Price

Residents' Group Councillor Barbara Reith

Labour Group Councillor Wilf Mills

+Substitute Member: Councillor Barbara Reith (for Gillian Ford)

Councillor Roger Ramsey was present

Apologies were received for the absence of Councillors Gillian Ford and Jeff Tucker

No member declared an interest in any matter under consideration

All decisions were made with no member voting against

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

32. MINUTES OF MEETING HELD 24 NOVEMBER 2004

The Minutes of the meeting of the Committee held 24 November 2004 were agreed as a correct record and signed by the Chairman.

Arising from the minutes the Head of HR Policy and Advisory Services informed the Committee that there was now an active sickness absence policy in place. She continued that since the policy came into force in March 2004, sickness absence days had reduced, she referred Members to the Performance monitoring packs circulated to all Members in November 2004.

Lastly she stated that the long term strategy of Human Resources was to assist Managers build their capability to be proactive in dealing with sickness absence in tighter time-scales.

33. EXTERNAL AUDIT PROGRESS REPORT 1 NOVEMBER 2004 – 31 DECEMBER 2004

A representative of the Audit Commission reported to the Committee. She informed Members that a number of reports had been completed since the last Committee and that the Annual letter would be presented at the next Audit Committee.

She emphasised a number of points including;

- Focusing on a number of identified issues re: identifying funding for disaster recovery requirements, improving web inter-action capabilities and developing the Intranet in order to further develop the e-government initiative.
- Improving desk top skills across the Council including officers and Members. It was noted by officers that it had been identified that funding was an issue as each service needed to fund their staff.
- Improving upon not only the way the Council communicated but also ways it involved and understood its local people as part of the finalisation of the draft consultation strategy, and ensuring there were clear links to outputs and outcomes from the 'community themed' Best Value Reviews [BVRs] and other key corporate and partnership strategies.
- Addressing issues in relation to the management of the challenging programme of community themed Best Value Reviews (BVRs) to ensure objectives are achieved within stated timescales and links between the outputs and outcomes were co-ordinated to minimise duplication. This was noted from Audit Commission review of the Community leadership and engagement BVR.

Officers commented that in relation to the last point, the Project management methodology needed to be acknowledged and the Audit Commission needed to recognise innovation and the hard work put into implementing previous recommendations. The Assistant Chief Executive, Strategy and Resources informed the Committee that three of the Best Value Reviews had been completed within the required timescale. There were three reviews currently undergoing consultation with the relevant Overview and Scrutiny Committees and these were on target for completion.

Members **noted** the report and all Officer comments.

34. INTERNAL AUDIT PROGRESS REPORT 1 NOVEMBER 2004 – 31 DECEMBER 2004

A report advising the Committee of audit issues from internal audit activities for the period 01 November 2004 to 31 December 2004, including management summaries from internal audit work was presented to the Committee.

Regarding the 'Right to Buy' process, Members wanted to know what was now being done in light of issues raised that gave room for a qualified opinion. The Head of Housing assured the Committee that action plans were in place and things were in hand to ensure implementation of all recommendations. He informed all that an external inspection was being carried out in the Service at present and there did not appear to be cause for alarm. The Head of Housing agreed to look into the issue and give the Chairman of the Committee an update report.

Regarding invoice payments, the Head of Financial Services informed the Committee that action plans were now in place to ensure that all payments were legitimate and in accordance with the Financial Framework. It was also regularly monitored to ensure that best practice was consistent.

Members were assured that documentary evidence would be sought regarding Fostering and Adoption applicants income and expenditure details.

Also, that proper procedures and controls were in place to ensure the accuracy and completeness of all cash collected and banked in the areas identified in the report. This needed to be applied across all Services to decrease the risk of misappropriation of funds or loss.

Members were assured that payments for Community Care placements was now under constant monitoring and backlogs were being cleared. Officers agreed to send a follow-up report to the Committee.

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

35. INTERNAL AUDIT PLAN 2005/08

A report containing the Internal Audit Plan for the three years 2005/06 to 2007/08 was presented to the Committee.

It was noted that there was a reduction in the total audit days and this could be attributed to improvements in the Council's internal controls and risk management strategy. Also because of the familiarity that pps Acit had of the Council's systems gained over the last three years.

Head of Housing informed the Committee that a number of areas raised in the report relating to Housing and Regeneration was in the near future likely to be taken out of the Council's direct control and sub-contracted, which could mean that risk areas would no longer fall under the remit of the Council.

Members **noted** the contents of the report and **agreed** the final Internal Audit plan for the period 2005/06 to 2007/08.

36. CLIENT AUDIT MANAGER'S REPORT 1 NOVEMBER 2004 – 31 DECEMBER 2004

A report containing information on :

- Implementation of the Audit Commission's recommendations
- Implementation of Internal Audit Recommendations
- Internal Audit Key Performance Indicators
- Comparative Analysis of Internal Audit Plan
- Progress on the re-tendering of the internal audit contract
- Statement of Internal Control Action Plan
- Progress on Fraud and Corruption Action Plan
- Budget Analysis
- Benefits Investigation and
- Risk management issues

was presented to the Committee.

Full details of the outstanding recommendations from 2003 to date were discussed. The current position and the target date that was given for the recommendations to be completed was reported. It was noted that many of the recommendations were very broad and as such it was difficult to have an outcome that could be judged complete.

Responsible officers with outstanding recommendations were present at the meeting to respond to questions of the Committee on why they had not implemented audit recommendations.

Head of Business Strategy, Social Services, in his response informed the Committee that a vast majority of the recommendations had been completed. He stated that a number of the programmes identified were long term and would take a longer time to complete.

The Committee recommended that a way forward plan be sent to the Executive Director of Finance and Planning within six months and updates be passed to relevant officers.

Head of Business Strategy reported on behalf of Head of Health and Social Care. He stated that most of the recommendations had been implemented. The one he was not clear on was the Community

Care Packages and the Head of Health and Social Care would report back to the Committee on that issue.

The Committee recommended that an update be passed to the relevant Officer.

It was noted that most of the recommendations to do with the Assistant Chief Executive Legal and Democratic Services, had to do with Members hence she was waiting on Members to advise.

Head of ICT Services advised the Committee that some recommendations had been implemented while others were in progress. He stated that a status report was outstanding but one would be submitted when next due and he commented that the Intranet redevelopment was due for completion in June 2005.

Head of HR Policy and Advisory Service informed the Committee that the model code of conduct suggested by the Office of Deputy Prime Minister [OPDM] should be ready by February 2005. Regarding recommendations relating to Personnel issues, assurances had been received from Officers in her service that systems were now in place, but she would do an in-house check and report back to the relevant officer.

Head of Financial Services advised the Committee that the Procurement Framework was being updated and he would report back to the Committee once it had been completed. This also applied to cheque control procedures.

Interim Head of Streetcare on behalf of the Head of Building and Technical Services advised the Committee that all recommendations relating to Parking Services had now been implemented.

Head of Housing advised the Committee that the S125s relating to 'Right to Buy' should be completed by March 2005.

Head of Strategy and Resources, Education informed the Committee that they were waiting on Social Services regarding the recommendation on 'Meals on Wheels'. The implementation of other recommendations which are not yet outstanding were in progress.

The Committee were advised that Head of Customer Services would send an update report regarding implementation of recommendations for his Service.

Head of Exchequer Services advised the Committee that the verification Framework report was due to go to Cabinet imminently. Most of the other recommendation were in progress and updates would be passed on to the appropriate Officer. Lastly with regards to the request for inclusion of deductions in the automatic update, there was optimism that this would be resolved soon.

Head of Strategic Planning and Technical Services informed the Committee that most of the recommendations had been completed. However the recommendation relating to using a form to collate basic project details was seen in the Service as duplication of information gathering as the information was also collated under the PDPA scheme. This information had been passed to the relevant officers.

Interim Head of Streetcare advised the Committee that the new terms contract should start in March 05. He stated that once this happened, all recommendations should be implemented.

Following the representations, the Client Audit Manager informed the Committee that the 04/05 plan would be significantly progressed by end of March 2005. The Committee were advised that in response to their inquiry about national performance indicators for assessing the Audit Commission's work, the Executive Director of Finance and Planning had adopted the survey questionnaire used to assess Internal Audit.

On the issue of Fraud and Corruption, a lot of work had been undertaken by officers and as part of this it had come to light that some front line Officers dealing with Housing Benefits were in need of training in identifying fake documents.

Regarding the training needs of Committee members, it was noted that attending Audit Committee at LB Wandsworth was identified as a potential training opportunity.

Members **noted** the contents of the report

37. AUDIT AND INSPECTION ANNUAL LETTER

The Action plan in response to the 2002/03 Audit and Inspection Annual Letter was presented to the Committee. It was noted that the Action Plan was prepared to report progress on the recommendations contained within the Annual Letter. It was also noted that all the audit Commission recommendations had been actioned.

Officers informed the Committee that following the Comprehensive Performance Assessment rating the Council as 'Fair', the annual letter 2003/04 was being finalised and would be brought to the next Committee meeting.

Following discussion,

Members **noted** and **agreed** that the action plan for the year 2003/04 had been completed and could therefore be closed down and from the next meeting the Committee would look at the new action plan.



| MEETING | DATE | ITEM |
|-----------------|---------------|------|
| AUDIT COMMITTEE | 26 APRIL 2005 | 6 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT APRIL 2005 – Report attached.

SUMMARY

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

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

In accepting audit recommendations, manager's 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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STEPHEN EVANS
Chief Executive

Background Papers

None

Progress report:
April 2005
London Borough of
Havering

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Summary report

- Introduction
- Finalised reports

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Appendix 1

- Progress in delivering the 2003/04 and 2004/05 Audit and Inspection Plans

Appendix 2

- Summaries of reports issued and completed action plans

| | |
|-------------------|--|
| Reference: | LB Havering Progress report - APRIL 05 final |
| Date: | April 2005 |

Introduction

The purpose of this report is to update the April 2005 Audit Committee on work completed since the last Audit Committee of 26 January 2005 and the work to be completed during the rest of the year.

This report includes:

- details of those reports issued since the last progress report
- a summary of progress in delivering the Plan in Appendix 1 (excluding completed items that have already been reported to the Audit Committee in previous progress reports)
- detailed summaries from all audit and inspection reports issued since the last progress report along with completed action plans to address recommendations made in Appendix 2.

Finalised reports

The following reports have been finalised since the last Audit Committee:

- 2002/03 grant claims overall report
- 2003/04 final accounts memorandum
- 2004/05 BVPI report

Full summaries and completed action plans for these reports are included at Appendix 2. The Annual Letter which was noted in the last progress report is reported as a separate agenda item to the Audit Committee.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-Executive Directors/Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director/Member or officer in their individual capacity, or to any third party.

Progress in delivering the 2003/04 and 2004/05 Audit and Inspection Plans

| Key Area of Audit Plan | Named Contact | Start | Target completion date | Final report Date | Comment |
|---------------------------------------|---------------|--------------|--|-----------------------------------|---|
| 2003/04 A&I Plan | | | | | |
| Planning and reporting | | | | | |
| Annual Letter 2003/04 | CE & EDF&P | October 2004 | December 2004 | January 2005 | Draft discussed with CE, ACES&C and EDF&P on 20 December 2004. Final version issued in January 2005. Reported to the Audit Committee in April 2005 following presentation to Cabinet and lead members on 9 February and 31 January respectively. |
| Accounts | | | | | |
| Audit of Financial Statements 2003/04 | EDF&P | August 2004 | November 2004 (opinion and SAS 610 report) | 30 November 2004 (opinion) | Audit started in August 2004 and unqualified opinion issued on 30 November. SAS 610 issues reported to the Audit Committee on 24 November. |
| | | | December 2004 (report) | 24 November 2004 (SAS 610 report) | |
| Grant claims | | | | | |
| Report on 2002/03 claims | EDF&P | October 2003 | March 2004 | 17 February 2005 | Overall report delayed due to ongoing work on some claims. Draft report issued in August. Initial discussions were held with officers on 23 September and officers' detailed comments were received on 28 October. Report amended to include more detail and issued to officers on 13 December. Officers' response received on 14 January 2005 and meeting to discuss comments held on 2 February 05. |

| Key Area of Audit Plan | Named Contact | Start | Target completion date | Final report Date | Comment |
|--|---------------|---------------|---|-------------------|---|
| 2004/05 A&I Plan | | | | | |
| Planning and reporting | | | | | |
| Annual Letter 2004/05 | CE & EDF&P | October 2005 | December 2005 | | |
| Accounts | | | | | |
| Review of Core Processes 2004/05 | EDF&P | March 2005 | July 2005 | | Set up meeting held 15 March 2005 and work ongoing. |
| Audit of Financial Statements 2004/05 | EDF&P | July 2005 | October 2005 (Opinion and SAS 610 report) December 2005 (Report) | | |
| Financial aspects of corporate governance | | | | | |
| Corporate governance arrangements | EDF&P | March 2005 | August 2005 | | Work in progress |
| Grant claims | | | | | |
| Report on 2003/04 claims | EDF&P | November 2004 | March 2005 | | Draft report issued to officers on 21 March 2005. Meeting to be arranged to discuss. |
| Performance indicators/plan audit | | | | | |
| BVPP compliance audit | ACES&C | August 2004 | December 2004 | 21 December 2004 | Work completed and checklist submitted for Regional quality assurance. Formal opinion issued on 21 December 2004. |

| Key Area of Audit Plan | Named Contact | Start | Target completion date | Final report Date | Comment |
|---|----------------|----------------|---|--|--|
| BVPP PI audit | ACES&C | July 2004 | September 2004 (Submission) December 2004 (Report) | 30 September 2004 4 February 2005 | Work completed and final submission made on 6 September with seven qualifications to six PIs. Following extension to the deadline to 30 September to allow officers to provide further information to reduce the number of reservations, the number was reduced to two. In addition to this seven community safety PIs were qualified as a result of problems in obtaining accurate data from the Met police (this was a London wide issue). Feedback meeting held to discuss key issues and draft report issued to officers on 7 January 2005. Final issued 4 February 2005. |
| Comprehensive performance assessment | | | | | |
| Qualitative assessment of continuous service improvement (Direction of travel report) | CE and ACES&C | September 2004 | November 2004 | 7 January 2005 | Early draft report issued on 25 November and discussed with CE and ACES&S in December. Final report issued January 2005 for internal purposes only. |
| Performance work | | | | | |
| User focus tool feedback | ACES&C/EDCA &C | June 2004 | September 2004 | 13 December 2004 | Work providing external challenge to BVR of Community Leadership and completing user focus tool largely completed and draft report provided to officers on 13 October. Final report delayed to enable comments on the Council's BVR report to be incorporated. |
| E-government follow up | Ray Whitehouse | July 04 | November 2004 | 21 December 2004 | Set up meeting held on 19 July. Final terms of reference issued on 9 July. Draft report issued to Head of E-Government Technology Services on 13 October. Response received late December. |
| Customer access inspection follow up | EDCA&C | November 2004 | April 2005 | | Has been linked to user focus work. Set up held on 24 November. Fieldwork completed and draft report issued 3 March. Feedback meeting held 8 April. |
| ICT review | EDCA&C | TBC | TBC | | Preliminary risk assessment completed and detailed scope of work now to be agreed. Draft terms of reference sent to EDF&P on 10 Jan 05 and passed to EDCA&C on 13 Jan 05. |

| Key Area of Audit Plan | Named Contact | Start | Target completion date | Final report Date | Comment |
|---------------------------------|---------------|--------------|------------------------|-------------------|---|
| Capital planning and management | EDF&P | N/A | N/A | N/A | Meeting held with Head of Financial Services in April and Audit Commission to provide good practice guidance where available as initial part of this review. Some limited guidance provided in July 2004. Further discussions have been held with officers and it has been agreed that no further support and guidance can be provided under the Code of Audit Practice. Time will be rolled forward to 2005/06 to support work required on asset management in use of resources judgement. |
| VFM follow up | ACES&C | N/A | N/A | N/A | No further work required as all previous studies followed up through specific pieces of work in the Audit and Inspection Plan. |
| Inspections | | | | | |
| Housing | EDH&R | January 2005 | April 2005 | | On site 17 January 2005. Work completed and draft report sent to officers on 11 March 2005. |

| Key | Title |
|--------|---|
| CE | Chief Executive |
| ACES&C | Assistant Chief Executive Strategy and Communications |
| EDF&P | Executive Director Finance and Planning |
| EDSS | Executive Director Social Services |
| EDCA&C | Executive Director Customer Access and Culture |
| ACEHR | Assistant Chief Executive Human Resources |
| EDH&R | Executive Director Housing and Regeneration |

Summaries of reports issued and completed action plans

Grant claims overall report (2002/03)

Introduction

We are required by section 28 of the Audit Commission Act 1998 to certify claims and returns in respect of grants or subsidies paid by government departments and public bodies to the London Borough of Havering ("the Council"). A fee is charged to cover the full cost of certifying claims and is dependant on the level of work required to certify each claim or return.

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments. The Council claimed about £140m of government grant income in 2002/03.

Background

In total, 48 claims and returns were submitted for audit in 2002/03 (41 in 2001/02). Of these, four were late claims (over one year late) for 2001/02, two of which were in respect of European Social Fund (ESF) grant monies for projects covering several years.

As part of the Council's financial framework a Grants Protocol is in place for the submission of claims and returns for certification. The full range of responsibilities of both auditors and officers is set out in this Protocol.

In summer 2003, the Council appointed a grants co-ordinator with the specific mandate of ensuring that claims are submitted for audit on time and, prior to being submitted for audit, have been quality reviewed to ensure they are properly supported and amounts are accurately claimed.

One of the first tasks undertaken by the grants co-ordinator was to revise, update and re-launch the protocol for Council staff surrounding the preparation and submission of grant claims for audit. In conjunction with the co-ordinator, we have made a number of presentations to staff involved in the preparation of claims and returns across the Council on auditor expectations and standard minimum requirements for each claim and return.

Whilst the appointment of the co-ordinator was too late to have had a meaningful impact on the 2002/03 claims, significant improvements in submission deadlines have already been identified for 2003/04 claims.

Scope and objectives

The objectives of this report are to:

- summarise the main issues encountered during the certification of grant claims and returns for 2002/03;
- report details of claim and returns where particular difficulties were experienced; and
- make recommendations for improvement where appropriate.

Audit approach

The 2002/03 grant claims and returns certification process has been evaluated via a review of the working paper and audit files.

This review focused on the Councils performance against the following criteria:

- timeliness of submission and certification
- the level of error identified
- the quality of working papers provided
- audit completion.

Main conclusions

Timeliness of submission

The Councils performance in 2002/03, although still poor compared to other authorities, has improved significantly in this area with the number of claims submitted late reducing from 76% in the previous year to 60% (we have allowed one week leeway in this summary, but reported actual days late in the summary by service area in exhibit 3 and detailed report). In total 48 claims were submitted for audit, these include four 2001/02 claims.

The late submission of claims has in many instances led to the audit certification deadline being missed due to insufficient time to complete the audit testing required by the Certification Instruction.

A comparison with 2001/02 is shown in exhibit 1 below:

Exhibit 1 - Number of claims submitted for audit by the required dates

The Council's performance has improved since 2001/02

| | 2001/02 | | 2002/03 | |
|----------------------|-----------|------------|-----------|------------|
| | No | % | No. | % |
| Received by deadline | 10 | 24 | 19 | 40 |
| Received late | 31 | 76 | 29 | 60 |
| Total | 41 | 100 | 48 | 100 |

It is important that grant claims and returns are processed promptly and efficiently and submitted for audit by the appropriate deadline as, in most cases, government departments impose deadlines for the receipt of audited claims and returns, after which they may withhold payments on account to the Council until the claim is received.

Level of error identified within the claims and returns

The level of errors has been measured by the number of amendments processed and qualification letters issued. The Councils performance in 2002/03 has improved in this area

Amendments were required for 21 of the 48 (44%) claims and returns certified in 2002/03 (23 out of 41 (56%) in 2001/02). Qualification letters were issued on 21 of the 48 (44%) claims certified, 6 (of the 21) also required amendments.

Six of the qualifications and amendments resulted from the inclusion of ineligible expenditure or expenditure that could not be adequately substantiated. In total, £108,400 of ineligibly claimed expenditure was identified and amended in claims certified (£110,000 in 2001/02).

The slight reduction in the number of qualified and amended claims in 2002/03 reflects the additional work undertaken by Council officers' to address potential audit qualifications and amendments identified. Whilst this can ultimately result in a claim being certified without qualification, it can also result in delays in certification.

The appointment of the grants co-ordinator is expected to further reduce the number of errors in claims submitted for audit in 2003/04.

Quality of working papers

The protocol which was in place during the 2002/03 audit set out the standards required for claims submitted for audit. It requires claims and returns to be submitted with a fully cross referenced working paper file containing sufficient documentation and evidence to support the entries and amounts claimed. The grant claim checklist, with which all claims should be submitted, sets out the minimum supporting working papers which should accompany each claim. In addition, the specific requirements of each claim often necessitate the provision of further supporting papers. These are normally detailed in the relevant Certification Instruction, which we circulate to the Council as and when they are received.

One of the working paper requirements as set out in the protocol is the undertaking of analytical review of year on year variances and provision of appropriate explanations for significant variances by Council Officers. However, this requirement is rarely met.

In a few instances, working papers submitted for audit were of poor quality and had to be returned to officers for resubmission. In a few Social Services claims numerous meetings with officers were necessary to gain an understanding of the file. Working papers for social services and education in particular were below the standards set out in the protocol.

A quality control process is now in place whereby working papers are returned to officers by the grants co-ordinator if they do not contain key information and are only accepted as submitted for audit when they are returned with adequate working papers.

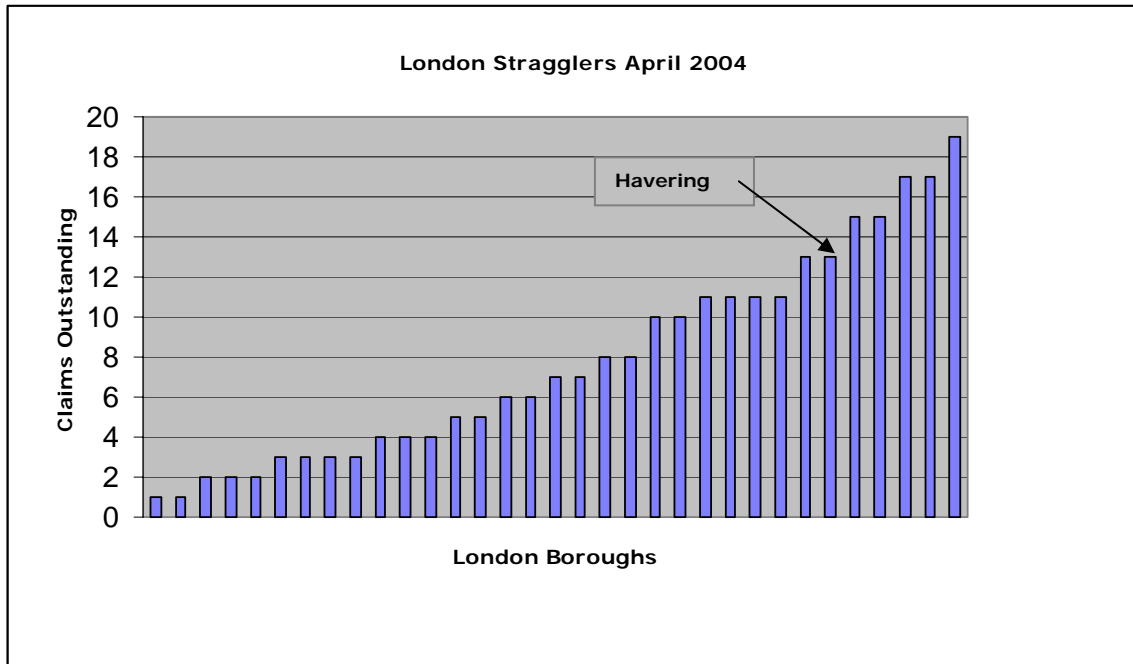
Audit completion

During the course of the 2002/03 audit officers demonstrated a greater commitment to avoiding unnecessary qualifications. Whilst this is welcome and should result in improved performance in 2003/04, we are concerned that in some areas audit completion of claims is being considerably delayed as a result of officers' efforts to avoid qualifications.

Exhibit 2 overleaf shows the number of 2002/03 claims awaiting certification (stragglers) as at April 2004 and indicates that Havering is performing poorly compared with most other London Boroughs. This is mainly due to a combination of late submission and delays in clearing audit queries.

Exhibit 2: Comparative number of stragglers in London boroughs

Havering has one of the highest number of stragglers



Performance by service area

A summary of performance by service areas is shown in Exhibit 3 and further details are contained in the detailed report. This shows that problems remain in all Service areas though there is now noticeable commitment to improving performance in some areas.

EXHIBIT 3: SUMMARY OF PERFORMANCE BY SERVICE AREA

Problems remain across the Authority

| Service area | Total No. of claims | Late claims (%) | Amended claims (%) | No. of Qualified Claims (%) | Comments |
|------------------------------|---------------------|--|--------------------|-----------------------------|---|
| Regeneration and Partnership | 5 | 4 (80%) (1 of which related to 2001/02) | 3 (60%) | 1 (20%) | The management of claims is unsatisfactory. Issues have arisen with all claims. |
| Education | 15 | 14 (93%) (3 of which | 7 (47%) | 8 (53%) | Management of education claims remains unsatisfactory with slow responses to queries being a particular |

| | | | | | |
|--|--|------------------------|--|--|---|
| | | related to 2001/02) | | | problem. Timeliness of submission is also a major issue. |
|--|--|------------------------|--|--|---|

| Service area | Total No. of claims | Late claims (%) | Amended claims (%) | No. of Qualified Claims (%) | Comments |
|----------------------|---------------------|-----------------|--------------------|-----------------------------|---|
| Finance and Planning | 3 | 3 (100%) | 2 (67%) | 2 (67%) | There were problems with the compilation of all claims submitted, with two claims requiring amendments and two requiring qualifications. |
| Environment | 1 | 1 (100%) | 1 (100%) | - | The Service area was only responsible for one claim which was received (four days) late. |
| Housing | 5 | 2 (40%) | 3 (60%) | 2 (40%) | There were problems with the compilation of four out of the five claims submitted by the Service area. |
| Social Services | 19 | 16 (84%) | 5 (26%) | 8 (42%) | The management of social services claims is unsatisfactory. Significant delays arose during the audit of several claims because of unsatisfactory working papers and delays in responding to queries. |

The way forward

Detailed findings are set out in the attached report (sections one to six), and the recommendations arising have been summarised in section 7 and incorporated into the action plan at Appendix 1. This will be used to monitor progress in future years.

The approach to the audit of grant claims is changing in 2003/04 with the Audit Commission seeking to lighten the regulatory burden. The main features of these new arrangements are:

- the introduction of a de minimus level of £50,000 below which auditors will no longer certify claims
- reduced levels of testing for claims between £50,000 and £100,000
- reduced levels of testing for claims over £100,000 where the Authority is able to demonstrate that there is a satisfactory control Partnership.

Meetings have been held with the grants co-ordinator to discuss the implementation of the new arrangement in order to ensure a smooth transition. We will continue to work with the grants co-ordinator over the next year to maximise the potential savings from the new arrangement.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Action Plan – Grant claims overall report (2002/03)

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|------------------|--------|---|---------|
| General | | | | | |
| R1 Ensure claims are submitted by the audit deadline. | 3 | Head of Services | Yes | <p>Grant Co-ordinator to meet with staff dealing with grant claims to discuss progress on qualifications and related issues.</p> <p>Grant co-ordinator to distribute schedule of all claims due to Executive Directors, Head of Services and Finance Managers by 30 April.</p> <p>Incorporate claims schedule as part of year end account closure plan.</p> <p>All claims to be submitted to Financial Services one month in advance of deadline set by grant body.</p> | Ongoing |
| R2 Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes and that all files are subject to senior officer review prior to submission for audit to ensure completeness, accuracy and compliance with grant instructions. | 3 | Head of Services | Yes | <p>Grant management protocol in place available on the intranet.</p> <p>Provide training to all staff (finance and non-finance) involved in grant management.</p> | Ongoing |
| R3 Ensure claims submitted for audit agree to working papers and a fully cross-referenced working paper file in accordance with the Councils protocol. | 3 | Head of Services | Yes | <p>Provide training to all staff on working paper requirements.</p> <p>Finance Managers to review all files against checklist.</p> <p>Grant co-ordinator to carry out final review before submitting file for signature by Head of Financial Services.</p> | Ongoing |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|------------------|--------|---|---------|
| R4 Ensure only eligible expenditure for the year is recorded on the claim form. | 3 | Head of Services | Yes | All efforts will be made to comply, however due to differences in interpretation of what is eligible or ineligible expenditure, this is going to be difficult to comply. Retain copies of agreements with grant bodies where changes have been made in classification of expenditure. | Ongoing |
| R5 Ensure a year on year analytical review is undertaken for all claims together with appropriate explanations for significant variances. | 3 | Head of Services | Yes | Compliance will not apply to all claims as value of grants will vary from year to year, dependant on available resources from the grant body. Finance Managers to ensure that staff complete files in accordance with protocol and checklist. Grant co-ordinator to ensure that section is completed prior to submitting claims for signature. | Ongoing |
| R6 Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported. | 3 | Head of Services | Yes | Executive Directors/Head of Services to provide finance staff with reasons for apportionment. Staff to keep detailed records of time spent on grant activities. | Ongoing |
| R7 Ensure officers are aware of the need to provide full responses to audit queries on a timely basis to enable certification by the audit deadline. | 3 | Head of Services | Yes | Write to all staff dealing with grants reminding them of the importance to deal promptly with requests. Grant co-ordinator to be kept informed of all audit queries "in accordance with the agreed protocol". Audit Commission to escalate all outstanding queries through the grant co-ordinator. Grant co-ordinator to ensure that all outstanding queries are dealt with. | Ongoing |
| Regeneration and Partnership | | | | | |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|--|-----------------|--------|---|----------------------|
| R8 Ensure supporting schedules for the Single Regeneration Budget (RG01) claim are reviewed and reconciled to supporting information for management and administration costs received from the Councils partners (Stratford Development Partnership). | 2 | Roger McFarland | Partly | Staff to carry out quarterly reconciliation of information received from Stratford Development partnership. | Funding ended 03-04. |
| Finance and Planning | | | | | |
| R9 Put in place adequate arrangements for the Housing and Council Tax Benefits (BEN01) claim to ensure adequate support is provided for all items in the reconciliations between the General Ledger, Academy System Modules and Housing Rents System. | 3 | Jeff Potter | Yes | Head of service will ensure that systems are in place and that all supporting documentations are maintained for all reconciliation. | Ongoing |
| R10 Put in place arrangements to ensure all valuation officers directives received in the year up to the 31 March are taken into account when compiling the Non Domestic Rates (LA01) claim, and issues outstanding from the transfer of data from Logos to Academy are resolved. | 3 | Jeff Potter | Yes | All valuation officer notification will be recorded and reconciled monthly, this will ensure that all notifications are recorded on time. | Ongoing |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|---|--------|--|---------|
| Housing | | | | | |
| R11 Continue to ensure that the Housing Subsidy (HOU01) claim is completed in accordance with the ODPM definition and provide training to officers to ensure correct backdating decisions are made and adequate documentation to support retained. | 3 | Mark Gaynor / Barry Kendler / Finance Manager | Yes | ODPM definitions will be followed in completing claims. Procedures to be put in place to deal with issues relating to backdating and record keeping. Training to be provided to all staff dealing with claims. | Ongoing |
| R12 Produce adequate working papers for the audit of Housing Subsidy Base Data Return (HOU02), particularly in relation to details of multi occupancy dwellings. | 3 | Mark Gaynor / Barry Kendler / Finance Manager | Yes | Head of Service will ensure that staff are aware of the importance of keeping supporting papers. | Ongoing |
| Social Services | | | | | |
| R13 Establish adequate monitoring procedures for grant monies passed on to third parties | 3 | Marilyn Richards | Yes | SLA already in place to facilitate the management and monitoring of grant passed to third parties. | Ongoing |
| R14 Establish a system to confirm the continuing eligibility of pensioners included in the pensions pre 1974 staff (PEN01) claim. | 3 | Marilyn Richards | Yes | Review quarterly names of pensioners in receipt of pension. Reconcile list to payments made. Carry out checks to verify the existence of recipients against all payments made. | Ongoing |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|------------------|--------|---|---------------------------|
| R15 Establish the reason for the repayment of the Deferred Payments grant and ensure future grant income is maximised. | 3 | Marilyn Richards | Yes | Purpose of grant to be reviewed. Grant benefits to be publicised. Customers to be encouraged to participate in using facility. | Grant ceased after 03-04. |

Final accounts memorandum (2003/04)

Introduction

The Audit Commission Act 1998 requires external auditors of local government bodies to give an opinion on their financial statements, including:

- whether the financial statements present fairly the financial position of the audited body and its income and expenditure for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

The purpose of this report is to facilitate further improvements to the accounts closedown and audit processes in future years through review of the 2003/04 final accounts audit.

Background

The Council has improved its processes to comply with the demands arising from the introduction of Whole of Government Accounts (WGA). As the deadline for approving the accounts and the issue of the audit opinion move forward by a further month each year over the next two years, further improvements will be required.

Audit approach

The main objectives of the audit of the financial statements are to assess whether they:

- are free from material misstatement;
- comply with statutory and other requirements applicable to the accounts; and
- comply with all relevant requirements for accounting presentation and disclosure.

These objectives are met through:

- the agreement of balances to the main accounting system;
- analytical review of balances;
- substantive testing, where necessary;
- the identification and discussion of potential errors and omissions with officers; and
- ensuring compliance with CIPFA's Local Authority Statement of Recommended Practice (the SoRP).

We tailor our audit approach by incorporating our findings from our core process review and relevant work completed during our interim audit. This work comprised a review of the following:

- closedown procedures;
- main accounting system; and
- budgetary control.

Although recommendations for improvement were made, our work provided sufficient assurance that controls were in place and operating effectively to facilitate the timely and accurate production of the financial statements.

Main conclusions

The Council continues to produce a high quality statement of accounts that are free from material errors and require only minor audit adjustments and was successful in meeting the earlier deadline for the approval of the accounts for 2003/04 whilst concurrently managing the successful implementation of the new financial system, Oracle 11i. We gave an unqualified opinion on the financial statements on 30 November 2004.

The majority of working papers were of a good quality and were made available for audit with the submission of the accounts. Some delays were experienced in receiving additional documents necessary to complete the audit with the main delays occurring where key contacts were unavailable due to annual leave or other work commitments or where bottlenecks arose due to the routing of all queries through one officer.

In order to ensure accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years, closedown arrangements will need to be improved further. In particular, as the timing of our audit will coincide with the summer holidays (a period where staff traditionally take the majority of their annual leave) the provision of good quality, well-referenced working papers at the commencement of the audit will be necessary to reduce the risk of delay in the audit process.

The way forward

If the earlier deadlines of WGA are to be met in future years further improvements in the timeliness and quality of supporting documentation will be required. The Council has already started its 2004/05 closedown process and we will continue to work with officers over the coming months to support the successful delivery of this and identify areas where both closedown and audit processes can be improved.

Detailed recommendations arising from the audit of the 2003/04 statements are set out in the attached Action Plan at Appendix 1.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-Executive Directors/Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Action Plan – Final accounts memorandum (2003/04)

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target date |
|---------------------|----------|---|---|------------------|--|--|--|
| Closedown processes | | | | | | | |
| R1. | B.9 | <p>The Head of Financial Services reviewed the 2003/04 closedown and audit process and made recommendations for further improvement.</p> <p>The tightening deadlines of Whole of Government Accounts will put pressure on these closedown processes over the next few years and where areas for improvement have been highlighted, these will need to be addressed.</p> | <p>To meet the tightening deadlines of Whole of Government Accounts the Council should ensure that the issues around closedown processes identified in the Head of Financial Services report are addressed and the closedown processes and timetable for future years reviewed to ensure they are achievable and sufficiently resourced.</p> | H | <p>Agreed but the Audit Commission's final accounts report will also have to be presented earlier in future years so that there is time to implement the recommendations within the financial year for the accounts under audit.</p> | <p>HOFS</p> <p>Corporate Finance manager</p> | <p>March 2005</p> <p>Ongoing for future years.</p> |
| R2. | B.9 | <p>At the time of submission of the accounts for audit, complete working papers were not provided for all areas and further supporting evidence had to be requested, resulting in delays in the completion of the audit.</p> <p>Further details of issues raised with regard to specific areas of the accounts are summarised at Appendix 2.</p> | <p>Comprehensive working paper files that are fully cross referenced to the statements should be available at the time the accounts are presented for audit.</p> <p>As part of closedown process meetings should be arranged between auditors and preparing officers to agree the specific working paper requirements for the areas listed in Appendix 2.</p> | H | <p>Agreed</p> | <p>Corporate Finance manager</p> | <p>July 2005</p> |

| | | | | | | | |
|-----|-----|--|---|---|---|--|-----------|
| R3. | B.9 | Difficulties in receiving clear and timely responses to audit queries delayed the audit process in a number of areas. | <p>The Council in conjunction with the Audit Commission should put in place appropriate arrangements to ensure an effective query process. These should include:</p> <ul style="list-style-type: none"> • use of clearly numbered queries in a standard format against which officers comments are clearly shown; • copying all queries and responses to the Corporate Support Accountant (Nigel Foster); • agreement of appropriate timescales for responses to audit queries; and • identification of key contacts and nominated deputies who can respond to audit queries. | H | Agreed. The Audit Commission should prepare the standard format for queries. | Corporate Finance Manager/ Corporate Support Accountant/ Finance Managers | July 2005 |
| R4. | B.9 | Although some variance analysis had been undertaken on the accounting entries this was not consistent across the statements. The investigation and explanation of significant year on year variances provides the Council with additional assurance that the accounting entries are free from material misstatement. | In preparing the 2004/05 accounts, the Council should seek to build on the use of variance analysis and predictive analytical review by applying these techniques across the financial statements and ensuring variances are fully explained and supported by appropriate evidence. | H | Agreed but the transfer from Oracle 10.7 to 11i will cause problems in comparing data from 2003/04 to 2004/05. This will not be the case for 2005/06. | Corporate Finance manager/ Senior Corporate Support Accountant/ Finance Managers | July 2005 |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|--------------------------------------|----------|---|--|------------------|--|---|-------------|
| Foreword to the accounts | | | | | | | |
| R5. | B.9 | A review of the Explanatory Foreword identified some inconsistencies between it and information disclosed in the accounts and in reports provided by external agencies. | The Explanatory Foreword should be reviewed to ensure all information disclosed is consistent with the rest of the accounts. | M | Agreed. It is now reviewed every year and, in the view of the Council, the Audit Commission were concerned comments were attributed to them. They were not and a separate section will exist in future to evidence this. | Corporate Finance Manager | July 2005 |
| Statement on internal control | | | | | | | |
| R6. | B.31 | An interim Statement on Internal Control was produced for 2003/04, but only limited documentation was provided to support the associated review of the internal control system. A complete system of internal control will need to be in place over the whole of 2004/05 to enable a fully compliant SIC to be published alongside the 2004/05 accounts. | To support a fully compliant SIC for 2004/05 the Council should ensure that a complete system of internal control is in place for the whole year and submit for audit alongside the SIC relevant documentation to support the review undertaken and the disclosures made. | H | As it is now March 2005, preparation of the SIC will show whether or not the Council is able to meet this recommendation. | Financial Services Manager (Corporate)/ Client Manager (Internal Audit) | July 2005 |
| R7. | B.31 | Although the SIC included an action plan to address the significant internal control issues raised by the review of the Council's system of internal control, it did not include details of the actual control weaknesses found. | Where any significant internal control issues are highlighted from the Council's review of its system of internal control over 2004/05, it should consider disclosing details of the weaknesses identified in the action plan to provide a context for the improvement required. | M | The Director of Finance & Planning/ Audit Committee will consider the extent to which they consider weaknesses in control system can be disclosed in public documents. | Director of Finance & Planning/ Audit Committee | July 2005 |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|--------------------------|----------|---|--|------------------|--|--|-------------|
| Cash and bank | | | | | | | |
| R8. | B.18 | There is a £0.4 million unreconciled difference between the Council's records of schools cash and bank balances and the records maintained by schools. | In advance of more robust reconciliation arrangements in 2005/06, as part of the 2004/05 closedown plan, officers should ensure the annual reconciliation of school balances is prioritised and any unreconciled balances are investigated and cleared prior to the completion of the accounts. | H | This will be treated as a priority in the 2004/05 closedown. | Education Finance Manager | July 2005 |
| Reserves | | | | | | | |
| R9. | B.22 | Section 106 monies which relate to planning gains and developers' contributions, are currently treated as reserves. This accounting treatment is likely to be incorrect (under SSAP 4) in the majority of cases due to specific requirements relating to the use of these monies. | The current basis of accounting for S106 monies should be reviewed by reference to individual contracts to ensure they are accounted for in compliance with the relevant accounting standards. Evidence of this review should be retained and provided as part of the accounts audit working papers. | M | Agreed. | Financial Services Manager (Corporate)/ Treasury Manager | July 2005 |
| Long Term Debtors | | | | | | | |
| R10 | B.15 | The value of council mortgages per the long term debtors note in the accounts agreed to the figure per the ledger but was £4,000 less than the value of the outstanding mortgages at year end recorded in the Council's detailed records. | Officers should ensure that detailed records provided to support the accounts agree or can be reconciled to the relevant entry in the approved statement of accounts. | L | Not agreed. Officers already comply with the recommendation and error is immaterial. | | |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|-------------------------------------|--------------|---|--|------------------|--|---|-------------|
| Suspense accounts | | | | | | | |
| R11 | B.10 B.23 | During the course of the audit it was difficult to establish clearly which ledger codes were designated as suspense or holding accounts and whether these had been regularly reviewed and cleared. | Suspense accounts should be clearly identified and appropriately cleared on a regular and timely basis to maintain the integrity of the accounting system. | L | Not agreed, all the individual ledger accounts presented for audit are reviewed regularly and all suspense accounts are cleared. | | |
| Trust Funds | | | | | | | |
| R12 | B.25 | No payments were made from the Lucas Children's Playsite Charity during 2003/04, or since its inception. New trustees were appointed during the year. | To ensure that it is fulfilling its trustee duties with regards to the Lucas Children's Playsite Charity, the Council should ensure that it is actively seeking to appropriately defray the funds held. | L | This is now happening. | Executive Director Customer Access & Services. | July 2005 |
| Additional disclosure issues | | | | | | | |
| R13 | B.9 | The Treasury Management report although currently published along the accounts, is not a required element of the statement of accounts and readers could mistakenly consider it to be covered by the auditor's opinion. | The Council should consider separately publishing the Treasury Management report and including a note within the explanatory foreword explaining its contents and referring readers to where a copy could be obtained. | L | Not agreed but we will review the presentation of the accounts to make it clearer that this report is not subject to audit. The aim of including this report in the accounts was to improve the efficiency of reporting. | Corporate Finance Manager | July 2005 |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|-----|-------------|--|---|------------------|---|---------------------------|-------------|
| R14 | B.9 | The SoRP requires that where fundamental accounting principles have not been followed the effect should be quantified and the reason explained. The Statement of Accounting Policies notes that rent accounting within the HRA is based on total rent weeks in the year, but does not explain the reason for this departure from the accruals accounting principle or quantify the effect on the accounts (although some of this information is included in the notes to the HRA). | The effect and the reason for any departure from the fundamental accounting principles should be disclosed in the Statement of Accounting Policies. | L | We will review the Statement of Accounting Policies. | Corporate Finance Manager | July 2005 |
| R15 | B.9 B.11 | The impairment section of the Statement of Accounting Policies only refers to impairments resulting from damage to an asset and is therefore incomplete in its disclosure of the scenarios that would lead to impairment. Additionally, there is no mention of the Council's annual impairment review. | The Statement of Accounting Policies should include reference to the varied scenarios that would result in impairment under FRS 11 and the Council's arrangements for the completion of the annual impairment review. | M | We will review the Statement of Accounting Policies. | Corporate Finance Manager | July 2005 |
| R16 | B.9 | Locally Managed Schools (LMS) balances are currently included within earmarked reserves in the CRA. This does not comply with the SoRP which requires LMS balances to be included within the general fund balance with an additional disclosure of the amount attributable to schools. | The disclosure of schools balances in the financial statements should be amended to be compliant with the SoRP requirements. | M | We consider that this will be extremely misleading for the reader of the accounts but as it is part of the SoRP we will reluctantly comply. It is hoped that there will be a consistent policy with regard to other London Boroughs Accounts for this requirement. | Corporate Finance manager | July 2005 |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|-----|----------|---|---|------------------|--|--|-------------|
| R17 | B.10 | The surplus and deficit on trading accounts have been included within the 'Trading Account net surplus line'. The CIPFA SoRP requires that, where a trading account surplus or deficit forms an integral part of a particular service total cost then its surplus/deficit should be disclosed within the cost of the service rather than in the 'Trading Accounts net surplus line'. There was no evidence that the Council had reviewed the trading accounts in line with the SORP guidance to ensure proper disclosure of these balances in the Consolidated Revenue Account. | The disclosure of Trading Accounts surpluses and deficits should be reviewed to ensure compliance with the SoRP, and provide evidence to support its treatment as part of the final accounts working papers. | M | Agreed. | Corporate Support Accountant | July 2005 |
| R18 | B.11 | The Council's Statement of Accounting Policies notes that, 'vehicles, plant and equipment are included at depreciated historical cost'. This does not comply with the SoRP which requires such operational assets to be included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. | Vehicles, plant, furniture and equipment should be included in the balance sheet at the lower of net current replacement cost or net realizable value. If this policy is not adopted, the effect should be quantified and the reason explained in the Statement of Accounting Policies. | L | The SORP states that certain short-lived assets, such as vehicles plant and equipment may be included at historical cost as a proxy for current value, but only on the grounds of materiality. The value of these items was not material in 2003/04. However, we are now purchasing vehicles so we will have to review the statement of accounting policies for 2004/05. | Treasury Manager/ Corporate Finance Manager | July 2005 |

| Ref | File ref | Finding | Recommendation | Priority (H/M/L) | Response | Responsible | Target Date |
|-----|----------|--|---|------------------|---|---------------------------|-------------|
| R19 | B.11 | Note 7 to the Consolidated Balance Sheet discloses the net amount of assets held under finance leases. The SoRP requires the gross amount to be disclosed together with the accumulated depreciation for each category of asset. | Disclosures on assets held under finance leases should include all information required by the SoRP. | L | We will review the note. | Corporate Finance Manager | July 2005 |
| R20 | B.11 | Although correctly not included within the Council's balance sheet, the existence of assets of former Grant Maintained (GM) schools has not been disclosed in a note to the accounts, as required by the SoRP. | To comply with good practice, the Council should include a note on the existence of assets of former GM schools. | L | We will review this as part of the close down process. | Corporate Finance Manager | July 2005 |
| R21 | B.11 | No comparatives were provided in the accounts for 'information on assets held' disclosed in Note 4 to the Consolidated Balance Sheet. Although not a SoRP requirement this represents good practice and would provide the reader with additional clarity regarding the year on year change in assets held. | To comply with good practice, comparative figures should be provided for the 'information on assets held' note to the Consolidated Balance Sheet. | L | We will consider this but there are practical difficulties with regard to the layout of the published accounts. | Corporate Finance Manager | July 2005 |

Best Value Performance Indicators (2004/05)

Introduction

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

We have undertaken our audit of the statutory BVPIs for 2003/04 involving the review and examination of evidence in order to allow us to:

- assess whether the compilation of BVPIs is in accordance with Office of the Deputy Prime Minister (ODPM) definitions and guidance;
- make judgements about the adequacy of systems used to collect and performance information;
- conclude whether outturn figures of performance for 2003/04 have been fairly stated; and
- report our conclusions to the Audit Commission.

Audit approach

Our work has been conducted in accordance with the risk based audit methodology developed by the Audit Commission, the requirements of the Code of Audit Practice and having regard to the supplementary guidance issued in Auditor Briefing 10/2004 and the Audit Guide for Performance Indicators.

Our risk assessment was based on a comprehensive variance analysis and analytical review incorporating factors such as previous audit findings, knowledge from other relevant audit work, amendments and additions to the list of PIs and consideration of those designated as high risk by the Audit Commission.

Of a total of 151 PIs (or parts thereof) 29 were identified as high risk, 92 as medium risk and 30 as low risk.

PIs that were identified as low risk were checked for transposition and rounding errors and, where applicable, explanation for significant variances were obtained.

Further audit work undertaken in respect of medium risk PIs also included a re-performance of calculations, verification that the method of compilation was in accordance with the definition and agreeing the information in the PI to the Authority's system records.

In addition for high risk PIs, the system, its controls and the parameters set for data capture were documented and testing to source documents undertaken.

In the limited number of instances where the Authority's Audit and Risk section had undertaken quality assurance work on specific PIs, reliance was placed on their work as appropriate.

Where errors were identified officers were informed and, where possible, amendments agreed. However, where errors could not be quantified or rectified, or where no information was provided, the indicator was reserved.

Main conclusions

Best value performance indicators

The Authority continues to improve its arrangements for the production of BVPIs. However, improvements in the standard of documentation, quality of working papers and ability to meet agreed deadlines has largely been achieved through the considerable efforts of officers in the Performance Team and audit staff and there remains scope for further significant improvement in arrangements, particularly within service areas, as highlighted in the detailed report.

At initial submission on 6 September 2004, our work identified one prior year reservation and nine reservations in respect of 2003/04 PIs (three of these are in relation to information required from the Metropolitan Police and therefore do not reflect on the Authority's arrangements). Additionally, 38 PIs required amendment (35 in relation to 2003/04 and three in relation to the previous year).

During the post submission period up to the extended deadline of 11 October, the provision of further working papers and significant efforts by both officers and audit staff reduced the number of reservations to five, of which again three related to information provided by the metropolitan police. This is an improvement on last year, when 8 PIs were reserved, although there has been an increase in the level of amendment necessary (from 32 to 40) indicating a lack of adequate initial supporting documentation. Appendix 1 provides a more detailed analysis of this position, including the equivalent information for the previous year.

The reduction in the level of pre audit review by the Business Monitoring Unit also resulted in additional resources being required from both the Council and the Audit Commission to enable the audit to be completed by the revised deadline. Although this extra work did not result in additional fees being charged for the 2003/04 audit, the fee setting for 2005/06 will need to reflect the level of additional audit work likely to be required to audit the 2004/05 BVPIs.

Best value performance plan

The Council produced a fully compliant Best Value Performance Plan (BVPP) in two documents, the 'Performance Plan' which includes the BVPIs and the 'Corporate Development Plan' which addresses all the other BVPP requirements. Both plans were published on the Council's website within the statutory timescales, but were difficult to locate with no link from the home page.

The way forward

In order to reduce the level of additional officer time, audit work and amendments in future years the council should continue to focus on improving the quality of its BVPIs and supporting documentation.

An action plan containing our detailed recommendations has been discussed with Performance Team officers and appropriate action agreed as indicated.

Acknowledgements

We would like to take this opportunity to thank your officers for their assistance during the course of the audit.

Action Plan – Best Value Performance Indicators (2004/05)

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|--|---|--------|---|---------------|
| Co-ordination arrangements | | | | | |
| <p>R1 The PI cover sheets should be amended to increase the prominence of the PI number and its use promoted.</p> <p>In some instances working papers did not specify either the number or description of the indicator to which they related.</p> | 1 | Performance Team | Yes | The PI cover sheet will be re-designed in order to make it a check list of actions taken and papers included in order to evidence compliance with the guidance. The cover sheet will ensure prominence for the PI number and short title. | 31 March 2005 |
| <p>R2 Arrangements should be established to monitor the preparation of working papers to ensure that submission deadlines are met.</p> <p>Working papers for the following PIs were not submitted until after the audit had begun (30 June):</p> <ul style="list-style-type: none"> Community Safety PIs (received on 19 July); PIs 157, 117, 114, 62 and 193 (received between 23 and 29 July); and PI 66a (received on 11 August after being specifically requested). | 3 | Performance Management Group (PMG); Performance Team | Yes | <p>Completion of the re-designed cover sheet (see R1 above) will specifically require service leads and Heads of Service to confirm that all data and spreadsheets, etc. used in the preparation and calculation of the outturn are included in the evidence pack submitted to audit. It will also include a reminder that all submissions must be with the Performance Team no later than 6 May 2005 in order to meet the publication timetable for the Performance Plan and allow final verification of the figures prior to submission to external audit.</p> <p>The preparation and audit timetable will be further reinforced by distributing a 'guidance note' prepared by the Performance Team that will provide a reminder of roles and responsibilities and the reporting timetable.</p> | 31 March 2005 |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|---|--|-------------------------------------|--------|--|------------------|
| | | | | In addition, action will be taken through PMG, Corporate Leadership Team and SMT to ensure that Heads of Service are fully aware that they form an important part of the internal audit process in checking that all submissions comply with agreed minimum reporting requirements. | |
| <p>R3 Arrangements should be put in place to focus increased pre-audit review and testing work on new, amended or particularly problematic PIs.</p> <p>BVPIs 11, 12, 16a, 17a, 192, 56, 179 and 175 experienced significant problems which could have been identified by pre audit review and testing (resulting in additional audit resources being).</p> | 3 | Performance Team; Internal Audit | Yes | <p>Service leads are expected to be self critical in reviewing their data collection and monitoring processes, and to test processes early on where there are amended or new BVPIs within the basket. Where necessary, resource issues should be flagged up to Heads of Service for resolution.</p> <p>In addition, during the fourth quarter PMG representatives are expected to identify those PIs that, from previous experience or from current knowledge are likely to be 'high risk' and to encourage all necessary remedial work to ensure full compliance with the guidance. The Performance Team will work with services to reduce this risk.</p> <p>In December, PMG will be asked to consider those PIs where there was concern in 2003/04 with a view to having Internal Audit review processes early in the New Year.</p> | 31 December 2004 |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|----------------------------|--------|--|---------------|
| Finance indicators | | | | | |
| <p>R4 The Authority should monitor the production of finance PIs to ensure that deadlines agreed for their submission are met and appropriately cross referenced working papers provided.</p> <p>Of the six finance PIs only PI 33 was submitted for audit by the agreed deadline. The remaining five were received on 20 August, two week before the 6 September deadline.</p> | 3 | Head of Financial Services | Yes | <p>The new post of Financial Services Manager – Services will now co-ordinate the production of these indicators. This should ensure that they are submitted on time.</p> <p>The Financial Services Manager – Services will additionally organise or support a check of the financial indicators, and will liaise with the external audit team at an early stage.</p> <p>The Directorate PI co-ordinator will regularly request updates on progress so that any issues can be addressed.</p> | 31 March 2005 |
| Other areas | | | | | |
| <p>R5 A review of working papers should be undertaken prior to submission for audit to ensure that basic errors and problems are identified and rectified.</p> <p>Many of the 45 amendments to PIs were to correct errors which should have been identified as a result of proper pre-submission review. For example the calculation for PI 197 contained a transposition error and the outturn had been incorrectly rounded to the nearest whole number.</p> | 3 | Performance Team; PMG | Yes | <p>The PI cover sheet will become a checklist of actions taken and will require formal signature to show acknowledgement of this, and will include a specific reference to show the accuracy and correctness of the outturn figure.</p> <p>This means that there will be formal checking by:</p> <ul style="list-style-type: none"> • the service lead; • the directorate/ACE co-ordinator; • the Head of Service; and • the Performance Team | 31 March 2005 |

| Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|--|--------|---|-----------------|
| <p>R6 The Authority should ensure that officers have a suitable understanding of basic variance analysis and are in a position to provide explanations where necessary.</p> <p>Problems were experienced obtaining explanations of significant variances for many indicators. For example PI 164.</p> | 3 | Performance Team | Yes | <p>The authority internally monitors performance against the targets set within service plans. PMG will be reminded that there is equal value in looking at trend analysis as a way of setting and measuring improvement. The Performance Team will offer additional PI training sessions in the New Year as a means of reinforcing this for new staff or as part of follow-up training for existing service leads.</p> | 31 January 2005 |
| <p>R7 The Authority needs to ensure key contacts and their deputies are available to provide timely responses to audit queries.</p> <p>Significant problems were encountered in contacting officers (resulting in the need for additional audit resources).</p> | 3 | Performance Team; PMG; External Audit team | Yes | <p>The Performance Team will reinforce the need for staff accessibility through PMG, but asks that it be recognised that the bulk of the external audit takes place during the period of peak summer vacation.</p> <p>In the spring, PMG will meet the external audit management team in order to agree a draft reporting timetable. The external audit team will additionally be requested to provide a draft audit timetable by the middle of July.</p> <p>As part of the re-design of the PI cover sheet, it will now include the names and contact details of all those staff likely to have sufficient knowledge to answer audit queries in the event that the primary contact(s) are unavailable.</p> <p>The Performance Team will also carry out awareness raising of the role of the external audit team through the guidance note (see R2) and through training.</p> | 31 March 2005 |



| MEETING | DATE | ITEM |
|-----------------|---------------|------|
| AUDIT COMMITTEE | 26 APRIL 2005 | 7 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: PROGRESS REPORT 2002/2003 ACTION PLAN FOR GRANTS

SUMMARY

This report should be considered in conjunction with item 6 on this agenda called– Audit Commission report 'Progress Report: April 2005'.

This report informs the Committee on progress/action taken since the Audit Commission report on audit of grant claims and returns for 2002/2003 was produced in February 2005.

RECOMMENDATIONS

To note the progress/action against the 2002/2003 action plan (Appendix 1).

REPORT DETAIL

The final version of the Audit Commission's 2002/2003 report on audit of grant claims and returns was produced in February 2005. Whilst this final report is some considerable time since the financial year being reviewed, discussions on draft versions have been ongoing and the Authority responded positively to the issues and is implementing this report an action plan to improve performance. This action plan is attached (Appendix 1).

The 2002/2003 audit review focused on the Authority's performance against the following criteria:

- Timeliness of submission and certification
- The level of error identified
- The quality of working papers provided
- Audit completion

A number of measures were undertaken to improve the Authority's performance in respect of the grant claims process. The process has improved considerably over the last 2-3 years primarily due to the co-operation between the grants co-ordinator, the Authority's claim compilers and the Audit Commission. An outline of these measures to improve the grants submission process is listed below:

- The Grants protocol was issued which sets out the procedures and standards required in the submission of grant claims
- Joint training sessions with the Authority and the Audit Commission were delivered to claim compilers covering the preparation of grant claims, auditor expectations and working paper requirements
- To address the issue of qualifications, post audit reviews with services were introduced to discuss avoiding repeated qualifications.

The Audit Commission's report detailed an overall improvement in the submission of 2002/2003 claims compared to 2001/2002. Claims submitted late in 2002/2003 reduced to 60% compared to 76% in the previous year. The Authority's performance for 2003/2004 has also improved significantly with the number of grant claims submitted late reducing to 23%. This demonstrates stepped improvements.

The Authority is continually committed to improving the grant claim process and a meeting will be arranged with the Audit Commission to discuss the progress of the 2002/2003 action plan together with the outcomes of the 2003/2004 report on grant claims and the way forward.

Financial Implications and risks:

In 2002/2003 specific grant claims provided £140M in funding for the Authority and poor performance in submitting claims puts the Authority's income and Comprehensive Performance Assessment (CPA) rating at risk.

Legal Implications and risks:

Human Resource implications and risks:

Equalities and Social Inclusion implications:

None directly arising from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Action Plan –Appendix 1

Audit Commission's 2002/2003 Audit of grant claims & returns

Audit Commission report 'Progress Report: April 2005'

**AUDIT OF GRANT CLAIMS AND RETURNS 2002-03
ACTION PLAN/RECOMMENDATIONS**

APPENDIX 1

| | RECOMMENDATIONS | Priority | Responsibility | Agreed | Comments | Date | Review Dates | Progress/Action |
|----|---|----------|-------------------------------------|--------|--|---------------------|--------------|--|
| | | 1=Low | | | | | | |
| | | 2=Med | | | | | | |
| | | 3=High | | | | | | |
| | GENERAL | | | | | | | |
| R1 | Ensure claims are submitted by audit deadline. | 3 | Heads of Service | Yes | Grant Co-ordinator to meet with staff dealing with grant claims to discuss progress on qualifications and related issues. | On going | | Completed for 02-03. Already met where applicable for 03-04 qualifications. |
| | | | | | Grant co-ordinator to distribute schedule of all claims due to EDs, HOS and Finance Managers by 30 April. | | | Initial schedule distributed as part of closedown for 04-05. Updated version re-issued 4 April 05. |
| | | | | | Incorporate claims schedule as part of year end account closure plan. | | | Initial schedule distributed as part of closedown for 04-05. |
| | | | | | All claims to be submitted to Financial Services one month in advance of deadline set by grant body. | | | In place for 03-04, to be continued. |
| R2 | Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes and that all files are subject to senior officer review prior to submission for audit to ensure completeness, accuracy and compliance with grant instructions. | 3 | Heads of Service | Yes | Grant management protocol in place available on the intranet. | On going | | In place for 03-04, to be continued. |
| | | | | | Provide training to all staff (finance and non-finance) involved in grant management. | | | Joint workshops with Audit Commission - 5 workshops in 03-04. 2 workshops to date in 04-05 (15 & 28 Feb 05). |
| R3 | Ensure claims submitted for audit agree to working papers and a fully cross-referenced working paper file in accordance with the Council's protocol. | 3 | Heads of Service | Yes | Provide training to all staff on working paper requirements. | On going | | Undertaken as part of the workshops. |
| | | | | | Finance Managers to review all files against check list. | | | In place for 03-04, to be continued. |
| | | | | | Grant co-ordinator to carry out final review before submitting file for signature by HoFS. | | | In place for 03-04, to be continued. |
| R4 | Ensure only eligible expenditure for the year is recorded on the claim form. | 3 | Heads of Service | Yes | All efforts will be made to comply, however due to differences in interpretation of what is eligible or ineligible expenditure, this is going to be difficult to comply. | On going | | Covered as part of workshop training. |
| | | | | | Retain copies of agreements with grant bodies where changes have been made in classification of expenditure. | | | Covered as part of workshop training. |
| R5 | Ensure a year on year analytical review is undertaken for all claims together with appropriate explanations for significant variances. | 3 | Heads of Service | Yes | Compliance will not apply to all claims as value of grants will vary from year to year, dependant on available resources from the grant body. | On going | | Covered as part of workshop training |
| | | | | | Finance Managers to ensure that staff complete files in accordance with protocol and checklist. | | | Covered as part of workshop training |
| | | | | | Grant co-ordinator to ensure that section is completed prior to submitting claims for signature | | | In place for 03-04, to be continued. |
| R6 | Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported. | 3 | Heads of Service | Yes | ED/HoS to provide finance staff with reasons for apportionment | On going | | Covered as part of workshop training |
| | | | | | Staff to keep detailed records of time spent on grant activities | | | Covered as part of workshop training |
| R7 | Ensure officers are aware of the need to provide full responses to audit queries on a timely basis to enable certification by the audit deadline | 3 | Heads of Service | Yes | Write to all staff dealing with grants reminding them of the importance of dealing promptly with requests. | | | Covered as part of workshop training. |
| | REGENERATION & PARTNERSHIP | | | | | | | |
| R8 | Ensure all supporting schedules for the Single Regeneration Budget (RG01) claim are reviewed and reconciled to supporting information for management and administration | 2 | Head of Regeneration & Partnerships | Partly | Costs received from the Council's partners (Stratford Development Partnership) to be matched against budget by Council staff.. | Funding Ended 03-04 | | No longer applicable |
| | | | | | Staff to carry out quarterly reconciliation of information received from Stratford Development partnership. | Funding Ended 03-04 | | No longer applicable |

**AUDIT OF GRANT CLAIMS AND RETURNS 2002-03
ACTION PLAN/RECOMMENDATIONS**

APPENDIX 1

| | RECOMMENDATIONS | Priority | Responsibility | Agreed | Comments | Date | Review Dates | Progress/Action |
|-----|---|----------|------------------------------------|--------|---|--------------|--------------|--|
| | | 1=Low | | | | | | |
| | | 2=Med | | | | | | |
| | | 3=High | | | | | | |
| | FINANCE AND PLANNING | | | | | | | |
| R9 | Put in place adequate arrangements for the Housing and Council Tax Benefits (BEN01) claim to ensure adequate support is provided for the reconciliation | 3 | Head of Exchequer Services | Yes | Head of service will ensure that systems are in place and that all supporting documentations are maintained for all reconciliation. | On going | | Action Plan has been drawn up in order to address the issues raised. |
| R10 | Put in place arrangements to ensure all valuation officers directives received in the year up to the 31 March are taken into account when compiling the Non Domestic Rates (LA01) claim, and issues outstanding from the transfer of data from Logos to Academy are resolved. | 3 | Head of Exchequer Services | Yes | All valuations officers notifications will be recorded and reconciled monthly, this will ensure that all notifications are recorded on time. | On going | | Action Plan has been drawn up in order to address the issues raised. |
| | HOUSING | | | | | | | |
| R11 | Continue to ensure that the Housing Subsidy (HOU01) claim is completed in accordance with the ODPM definition and provide training to officers to ensure correct backdating decisions are made and adequate documentation to support retained. | 3 | Housing Finance Manager | Yes | ODPM, definitions will be followed in completing claims. Procedures to be put in place to deal with issues relating to backdating and record keeping. Training to be provided to all staff dealing with claims. | On going | | Currently ODPM definitions are followed Records have been updated to meet ODPM requirements Staff attended Grants workshops. |
| R12 | Produce adequate working papers for the audit of Housing Subsidy Base Data Return(HOU02), particularly in relations to details of multi occupancy dwellings. | 3 | Housing Finance Manager | Yes | Head of Service will ensure that staff are aware of the importance of keeping supporting papers. | On going | | Procedures in place. Staff continue to be aware of the importance of record keeping |
| | SOCIAL SERVICES | | | | | | | |
| R13 | Establish adequate monitoring procedures for grant monies passed on to third parties | 3 | Executive Director Social Services | Yes | SLA in place which will detail the requirement for monitoring of grant. | On going | | SLA's are in place for some grants, moving towards having SLA's in place for all grants where monies are transferred to third parties. |
| R14 | Establish a system to confirm the continuing eligibility of pensioners included in the pensions pre 1974 staff(PEN01) claim. | 3 | Executive Director Social Services | Yes | Review quarterly names of pensioners in receipt of pension. Reconcile list to payments made. Carry out test check of the existence of recipients and cross check against all payments made. | On going | | Discussion on implementation in progress |
| R15 | Establish the reason for the Deferred Payments grant and ensure future grant income is maximised. | 3 | Executive Director Social Services | Yes | Purpose of grant to be reviewed. Grants benefits to be publicised. Customers to be encouraged to participate in using facility. | Grant ceased | | No longer applicable |



| MEETING | DATE | ITEM |
|-----------------|---------------|------|
| AUDIT COMMITTEE | 26 April 2005 | 8 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 01 JANUARY 2005 – 31 MARCH 2005

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 01 January 2005 to 31 March 2005. It includes management summaries from internal audit work.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern.

REPORT DETAIL

1. 2004/2005 Audits

- 1.1 Schedule 1 details the 2004/2005 work completed to the draft and final report stages as at 31 March 2005.
- 1.2 Schedule 1 also details outstanding work 2004/05.
- 1.3 Schedule 2 contains the management summaries for audits completed to final report stage between 01 January and 31 March 2005.
- 1.4 Schedule 3 contains the management summaries for the follow-up audits completed between 01 January and 31 March 2005.

2. Fraud and Investigation Work

- 2.1 A brief synopsis of the fraud and investigations work between the 01 December and 28 February 2005 is at Schedule 4. Included in the summary are the results of the investigations and actions taken.

2.2 PPS-Acit have responded to queries raised at the last audit committee. Their response is shown at Schedule 5.

3. Financial Implications and risks:

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

4. Legal Implications and risks

None arising directly from this report

5. Human Resource Implications and risks

None arising directly from this report

6. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports
Internal Audit database

Audits Completed To Final Report Stage

| Report | Issued | Internal Auditor's Opinion | Recommendations | | | | Ref |
|---------------------------------------|----------|----------------------------------|-----------------|-----------|-----------|------------|-----------|
| | | | High | Med | Low | Total | |
| Child Protection | 02.02.05 | Qualified | 0 | 4 | 16 | 20 | Sch 2 (a) |
| Benefits | 26.01.05 | Section 1.01 Unqualified | 0 | 3 | 0 | 3 | Sch 2 (b) |
| Loans and Investments | 06.02.05 | Section 1.02 Unqualified | 0 | 0 | 0 | 0 | Sch 2 (c) |
| Early Years | 20.01.05 | Section 1.03 Unqualified | 0 | 1 | 0 | 1 | Sch 2 (d) |
| Highways | 16.02.05 | Qualified | 1 | 7 | 0 | 8 | Sch 2 (e) |
| Business Continuity | 24.02.05 | Qualified | 7 | 12 | 3 | 22 | Sch 2 (f) |
| Debtors | 24.02.05 | Section 1.04 Qualified | 0 | 3 | 6 | 9 | Sch 2 (g) |
| Network Security | 09.02.05 | Section 1.05 Unqualified | 0 | 4 | 0 | 4 | Sch 2 (h) |
| Telecomms System | 16.03.05 | Section 1.06 Unqualified | 0 | 0 | 3 | 3 | Sch 2 (i) |
| Physical Security | 16.03.05 | Section 1.07 Unqualified | 1 | 0 | 1 | 2 | Sch 2 (j) |
| Contract Procedure Rules | ** | Section 1.08 No opinion required | 1 | 0 | 1 | 2 | Sch 2 (k) |
| On Street Parking (permits and discs) | 23.03.05 | Section 1.09 Qualified | 0 | 7 | 0 | 7 | Sch 2 (l) |
| Variations | 24.03.05 | Section 1.10 Qualified | 0 | 9 | 3 | 12 | Sch 2 (m) |
| Purchasing Cards | 30.03.05 | Section 1.11 Unqualified | 0 | 0 | 0 | 0 | Sch 2 (n) |
| Income Controls Licences | 31.03.05 | Section 1.12 Unqualified | 0 | 3 | 0 | 3 | Sch 2 (o) |
| Council Tax | 31.03.05 | Section 1.13 Unqualified | 0 | 1 | 0 | 1 | Sch 2 (p) |
| NNDR | 31.03.05 | Section 1.14 Unqualified | 1 | 4 | 0 | 5 | Sch 2 (q) |
| Catering DSO | 31.03.05 | Section 1.15 Unqualified | 0 | 3 | 0 | 3 | Sch 2 (r) |
| Total | | Section 1.16 | 11 | 61 | 33 | 105 | |

*No recommendation necessary

** Not subject to an opinion

Completed Audits – Attendance at meetings and advice required.

| | |
|--|---------------------|
| Housing Estates, Repairs and Maintenance | No report produced. |
| Central Park Pool | No report produced. |
| Housing Procurement | No report produced. |

Pro-active Audits Completed To Final Report

| Report | Issued | Recommendations | | | | Ref |
|------------------------|----------|-----------------|----------|----------|----------|-----------|
| | | High | Med | Low | Total | |
| Exceptions to Contract | 28.02.05 | 0 | 0 | 1 | 1 | Sch 2 (s) |
| New Employees | 21.03.05 | 1 | 2 | 0 | 3 | Sch 2 (t) |
| Total | | 1 | 2 | 1 | 4 | |

Follow Up Audits Completed

| Report | Issued ** | Progress Towards Implementation | Ref |
|---|-----------|---------------------------------|-----------|
| Adult Education : Follow up to 03/04 report | 14.02.05 | Good Progress | Sch 3 (a) |
| COPPT Parking System : Follow up to 03/04 report | 09.02.05 | Good Progress | Sch 3 (b) |
| Public Lighting: Follow up to 03/04 report | 07.03.05 | No Progress | Sch 3 (c) |
| Term Contracts: Follow up to 03/04 report | 16.03.05 | Good,Progress | Sch 3 (d) |
| Freedom Passes: Follow up | 03.03.05 | Good Progress | Sch 3 (e) |
| SWIFT: Follow up to 03/04 report | 07.02.05 | Good Progress | Sch 3 (f) |
| Academy Systems: Follow up to 03/04 report | 31.01.05 | Good Progress | Sch 3 (g) |
| Assessment and Allocations: Follow up to 03/04 report | 16.03.05 | Some Progress | Sch 3 (h) |
| Pension Fund: Follow up to 03/04 report | 22.03.05 | Good Progress | Sch 3 (i) |
| Parking Collection and Write-off: Follow up to 03/04 report | 23.03.05 | Good Progress | Sch 3 (j) |
| Off Street Parking: Follow up to 03/04 report | 23.03.05 | Good Progress | Sch 3 (k) |
| Former Tenant Arrears: Follow up to 03/04 report | 12.01.05 | Good Progress | Sch 3 (l) |

Audits Completed to Draft Report Stage as at 31 March 2005

| Report | Draft Issued | Head of Service | Executive Director |
|---|--------------|-----------------|--------------------|
| Parking Enforcement | 21.03.05 | Andrew McKenzie | Heather Bonfield |
| Anti-virus | 16.02.04 | Ray Whitehouse | Cynthia Griffin |
| Internet Protection | 16.02.04 | Ray Whitehouse | Cynthia Griffin |
| Telephone Abuse: Pro Active | 21.03.05 | Ray Whitehouse | Cynthia Griffen |
| Monitoring and Co-ordination of Voluntary Sector Services | 23.03.05 | Bob Page | Marilyn Richards |
| CRM: Follow up | 11.02.05 | Dylan Champion | Terry Wogan |
| FTA's: Pro-Active | 30.03.05 | Barry Kendler | Mark Gaynor |
| Rent Accounting | 31.03.05 | Barry Kendler | Mark Gaynor |

2004/2005 OUTSTANDING AUDIT WORK (ALL 03/04 AUDIT WORK COMPLETED)

Audits In Progress, or Completed to Draft or Consultation Report Stage

| Report | Stage |
|---|----------------------------------|
| Parking Enforcement | Formal draft sent 16.03.05 |
| Housing Rents Collection/Arrears | Consultation draft sent 31.03.05 |
| Lessees Charges | Work in progress |
| Contract & Quality Management in the care of the elderly | Consultation draft sent 28.02.05 |
| Monitoring & Co-ordination of Voluntary Sector & Carer Services | Consultation draft sent 24.03.05 |
| Partnership Arrangements | Formal draft sent 29.10.04 |
| Virus Protection | Consultation draft sent 17.02.05 |
| Internet & E-mail | Consultation draft sent 21.02.05 |
| BS7799 information Security | Work in progress |
| Oracle Financials | Work in progress |
| BACS: Follow up 03/04 report | Consultation draft sent 22.11.04 |
| Novell : Follow up 03/04 report | Consultation draft sent 11.11.04 |
| CRM Review: Follow up 03/04 report | Consultation draft sent 11.02.05 |
| PC abuse/telephone abuse land/mobile | Consultation draft sent 21.03.05 |
| Flexi/annual leave & Overtime/TOIL | Work in progress |
| Write off checking in Parking/Housing | Consultation draft sent 30.03.05 |
| Homecare Providers | Work in progress |
| Total 17 audits | |

MANAGEMENT SUMMARIES SYSTEM AUDITS

SCHEDULE 2(a)

CHILD PROTECTION

1.1 Introduction

- 1.1.1** The Child Protection System is managed by the Children and Family Service within the Social Services Directorate.
- 1.1.2** The local authority has a duty of care under the Children's Act 1989 to promote and safeguard the welfare of children. In exercising that duty, the Child Protection System seeks to protect those Children who are at risk of significant harm of physical, emotional and sexual abuse and neglect from their parents, carers and other adults. Child Protection Enquires are carried out under Section 47 of the Children's Act 1989
- 1.1.3** This is a high profile system subject to significant scrutiny and public concern as a result of the publicity surrounding the Climbie and other high profile cases. The Children and Family Service will be subject to a review by the Commission for Social Care Inspection in 2005 and the Head of Service asked for a comprehensive audit to be carried out to highlight areas for improvement in anticipation of this inspection.

1.2 Significant Issues

- 1.2.1** Testing confirmed that quality of the files maintained by case officers did not meet the required, documented standards. Managers recognise the importance of maintaining effective documentation and we accept that efforts have been made to improve the quality of case records. We have made recommendations to improve both the documentation standard and compliance with the standard.
- 1.2.2** A great deal of work is being done in order identify areas for improvement and to monitor progress, through case audits, the complaints process, serious case reviews and management assurance activities. However, a range of disparate reports and action plans have been produced and we have made recommendations in order to simplify and improve the efficiency of processes for identifying, reporting and monitoring areas of business improvement.

1.3 Recommendation Summary

- 1.3.1** This report contains 4 medium priority and 16 low priority recommendations which should help improve control and address risks.

1.4 Audit Opinion

- 1.4.1** Based on the findings of the audit review we would need to give a qualified opinion as improvements are required in the quality of records maintained by case workers, in the structure and organisation of the quality improvement process and in the management of the disclosure of information.

BENEFITS

SCHEDULE 2 (b)

1.1 Introduction

- 1.1.1** Housing Benefits helps people on a low income pay their rent. Whether any benefit is granted will be based on income and savings, personal circumstances, who resides at the property and the amount of council tax and rent they have to pay.
- 1.1.2** From October 2003 for people of pensionable age and April 2004 for working age people, the Government changed the rules relating to how long a claim will last. These people will no longer have to renew their claim annually as the claims will now be open-ended.
- 1.1.3** Council Tax benefit can be any amount up to the full amount of the Council Tax liability. From April 2004 if a person is eligible for maximum council tax benefit and they live in band F, G or H property, the benefit will no longer be restricted to band E. Housing benefit can be anything from between 50p per week to the full amount of the eligible rent. If a person receives income support or job seekers allowance they will normally get full housing benefit which means that all of the council tax and/or eligible rent will be paid for them. If a claimant does not receive income support or job seekers allowance, all income and needs have to be declared. If the income is less than the government says a claimant needs, full council tax and housing benefit will be paid. If the income is more than a claimant's needs, benefit will be reduced by – Council tax benefit – 20p/week for every £1 of income above their needs and housing benefit – 65p/week for every £1 above their needs. Needs are defined by the government as the amount to live on and includes personal allowances and premiums.
- 1.1.4** Council tax is credited directly to the council tax account and the claimant will only have to pay the reduced bill. Housing benefit is normally paid fortnightly in arrears or direct to the landlord four weekly in arrears, for all new/existing claims. All housing benefit payments are made by crossed cheque and marked A/C Payee only, which means the cheque should be paid into a bank, building society or post office account. If the claimant is a council tenant the amount is paid weekly directly to the rent account.
- 1.1.5** Havering is committed to preventing abuse of the benefit system and the protection of public funds. For this purpose information and data provided to the council will be used in data matching exercises, to prevent and detect fraud. The Benefit Investigation Team deal with all referrals of suspected/alleged fraudulent claims. This was covered in a separate audit during 2003-04 and will not be covered within this audit.
- 1.1.6** Havering have yet to implement the Verification Framework and the decision to implement this practice has been deferred until late 2004-05. However, compensating procedures have been put into place to verify the claimant's eligibility. This area was again covered in a separate audit in 2003-04 but considering the high risks associated with this area it will be covered to some extent.

1.1.7 In April 2002, the Authority's Benefits Section implemented a new incentive scheme SAFE (Security against Fraud and Error) which replaced the Weekly Income Benefit Savings Scheme. The key elements of the new scheme include the prevention and detection of fraud and error overpayments. As part of the new scheme, there are rewards for identifying eligible overpayments. Rewards are based on the level of weekly incorrect benefit (WIB) paid and contribute towards the Authority's threshold target which is determined by the Department for Work and Pensions (DWP). The scheme also offers incentive payments for sanctions and prosecutions. WIBS was covered in a separate audit during 2003-04 and will not be included within this audit.

1.1.8 From analysis provided by the Benefits Service the following data was obtained:

| YEAR | CLAIMS IN PAYMENT | GROSS EXPENDITURE £'000 |
|----------------|--------------------------|------------------------------------|
| 2001-02 | 24613 | 41,700 |
| 2002-03 | 24574 | 47,300 |
| 2003-04 | 25241 | 48,700 |

Claims in payment include rent rebates, allowances and Council Tax inclusive of second adult rebate. Expenditure has been rounded to the nearest hundred thousand.

1.2 Significant Issues

1.2.1 Service needs to maintain a log of all changes to relationship tables within Academy, to avoid any risk of misappropriation.

1.2.2 Scheduled monitoring of super users will ensure that any system changes are valid.

1.2.3 A restriction is placed to stop multiple logging onto the system.

1.3 Recommendations

1.3.1 This report contains three medium recommendations which should help improve control and address risks.

1.4 Audit Opinion

1.4.1 Based on the findings of the audit review we would give an unqualified opinion. However the following areas of the I.T. system controls need to be noted by management:

- the lack of an audit trail on changes on the relationship tables within Academy,
- monitoring of super users
- implementing restrictions on multiple logging on by a user to the system.

LOANS AND INVESTMENTS

SCHEDULE 2 (c)

1.1 Introduction

1.1.1 CIPFA's Treasury Management in the Public Sector: Code of Practice provides the basis for sound treasury management in local authorities. Within this Code, Treasury Management is defined as the management of the local authority's cash flows, its borrowings and its investments, the management of the associate risks, and the pursuit of the optimum performance or return consistent with those risks. As such, within local authorities, the limitation of exposure of capital to risk is of primary significance, and the pursuit of high returns is of secondary importance.

1.1.2 As at 31 March 2004 the debt portfolio totalled £37,545,889 and the investment portfolio totalled £76,797,780.

1.1.3 The audit will concentrate on examining the controls applied by the Loans and Investments Service to address the risks identified (See attached schedule). We will:

- identify the internal controls and checks in operation and appraise their adequacy, reliability and effectiveness within the established systems;
- test the system to ascertain that it operates as documented and that the internal controls and checks are effective; and
- draw conclusions and make recommendations as appropriate and to report to management.

1.1.4 This is a fundamental financial system upon which the Council's external auditors would seek assurance as to the adequacy and effectiveness of the controls. As such this area is being reviewed, even though an audit was undertaken during the last financial year. As the systems of control should be the same as last year it will be possible to undertake a larger sample test of the transactions.

1.2 Significant Issues

1.2.1 There were no issues to report.

1.3 Recommendations

1.3.1 There were no recommendations.

1.4 Audit Opinion

1.4.1 Based on the findings of the audit review we give an unqualified opinion as there were effective controls found in existence within the systems reviewed.

EARLY YEARS

SCHEDULE 2 (d)

1.1 Introduction

1.1.1 The Havering Early Years Development and Childcare Partnership (EYDCP) are responsible for delivering the Government's National Childcare Strategy in Havering. Their aims as required by the Strategy are to increase childcare and early education places in Havering by:

- Raising the profile of childcare
- Providing funding, for example, through initiatives such as Out of School programmes, Childminding Start-up Grants and the Neighbourhood Nurseries Initiative (NNI).
- Supporting the establishment of new childcare groups through their training and business support programme.
- Providing pre-registration training and support to potential childminders.

Make childcare more affordable for parents by:

- Administering universal places in early year's education for all eligible 4 year olds and 3 year olds.
- distributing information about Working and Child Tax Credit and ensuring parents have the advice and support they need.

Improve the quality of childcare and early education by:

- Providing a comprehensive training programme for all registered providers of early education and childcare.
- Increasing parental awareness through their Children's Information Service (CIS).

1.1.2 There are 33 members on the Partnership, drawing people from a wide range of groups and organisations with an interest in early years and childcare. The full Partnership meets, on average, once a term.

The Partnership is supported within the Local Education Authority (LEA) by a dedicated team "The Early Years Department" which is accountable for the Delivery Plan and the Partnership's resources and meeting the 2006 targets set by the Government. The CIS (Children Information Service) and Business Support Service (within the Early years department) offer advice and support on a range of subjects regarding early education and childcare.

1.1.3 From April 2004 there has been the commencement of the Sure Start Delivery Plan. This is supported by Government investment to ensure that the childcare initiatives and programmes that have been carried out since 1997 are taken forward and developed. Sure Start is the Government's framework for bringing together early education, childcare, health and family support to help provide the best possible start

in life for all children. In order to achieve the targets funding has been made available from the following sources:

- DFES budget allocated £4,609,000 for 2004-2006
- This budget will result in the London Borough of Havering only having to provide funding for 4.5 posts within the team from its own resources There are currently 14 members of staff that make up the Early Years Team.

1.2 Significant Issues

1.2.1 Checks must be made on attendance lists provided by providers to validate the nursery grant.

1.3 Recommendations

1.3.1 This report contains one medium priority recommendation which should help improve control and address risks.

1.4 Audit Opinion

1.4.1 Based on the findings of the audit review we would give an unqualified opinion as there is only one area of note which is the spot checking of the nursery grant applications.

HIGHWAYS

SCHEDULE 2 (e)

1.1 Introduction

1.1.1 This service employs 54 staff and spends approximately £6m per year and receives around £160k income. It covers areas such as highways maintenance, street lighting and liaising with utility services such as gas, water, telephone and electricity companies who run their services under the Council's pavements and roads. Highways also install vehicle crossovers and make sure that the Council's roads are gritted if snow or ice is forecast. The team of Area Liaison Officers who inspect the highways, monitor quality and undertake some enforcement work are also attached to the Highways Section.

1.1.2 The Highways Maintenance Service has the lead role in delivering the Council's statutory highway duties in particular to maintain a safe and functional highway network.

Their main responsibilities are:

- To carry out routine safety inspections of the network and action any necessary remedial works in order to maintain the network in a safe condition and fit for purpose
- To carry out a programme of condition surveys to develop a strategy for cost effective programmed maintenance
- Investigate and report on third party insurance claims against the Council
- Responding to defect reports by third parties, carrying out inspections and actioning remedial works where necessary
- Preparing and managing bids for Capital and external resources
- Managing the delivery of responsive and programmed maintenance through internal and external providers.

Another important area is developing the Winter Plan, which has assumed a new importance, as Councils have been found liable if the gritting is not carried out effectively.

1.1.3 The key corporate influences on the section's aims for 2004/5 are as follows:

- Corporate Development Plan
- Community Strategy
- Medium Term Financial Strategy

Corporate Development Plan 2004/05

- Commissioning new Highways maintenance contracts commencing in October 2004
- Manage the new Street Lighting contract to deliver a more robust regime for identifying and correcting 'outages'
- Targeted improvements of footways with the highest usage/ foot fall (BV187)
- Introduce street furniture/ street column advertising proposals as means of funding replacement street lighting in parts of the borough

Community Strategy

- Make sure that at least 97% of the Borough's streetlights are working
- Substantially improve tackling issues such as road and pavement repair, dog fouling, graffiti and litter
- Publicise "Surrender Scheme" and put enforcement processes in place to substantially improve tackling abandoned cars

Medium Term Financial Strategy (MTFS)

- Expansion in 2004/05
- £35K to fund dedicated street lighting engineer to improve lighting in the borough and progress the bid for PFI funding for Street Lighting which will provide significant investment in lighting in the borough.

1.1.4 The Environment Three-Year Strategy identifies three priorities for 2004/05, which are to:

- Improve Environment's service delivery through strengthened joint working, partnering and/or alternative ways of delivery.
- Demonstrate leadership in achieving a safer, greener and healthier Havering
- Strengthen our ability to progress, improve and adapt

In order to meet the priorities the following is being undertaken:

- The Highway Maintenance Section is currently tendering its services. The contracts are split into three categories, Reactive Highway Maintenance, Street Lighting Maintenance and Programmed Maintenance. All three contracts will be evaluated on a price / quality matrix. Havering is also exploring other partnership initiatives one being "Operation Scrap It" in partnership with the ALG and the DVLC
- The HMS will continue to spend the additional capital funding made available to improve the condition of the Council's asset in the borough road network. The regime of safety and condition surveys will continue to highlight problem areas and inform this and future years' programmes of work
- It is planned to explore the possibility to recycle more construction waste and use materials that incorporate recycled materials.
- Investigate new materials and methods of working.

1.1.5 The following improvements have been identified by the section for the forthcoming year:

- Faster removal of nuisance vehicles
- Formal contract with vehicle removal company
- Introduction of new style price/quality term contracts
- New structure better equipped to deliver services
- Capital funding to improve condition of asset
- Introduce Winter Service Plan
- Tender lamp column advertising
- Develop Highway Asset Management Plan.

1.1.6 The budget available to fund the Service is set out in the following table:

| | BUDGET 2002/03 | BUDGET 2003/04 | BUDGET 2004/05 |
|---------------|---------------------------|---------------------------|-----------------------|
| Employees | 548,320 | 626,260 | 2,110,000 |
| Running Costs | 3,122,040 | 3,341,270 | 5,163,000 |
| Support Costs | 739,060 | 3,018,090 | 1,834,000 |
| Total | 4,409,420 | 6,985,620 | 9,107,000 |

1.2 Significant Issues

- 1.2.1** The Service needs to review the respective fees for road closures and crossovers to ensure all costs are covered. The Service is reminded that all charges must have member approval.
- 1.2.2** All monitoring of contractors must be consistent otherwise complaints of favouritism may be directed towards the service.
- 1.2.3** In order to reduce the claims of footway trips, the service needs to review the independent report by the loss control consultant and liaise with Insurance on a routinely basis. The reviewing of the history of claims may direct the service to focus its annual footway maintenance programme more effectively.
- 1.2.4** There is a need for a strategy in the allocation of capital monies for street lighting in order to ensure monies do not remain unspent and works are undertaken in priority areas.
- 1.2.5** In order to enforce the streets for environmental issues all schemes must be implemented, e.g. dog fouling and anti graffiti.

1.3 Recommendation

- 1.3.1** This report contains one high and seven medium priority recommendations which should help improve control and address risks.

1.4 Audit Opinion

- 1.4.1** Based on the findings of the audit review we would need to give a qualified opinion due to the following issues:
- the lack of cost benefit analysis for establishing charges levied,
 - Lack of a strategy for the spending of capital monies in street lighting,
 - The lack of initiatives to reduce insurance claims over footway trips etc.

1.1 Introduction

1.1.1 The Business Continuity System is a corporate system; responsibility for Business Continuity has not formally been allocated to a specific Directorate.

1.1.2 The pilot 2005 CPA includes the question “how prepared is the authority for internal and external emergencies?” In addressing this question, the Audit Commission would be interested in evidence that the emergency and continuity arrangements within LBH are:

- fit for purpose and would allow the Council to respond to emergencies,
- sufficient to allow LBH to support our emergency service partners and
- sufficient to allow LBH to continue to deliver critical local services.

It is the first and last of these issues, which form the scope of this audit.

1.1.3 The Audit Commission also indicates that a Business Continuity System is closely linked to the Emergency Planning system.

1.1.4 The issue of business continuity has gained increasing profile due to the Civil Contingencies Act, public perception of security issues and the perceived heightened risk of terrorist attack.

1.2 Significant Issues

1.2.1 The structure, organisation and resourcing of this system need to be clarified. Many Heads of Service have had difficulty in meeting the objective of developing a service based continuity plan; difficulties have arisen due to the lack of strategy, policy and comprehensive guidelines.

1.2.2 A key risk to business continuity is the inability to make effective decisions in the event of a continuity incident. It is important that the command and decision making structure for business continuity is established and robust.

1.3 Recommendation Summary

1.3.1 This report contains 7 high, 12 medium and 3 low priority recommendations. There are a large number of recommendations for this audit, this reflects its status as a developing system and should not be seen as a criticism of managers involved in the development of the system to date.

The recommendations categorised as HIGH are set out below:

- The role of Emergency Planning and Business Continuity Manager within the LBH’s Corporate Business Continuity Planning process should be clarified
- **A Business Continuity Management strategy for LBH should be developed**

- Responsibility for Business Continuity strategy and policy development and maintenance of the should be agreed and formally documented in Business Continuity policy
- Resourcing of Emergency Planning and Business Continuity posts should be reviewed, in the light of the systems development needs identified by this audit
- SMT should formally adopt the role of LBH Business Continuity Management Board
- Heads of Service should be required to complete Business Continuity templates by 28/02/05 so that LBH Business Continuity plan is in place by 31/07/05
- The Chief Executive (or nominated deputy) should be designated as the organisational sponsor for Business Continuity Management within the Business Continuity strategy

1.4 Audit Opinion

- 1.4.1** Based on the findings of the audit review we would need to give a qualified opinion as improvements are required in the structure, organisation and operation of the Business Continuity System.

DEBTORS

SCHEDULE 2 (g)

1.1 Introduction

1.1.1. The Corporate Debtors System is managed by the Revenue Collection Service of the Finance and Planning Directorate, located at the Town Hall.

1.1.2. The Revenue Collection Service deals with the administration and collection of recurring and sundry debts, and Mortgages.

1.1.3. For 2003/2004

- 22,279 invoices were raised compared to 21,412 the previous year.
- Invoices totalled £116,844,200 compared to £90,254,152 the previous year.

1.1.4 This audit has concentrated on examining the controls over the raising of sundry debt accounts, the selection of debt management activities for the recovery of outstanding debts the management of queried accounts and the amendment, cancellation and writing off of debts in the period 1.1.04 to 31.10.04.

1.2 Significant Issues

1.2.1 We found that Revenue Collection Service is generally operating effectively. However, we consider that the efficiency and effectiveness of debt management in London Borough of Havering is adversely affected by the inadequate performance of some units involved in the debt management process. We consider that the lack of comprehensive operational procedures and service level agreements may be contributing to problems of inefficiency and ineffectiveness.

1.2.2 A backlog of unresolved queried invoices, within service areas is having an impact on debt management as collection is delayed until queries are resolved. However, Social Services finance unit has recently allocated additional resources for the resolution of outstanding queries.

1.2.3 A significant backlog of legal recovery cases is still on hand within legal services and the number of cases, either missing or proposed for write off without legal recovery action being completed, is a concern. (Refer to Section 4.3.8).

1.3 Recommendation Summary

1.3.1 This report contains three medium priority and six low priority recommendations which should help improve control and address risks.

Follow Up Recommendation Summary

1.3.2 As part of this review, a follow up has also been carried out to check on the progress of the implementation of recommendations made at the previous audit. The table set out below shows the current progress being made to implement the recommendations.

| Recommendation Category | Number | Present Position |
|-------------------------|--------|---|
| Medium | 1 | This recommendation has not been actioned. |
| Low | 6 | Two recommendations have been actioned. Two recommendations have been partially actioned. Two recommendations have not been actioned. |

Further details regarding the implementation of the recommendations from the previous audit are attached as Appendix A

1.4 Audit Opinion

1.4.1 Based on the findings of the audit review we would need to give a qualified opinion as income remains uncollected and some debt management processes are inefficient and uneconomical.

1.4.2 From the discussions held and the examinations undertaken some progress has been made in the implementation of recommendations made in January 2004. Of the seven recommendations made, only two have been fully implemented, two have been partially implemented and three have not been actioned.

NETWORK SECURITY

SCHEDULE 2 (h)

1.1 Introduction

1.1.1 The network is the main facility to enable information flow. Networking technology is developing at a fast pace and the effective management of network facilities is a complex area.

1.1.2 Networks need to be secure to ensure the on-going operation of the network, allowing users access to systems and data, and to ensure that unauthorised users and devices are not allowed access to the network, jeopardising its performance and security.

1.1.3 ICTS have recently purchased Tevista software to run on the network. It is a network management tool and will provide security monitoring of the network. It will also report on network performance and utilisation to allow the network team to identify where improvements and upgrades need to be undertaken.

1.1.4 The focus of this audit was to ensure that there were sufficient controls in place to ensure that:

- Network strategy exists and is supported by standards and policies;
- Connections and access to the network are authorised and secure;
- Data transmitted over the network is secured from unauthorised access;
- The risk of network failure is minimised.

1.2 Significant Issues

1.2.1 The audit review established that:

- There is no separate network strategy (Section 4 – 1.1);
- There is no complete inventory of network equipment (Section 4 – 4.1)

1.3 Recommendations

1.3.1 This report contains 4 recommendations, all are medium priority.

1.4 Audit Opinion

1.4.1 We give an unqualified audit opinion based on the following. Progress has been made to improve the security of the network with the implementation of the Internet Gateway. In addition the monitoring of the network performance has been improved with the installation of the Tevista network software. However there are still some outstanding controls that need to be implemented to ensure the on-going, secure operation of the network. Specifically:

- There are no disaster recovery plans for the network in place;
- There is no separate network strategy;
- There is not a complete network inventory.

TELECOMMS SYSTEM

SCHEDULE 2(i)

1.1. Introduction

1.1.1 The current Telecommunications System consists of MD110 main switch and a DNA server. The system services 15 sites and over 2,500 extensions.

1.1.2 The system is monitored using the BTS Sigma system, which can be used to produce a wide range of reports on system usage and traffic flows.

1.1.3 During the initial discussion, the Telecommunications Services Manager informed us that the contract with the current supplier was under review, and could be replaced within the next 12 to 24 months.

1.1.4 The focus of this audit was to ensure that there were sufficient controls in place to ensure that:

- system failure will not delay the recovery of telecomms services;
- hardware failure will not lead to system failure;
- the system is secure from unauthorised access;
- the system facilities are not managed or controlled.

1.1.5 This audit did not review leased telephone lines, ordered and paid for at departmental level.

1.2. Significant Issues

1.2.1 No significant issues arose as a result of this audit review.

1.3 Recommendations

1.3.1 This report contains 3 recommendations all of which are low priority.

1.4 Audit Opinion

1.4.1 We give an unqualified audit opinion.

PHYSICAL SECURITY

SCHEDULE 2 (j)

1.1 Introduction

1.1.1 The responsibility for the purchase, security and control of IT equipment lies with ICTS until it is transferred to the Directorate that requested the equipment. ICTS are subsequently responsible for the monitoring and disposal of IT equipment.

1.1.2 A previous audit highlighted the lack of policies and procedures available to guide staff when supplying IT equipment to directorates within Havering. The focus of that audit review was IT equipment supplied for home use by members and officers.

1.1.3 The focus of this audit was to evaluate the effectiveness of the system for the control and monitoring of IT equipment supplied for use within the authority. The following work was undertaken:

- Identification of the policies and procedures in place to authorise, issue and monitor IT equipment supplied for use within Havering;
- Test the system to ascertain that it operates as documented and that the internal controls and checks are effective.

1.2 Significant Issues

1.2.1 Although the policies and procedures for maintaining an accurate hardware inventory of IT equipment are now in place, the procedure has only been operational for the last 2 months. This means that the majority of IT equipment is not recorded on the TrackIT inventory. This could mean that incorrect numbers of software licenses are being purchased, and IT equipment could go missing without detection.

1.3 Recommendations

1.3.1 This report contains 1 high priority recommendation and 1 low.

1.4 Audit Opinion

1.4.1 We give an unqualified audit opinion. The control over the physical security of desktop IT equipment has been significantly improved since the transfer of responsibility to the Customer Services section.

CONTRACT PROCEDURE RULES

SCHEDULE 2 (k)

1.1 Introduction

(a) Purpose

The purpose of these rules is to ensure that all Council contracts (or purchases) are awarded:

- in compliance with all relevant United Kingdom and European legislation including best value and EC procurement legislation
- to ensure value for money is obtained
- to maximise competition wherever possible
- in accordance with best practice
- to ensure a fair and transparent process
- in a way which demonstrates an audit trail with evidence that there was a fair process and value for money was obtained.

(b) Requirements

- (i) All contracts shall be awarded in accordance with these rules and the Financial Procedure Rules which are compulsory and with the relevant provisions of the Council's Procurement Framework. A contract is any order or purchase of goods, services or works.
- (ii) All contracts shall be awarded in accordance with all relevant legislation including best value and European procurement legislation.
- (iii) No contract may be awarded unless there is budget available and appropriate delegated authority to award the contract.
- (iv) The person awarding the contract shall have a duty to ensure and demonstrate that the best possible value for money is obtained, having regard to the appropriate balance between quality and price.

ON STREET PARKING PERMITS

SCHEDULE 2 (I)

1.1 Introduction

1.1.1 The London Borough of Havering allows you to park sensibly, but without causing obstruction to other road users. Demand for parking spaces is high, therefore, to allow residents and local businesses to have access to street parking, Havering have a number of controlled parking zones (or CPZ's) accessible via permit. The current concept of CPZ's is to unify waiting restrictions around the Borough.

1.1.2 There are six areas in Havering that have been designated as controlled parking zones (CPZ's). They are:

- Gidea Park
- Harold Wood
- Hornchurch
- Romford
- Upminster and
- Upminster Bridge

Mostly they have been created to prevent all-day parking by commuters, who would otherwise park their cars on the street while they travel to London by train, preventing residents from parking outside their homes.

In Romford and Upminster, the CPZ's are designed to prevent parking also by commuters who work in those centres and shoppers, for whom off-street car parking is available.

Within each CPZ there are waiting restrictions that apply for a one- or two-hour period, to deter rail commuters with minimum inconvenience to local residents, or for the whole day, to deter local workers and shoppers.

Within some of the CPZ's, bays are marked out for the use of local residents, their visitors and businesses provided their vehicles display the appropriate permit.

As car ownership increases, parking problems can become acute in the areas around CPZ's. Changes in working and shopping patterns can also lead to parking problems arising at different times and on different days of the week.

For these reasons, the Council reviews its CPZ's on a regular basis to see whether they need changing and residents' permit parking is offered within those CPZ's that do not already have it.

1.1.3 The types of permits available are as follows:

Types of Permits:

- Business Permits
- Health and Home Care Permits
- Residents Permits
- Visitors Permits
- Voucher Permits

The following income analysis for permits was obtained as follows from the Parking Service:

| 2001-02 | 2002-03 | 2003-04 |
|---------|---------|---------|
| £31,094 | £38,846 | £77,265 |

DISCS

1.1.4 The disc parking scheme was introduced into Havering in 1999. Disc bays were sited where previously there had been a single yellow line outside or near local shops, cafes etc.

- a. The disc parking bays allow motorists to park near to local shops, for a restricted period of time, where previously they could not because of a yellow line. Each disc bay has a sign advising motorists of the hours of restriction and the period of time allowed for parking when displaying a valid parking disc.
- b. The discs are not vehicle specific and can be shared between members of the same household.

1.1.5 Parking meters have been covered under a separate audit.

1.1.6 Angel Way Car Park staff have taken over the responsibility of distributing and collecting income for discs from July 2003. The following analysis was obtained:

| | |
|---|---------|
| Period 13 th August 2003 (1 st banking) to 16 th July 2004 | |
| Number of discs sold | 2,538 |
| Income Received | £26.400 |

1.2 Significant Issues

1.2.1 The service needs to review the respective roles of staff administering and managing the sale and issuing of permits. This will ensure management of the service can be effectively undertaken.

1.2.2 All recent documentation must be seen for the sale of both new and renewals of permits to ensure as far as possible that the applicant still resides in the property.

1.3 Recommendations

1.3.1 This report contains seven medium recommendations which should help improve control and address risks.

1.4 Audit Opinion

1.4.1 Based on the findings of the audit review we would need to give a qualified opinion due to the following issues:

- the lack of monitoring over the operations within PASC for the sale of permits,
- No recent documentation seen for the purchasing of permits.

VARIATIONS

SCHEDULE 2 (m)

1.1 Introduction

- 1.1.1** There is provision within building and engineering contracts for the scope of the works to be changed for variation orders to be issued. This is to avoid having to keep preparing new contracts with the contractor every time the agreed works are changed.
- 1.1.2** There have been 169 payments on 70 contracts and these totalled £7.6m between April 04 and December 04. The audit looked at the controls within Surveying Services, Technical Services and within MouchelParkman for the issue of variations.
- 1.1.3** The audit has concentrated on examining the implementation of the recommendations made following the previous audit, and examining any changes in control which may have occurred since the last review.

1.2. Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Non Implementation of previous recommendations.
- Management do not review the instructions before they are issued
- Variations are not being issued by the contract administrator.
- The project is going over budget due to the issue of the instructions.
- The contract is being delayed by the issue of variations orders or by the delayed issue of variations. And
- The Councils rules and procedures do not allow officers scope to issue instructions to vary the works

1.3 Significant Issues

1.3.1 Whilst no significant issues were noted during the current audit review the controls were weak and reduce the level of management awareness of the situation on the projects that they are undertaking. These weaknesses include the following points:

- Lack of formal project monitoring reports being generated on the schemes being undertaken
- Variations not being costed so that the anticipated final cost of the project is not readily identifiable
- Officers not able to demonstrate that they have assessed the timing implications of the changes that they issue.
- Various administrative issues surrounding the issue of variations that need to be addressed.

1.4 Summary of recommendation(s)

1.4.1 The report contains 12 recommendations, nine of a medium category and three of a low category.

1.4.2 The following two recommendations made following the last audit have not been implemented and another one of the original recommendations is included again for officers to reconsider. The reasons for this are also set out below:

- The need to agree what method is to be adopted for issuing changes. Although Managers agreed for Contract Administrators to be responsible for the projects being undertaken the projects continue to be monitored by the Project Architect and that the wrong form is being used to vary the scope of the works. Managers are uncertain as to why this is still occurring.
- Variations continue to be issued after practical completion without any acknowledgement that they are confirmation orders. Managers have again instructed staff on this issue and are uncertain as to why this is still occurring.
- Managers to reconsider the need for procedural notes for officers to follow when issuing variations. Managers considered that this was unnecessary following the last review, but due to the various weaknesses audit consider that they need to reassess this need.

1.5 Audit Opinion

1.5.1 A qualified audit opinion can be given as Audit is not satisfied that there is sufficient control by management or officers over the control and monitoring of changes on the projects that are being undertaken.

PURCHASING CARDS

SCHEDULE 2 (n)

1.1 Introduction

- 1.1.1** The Council's preferred method for paying for goods and services is by the Corporate Purchasing Card. The purchasing card is a Nat West card, which enables employees to purchase and pay for goods in a timely and cost effective manner.
- 1.1.2** The requirements of the Council's Constitution, including the Contract Procedure Rules, Financial Procedure Rules and the Corporate Procurement Framework applies to all purchases. Employees using the card must comply with these rules.
- 1.1.3** The aim in using the purchasing card is to reduce the time spent on administrative work (sending a purchase order, receipting goods, processing invoices) and reduce the Councils bank charges and stationary costs.
- 1.1.4** Each month a statement is produced by the bank detailing purchases made over the previous month.
- 1.1.5** A complete user guide to the Corporate Purchasing Card is available on the Intranet or from the Purchasing Card Co-ordinator. The cardholders have been advised the card cannot be used for purchases over the internet except for in approved cases. Also the cards cannot be used for cash withdrawals.

1.2. Key Risk Areas reviewed

- 1.2.1** This audit reviewed the following key risk areas:
- Employees are not aware of the Council's regulations.
 - Goods could be ordered by employees for their own benefit.
 - No limits on expenditure.
 - No reconciliations to the bank account.
 - Misappropriation of cards.

1.3 Significant Issues

- 1.3.1** There were no significant issues to report.

1.4 Summary of recommendation(s)

- 1.4.1** There were no recommendations made.

1.5 Audit Opinion

- 1.5.1** An unqualified audit opinion can be given as Audit is satisfied that there is a strong control environment within the Financial Systems Payments Team.

INCOME CONTROLS LICENCES

SCHEDULE 2 (o)

1.1 Introduction

1.1.1 Licence sales within fourteen specific areas generated income of £206,691 for the financial year 2003/2004. Special Treatments, Door Supervisor Registrations and Public Entertainment Licences were responsible for a major proportion of the income generated.

1.1.2 The audit review was undertaken as part of the 2004/2005 audit plan.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Financial policies and procedures not being adhered to.
- Incorrect charges being applied resulting in possible financial loss.
- Manual and electronic procedures not in place.
- Payments not being received prior to licence issue.
- Inadequate separation of duties resulting in misappropriation of funds.
- Data loss or corruption resulting in disruption to the business and possible financial loss.

1.3 Significant Issues

1.3.1 The following significant issues were noted during the current audit review:

- Written procedures are not in place, within the Licensing Section, relating to the processes and controls in respect of income collection.
- Reconciliations of income received in relation to licences and FIS are not currently undertaken on a regular basis. Evidence of these reconciliations should be retained and signed by the performing officer and an appropriate certifying officer.
- Finance should provide the Licensing section with electronic versions of the finance spreadsheets to ensure that reconciliations can be undertaken on a regular basis.

1.4 Summary of recommendation(s)

1.4.1 The report contains three recommendations, all of a medium category.

1.5 Audit Opinion

1.5.1 An unqualified audit opinion can be given as Audit is satisfied that there is a good control environment within the Licences Department. Although a few incidences were noted where income was not appropriately recorded between Licensing and Finance, and a cheque payment was not forwarded to finance or retained securely within the licensing section, this has not invalidated the audit opinion.

COUNCIL TAX

SCHEDULE 2 (p)

1.1 Introduction

1.1.1 The Local Government Finance Act 1992 introduced Council Tax. This replaced Community charge on the 1st April 1993. Council Tax is based upon a 50% property tax and 50% person tax. The money is charged by the Council and any money raised is kept by them. This is used to pay for Council spending, although Council Tax is only 15-18% of the money needed. The remainder is made up of other things such as grants from the government and fees and charges.

1.1.2 All properties are subject to Council Tax and to determine the amount payable, they are allocated to a band according to their market value as at 1st April 1991. The bands range from A to H encumbering an amount payable for each band.

1.1.3 The full Council Tax bill assumes that at least two adults are living in a property. If there is only one adult the bill is reduced by 25%. Some people are not included when counting up the number of residents. These include people under 18, students, paid care workers who live in, severely mentally impaired, apprentices, members of visiting armed forces or caring for someone with a disability who is in receipt of certain benefits and not a partner or under 18. From 1st April 2004, the discount allowed on a property that is no-one's sole or main residence, but is furnished will receive a 10% reduction in council tax.

1.1.4 Liable residents without partners who do not qualify for a Council Tax Benefit or who get a rebate of less than 25% of their council tax bill may be entitled to a Council Tax Benefit based solely on the low income of other adults living in the property. This is known as the second adult rebate.

1.1.5 Some properties are exempt from council tax. These include properties that are empty and 20 other reasons such as the property has been repossessed, student halls of residence etc.

1.1.6 Appeals to reduce the property band can only be made if:

- The value has altered due to a physical change to the property,
- The property has started to be used or stopped being used for business purposes
- A house has been converted into flats and vice versa,
- The new tax payer of the property appeals within six months of becoming the tax payer.

1.1.7 The collection rates for Council Tax over the last three years are as follows:

| YEAR | NET DEBIT | CASH RECEIVED | COLLECTION RATE |
|----------------|------------------|----------------------|------------------------|
| 2001/02 | £73,712,638.58 | £70,808,445.55 | 96.06 |
| 2002/3 | £80,174,785.84 | £76,916,588.86 | 95.94 |
| 2003/4 | £93,499,296.89 | £90,155,395.41 | 96.42 |

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- All chargeable properties are not identified, assessed and recorded. Records are inaccurately maintained of properties liable to Council Tax.
- All persons liable for Council Tax have not been identified and correctly recorded and all discounts, exemptions, benefits and other allowances are incorrectly established and recorded.
- Amounts due in respect of each chargeable property have been incorrectly calculated and not promptly demanded from the person or persons responsible.
- Secure and efficient arrangements are not made for all collections and collections are not promptly posted to the correct chargepayer's accounts. Refunds are invalid and not authorised.
- All arrears are not promptly identified and pursued ineffectively that results in write offs.
- The computer system is insecure and does not operate in accordance with approved procedures.

1.3 Significant Issues

1.3.1 There were no significant issues found within the audit.

1.4 Summary of recommendation(s)

1.4.1 The report contains one medium recommendation.

1.5 Audit Opinion

1.5.1 An unqualified audit opinion can be given as Audit is satisfied that there is a strong control environment within the Council Tax Service. However management need to ensure that:

- The recommendations made relating to I.T. issues should further improve the control environment.

NON DOMESTIC RATES

SCHEDULE 2 (q)

1.1 Introduction

1.1.1 The non-domestic rates, or business rates, collected by local councils are the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services. The rates are pooled by central government and redistributed to local councils according to the number of people living in the area. The money, together with revenue from council tax payers, revenue support grant provided by the government and certain other sums, are used to pay for the services provided by Havering.

1.1.2 Apart from properties that are exempt from business rates, each non-domestic property has a rateable value which is normally set by the valuation officers of the Valuation Office Agency (VOA). The rateable value of the property broadly represents the yearly rent the property could have been let for on the open market. There was a revaluation of all properties on the 1st April 2000.

1.1.3 Havering works out the business rate bill by multiplying the rateable value of the property by the multiplier or “poundage” which the government sets for the 1st April each year for the whole of England.

1.1.4 In general, there will be no business rates to pay for the first three months that a property is empty. After that, an empty property rate of 50% of the bill that would have been due on the occupied property will be payable. Industrial buildings, listed buildings and small properties with rateable values of less than £1,900 pay no empty property rates even after the first three months have expired. Charities are entitled to relief from rates on any non-domestic property that is wholly or mainly used for charitable purposes. Relief is given at 80% and Havering has discretion to give further relief on the remaining bill. The audit will cover the system of both mandatory and discretionary relief cases.

1.1.5 The collection rates for NNDR over the last three years are as follows:

| YEAR | NET DEBIT | CASH RECEIVED | COLLECTION RATE |
|----------------|------------------|----------------------|------------------------|
| 2001/02 | £51,569,944.45 | £49,343,731.87 | 95.68 |
| 2002/3 | £50,695,969.07 | £50,695,969.07 | 95.96 |
| 2003/4 | £48,993,115.51 | £45,152,986.21 | 92.16 |

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- The authority does not maintain an accurate list of all properties subject to locally collectable non domestic rates.
- Liability for NNDR is not accurately assessed and untimely bills for the incorrect amount are sent to the occupiers of all rateable properties in the Authority’s area.
- All NNDR money collected is not posted to the correct accounts.

- Prompt and effective recovery action is not taken on all overdue amounts paid which result in increasing write offs.
- Reliefs given for transition, charities and hardship are not given in accordance with regulations.
- The computer system is insecure and does not operate in accordance with approved procedures.

1.3 Significant Issues

1.3.1 There were no significant issues found within the audit.

1.4 Summary of recommendation(s)

1.4.1 The report contains one high and four medium recommendations.

The High Recommendation states:

Service to ensure that the opening debits reconcile to prevent errors in accounts through out the year.

1.5 Audit Opinion

1.5.1 An unqualified audit opinion can be given as Audit is satisfied that there is generally a strong control environment within the NNDR Service. However the following issues should be noted by management:

- Reconciliation of the opening debit,
- Lack of evidence regarding supervision checks,
- Regular monitoring of multiple accessing of the system by the one user, and,
- There is a system fault that provides no audit trail for the “back end” tables if they are altered. There used to be a manual record of changes to these tables but this has not been maintained for over a year.
- Routine visits to empty properties to ensure the correct charge has been levied.

HAVERING CATERING SERVICES

SCHEDULE 2 (r)

1.1 Introduction

- 1.1.1.** Havering Catering Services provide the school meals service to 12 secondary schools, 63 primary schools and 3 special schools.
- 1.1.2.** As at the end of the 2003/04 financial year Havering Catering Services had achieved £4.6m income with provision costs of £1.4m and staffing costs of £2.7m.
- 1.1.3.** For the month of March 2004 school meals totalling 45,921 were served in primary schools and 21,018 in secondary schools.
- 1.1.4.** The audit has concentrated on examining the implementation of the recommendations made following the previous audit, and examining any changes in control which may have occurred since the last review.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Regulations and procedures regarding the collection and banking of canteen income not communicated to catering staff;
- Canteen income not processed and recorded through cash registers;
- Shortages and overages of canteen income not investigated and reported;
- Cash register floats not correctly maintained at the appropriate level;
- Collection and banking of canteen income not carried out by independent officers;
- Schools not allocated unique banking reference numbers;
- Canteen income not held securely in canteen safes;
- Corporate banking procedures not adhered to;
- Standard weekly and monthly school catering financial returns not reviewed for accuracy and completeness;
- Canteen income not checked to FIS Financial Ledger to ensure that school lodgements have been banked intact and correctly coded;
- Monthly management reports not reviewed to ensure operational efficiency of canteens;

1.2.2 There were no visits to school canteens carried out during the current audit review. Instead, assurances were obtained from the Catering Operations Manager that operational controls within canteens are reviewed on a regular basis for compliance with written procedures.

1.3 Significant Issues

1.3.1 The following significant issues were noted during the current audit review:

- Primary school administration are not recording Securicor cash collection reference numbers on forms forwarded to Havering Catering Services;
- School Catering staff are not attaching copies of meal tokens to weekly financial summaries forwarded to Havering Catering Services;
- Three secondary schools were identified as not complying with established procedures regarding the operation of canteen cash registers;
- Havering Catering administration staff are not checking a sample of school lodgments, recorded on weekly school Financial Summaries, to the FIS General Ledger.

1.3.2 During the audit review, it was noted that Bank Giro Credits are being completed by one member of catering staff in accordance with Havering Catering Services procedure manual. Standard internal audit controls normally require that one officer should complete the Bank Giro Credit slip and another officer should check that the banking agrees to the amount recorded on the slip. The Catering Services Manager informed audit that this requirement cannot be undertaken due to manpower issues within school canteens.

1.3.3 Audit was informed by the Catering Manager that the procedures covering the collection and counting of council cash are currently being revised by representatives from Procurement, Finance and the Client Manager Internal Audit. The new contract with Securicor would appear to have no specific clauses relating to the counting of cash collected from council sites.

1.3.4 Due to the above omission Securicor are currently levying an additional charge of six pounds to count and reconcile cash collected for each bank lodgment slip prepared. Due to the current number of schools collections, the above charge will result in an additional budgetary pressure. The Catering Manger is therefore awaiting revised guidelines to address the above issue.

1.4 Summary of recommendation(s)

1.4.1 The report contains three recommendations, all of a medium category.

1.4.2. The following recommendation, made in the last audit report has not been implemented. The reasons for this is also set out below:

- FIS General Ledger should be checked to ensure that a sample of income transactions, recorded as being banked, have been banked intact and coded to the correct cost centre and subjective code.

The Catering & Facilities Manager informed audit that implementation of the audit recommendation had been provisionally started by the Senior Catering Administrator. However, the officer has been on long term sick leave since the start of the financial year and this exercise has not been allocated to another member of staff.

1.4. Audit Opinion

1.5.1 An unqualified audit opinion can be given as Audit is satisfied that there is generally a strong control environment within Havering Catering Services. Although a few incidences were noted, where catering staff have not adhered to operational procedures, this has not invalidated the audit opinion.

MANAGEMENT SUMMARIES OF PROACTIVE AUDITS

EXCEPTIONS TO CONTRACT TERMS

SCHEDULE 2 (s)

1.1 Introduction

- 1.1.1 The 2004/2005 Internal Audit plan includes a pro-active audit into Exceptions to Contract Terms.

1.2 Key Areas Reviewed

- 1.2.1 A sample of twenty (20) Competition Financial Thresholds Exceptions Approval Forms obtained from the Corporate Procurement Manager were examined to ensure that:

- Approval was in accordance with the London Borough of Havering Procurement Framework;
- Value for Money has been achieved; and
- Contractors are not being favoured.

- 1.2.2 Of the twenty (20) Approval Forms examined sixteen (16) had been submitted by Customer Access and Culture, two (2) by Social Services, one (1) by Environment and one (1) by Chief Executives.

1.3 Significant Issues

- 1.3.1 No significant issues were identified during this review

1.4. Summary of recommendation(s)

- 1.4.1 The report contains one (1) recommendation of a low category.

1.5 Audit Opinion

- 1.5.1 From the examinations undertaken it would appear that all approvals were in accordance with the London Borough of Havering Procurement Framework.

- 1.5.2 Sixteen (16) out of twenty two (22) cases [One Approval Form had three separate items requiring approval. Therefore some areas of testing equate to a sample of twenty two (22)] showed what steps had been taken to demonstrate Value for Money but only three (3) had evidence of oral/written quotes or cost comparisons attached to or documented on the form.

It should be noted that the Executive Director of Finance and Planning is currently in the process of revising the Approval Form to evidence Best

Value rather than Value for Money as by the nature of Exceptions, Value for Money can not always be demonstrated.

- 1.5.3** It would appear that there has been no favouritism shown to one contractor/ supplier although by virtue of the process of exceptions preferred suppliers are being used.

NEW EMPLOYEES

SCHEDULE 2 (t)

1.1 Introduction

1.1.1 The 2004/2005 Internal Audit plan includes a pro-active audit into New Employees.

1.4. Key Areas Reviewed

1.2.1 A list of all new starters between April and November 2004 was produced by Corporate Human Resources from CYBORG.

1.2.2 From this list a sample of twenty (20) employees from differing directorates was then to be examined to ensure that:

- “Ghost” employees have not been set up;
- Posts have been established;
- References have been taken;
- References are legitimate; and
- Qualifications are valid.

However, it was only possible to check sixteen (16) as:

- The file for A. Golder, within Environment, could not be found at the time of the review.
- J. Thorogood, paid via CYBORG, is not an employee of the London Borough of Havering. J. Thorogood works for Royals, which is in partnership with the Youth Service.
- Two (2) files are transferring from Environment to Education personnel.

1.2.3 Of the sixteen (16) employees examined:

- Three (3) had been employed in Customer Access & Culture,
- Three (3) had been employed in the Chief Executive’s,
- Three (3) had been employed in Education,
- Two (2) had been employed in Environment,
- One (1) had been employed in Housing & Regeneration, and
- Four (4) had been employed in Social Services.

1.3 Significant Issues

1.3.1 The following significant issues were noted during the current audit review:

- In three cases employment had started prior to the Criminal Employment Bureau Disclosure being returned.

HR Manager (Talent & Diversity) Comments

In these circumstances a waiver disclaimer MUST be signed by the Manager and Head of Service, which allows an employee to commence employment temporarily, after consideration of the potential risks, without first receiving CRB clearance. The proviso is that the employee will not be left unsupervised with either children or vulnerable adults until the CRB clearance is received. A commitment to this effect must be signed by appropriate Managers within a Service Area in such circumstances.

1.4 Summary of recommendation(s)

- 1.4.1** The report contains three (3) recommendations, one (1) being of a high category and two (2) being of a medium category.

1.5 Audit Opinion

- 1.5.1** From the examinations undertaken it would appear that:

- All employees were genuine and had been employed in what appeared to be legitimate posts. However, it was not possible to confirm that the posts are valid as Human Resources are currently compiling comprehensive records of all posts within the Council.
- References had been taken in all cases and all appeared to be legitimate; and;
- All qualifications appeared to valid although it was not possible to confirm this as evidence was not being retained on file for all relevant employees.

MANAGEMENT SUMMARIES FOLLOW-UP AUDITS

SCHEDULE 3

ADULT EDUCATION

SCHEDULE 3 (a)

1.1.1 Introduction

1.1.1 Adult Education is administered within the Education Directorate. Courses are run at 15 locations throughout the borough.

1.1.2 During the 2002/2003 educational year (September 2002 – July 2003), 872 courses were run with a total of 10,652 enrolments.

1.2 Progress Implementing Recommendations

1.2.1 The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.

1.2.2 A follow up audit has now been carried out to check on the information already given as to the progress made to address the concerns raised during the audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|--|
| Low | 1 | The feasibility of implementing this recommendation has been investigated. It was agreed that potential disadvantages would outweigh any benefits at this time, therefore this issue would not be progressed. |
| Medium | 4 | Three of the medium priority recommendations have been fully implemented. The remaining recommendation is not due to be implemented until June 2005, however, it must be noted that progress has been made on the initial stages of implementation of this recommendation. |

1.1.2 Audit Opinion

1.3.1 good progress has been made as all recommendations have either been implemented or are being addressed.

COPPT PARKING SYSTEM

SCHEDULE 3 (b)

1.1. Introduction

1.1.1 All Local Authorities in London have a statutory responsibility to enforce permitted parking control within their area, in accordance with the Road Traffic Act 1991 and subsequent amendments. COPPT is a computerised system that supports the collection of income generated from the issue of Parking Control Notices.

1.1.2 In 2002/2003 COPPT processed more than 47,000 Penalty Charge Notices and accounted for more than £1.43m income.

1.1.3 A number of previous audit reviews have been undertaken in this area within the last 18 months, reviewing the systems of control operating within the Parking section. The reviews have highlighted a number of problems within the system, which are reducing the effectiveness of the collection of parking income.

1.2 Progress Implementing Recommendations

1.2.1 The audit found some control weaknesses within the control environment, which have been set out in detail in the attached schedule.

1.2.2 A follow up audit has now been carried out to check on the information already provided regarding the progress made to address the concerns raised during the audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|--|
| High | 1 | All recommendations have been implemented. |
| Medium | 2 | All recommendations have been implemented. |
| Low | 9 | All recommendations have been implemented, except the one that was given to contractors to complete. |

1.3 Audit Opinion

1.1.4 Good progress has been made. All recommendations have been either addressed in house or passed to Contractors for action.

PUBLIC LIGHTING

SCHEDULE 3 ©

1.1. Introduction

- 1.1.1** Responsibility for the repairs and maintenance of public lighting and street furniture rests with the Streetcare Service of the Environmental Directorate.
- 1.1.2** The actual service was carried out by the Council's DSO on behalf of Streetcare. However, with effect from the 1st March 2005 an external contractor will be responsible for this service.
- 1.1.3** Electrical testing and painting of lighting columns is undertaken by external contractors. As at 06/06/03, the projected cost of service for 2002/2003 is £774,100. This includes the cost of the energy supplied.
- 1.1.4** The purpose of the original audit review was to ensure that the Streetcare Service had an adequate and documented Contract Monitoring System.
- 1.1.5** The final report for the original audit was issued on the 2nd November 2004.

1.2 Progress Implementing Recommendations

- 1.2.1** The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.
- 1.2.2** A follow up audit has now been carried out to check on the information already given as to the progress made to address the concerns raised during the original audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|--|
| Medium | 8 | Due to a new contractor taking over the public lighting service on the 1 st March 2005, seven of the recommendations have not yet been implemented. The remaining recommendation is no longer applicable for this reason. |

1.3 Audit Opinion

1.3.1 No progress has been made in implementing the recommendations due to the introduction of a new contractor taking over the Public Lighting service of the 1st March 2005. Once the new contractor is in place, recommendation will be progressed. In addition, it must be noted that one recommendation is no longer applicable due to the introduction of a new contractor.

TERM CONTRACTS

SCHEDULE 3 (d)

1.1. Introduction

1.1.1 Schedule of Rates contracts are generally used where the nature of the works are unknown and/or where there are a large numbers of small valued works orders. This is to save time in tendering or seeking quotes for these works. There is, therefore, a need for managers to ensure that the term contractor undertakes these works and that the works are being completed within the agreed timescales and to the right quality. The new contract does allow the Council to appoint another firm to undertake work if the company is not performing.

1.2 Progress Implementing Recommendations

1.2.1 There were no significant issues identified from the original review. The new contract appears to be reasonable for the maintenance and repair works to the Council's Housing stock to ensure that the works are undertaken within agreed timescales and also identified the performance monitors. This is, however, dependent upon management providing adequate resources to the contract management. The contract did require more accurate cross-referencing between the different sections of the contract documents. Procedure notes need to be produced that detail the roles and responsibilities of the officers and how and when monitoring reports are to be generated.

1.1.5 A follow up audit has now been carried out to check on the information already given as to progress made to address the concerns raised during the audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|---|
| Medium | 2 | There has been good progress to implement both of the recommendations contained within the original report. |

1.1.6 Audit Opinion

1.3.1 It is considered that there has been good progress to implement the recommendations. Although the contract still contains sections that have not been fully cross-referenced to other sections and still refers to clauses

that have been deleted the articles refer to the priority of the documents that make up the contract. The contract terms have been amended and a new document produced by Legal Services, which take priority over the earlier documents, and clearly reflects the basis of the contract. There were no problems with cross-referencing within the new document. Good progress has been made to prepare the procedures notes for the service.

FREEDOM PASSES

SCHEDULE 3 (e)

1.1. Introduction

1.1.7 Freedom passes are travel cards, which allow free travel on buses, trains, and the underground within London Boroughs at specified times. In order to qualify for a Freedom Pass, a person must be a permanent resident within a London Borough and be aged 60 years or over or be assessed by Social Services as eligible to received a pass as a result of disability/blindness. The Taxicard scheme allows persons who are unable to use public transport due to permanent disability to use black cabs at reduced fares.

1.1.8 The final report from the original audit was issued on the 24th September 2004.

1.2 Progress Implementing Recommendations

1.2.1 The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.

1.2.2 A follow up audit has now been carried out to check on the information already given as to the progress made to address the concerns raised during the original audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|--|
| Medium | 10 | Nine of the recommendations have been fully implemented. The remaining recommendation is being progressed. |

1.3 Audit Opinion

1.3.1 Good progress has been made as all recommendation have either been implemented or are being addressed.

SWIFT

SCHEDULE 3 (f)

1.1. Introduction

1.1.1 The SWIFT system has been implemented as a replacement for the Social Services Information Database (SSID). SWIFT is installed on Citrix Fileservers and is a Windows based product running on an Oracle Database.

1.1.2 SWIFT is the key database used by Social Services to manage and control their client database. System implementation is ongoing, with additional versions due to be released in this financial year.

1.1.3 The system is supplied by ANITE Public Sector Services, who provide a high degree of system support in conjunction with Havering's ICT Services.

1.2 Progress Implementing Recommendations

1.2.1 The audit found some control weaknesses within the control environment, which have been set out in detail in the attached schedule.

1.2.2 A follow up audit has now been carried out to check on the information already provided regarding the progress made to address the concerns raised during the audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|---|
| High | 3 | All recommendations have been implemented. |
| Medium | 3 | All recommendations have been implemented. |
| Low | 2 | One recommendation has been implemented. The remaining recommendation will not be implemented. Management has decided that the cost of development is not commensurate with the risk. |

1.3 Audit Opinion

1.3.1 Good progress has been made.

ACADEMY SYSTEMS

SCHEDULE 3 (G)

1.1 Introduction

1.1.1 The Academy Revenues and Benefits system is an integrated suite of systems used to process the billing and collection of Council Tax and Non Domestic rates, and to process Housing and Council Tax benefit claims. The amount of benefits paid by the system for 2002/2003 was £45.4 million. The total amount of receipts collected by the system for 2002/2003 was £79.2 million for Council Tax and £51.9 million for NNDR.

1.1.2 The prime responsibility for the control and monitoring of the system lies with the Revenue and Benefits section. In addition, many controls that underpin the operation of the system are, corporately controlled or managed by the Information Communications Technology Service.

1.1.3 The overall objective of the review was to provide management with assurance that sufficient controls exist to: ensure the ongoing operation of the system; prevent access to data by unauthorised users and maintain the accuracy and integrity of the files and data on the system.

1.2. Progress Implementing Recommendations

1.2.1 The audit found some control weaknesses within the control environment, which have been set out in detail in the attached schedule.

1.2.2 A follow up audit has now been carried out to check on the information already provided regarding the progress made to address the concerns raised during the audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|---|
| Medium | 6 | Four recommendations have been implemented, one has been partially implemented and one has not been progressed. |
| Low | 5 | One of the recommendations has been implemented, two have been progressed, one is no longer relevant and one has not been progressed. |

1.3 Audit Opinion

1.3.1 Good progress has been made, most recommendations have been implemented or partially implemented.

ASSESSMENT AND ALLOCATIONS

SCHEDULE 3 (h)

1.2.1 Introduction

1.1.1 The Allocations Section is responsible for assessing Housing Applications and allocating accommodation. There are approximately 4100 applications awaiting accommodation, this includes new applicants, those awaiting transfer and applicants from outside the borough.

1.1.2 This audit is a follow up of the Assessments and Allocations audit reported on 24th May 2004 in which concerns were raised in respect of :

- the non compliance of LBH policy with the Housing Act and Code of Guidance practice;
- the efficiency of the information systems;
- lack of assurance of assessments; and
- lack of fraud awareness training delivered to staff.

1.3 Progress Implementing Recommendations

1.3.1 6 medium priority recommendations were made, 2 have not been implemented, 1 has been partly implemented; one has been overtaken and 2 have been fully implemented.

| Recommendation Category | Number | Present position |
|-------------------------|--------|----------------------------------|
| medium | 1 | This has not been implemented |
| medium | 2 | This has been overtaken |
| medium | 3 | This has been implemented |
| medium | 4 | This has not been implemented |
| medium | 5 | This has been implemented |
| medium | 6 | This has been partly implemented |

1.3 Audit Opinion

1.3.1 Some progress has been made in respect of implementing the recommendations, however in the light of the scope of the development work in hand; there is a risk that the implementation deadlines will be missed. We consider that implementation could be further disrupted due to the risk of loss of experienced contract staff from the section, when the revised structure and pay scale are introduced; as staff could face a reduction in salary. We also consider that as the changes to systems, staffing and processes are due to be implemented concurrently, there is a risk of significant disruption to services in April 2005 and beyond.

PENSION FUND

SCHEDULE 3 (i)

1.1 Introduction

1.1.1 The Pensions Section is responsible for administering the Local Government Pension Scheme including the Additional Voluntary Contribution (AVC) Scheme. This includes maintaining individual scheme membership records, calculating transfer values and benefits, and liaising with the Council's payroll service to deduct employee's contributions and make pension payments. The pension's service is delivered using the Lynx Heywood's Axis System. As at December 2003, there were 5122 active members, 4260 pensioners and dependents, and 1720 members with deferred benefits.

1.2 Progress Implementing Recommendations

1.2.1 The audit found a number of control weaknesses with the control environment, which have been set out in detail in the attached schedule.

1.2.2 A follow up audit has now been carried out to check on the information already given as to progress made to address the concerns raised during the audit.

| Rec Ref | Category | Present position |
|---------|----------|---|
| R1 | Medium | P – Completion of the procedures manual is in progress and the aim is to have a comprehensive procedures manual in place by April 2007. |
| R2 | Low | P – A response is received from CYBORG programmers as to the feasibility of the recommendation. |
| R3a | Medium | N – Appropriate reports need to be produced from the Payroll and Pensions system to undertake this reconciliation. |
| R3b | Medium | Implemented |
| R3c | Medium | Implemented |
| R3d | Medium | Implemented |
| R3e | Medium | Implemented |
| R3f | Medium | Implemented |
| R3g | Medium | Implemented |
| R3h | Medium | Implemented |
| R3i | Medium | P – A response from Heywoods as to the implementation of the recommendation is awaited. |
| R3j | Medium | NFA – Due to lack of facility on Axis. Alternative control in place. |
| R4 | Medium | P – Appropriate report being produced by Payroll and forwarded to Pensions. |
| R5 | Medium | Implemented |

| | | |
|-----|--------|---|
| | | |
| R6 | Medium | P – Appropriate report being produced by Payroll and forwarded to Pensions. |
| R7 | Medium | P – Appropriate report being produced by Payroll and forwarded to Pensions. |
| R8a | Medium | Article II. Implemented |
| R8b | Medium | Implemented |
| R8c | Medium | Implemented |

1.3 Audit Opinion

1.3.1 Good progress has been made as all recommendations have either been implemented or are being progressed.

PARKING COLLECTION AND WRITE-OFF

SCHEDULE 3 (j)

1.1 Introduction

1.1.1 The Leader of the Council signed a "Members Protocol" on the 29 April 2002 authorising the write off of £1.85 million of irrecoverable parking enforcement debts.

1.1.2 Following this authorisation a review of On Street Parking Income Collection and Write-Off was undertaken. Its purpose was to see if there have been adequate amendments to the computer systems and systems procedures to ensure that the Council was taking immediate and effective action to pursue debts and regularly write off those deemed to be irrecoverable.

1.1.3 The audit review established the following significant weaknesses in the system for collecting parking fine income and pursuing outstanding debt:

- Delays in inputting the Penalty Charge Notices, due to IT problems;
- Delays in issuing Notices to Owners and Charge Certificates, due to IT problems;
- Delays in issuing requests for registered keeper details to the DVLA and the following up of these requests, due to IT problems;
- The lack of a vehicle clamping contract to deal with persistent evaders; and
- The lack of procedures for the write-off of parking fine debts.

1.1.4 The purpose of this audit was to carry out a further review into the collection and write off procedures to ensure that effective action has been taken to implement the previous audit recommendations. The system was reviewed to ensure that it is operating in a manner which facilitates maximum income collection with minimal but regular review and write off of irrecoverable debts. The problems associated to IT will be reviewed by ACIT's Computer Auditor under a separate audit which will be carried out in the near future.

1.1.5 The budgeted income for parking enforcement fines for 2003/2004 is £1.8 million.

1.1.6 The total outstanding debt as at 31/03/03 was £1.97 million against which there is a provision for bad and doubtful debts of £1.36 million.

1.1.7 A final report was issued on the 12th November 2003.

1.2 Progress Implementing Recommendations

1.2.1 The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.

1.2.2 A follow up audit has now been carried out to check on the information already given as to the progress made to address the concerns raised during the original audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|---|
| High | 1 | Three of the recommendations have been fully implemented as the hand held machines were working correctly. However, problems have started to occur again and this needs to be remedied. Compensating controls are in place. The remaining recommendation (Low) is being progressed in terms of implementation but has been outstanding since December 2003. |
| Medium | 2 | |
| Low | 1 | |

1.3 Audit Opinion

1.3.1 Good progress has been made as all recommendation have either been implemented or are being addressed.

OFF STREET PARKING

SCHEDULE 3 (k)

1.1 Introduction

- 1.1.1** The Authority is currently responsible for running 2 Pay on Foot car parks, 1 Pay on Entry car park and 4 Pay and Display car parks (1 on Saturdays only). In addition, Romford's Market Place operates as a Pay and Display car park on non-market days and there is a pass card only car park.
- 1.1.2** A final report was issued on the 23rd April 2004.

1.2 Progress Implementing Recommendations

- 1.2.1** The audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.
- 1.2.2** A follow up audit has now been carried out to check on the information already given as to the progress made to address the concerns raised during the original audit.

| Recommendation Category | Number | Present position |
|-------------------------|--------|--|
| Medium | 8 | All of the recommendations have been fully implemented with the exception of the transference of stock records to the new access database. |
| Low | 1 | |

1.3 Audit Opinion

- 1.3.1** Good progress has been made as all recommendation have either been implemented or are being addressed.

FRAUD AND INVESTIGATION WORK**SCHEDULE 4**

Work completed during period 01 December 2004 – 28 February 2005
March report not yet written by pps-Acit

| Ref | Description | Result of audit/Action taken |
|------------|--|---|
| 1. | (T8baan) Computer equipment – fraud and corruption | Member of staff pleaded guilty to Police prior to Court process. |
| 2. | (T8caay) Fraud presentations | Not applicable |
| 3. | (T8daah) misuse of telephone system | Insufficient evidence to locate extension and user or 090 numbers. |
| 4. | (T8daal) income & expenditure review, Romford Ice Rink | Cancelled – Management to consult with Legal and management company |
| 5. | (T8caaj) CCTV staff time recording | Lack of controls identified re recording shift times and management have improved controls and records. |
| 6. | (T8caax) Alleged Inappropriate use - PC Finance | Insufficient evidence to identify user responsible. |
| 7. | (T8daaq) Alleged officer working whilst reg. sick | Observations confirmed the allegation. Disciplinary action in progress. |
| 8. | (T8daaf) Alleged fraudulent RTB application | Evidence confirms property is tenants principal residence. RTB to proceed. |
| 9. | (T8daan) Alleged fraudulent RTB application | Evidence confirms property is tenants principal residence. RTB to proceed. |
| 10. | (T8bacc) Forensic examination - desktop | Member of staff dismissed. |
| 11. | (T8daak) Parking ticket issues | Addressed by Parking. |
| 12. | (T8daaz) Theft Fairkytes Centre | Insufficient evidence for prosecution. |
| 13. | (T8daaa) Innapropriate use of PC transport | Member of staff dismissed. |
| 14. | (T8daad) Tender awards | Weakness identified, management told to improve controls. Overpayment recovered. |
| 15. | (T8daay) Court attendance | Auditors attended Court as prosecution witnesses. |
| 16. | (T8daau) Subsistence and travel claims | No evidence of fraudulent claims. |
| 17. | (T8eaad) Press details | Not applicable |
| 18. | (T8daar) Alleged long-term sub-let | NTQ served. |
| 19. | (T8daas) Library banking procedures | Recommendations accepted by management. |

As at 1st April 2005, the following cases were being progressed

| Ref | Description |
|------------|---|
| T8caai | NFI 2004/05 |
| T8caao | Review of contractor payments |
| T8caav | Fraud hotline reports |
| T8daab | Review firewall procedures for monitoring Internet and E mail usage |
| T8daae | Mis-use of laptops |
| T8daai | Review of parking enforcement notices |
| T8daaj | Alleged fraudulent application for RTB |
| T8daam | RTB application – |
| T8daao | Annual leave dispute/possible salary overpayment |
| T8daap | Alleged abuse of council time during the working day |
| T8daat | Alleged misuse and abuse of Internet |
| T8daav | Alleged misuse of PCs |
| T8daaw | Alleged misuse of PCs |
| T8daax | Allegation fraud and performance |
| T8eaaa | Allegation re hospitality |
| T8eaab | Groupwise proxy facilities – access denial |
| T8eaac | Clients Monies Social Services |
| T8eaae | RTB fraudulent application |
| T8eaaf | RTB fraudulent application |
| T8eaag | Fraud hotline report – Leasing and disposal of equipment |
| T8eaah | Fraud hotline report – Planning application |

SCHEDULE 5. RESPONSE TO QUERIES RAISED AT THE LAST AUDIT COMMITTEE

1. At the last Audit Committee members queried what action had been taken to implement recommendations in a few audit reports.

Set out below are the responses that have been received.

Right to Buy Audit

The Management summary referred to the 2 High Priority recommendations that were due to have been implemented by February.

The 2 recommendations were:

1. A computerised tracking system i.e. IT specific systems, in-house database or spreadsheet should be introduced allowing for one central record to be maintained between Homeownership, Area Housing Offices and Legal Services. A nominated officer should be responsible for ensuring that this record is kept up to date and failures to complete the record or take action by specified dates are investigated and actioned.
2. A checklist should be produced which specifies the checks to be undertaken on suspicious right to buy applications and the appropriate responsible officer to carry these out. This should be the officer completing the checklist and certified by an appropriate senior officer.

The latest position is that Housing staff have a spreadsheet set up which all relevant users, apart from Legal Services, have access to. As the spreadsheet is retained on the Housing shared drive it is not possible to allow Legal Services access without enabling them to access other confidential files.

There is now a checklist in place but this will be reviewed further over the next few months, as tenancy checks are carried out on the Right to Buy applications, to see if and how it may be further improved.

Internal Audit will carry out a follow up audit of this service during the early part of the next financial year to review the implementation of recommendations and confirm that a nominated officer is ensuring that the record is kept up to date. A copy of the management Summary of the report relating to this review will be submitted to the Audit Committee.

Residential Parking Disc Payments

Members asked whether Angel Road Car Park or Environment Finance staff undertake checks to ensure that amounts banked have been correctly coded onto FIS 11i.

In order to ensure that checks are undertaken to confirm that the amounts banked have been correctly coded to FIS 11i, staff within the Finance section of Environmental Services are going to send a monthly transaction sheet to the service areas. This sheet could then be used for them to reconcile the income banked to FIS.

Community Care Placements

Members were interested in the fact that the audit report's significant issues section stated that:- "there is felt to be a lack of long term planning for the placement of both adults and children to ensure adequate resources are identified to ensure all clients who require placement are placed appropriately and in a timely fashion".

The manager from Social Services at the meeting stated that he was not sure about this as in his view there was long term planning.

Subsequently Social Services have stated that:- "there is substantial evidence of the planning of the reprovision of the Borough's Older Peoples' homes and in the new approach to block contracting with the independent sector that long –term demographic needs have been taken into account and are informing the needs assessment analysis (this is especially clear in relation to the projected increase in the need for dementia care). Similar evidence is apparent in the recent tendering of home care services. Demographic changes are also highlighted in the Social Services' MTFS submissions.

In relation to Children's services, a Commissioning Strategy is currently in development and this is specifically designed to take a long-term view of needs, placement requirements and cost – effective responses to these. "

Adoption & Fostering

The audit report raised the following two matters under it significant issues section and Members were querying what action had been taken to address these.

1.4.2 Entitlement to the various allowances is assessed by a means test where the applicant's income and expenditure details are requested. Where there is an excess of income over expenditure, the allowance will be reduced by the amount of excess income. Where income and expenditure are equal or there is an excess of expenditure over income, the full allowance will be paid. However, no documentary evidence e.g. pay slips, is requested to support the details declared.

1.2.2 Various one-off payments are paid to foster carers etc. to cover such expenses as birthdays, holidays and clothes. However, no checks are undertaken to ensure that the payments are used for the purpose they are given.

These issues have been discussed with Social Services and they have stated that:

1. In respect of the means testing for adoption the procedures have changed and there is now no right to regular payments. For each adoption case an "Adoption Support Plan " is drawn up and this may include a financial element for certain one off payments. Entitlement to financial assistance is still means tested and documentary evidence will be retained to support the information provided. There have however been no new adoptions under the new procedures. Existing payments under the old procedures continue to be made with annual reviews and documentary evidence is now being taken. The service is still however awaiting guidelines re the procedures that should be followed in this matter, which are in the process of being prepared.

2. The appropriate managers are carrying out checks on payments and they have informed us that carers are now being asked to keep all receipts that relate to special payments.

Management will meet with staff on the 1st March to explain to them how spot checks will be undertaken by their link workers



| MEETING | DATE | ITEM |
|-----------------|---------------|------|
| AUDIT COMMITTEE | 26 April 2005 | 9 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 JANUARY 2005 – 31 MARCH 2005.

SUMMARY

This report contains information on:

- Implementation of Audit Commission's recommendations
- Implementation of Internal Audit recommendations
- Internal Audit Key Performance Indicators
- Comparative analysis of Internal Audit plan
- Progress on the re-tendering of the internal audit contract
- Statement of Internal Control Action Plan
- Progress on Fraud and Corruption Action Plan
- Budget Analysis
- Benefits Investigation
- Risk Management issues
- Other issues for the attention of the Committee

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern
3. To consider and agree any further training needs

REPORT DETAIL

1. Implementation of Audit Commission's recommendations

- 1.1 Appendix 1 gives full details of all the outstanding recommendations from 2003 to date, showing the actual recommendations, the position currently being reported and the target date that was given for the recommendations to be completed. It should be noted that many of the recommendations are very broad and as such it is difficult to have an outcome that can be judged complete.

- 1.2 The Committee should also note that there are other recommendations which are not reported, as they are being implemented within agreed timescales.
- 1.3 Appendix 2 gives full details of “recommendations which are categorised as “on-going”, the position currently being reported and the target date that was given for the recommendations to be completed. The Committee should note that these have not been reported before. It is intended to report on-going recommendations on an annual basis, or until they have become fully embedded.
- 1.4 Summary of the Audit Commission’s activities since the last Committee meeting

| Finalised reports | High | Medium | Low | Total |
|--|-------------|---------------|------------|--------------|
| 2002/03 Grant Claims overall report | 14 | 1 | 0 | 15 |
| 2003/04 Final Accounts Memorandum | 6 | 6 | 9 | 21 |
| 2004/05 BVPI Report | 6 | 0 | 1 | 7 |
| Total number of recommendations | 26 | 7 | 10 | 43 |

The Audit Commission has issued three reports since the 26 January Committee meeting. The Audit Commission’s Progress report: April 2005 contains the full details.

2. Implementation of Internal Audit recommendations

2.1 Summary of 2003/04 outstanding recommendations

| Description | High | Medium | Low | Total |
|--|-------------|---------------|------------|--------------|
| Total no. of recommendations issued for 2003/04 | 30 | 261 | 107 | 398 |
| Total no. of recommendations from reports where some of the recommendations are still outstanding as of March 2005 | 22 | 165 | 57 | 244 |
| Total number of outstanding recommendations. | * | * | * | 87 |

*see appendix 3

As of March 2005, there were 87 outstanding 2003/04 Internal Audit recommendations. The details are contained in Appendix 3. These are recommendations that have missed their implementation deadline by more than one month.

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

As of 28th February 2005, IA has issued 175 recommendations (excluding fraud audits). Most of the agreed actions are not yet outstanding. Only 55 of 2004/05 due actions have missed their implementation milestone (see Appendix 3). This is an improvement in the implementation of Internal Audit recommendations.

| Description | High | Medium | Low | Total |
|--|------|--------|-----|------------|
| Total no. of recommendations issued for 2004/05 (as at end of February '05) | 22 | 108 | 45 | 175 |
| Total no. of recommendations from reports where some of the recommendations are still outstanding as of March 2005 | 11 | 57 | 12 | 80 |
| Total no. of outstanding recommendations | * | * | * | 55 |

*breakdown not available.

3. Performance Indicators (as of March 2005)

- 3.1 Committee members will note that there are 10-Key Performance Indicators (KPI) in Appendix 4. These indicators are focused on measuring the efficiency and effectiveness of Internal Audit activities.
- 3.2 An analysis of the KPI's indicates an improvement in the percentage of completed total audit days (KPI 01) and reviews (KPI 02), 83% and 84% respectively. The on-target total number of audit briefs issued (KPI 03) and input days resourced (KPI 04), 100% and 99% respectively, indicates that a significant part of the annual audit plan should be completed by 31 March 2005.

| | Definition | Annual Cumulative Target | Performance as of December |
|--------|---|--------------------------|----------------------------|
| KPI 01 | Number of total actual audit days completed as a percentage of total planned annual days (1300). | 100 % | 83% |
| KPI 02 | The number of audit reviews completed as a percentage of the total annual number of planned reviews (108). | 100 % | 84% |
| KPI 03 | The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (108) | 100 % | 100% |
| KPI 04 | The total number of input days on audits as percentage of the total number of planned days (1300) | 100 % | 99% |
| KPI 09 | Survey Forms Assessed for the system audits | 100% | 66% |
| KPI 10 | Survey Forms Assessed for the fraud audits | 100% | 75% |

- 3.3 As at the end of March 2005, 84% of the plan had been completed, 10% of the plan was at draft or formal report stage, 6% was being actively worked on.
- 3.4 The Client Manager expects the outstanding audit reviews to be completed by internal audit by the end of April. However, this assumes that service area managers will comply with the Internal Audit protocol, to ensure that reviews are expediently conducted and reports timely completed.

4. Survey Questionnaire Analysis

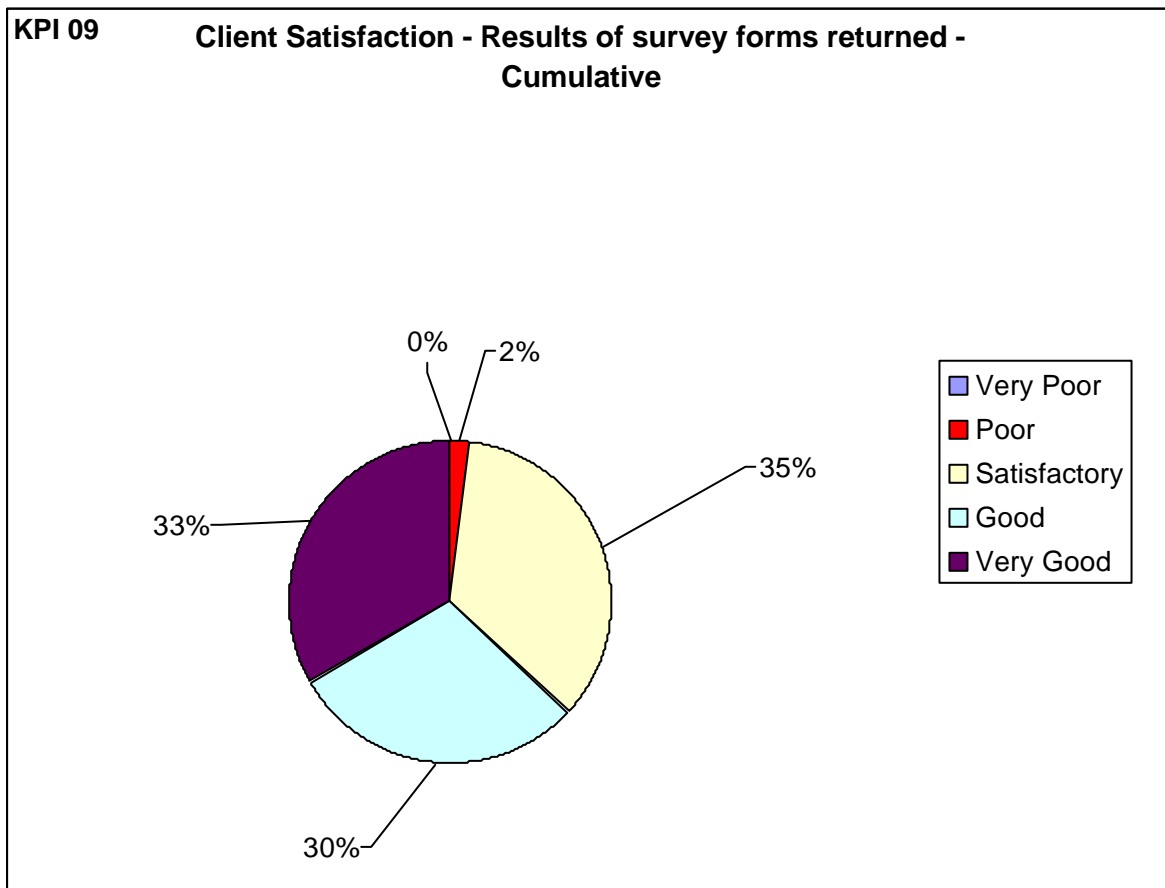
4.1 The analysis of the survey forms is the responsibility of the CMIA. In the August Committee meeting, Members enquired about national performance indicators for assessing the Audit Commission's work. Therefore the survey for assessing internal audit's work, has been adapted, in order to carry out a survey analysis of the Audit Commission's work. The results are being discussed with the Audit Commission and will be reported in due course.

4.2 The original survey asked respondents to assess the Internal Auditor's performance on a scale of 1– 5 (very poor - very good) in the following areas:

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

4.3 Survey Analysis of Internal Audit's **Systems** 2004/05 work

35% of the survey returns reported a satisfactory review, 30% reported a good review and 33% reported a very good audit experience, with one poor response (2%). It is pleasing to note that a significant number (98%) of managers are satisfied with the internal audit process. The following chart shows the results for 2004/05.

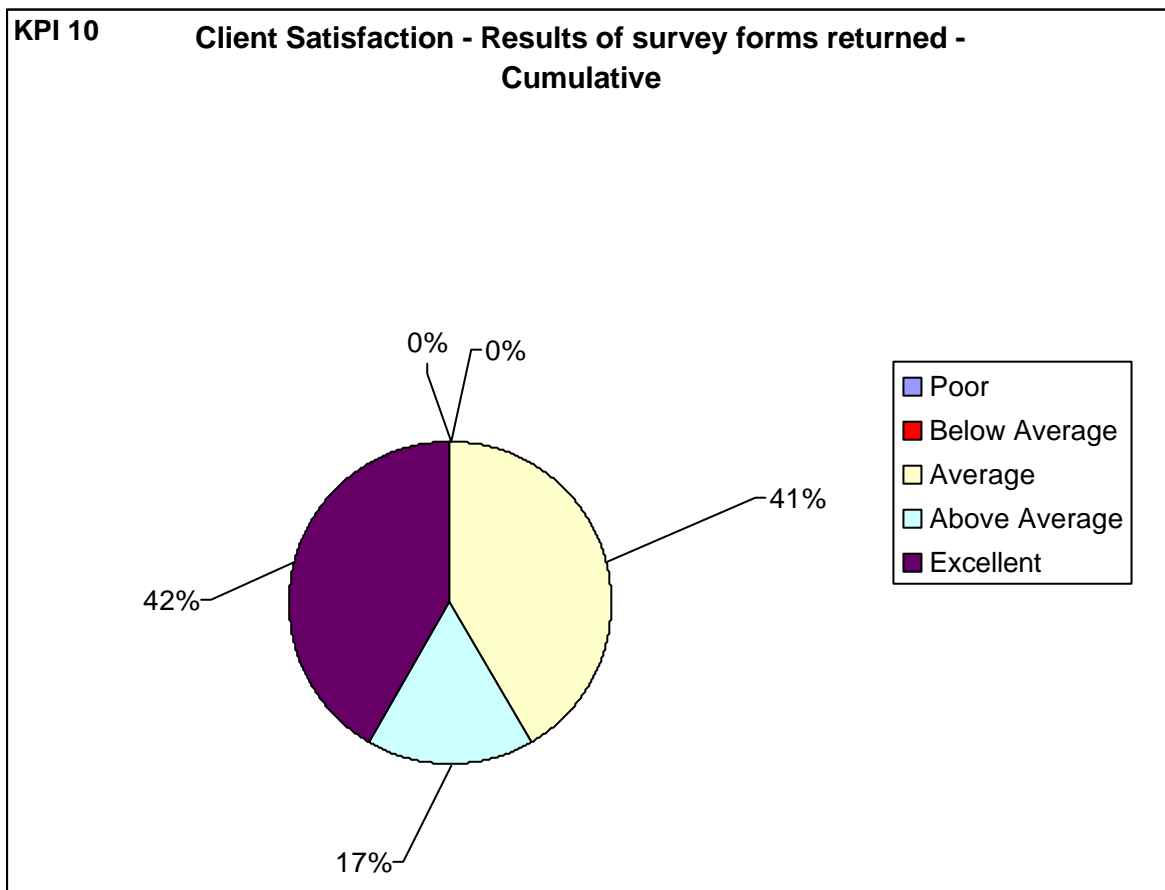


4.4.1 The new **fraud** survey which has also been introduced, asks respondents to assess the Internal Auditor's performance on a scale of 1– 5, (Poor - Excellent) in the following areas:

- Consultation
- Communication
- Quality of final report
- Accuracy of findings
- Benefit of recommendations
- Confidentiality
- Helpfulness

4.7 Survey Analysis of Internal Audit's **Fraud** 2004/05 work

41% of the survey returns reported an average review, 17% reported an above average review good review and 42% reported an excellent audit experience, with no poor responses (0%). It is pleasing to note that a (100%) of managers are satisfied with the internal audit process. The following chart shows the results for 2004/05.



5. Comparative analysis between the Internal Audit Plan for 2004/05 and 2003/04

5.1 Appendix 5 provides the status of Internal Audit's efforts in implementing the 2004/05 annual plan, and data from 31st March 2004 which provides valuable comparative information.

5.2 As of 31 March 2005, Internal Audit has completed 91-reviews (84%) while 11-reviews (10%) are at the consultation/final draft stage. At the same period in 2004, 41-audits (49%) were completed to the final and 28 (33%) to consultation/final draft stage. Although (6) 6% of the annual plan is still to be completed, at the same time last financial year, 15 (18%) of the plan was yet to be completed. The analysis indicates significant improvement in output when 2004/05 is compared to last years performance.

5.3 Members will note that 84 audits were completed during the last financial year whereas it was anticipated that 108 would be completed this year. The target number of 108 reviews have been completed.

5.4 The main reason for the difference between the target numbers for each period is a change in reporting requirements. In previous years, Internal Audit have not recorded, as a specific task, when they check on the progress being made to implement recommendations from an earlier audit (follow up audit). However, it has now been agreed with the Council that, in future, Internal Audit plan will separately show the follow up audits. 38 of these audits had been planned for 2004/5 (normally taking 2 days per audit).

6.0 **Progress on the re-tendering of the internal audit contract**

6.1 So far the Council is progressing as follows:-

- A meeting was held on 17th March with Human Resources staff in order to discuss potential TUPE issues. The CMIA was advised by Human Resources to contact the Trade Unions of the TUPE staff and set up a formal working group to support and participate in this process.
- A meeting was also held on 16th March with Malcolm Goringe from the London Borough of Hackney, who has also expressed an interest in collaborating with LBH and the LBWF in a joint procurement exercise. Issues arising from these meetings are to be reported and discussed with the Head of Financial Services and the Executive Director of Finance and Planning.
- Due to the appointment of the new Client Manager Internal Audit, Legal Services have issued a new timetable for the re-tendering of the contract, to ensure timely compliance with Contract Standing Order and OJEC notices.

7. **Progress on the Statement of Internal Control Action Plan**

7.1 Appendix 6 presents the Statement of Internal Control (SIC) action plan. The SIC provides greater assurance with regard to corporate governance issues. It was signed by the Leader of the Council, the Chief Executive, and the Executive Director of Finance & Planning and forms part of the 2003/04 Statement of Accounts. The action plan continues to be tracked and reported to the Committee. The Client Manager Internal Audit, will shortly be discussing production of the SIC for 2004/05.

8. **Progress on Fraud and Corruption Action Plan**

8.1 Appendix 7 details progress on the implementation of the fraud action plan. Most of the actions have been completed or are in progress. In September 2004, the Council started its anti-fraud campaign. The objective was to raise awareness on the Council's efforts to prevent, detect and investigate frauds, within or outside the organisation. The public, staff and Members were the target group. The campaign involved the following activities:

- Publication of a brief article in the September 2004 'Living in Havering'
- Distribution of posters on Council notice boards and strategic locations
- Posting of anti-fraud poster on JC Decaux advertising board
- Distribution of a letter and guidance leaflet from the Chief Executive to all employees
- Establishment of a website with contact information
- Improvement of the relationship with the Metropolitan Police.
- Completion of a fraud response plan for internal use
- Presentation of anti-fraud sessions to staff and Members in October – December, focusing on the roles of Internal Audit, Benefit Investigations and Stakeholders.

The action plan will only be reported on an exception basis from now on with details of ongoing activity being reported within the main report.

8.2 Summary of calls on the fraud hotline log (As of 28th February 2005)

| <u>Source of calls</u> | <u>No.</u> | <u>Actions</u> | <u>Status</u> |
|------------------------|------------|--|--|
| Anonymous | 8 | 2 cases were forwarded to the appropriate service areas to address. 1 case is being investigated by Internal Audit. | No investigation was required for 3 cases. 2 were referred to Benefits to investigate, (1 of these was also referred to Housing for further investigation). |
| Staff | 9 | 1 case has been referred to the service area and Human Resources to address. 2 cases are to be further investigated by Internal Audit. | 6 investigations have been completed. 1 of these will result in a pro-active audit and 1 case has been referred to the police. 3 resulted in no evidence of fraud, and 1 resulted in a loss. Attempts will be made to claim part of the loss from a contractor). |
| Public | 1 | Internal Audit are investigating. | In progress |

- There are currently 16 special investigations in progress (4 from the hotline above) and 60 have been completed during 2004/5.

8.5 Sustaining the anti-fraud message will continue to remain a high priority for 2005/06. In September 2005, the RMG plans to re-launch the anti-fraud poster using the JC Decaux boards and circulate the poster to over 85,000 Havering households, through a Havering Community Safety Partnership program. The 2005/06 anti-fraud sessions will be arranged to directly address the needs of high risk service areas.

8.7 The anti-fraud campaign has succeeded in raising awareness within and outside the council. The number and quality of cases under investigation, and relationship with the Metropolitan Police have all improved. The campaign will be sustained by future advertising and by ensuring that serious cases are successfully investigated and prosecuted. In addition, future anti-fraud sessions will be more specific to the operations of high risk service areas.

9. Year to Date (YTD) Budget Analysis

9.1 The revised budget figure for Internal Audit (2004/05) is £478,130. Appendix 8 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 31 March 2005. As of 31 March 2005, YTD actual (£420,350) is below the budgeted amount (£478,130). This is due to outstanding invoices still to be received and or processed, as account is within budget.

10. Benefits Investigation

10.1 A report on Benefits Investigations is at Appendix 9.

11. Risk Management Issues

- The Risk Management Group has been assessing a risk software package that will support the Council's risk management efforts. The approved software, offers many advantages. However, more information is required from the supplier to ensure that there are no hidden, long-term costs associated with the product. A final decision will be made at the next Risk Management Group Meeting.
- Work has continued to embed the risk management system. A presentation was given to officers from Education in February, Housing and Regeneration in March and Social Services Management Team in April. Another is planned for Legal Services in May.
- The current corporate risk register is attached as Appendix 10. It hasn't been updated since the Committee approved the November review. However, the next review of the corporate risk register is planned to take place by 25th April.

12. Other issues for the attention of the committee

- 12.1 The Client Manager would like to progress training needs required by Committee members. Arrangements are being made to identify whether members can visit an audit committee at another borough.

13. Financial Implications and risks:

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

14. Legal Implications and risks

None arising directly from this report

15. Human resource Implications and risks

As indicated in the 26 January 2005 Committee report, there will be T.U.P.E. implications for the re-tendering of the internal audit contract.

16. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports & database
Audit Commission Progress report
2003/04 Statement of Internal Control

CMIA – 26 April 2005 Audit Committee

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Appendix 1 Outstanding External Audit Recommendations – (03/04 & 04/05)

| HIGH PRIORITY RECOMMENDATIONS | | | | |
|--------------------------------------|---|-----------------|---|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| Democratic Renewal | R10 Develop Overview and Scrutiny policy development programmes that have a clear and crosscutting direction, and take account of key performance data. | 31/12/03 | Group Leaders have met seven times in 2004 in an effort to plot a way forward on all aspects of O&S. Governance Committee has set up an informal Member level group to consider the most appropriate O&S model for Havering. This group will consider R10 and other in coming to a conclusion | In progress |
| | Encourage local community stakeholder involvement in the political management process, including taking an active part in member meetings. | 31/12/03 | As above | In progress |
| | Develop the work programmes of the Overview and Scrutiny Committees to include post implementation review. | 31/12/03 | As above | In progress |
| | Clarify the expected role of Overview and Scrutiny Committees in respect of Best Value and communicate this effectively to members. | 31/10/03 | As above | In progress |
| | Encourage greater scrutiny focus on holding the Cabinet to account. | 3/12/03 | As above | In progress |
| | Improve communication between members involved in scrutiny when developing reports. | 3/12/03 | As above | In progress |
| | Foster a more inclusive and less party-political approach to Scrutiny working. | 3/12/03 | As above | In progress |
| | Improve member attendance at training sessions to ensure they develop the core skills necessary to carry out their roles effectively. | 1/2/04 | Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004). Action being pursued | In progress |
| | Consider the establishment of a mechanism to ensure effective exchange of information between Cabinet, OSC and Area Committee chairs. | 31/12/03 | See R10. Area Committees, their role and purpose, to be the subject of a member Working Party examination due to report by December 2004. | In progress |
| Joint Review SS 2002/03 | Continue to extend use of financial flexibilities as part of strengthening joint commissioning | Jan 2004 | First stage is establishment of Joint Commissioning plans and posts. Mental health joint commissioning post being recruited to (PCT lead) and Older Peoples' commissioning strategy nearing completion | In progress |
| | Ensure implementation of Best Value Review action plan in line with requirements to improve service re alignment and investment | Oct 2003 | Will be taken forward as part of work programme of Physical Disabilities Partnership Board. Yew tree Lodge functions being developed | In progress |

| HIGH PRIORITY RECOMMENDATIONS | | | | |
|--|--|-----------------|--|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| | Finalise and widely publicise a communications strategy which includes effective liaison and relationships with external bodies, particularly the voluntary sector | Nov 2003 | Nearing completion | In progress |
| E Government | Redevelop the Intranet | April 2003 | A new Content Management System will be live by May 2005. The project to redevelop the Intranet has been started by the EGTS web Team. As part of the new Intranet development, internal services will be responsible for publishing their own content. | In progress |
| Procurement – Parkman, Domiciliary Care | Formulate a contract register (with corporate procurement involvement) to: <ul style="list-style-type: none"> • hold details of contracts and contractors • inform the domiciliary care strategy (and its future revisions) • plan and inform future procurement projects • enable effective monitoring of contractor performance. | | Work started on Contract register as part of Strategic Procurement Steering Group action initial report by mid March 04 | Partially complete |
| Programme Governance (Nov 04) | Ensure clear terms of reference and governance responsibilities and standards are established for all corporate programme governance groups. | Oct04 Mar05 | Yes Identify all key corporate groups for inclusion. All relevant TOR's to be constructed, agreed and published. This has already been achieved for FIG. | In progress |
| Best Value Performance Plan Audit 04/05 | Arrangements should be put in place to focus increased pre-audit review and testing work on new, amended or particularly problematic PIs. | Dec 04 | Service leads are expected to be self critical in reviewing their data collection and monitoring processes, and to test processes early on where there are amended or new BVPIs within the basket. Where necessary, resource issues should be flagged up to Heads of Service for resolution. In addition, during the 4th quarter PMG representatives are expected to identify those PIs that, from previous experience or from current knowledge are likely to be 'high risk' and to encourage all necessary remedial work to ensure full compliance with the guidance. The Performance Team will work with services to reduce this risk. In December, PMG will be asked to consider those PIs where there was concern in 2003/04 with a view to having Internal Audit review processes early in the New Year. | |

| HIGH PRIORITY RECOMMENDATIONS | | | | |
|--------------------------------------|---|-----------------|--|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| | The Authority should ensure that officers have a suitable understanding of basic variance analysis and are in a position to provide explanations where necessary. | Jan 05 | The authority internally monitors performance against the targets set within service plans. PMG will be reminded that there is equal value in looking at trend analysis as a way of setting and measuring improvement. The Performance Team will offer additional PI training sessions in the New Year as a means of reinforcing this for new staff or as part of follow-up training for existing service leads. | |

| MEDIUM PRIORITY RECOMMENDATIONS | | | | |
|--|--|-----------------------|--|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| Democratic Renewal | Develop future training sessions to provide a greater insight into the roles of the Cabinet. | 31/10/03 | Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004) | In progress |
| | Review whether members remain supportive of the current call-in process outlined in the Council's Constitution. | 3/12/03 | Governance Committee due to consider complete review of the Constitution and has now formed an informal group to undertake review | In progress |
| Corporate Governance 2002/03 | R3 Staff should formally sign up to the model code of conduct once it is issued by the Office of the Deputy Prime Minister and adopted by the Council. Appropriate training should be given to staff on conduct issues. When the Council adopted the current code of conduct, staff were not required to acknowledge receipt of the code in writing. | When provided by ODPM | Agreed This recommendation is agreed and will be implemented once the model code of conduct has been agreed. The OPDM issued the draft code for consultation purposes with a response deadline of 19 th November. ACEs (HR and Legal are jointly preparing a response on behalf of the authority. Currently awaiting further instruction from ODPM. | In progress |
| Procurement | R5. Framework to be reviewed to include detailed guidance on construction, engineering and building works and on leasing arrangements. | Oct 2003 | To be included in Procurement Framework version 2. Work to be carried out in 2005 once Contract Procedure Rules update is complete | In progress |
| Procurement – Parkman, Domiciliary Care | Review and implement the most appropriate contract arrangement for the procurement of spot and block purchased domiciliary care hours, including <ul style="list-style-type: none"> clarifying the contract arrangements with the | | Modernisation of Home Care Service underway, steering group has identified actions for the re tendering of Domiciliary Care Contracts, initial expressions of interest have been sought and received | In Progress |

| MEDIUM PRIORITY RECOMMENDATIONS | | | | |
|--|---|----------------------------|---|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| | four spot only providing agencies; and <ul style="list-style-type: none"> reviewing the volume of care hours specified as block during the re-tender process using the strategy (see R1) and market intelligence to balance more appropriately the volumes of block and spot purchasing in order to achieve greater value for money. | | | |
| Programme Governance (Nov 04) | Establish nominated senior level accountability for configuration and knowledge management to ensure that corporate arrangements and standards for the management of assets, knowledge and information around the programmes and projects are complied with and information around the programme is accurate in order that priorities can be determined, interdependencies identified and conflicts resolved. | Sep 04 Mar 04 Jun 05 | Establish a corporate repository Describe assets Fully link with Information Governance | In progress |
| | Implement formal processes for handover and acceptance of the project outcomes and products to operational departments in order that the project team and operational units are clear on responsibility and accountability. | Sep 04 | Construct and implement robust 'production' processes to allow for seamless handover of new systems to operational support teams. This will be extended to cover all new PIG projects. | In progress |

| LOW PRIORITY RECOMMENDATIONS | | | | |
|-------------------------------------|---|-----------------|---|-----------------------|
| Reports | Recommendations | Date Due | Current Position | Classification |
| Procurement | R12. Monitor the use of project management of procurement process to evaluate use and learn lessons | | Started with Building Repairs contracts. To be followed up. Improvement action plan in place. | In progress |

APPENDIX 2 ONGOING External Audit Recommendations – (03/04 & 04/05)

| Corporate Governance Arrangements 2002/3 | | | | |
|---|-----------------|---|-----------------|---|
| Recommendations | Priority | Reported By | Date Due | Current Position |
| <p>R17 The Council should develop an approved listing of Agencies, from which contractors can be recruited.</p> <p>Contracts should be established with such Agencies which specify pay rates, qualifications and the reference checks which should be made. Monitoring procedures should be established to ensure compliance with the contract.</p> <p>Staff are currently recruited from different agencies with which the Council has no contract. The only contract in place is with Adecco for non skilled staff. Corporate Human Resources and the Purchasing section do not have a listing of all the Agencies used by the different service areas.</p> | High (3) | Executive Director Finance and Planning (Rita Greenwood) via Business Development Manager and Assistant Chief Executive Corporate Human Resources (David Ede) | July 2004 | Agreed This will be taken forward as part of the strategic procurement arrangements. |
| <p>R19 As part of the Best Value Review Improvement Plan the Council intends to review the fund manager's mandate. As part of this review the Council should ensure that the mandate covers the following:</p> <ul style="list-style-type: none"> • risk parameters • targets • timescales for performance evaluation • monitoring arrangements. <p>Although a written mandate has been agreed with the current fund managers, it does not expressly deal with the areas listed above.</p> | Medium (2) | Executive Director Finance and Planning (Rita Greenwood) | Ongoing | Agreed Although these aspects are not explicitly identified in our Best Value Improvement Plan we intend to cover them as part of the implementation. |

| | | | | |
|--|-------------------|---|----------------|---|
| <p>R20 As part of the Best Value Review Improvement Plan the Council has undertaken a review of fund management arrangements. As part of this review, performance measures should be developed which reflect the new fund objective. The current performance measures do not reflect the objectives set for the new fund manager.</p> | <p>Medium (2)</p> | <p>Executive Director Finance and Planning (Rita Greenwood)</p> | <p>Ongoing</p> | <p>Agreed Arrangements are in hand to cover as the various steps are reached.</p> |
|--|-------------------|---|----------------|---|

Procurement

| Recommendations | Priority | Reported By | Date Due | Current Position |
|---|-------------------|--|----------------------|--|
| <p>R6 Clarify and focus the roles of the directorates and the CPU (stated in 7.3 of Section A of the Procurement Framework) to ensure improved liaison and consistent high quality procurement.</p> | <p>Medium (2)</p> | <p>Bus Development Manager</p> | <p>October 2003</p> | <p>To be included in Procurement Framework version 2.</p> |
| <p>R9 Develop the Members' role in relation to making decisions about the strategic procurement choices available to the council.</p> | <p>High (3)</p> | <p>SMT</p> | <p>December 2003</p> | <p>Training session with 4Ps undertaken, to be followed up.</p> |
| <p>R11 Establish systems in CPU to monitor adherence to guidance in the Procurement Framework. Report results to responsible ED, senior management team and responsible Member. Hold directorate officers to account for non-compliance.</p> | <p>Medium (2)</p> | <p>Head of Financial Services Mike Stringer</p> | <p>Jan 2004</p> | <p>Started with vendor analysis and SPSG. Training for Contract Monitoring Officers underway. Major contracts reported to SPSG every 6 months. Improvement Action Plan in place.</p> |

Risk Management

| Recommendations | Priority | Reported By | Date Due | Current Position |
|---|----------------|--|----------------|---|
| <p>R1 Progress plans to work more closely with ALARM and other networks, especially on benchmarking.</p> | <p>Low (1)</p> | <p>Rita Greenwood (Executive Director of Finance & Planning)</p> | <p>Ongoing</p> | <p>ZM now participates in RMG. Officers now attend ALARM functions. CMIA attends Metropolitan police partnership.</p> |

| | | | | |
|---|-----------------|--|-----------------|---|
| R3 Consider circulating good practice examples of 'risk paragraphs' from Cabinet reports, to guide officers | High (3) | Rita Greenwood (Executive Director of Finance & Planning) | Ongoing | Executive Director of Finance and Planning and CMIA visiting Directorates to raise awareness. |
| February 2005 - Audit of Grant Claims and Returns 2002/2003 | | | | |
| Recommendations | Priority | Reported By | Date Due | Current Position |
| R1 Ensure claims are submitted by the audit deadline | High (3) | Head of Services | Ongoing | Grant Co-ordinator to meet with staff dealing with grant claims to discuss progress on qualifications and related issues. Grant Co-ordinator to distribute schedule of all claims due to Executive Directors, Head of Services and Finance Managers by 30 April. Incorporate claims schedule as part of year end account closure plan. All claims to be submitted to Financial Services one month in advance of deadline set by grant body. |
| R2 Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes and that all files are subject to senior officer review prior to submission for audit to ensure completeness, accuracy and compliance with grant instructions. | High (3) | Head of Services | Ongoing | Grant Management protocol in place available on the intranet. Provide training to all staff (finance and non-finance) involved in grant management. |
| R3 Ensure claims submitted for audit agree to working papers and a fully cross-referenced working paper file in accordance with the Councils protocol. | High (3) | Head of Services | Ongoing | Provide training to all staff on working paper requirements. Finance Managers to review all files against checklist. Grant Co-ordinator to carry out final review before submitting file for signature by Head of Financial Services. |
| R4 Ensure only eligible expenditure for the year is recorded on the claim form. | High (3) | Head of Services | Ongoing | All efforts will be made to comply, however due to differences in interpretation of what is eligible or ineligible expenditure, this is going to be difficult to comply. Retain copies of agreements with grant bodies where changes have been made in classification of expenditure. |
| R5 Ensure a year on year analytical review is undertaken for all claims together with appropriate explanations for significant variances. | High (3) | Head of Services | Ongoing | Compliance will not apply to all claims as value of grants will vary from year to year, dependant on available resources from the grant body. Finance Managers to ensure that staff complete files in accordance with protocol and checklist. Grant Co-ordinator to ensure that section is completed prior to submitting claims for signature. |
| R6 Ensure the reasoning behind all | High (3) | Head of Services | Ongoing | Executive Directors/Head of Services to provide finance staff |

| | | | | |
|--|----------|---|---------|---|
| apportionments to claims are fully documented and that administration sums claimed can be fully supported. | | | | with reasons for apportionment. Staff to keep detailed records of time spent on grant activities. |
| R7 Ensure officers are aware of the need to provide full responses to audit queries on a timely basis to enable certification by the audit deadline. | High (3) | Head of Services | Ongoing | Write to all staff dealing with grants reminding them of the importance to deal promptly with requests. Grant Co-ordinator to be kept informed of all audit queries 'in accordance with the agreed protocol'. Audit Commission to escalate all outstanding queries through the Grant Co-ordinator. Grant Co-ordinator to ensure that all outstanding queries are dealt with. |
| R9 Put in place adequate arrangements for the Housing and Council Tax Benefits (BEN01) claim to ensure adequate support is provided for all items in the reconciliations between the General Ledger, Academy System Modules and Housing Rents System. | High (3) | Jeff Potter | Ongoing | Head of Service will ensure that systems are in place and that all supporting documentations are maintained for all reconciliation. |
| R10 Put in place arrangements to ensure all valuation officers directives received in the year up to the 31 March are taken into account when compiling the Non Domestic Rates (LA01) claim, and issues outstanding from the transfer of data from Logos to Academy are resolved. | High (3) | Jeff Potter | Ongoing | All valuations officers' notification will be recorded and reconciled monthly, this will ensure that all notifications are recorded on time. |
| R11 Continue to ensure that the Housing Subsidy (HOU01) claim is completed in accordance with the ODPM definition and provide training to officers to ensure correct backdating decisions are made and adequate documentation to support retained. | High (3) | Mark Gaynor/ Barry Kendler/ Finance Manager Financial Services | Ongoing | ODPM definitions will be followed in completing claims. Procedures to be put in place to deal with issues relating to backdating and record keeping. Training to be provided to all staff dealing with claims. |
| R12 Produce adequate working papers for the audit of Housing Subsidy Base Data Return (HOU02), particularly in relation to details of multi occupancy dwellings. | High (3) | Mark Gaynor/ Barry Kendler/ Finance Manager Financial Services | Ongoing | Head of Service will ensure that staff are aware of the importance of keeping supporting papers. |
| R13 Establish adequate monitoring procedures for grant monies passed on to third parties. | High (3) | Marylin Richards | Ongoing | SLA already in place to facilitate the management and monitoring of grant passed to third parties. |
| R14 Establish a system to confirm the continuing eligibility of pensioners included in the pensions pre 1974 staff (PEN01) claim. | High (3) | Marylin Richards | Ongoing | Review quarterly names of pensioners in receipt of pension. Reconcile list to payments made. Carry out checks to verify the existence of recipients against all payments made. |

APPENDIX 3 Internal Audit Outstanding Recommendations – 2003/4 & 2004/5

| | Review in 2003/4 | High | Medium | Low | Position at March 05 |
|--|-----------------------------|-----------|------------|-----------|---|
| | Meal on wheels | | 1 | 5 | 1 outstanding being progressed |
| | Public lighting | | 8 | | 7 outstanding but being progressed |
| | Standards fund | | 2 | | 1 outstanding but being progressed |
| | Right to buy | 1 | | 1 | 1 being progressed |
| | HB verification framework | | 11 | 3 | 3 outstanding. Cannot complete until Verification Framework introduced. |
| | Cheque Control | | | 2 | 1 outstanding being progressed |
| | Final Accounts | 1 | 4 | 1 | 1 not started |
| | Pensions Follow up | | 7 | 1 | 5 being progressed |
| | Post Completion Assessments | | 5 | | 2 outstanding being progressed |
| | Community Care Packages | | 3 | 2 | 3 outstanding |
| | Homecare | | 12 | 2 | 1 outstanding being progressed |
| | Off street parking | | 8 | 1 | 2 outstanding being progressed |
| | Leaseholders | 2 | 5 | | 1 outstanding being progressed |
| | Contract Monitoring | 1 | 2 | | 1 outstanding being progressed |
| | Assessments & Allocations | 3 | 6 | | 4 outstanding being progressed |
| | Novell | | 8 | 8 | 8 outstanding, 7 of which are in progress. |
| | E Government | 1 | 2 | 1 | 3 in progress and outstanding |
| | Remote Access | | 9 | 2 | 3 in progress and outstanding |
| | Academy | | 6 | 5 | 1 in progress and outstanding |
| | Physical security | 2 | 4 | 1 | 3 in progress and outstanding |
| | Swift | 3 | 3 | 2 | 3 in progress and outstanding |
| | Parking COPPT system | 1 | 2 | 9 | 1 in progress and outstanding |
| | IT Security | | 6 | 4 | 3 in progress and outstanding |
| | Libraries | 3 | 21 | | 8 outstanding being progressed |
| | Rent Accounting | 1 | 5 | | 4 outstanding being progressed |
| | Libraries Internet | | 2 | 2 | 4 outstanding being progressed |
| | Community care placements | 2 | 18 | 1 | 9 outstanding |
| | CRM system | 1 | 5 | 4 | 3 outstanding |
| | Total | 22 | 165 | 57 | 87 Outstanding |

| | Review in 2004/05 | High | Medium | Low | Position at March 05 |
|--|-------------------------------------|-----------|-----------|-----------|------------------------------------|
| | | | | | |
| | Tendering Processes | 1 | 3 | 2 | 5 outstanding being progressed |
| | Training Children & families | | 3 | | 3 outstanding |
| | Freedom Passes and Taxi Cards | | 10 | | All outstanding |
| | Accommodation Facilities Management | | 5 | | 5 outstanding and being progressed |
| | Crime & Disorder Reduction CCTV | 4 | 4 | 1 | 8 outstanding |
| | Domestic Refuse Collection | 2 | 7 | 2 | 4 outstanding |
| | Trade Refuse Collection | 1 | 12 | 3 | 7 outstanding |
| | Computer ANITE Housing System | 1 | 7 | 4 | 5 outstanding and being progressed |
| | Right to Buy | 2 | 1 | | 3 outstanding |
| | Specific Arrears Cases Pro-Active | | 5 | | 5 outstanding |
| | Total | 11 | 59 | 12 | 55 Outstanding |

Categorisation of recommendations:

High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

APPENDIX 4 Internal Audit Key Performance Indicators (KPI)

| KPI | Definition | Target | Qtrs 1 | Qtrs 2 | Qtr 3 | Qtr 4 | Comments |
|--------|--|-----------------|--------|--------|--------|--------|----------|
| KPI 01 | Number of total actual audit days completed as a percentage of total planned annual days (1255). Compute, Total number of audit days completed to final stage plus days spent on fraud work/Total number of planned audit days | audits = | 27 | 179.75 | 408.75 | 771.25 | |
| | | fraud = | 61 | 124 | 184 | 273 | |
| | | 100% cumulative | 7% | 24% | 47% | 83% | |
| KPI 02 | The number of audit reviews completed as a percentage of the total annual number of planned reviews (108). Compute, Total number of audit reviews completed to final stage/Total number of planned reviews. | 100% cumulative | 4 | 22 | 55 | 91 | |
| | | | 4% | 20% | 51% | 84% | |
| KPI 03 | The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (108). Compute, Total number of audit briefs issued to final stage/Total number of planned reviews | 100% cumulative | 30 | 68 | 98 | 108 | |
| | | | 28% | 63% | 91% | 100% | |
| KPI 04 | The total number of input days on audits as percentage of the total number of planned days (1255) Compute, Total number of input days on the contract/ total number of planned days | 100% cumulative | 354 | 607 | 948 | 1238 | |
| | | | 28% | 48% | 76% | 99% | |
| KPI 05 | Performance against target time: Maximum 28 days between release of the formal draft and receipt of response Measure number of days between formal draft date and date response received. Only count when a formal has been sent | in time | 1 | 5 | 9 | 18 | |
| | | out of time | 0 | 2 | 4 | 7 | |
| | | no formal | | | | | |
| | | 95% | 100% | 71% | 69% | 72% | |
| KPI 06 | Performance against target time: Percentage of reviews where the final report was issued within 5 available working days of receipt of the response agreeing to the formal report. Compute, number of days between response to the formal report and distribution of a final. Where | in time | 1 | 6 | 11 | 18 | |
| | | out of time | 0 | 1 | 3 | 7 | |
| | | no formal | | | | | |
| | | 100% | 100% | 86% | 79% | 72% | |
| KPI 07 | Performance against target time: 50 days max to complete an audit from start to release of a consultation draft. Compute, number of days from start date of audit to release of consultation draft | within 50 days | 8 | 22 | 44 | 54 | |
| | | Outside days | 5 | 12 | 31 | 40 | |
| | | 100% | 62% | 65% | 59% | 57% | |
| KPI 08 | Reports followed up which require a follow-up. Compute, total number of reviews requiring followup and total number of followup's undertaken (38 in year: started as 36 4 added and 2 deleted) Count when final sent | number | 1 | 6 | 23 | 35 | |
| | | 100% cumulative | 3% | 16% | 61% | 92% | |
| KPI 09 | System Audits Survey Forms Assessed. Compute, the total number of survey forms collected to total number of survey forms distributed. Results analysed over categories | 100% | 0.0% | 62.0% | 63.0% | 66.0% | |
| KPI 10 | Fraud Audits Survey Forms Assessed. Compute, the total number of survey forms collected to total number of survey forms distributed. Results analysed over | 100% | - | - | - | 75% | |

| | | | | | | |
|----------------------------|--|--|--|--|--|--|
| categories | | | | | | |
|----------------------------|--|--|--|--|--|--|

APPENDIX 5 Comparative Analysis Internal Audit Plans

This Financial Year: Systems & Pro Active audits (As of 31.03.05 position):

| Detail | Systems | Contract | Computer | Pro-Active | Totals | %age |
|------------------------------------|-----------|-----------|-----------|------------|------------|------------|
| Original number of audits | 59 | 13 | 23 | 13 | 108 | 100 |
| Final number of audits | 56 | 15 | 22 | 15 | 108 | 100 |
| | | | | | | |
| Audits completed to date | 51 | 14 | 15 | 11 | 91 | 84.26 |
| Audits at formal draft stage | 1 | 1 | 0 | 0 | 2 | 1.85 |
| Audits at Consultation draft stage | 2 | 0 | 5 | 2 | 9 | 8.33 |
| Being worked on | 2 | 0 | 2 | 2 | 6 | 5.56 |
| Still to be started | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Total | 56 | 15 | 22 | 15 | 108 | 100 |

Last Financial Year : End of March 04:

| Detail | Systems | Contract | Computer | Pro-Active | Totals | %age |
|------------------------------------|-----------|-----------|-----------|------------|-----------|------------|
| Original number of audits | 44 | 10 | 17 | 9 | 80 | 100 |
| Final number of audits | 43 | 13 | 16 | 12 | 84 | 100 |
| | | | | | | |
| Audits completed to date | 21 | 10 | 1 | 9 | 41 | 49 |
| Audits at formal draft stage | 2 | 2 | 0 | 0 | 4 | 5 |
| Audits at Consultation draft stage | 14 | 0 | 10 | 0 | 24 | 28 |
| Still to be completed | 6 | 1 | 5 | 3 | 15 | 18 |

| | | | | | | |
|-------|----|----|----|----|----|-----|
| Total | 43 | 13 | 16 | 12 | 84 | 100 |
|-------|----|----|----|----|----|-----|

Appendix 6 STATEMENT OF INTERNAL CONTROL ACTION PLAN

| | improvement | Action | Person Responsible | Position |
|---|--|---|--|---|
| 1 | Improve project and contract management to assist the Council in delivering its objectives | <ul style="list-style-type: none"> Enhance project management and contract management throughout the Authority by strengthening the capacity of staff in this area Embed project management standards for staff and ensure projects delivered to time and within budget. Establish and embed post project assessment of outcomes against objectives. | <p>Cynthia Griffin (Executive Director CAAC)</p> <p>Rita Greenwood (Executive Director of Finance & Planning),</p> | <ul style="list-style-type: none"> Training on project management continues Simplified project management methodology in place Post completion review taken place Contract client monitoring training commenced |
| 2 | Continue to improve the recovery of debt. | <ul style="list-style-type: none"> Continue to reduce arrears Regular monitoring of debt at the highest level in the authority. | Rita Greenwood (Executive Director of Finance & Planning), Jeff Potter (Head of Exchequer Services) | <ul style="list-style-type: none"> Debt Management Board continues In many areas, recovery levels increasing New initiatives being sought |
| 3 | Succession and Continuity plans | <ul style="list-style-type: none"> Ensure business continuity plans are in place Ensure documented procedures in place | Heather Bonfield (Executive Director Environment) and All Senior Officers | <ul style="list-style-type: none"> Service continuity plans are being progressed Corporate continuity plans are being drafted |
| 4 | Strengthen controls in some IT systems | <ul style="list-style-type: none"> Implement audit recommendations in relation to IT systems and practices. | Cynthia Griffin (Executive Director CAAC), Ray Whitehouse (Head of ICT) | <ul style="list-style-type: none"> Recommendations continue to be monitored |

Appendix 6 STATEMENT OF INTERNAL CONTROL ACTION PLAN

| | improvement | Action | Person Responsible | Position |
|---|---|--|--|---|
| 5 | Embed the Local Code of Corporate Governance | <ul style="list-style-type: none"> Regularly assess its effectiveness by consulting with all stakeholders | Rita Greenwood (Executive Director of Finance & Planning) | <ul style="list-style-type: none"> Consultation will continue through Area Committees and other means A self-assessment of the action plan progress will be submitted to Governance Committee in February |
| 6 | Further integrate service and financial planning | <ul style="list-style-type: none"> The 2005/06 service planning process is being further integrated with the Medium Term Financial Strategy | Rita Greenwood (Executive Director of Finance & Planning), Jonathan Owen (Assistant Chief Executive - Strategy & Communications) | <ul style="list-style-type: none"> Fully integrated process was presented to develop options (ref-Cabinet Reports) |
| 7 | Identify the issues which resulted in adverse variation in the 2003/04 outturn and take remedial action | <ul style="list-style-type: none"> Individual reports to be prepared and reviewed Special monitoring arrangements to continue Consideration to be given in the 2005/06 budget process | Rita Greenwood (Executive Director of Finance & Planning) | <ul style="list-style-type: none"> Review undertaken Special monitoring continues in Social Services |
| 8 | Embed a culture of fraud and corruption reporting and identification | <ul style="list-style-type: none"> Regular briefing and training Increased awareness and publicity | Rita Greenwood (Executive Director of Finance & Planning) | <ul style="list-style-type: none"> Fraud action plan significantly progressed and to continue on a cyclical basis |

APPENDIX 7 Fraud & Corruption Action Plan Position as at 31 March 2005

| Action Plan | Responsible Person | Timescale | Comments/action |
|---|--------------------------------|------------------|--|
| Set up an external email address | Cajetan Chukwulozie | April | <ul style="list-style-type: none"> In place via benefits and they will forward on any non benefit issues COMPLETE |
| Include information on Intranet and website | Cajetan Chukwulozie & ICT | April | <ul style="list-style-type: none"> Completed per IT but CC to check. Information Technology provided framework for fraud link on the Intranet/Internet. Documents now being prepared. COMPLETE |
| Set up a fraud hot line | Cajetan Chukwulozie | April | <ul style="list-style-type: none"> HB fax/answerphone to be used. Messages to be heard via handset so not heard in open plan office until accommodation security for team resolved. Risk is that an individual could access phone however risk is minimal given open plan office. RH to ensure that procedures are documented re answering the phone. COMPLETE |
| Annual letter to all staff reminding them of standards and code | Rita Greenwood / Mike Stringer | September | <ul style="list-style-type: none"> To have leaflet attached. Large poster completed. Draft Fraud leaflet at Communications. COMPLETE |
| Financial Services Briefing to include possible frauds | Cajetan Chukwulozie | Ongoing | <ul style="list-style-type: none"> Information included in June brief issued. Future briefs to carry fraud updates. COMPLETE CC to ensure log kept of possible issues in order that this can be used for future issues. COMPLETE |
| Annual team briefing | Eds / HoSs | April | <ul style="list-style-type: none"> EDs/HoSS advised by IT. COMPLETE CC to arrange sentences for the Core Brief and |

| Action Plan | Responsible Person | Timescale | <u>Comments/action</u> |
|--|-------------------------------------|--------------------|---|
| | | | send to Jackie Feeney COMPLETE |
| Production of Fraud Poster | Cajetan Chukwulozie & Design Studio | May | <ul style="list-style-type: none"> • Drafted. Need to be amended to ensure 24 hour answerphone is also included. Agreed to go with red one. CC to circulate when amended for final agreement and also to ask Jackie Feeney for numbers needed (500) to cover all noticeboards plus some extra and identify a period for the JC Decux boards via Ted Sears. Final draft produced. COMPLETE • Benefit poster to continue as well. • CC to organise a flyer that can also go to all staff. - need to get legal/human resources to clear it. Draft at Communications COMPLETE |
| "Living in Havering" feature | Cajetan Chukwulozie | Three times a year | <ul style="list-style-type: none"> • Inside Havering article and publicity in June. Too much copy for Living in Havering. CC to arrange for numbers to be checked and to include answerphone as well and request for JF timescale for when it will go in. CC and Press redrafted article. Numbers checked. COMPLETE |
| Fraud awareness training to staff and Members including PIDA and specific training for frontline staff | Cajetan Chukwulozie | Through 2004/05 | <ul style="list-style-type: none"> • CC/RH to get together to organise coverage and content for one hr sessions on F/C as follows: <ul style="list-style-type: none"> – Session for frontline staff – one in Sept – Sessions for all staff re raising awareness – two in sept one at T/hall and one at Broxhill. – Session for Members RG getting date Acit to be involved in the first three as well. Plus agree content for 1/2 hour session that can be done to CLT – (2 Nov 2004) Should then plan these for every 3 months and next one also engage Human Resources to cover whistle blowing. • Fraud Poster, leaflets, Communication via Intranet/Internet package for the sessions. Dates set for briefings. COMPLETE |
| Ensure induction covers Fraud and | Cajetan | May | <ul style="list-style-type: none"> • Mike Chiles has been asked to do. CC to make |

| Action Plan | Responsible Person | Timescale | <u>Comments/action</u> |
|--|-----------------------------------|------------------|---|
| Corruption | Chukwulozie & Human Resources | | contact re ensuring the staff flyer is also given. COMPLETE |
| Annual reminder to all Members | Rita Greenwood | May | • Sent 8 th June. COMPLETE |
| Review contract and procurement information to ensure full coverage | Cajetan Chukwulozie | Ongoing | • SH to confirm what is included IN PROGRESS |
| Review the confidential reporting code covering Audit Commission issues | Sheree Hamilton | June | • This is for David Ede to do. SH to chase up likely timesacle. IN PROGRESS |
| Ensure PIDA named staff are appropriately trained | Sheree Hamilton & Human Resources | Ongoing | • Linked with previous point. However all PIDA in existing policy to be contacted by CC to ensure they are aware of what to do. IN PROGRESS |
| Document protocols of working and contact details with Key agencies | Cajetan Chukwulozie | Through 2004/05 | <ul style="list-style-type: none"> • CC to make contact with police contact and advice of what we are doing and agree a formal protocol. RH to document all the protocols that benefits has. • ACIT, Ros Hempstead and CC met with Tim Dowdeswell & Dominic Mathews of the National Fraud Squad. Tim working on updating protocol with the Police and improving relationship with the Local Police. COMPLETE |
| Enhance information to the Audit Committee to cover all allegations and cover themes, management action etc. | Cajetan Chukwulozie & ACIT | Ongoing | • CC to review next report. Consider including notification issues from email/hotline COMPLETE |
| Review Internal Audit Fraud and Corruption manual/response plan | Cajetan Chukwulozie & ACIT | June | <ul style="list-style-type: none"> • pps Acit and HB have their own fraud response plans and procedures. Acit and RH have commented on procedures for dealing with f/c notifications. RG to send back to CC her final comments and CC to build into his procedures. Commence doing including and to set up log. Log to be reviewed at bimonthly meetings. • Fraud response plan reviewed and refreshed. Awaiting final approval COMPLETE |
| Review Financial Framework and Procedural Rules to ensure up to date and relevant | Sheree Hamilton | Ongoing | • Being reviewed by SH IN PROGRESS |
| Ensure adequate arrangements maintained for RIPA | Peter Davenport & Cajetan | Ongoing | • CDooley organising a meeting. Will be inspected again in September. Await meeting. |

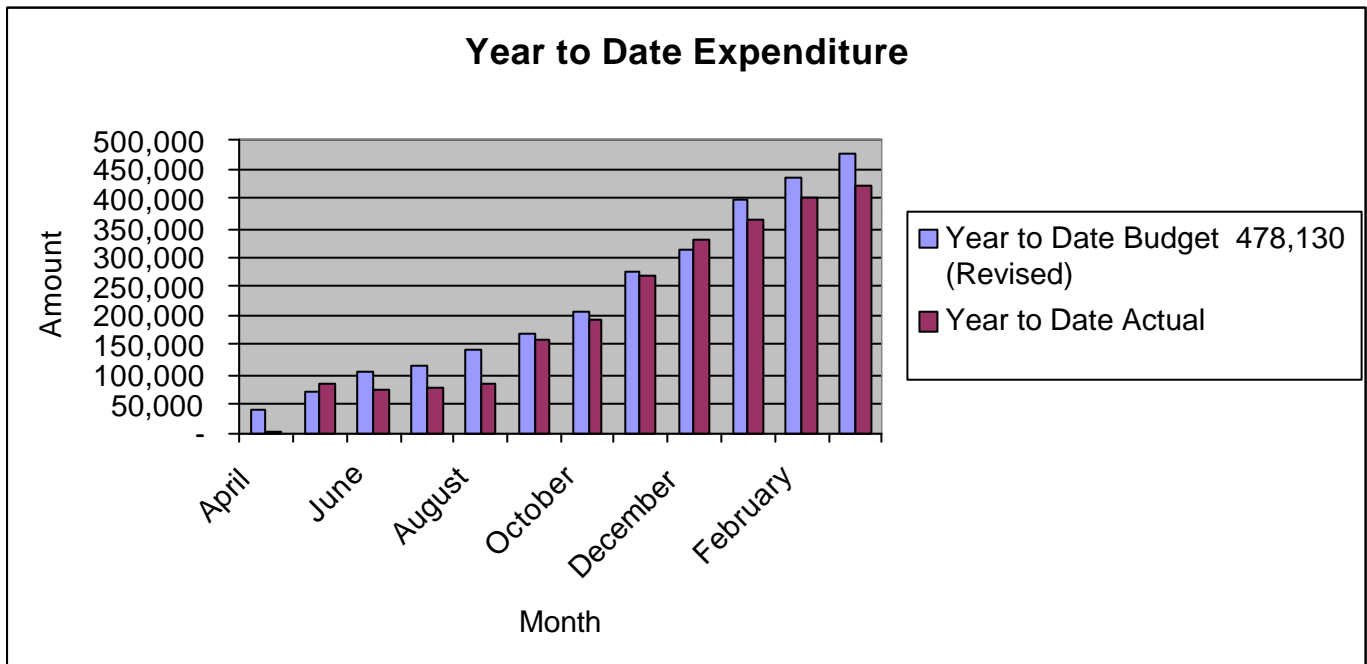
| Action Plan | Responsible Person | Timescale | <u>Comments/action</u> |
|---|--------------------|-----------|--|
| | Chukwulozie | | <ul style="list-style-type: none"> Meeting held in July. Having waiting on request for OSC to move inspection due to holiday period. Meanwhile, CC updating RIPA Policy and Procedure COMPLETE |
| Staff Code of Conduct when issued by ODPM to include compliance with anti-Fraud & Corruption strategy | Human Resources | | <ul style="list-style-type: none"> C Dooley to keep a watching brief for the ODPM's new Code of Conduct. IN PROGRESS |
| Other matters | | | <ul style="list-style-type: none"> RG/SH/RH to meet e bimonthly and SH/RH to invite other Having sections as they consider necessary. Bimonthly meeting scheduled starting Aug 04. ONGOING Need to consider intelligence gathering in Having IN PROGRESS Establish a policy and procedure for the prosecution of fraud cases IN PROGRESS |

Appendix 8 Budget Analysis

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

| | April | May | June | July | August | September | October |
|---------------------|---------------|-----------------|---------------|---------------|---------------|------------------|----------------|
| Year to Date Budget | 40,947 | 69,519 | 104,110 | 114,028 | 142,534 | 169,902 | 207,527 |
| Year to Date Actual | 3,318 | 86,242 | 73,001 | 78,871 | 83,923 | 157,499 | 194,902 |
| Variance | 37,629 | (16,723) | 31,109 | 35,157 | 58,611 | 12,403 | 12,625 |

| | November | December | January | February | March |
|---------------------|-----------------|-----------------|----------------|-----------------|---------------|
| Year to Date Budget | 276,707 | 311,297 | 398,397 | 438,200 | 478,130 |
| Year to Date Actual | 270,573 | 328,703 | 364,404 | 400,282 | 420,350 |
| Variance | 6,134 | (17,406) | 33,965 | 37,918 | 57,780 |



Appendix 9 Benefit Investigations 1st April 2004 – 31st March 2005

The 31st March results against targets are:

| | 2004/5 Target | 2004/5 Net Value £ | YTD Target | YTD Target £ | Achieved | Net Value £ |
|---|---------------|--------------------|------------|-----------------|----------|--------------------|
| Official Cautions administered | 26 | 26,000 | 26 | 26,000 | 56 | £67,200 |
| Administration Penalties administered | 26 | 26,000 | 26 | 26,000 | 2 | £2,400 |
| Administration Penalties Fines administered | 26 | 1,950 | 26 | 1950 | 2 | £3447.50 |
| Summonses Issued | 20 | 20,000 | 20 | 20,000 | 14 | £16,800 |
| Prosecutions (convictions) | 20 | 40,000 | 20 | 40,000 | 14 | £28,000 |
| Prosecution Costs | 20 | -14,000 | 20 | -14,000 | 14 | £14,808.10 |
| Orders of the Court | 150 | 7,500 | 150 | 7,500 | 27 | £4,050 |
| Orders of the Court Interest | - | Not set | - | Not set | | £8,510 |
| TOTAL | | £107,450 | | £107,450 | | £145,215.60 |

Targets

Investigations have exceeded the overall financial year-to-date target despite not having appropriate 'Interview Under Caution' facilities for the 3 month period April – June 2004 due to Health and Safety issues.

The investigation section no longer carries out the Orders of the Court. This is now done by the overpayments section.

Fraudulent Overpayments

The Investigations Service has identified £224,702.35 of fraudulent benefit overpayments. The Council only receives 40% of this in government subsidy and must meet the remaining 60%. However, as a government incentive, the Council is able to retain all monies recovered without loss of subsidy. In this instance an excess of £129,997.91 over expenditure.

Recovery of fraudulent overpayments is pursued robustly and any costs incurred are met from the excess income.

BVPI 76

Currently, there is not a national target set for this BVPI, only local.

| Description | Annual Target | Average @ 4th Quarter |
|--|---------------|-----------------------|
| - Number of claimants visited, per 1,000 caseload | 8.00 | 3.10 |
| - Number of fraud investigators employed, per 1,000 caseload | 0.29 | 0.30 |
| - Number of fraud investigations, per 1,000 caseload | 35.60 | 50.9 |
| - Number of prosecutions and sanctions, per 1,000 caseload | 4.60 | 7.21 |

Appendix 10 CORPORATE RISK REGISTER

Project Board 04 Nov 2004

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|----------------------------------|---|---|-----------------|-------------------------|--|---|---|---------------------------|-----------------|-------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 1 Providing ineffective services | Identification of poorly performing services Assessment of Performance targets Service planning and action plans Local plans and staff objectives (PDPAs) Monthly monitoring Best value and other reviews Inspections and audit reports CPA process (including action plan) Training (including leadership programme) Management | 3 / 4 | 3 / 4 | 9 / 16 | As required Annually Annually Annually Monthly As required As required Annually Ongoing Ongoing | SMT / HoSs ACE CSC HoSs HoSs SMT / HoSs ACE CSC HoSs ACE CSC ACE HR HoSs | <ul style="list-style-type: none"> Performance Management in place Ongoing improvement in indicators Protocol for monitoring inspections/audit recommendations in place MTFS now incorporates assessment of resource prioritisation Agreement to undertake ASD on ineffective services | 3 / 4 | 3 / 4 | 9 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|--|---|-----------------|-------------------------|---|---|--|---------------------------|-----------------|-------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 2 Receiving a lower than expected CPA Assessment | Implementation of the CPA Action plan Focus on CPA weak issues Senior management oversight Progressing the objectives of the Havering Strategic Partnership (HSP) Improving ASJ self-assessment Obtaining better Inspection and audit reports | 3 / 4 | 3 / 4 | 9 / 16 | Annually Monthly As required 6 monthly As required | ACE CSC SMT SMT / HoSs ED F&P HoSs | <ul style="list-style-type: none"> No application for Corporate assessment so still reliant on service improvement in key areas Performance Management in place Monitoring of inspections/audit recommendations | 3 / 4 | 3 / 4 | 9 / 16 |
| 3. Failure to recruit /retain staff | Culture change programme Assessment of the Recruitment procedures Corporate plan for retaining staff Staff development (PDPAs / 1 to 1s/induction) Review of job profiles/content Recruitment & retention packages Reduction in dependency on agency staff | 3 / 4 | 3 / 4 | 9 / 16 | Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing | SMT ACE HR SMT HoSs HoSs ACE HR/HoSs SMT / HoSs | <ul style="list-style-type: none"> BHO bedding-in Achievement of liP in various services Expansion of management development programme Review of agency arrangements underway | 3 / 4 | 3 / 4 | 9 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequency | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|---|---|-------------|----------------------|---|--|--|------------------------|-------------|----------------------|
| | | Impact | Likeli-hood | Residual Risk Rating | | | | Impact | Likeli-hood | Residual Risk Rating |
| 4 Poor programme or project management <ul style="list-style-type: none"> • Failure to timely deliver projects • Failure to deliver projects within budgets • Failure to deliver value for money projects to specifications | Improvement of staff training Project management procedures Project Implementation Group Project Board Monthly monitoring of key projects Post implementation reviews Monitoring of contractor/contract performance | 3 / 4 | 3 / 4 | 9 / 16 | As required Ongoing Annually Monthly Monthly Monthly Ongoing Ongoing | HoSs HoSs ED, CAC ED, CAC SMT / HoSs SMT / HoSs HoSs HoSs | <ul style="list-style-type: none"> • Post improvement reviews in place but still early stages • Simplified process still under development • Project management improving • Proposals for project management being drawn up • Poor project management still evidenced in capital • Review of contract monitoring responsibilities • Use of ODPM funding | 3 / 4 | 3 / 4 | 9 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|---|---|---|-----------------|----------------------------|---|---|---|---------------------------|-----------------|----------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 5. Not making the best use of staff | <p>Training Management Staff development (PDPAs / 1 to 1s/induction)</p> <p>Culture change programme</p> <p>Sickness monitoring Industrial relations Addressing violence to staff concerns</p> | 3 / 4 | 3 / 4 | 9 / 16 | <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> | <p>ACE HR / HoSs</p> <p>ACE HR / HoSs</p> <p>ACE HR / HoSs</p> <p>ACE HR / HoSs</p> <p>ACE HR</p> | <ul style="list-style-type: none"> BHO bedding-in liP work taking place Legislation tracking and PDPA Improvement in sickness absence record ODPM funding to develop staff | 3 / 4 | 3 / 4 | 9 / 16 |
| <p>6. Freedom of Information</p> <ul style="list-style-type: none"> Failure to timely establish a policy and procedure for the inevitable processing of requests Failure to timely provide training to appropriate staff Failure to timely communicate guidance and new policy and procedures to staff | <p>Assessment of the laws, policies and practices required to comply with Act</p> <p>Establishment of an action plan</p> <p>Budgetary allowance for the potential costs of challenges</p> <p>Provision of appropriate training (general and/or specific) for staff/officers/Members</p> <p>Development of a guidance toolkit for managers</p> | N/A | N/A | N/A | As required | Head of ICT | N/A | 2 / 4 | 4 / 4 | 8 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|--|---|-----------------|-------------------------|--|--|---|---------------------------|-----------------|-------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 7. Not maximising income or specific grants | <p>Central Government lobbying Partnership unit</p> <p>Establishment of grant spending plans</p> <p>Grants co-ordination role</p> <p>Staff training</p> <p>Corporate fees & charges policy</p> <p>Debt recovery policy and procedures</p> | 3 / 4 | 3 / 4 | 9 / 16 | <p>Annually</p> <p>Ongoing</p> <p>Annually</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p> <p>Ongoing</p> | <p>CE</p> <p>HoS R&P/ ACE CSC ED F&P</p> <p>HoSs</p> <p>HoS FS</p> <p>HoS FS</p> <p>ED F&P</p> | <ul style="list-style-type: none"> Grants Co-ordinator role now permanent Improvement in performance on grants Staff training programme F&C policy still to be reviewed Debt is being more co-ordinated | 3 / 4 | 2 / 4 | 6 / 16 |
| 8. Insufficient funds and/or poor financial management (Budgetary control, VFM, impropriety, fraud & corruption) | <p>Financial procedures and manuals</p> <p>Financial controls</p> <p>MTFS and budgetary process</p> <p>Out-turn position</p> <p>Monthly monitoring</p> <p>Audit reports</p> <p>Review processes</p> <p>Adequacy of reserves/contingencies</p> <p>Fraud & corruption strategy</p> | 3 / 4 | 3 / 4 | 9 / 16 | <p>As required</p> <p>As required</p> <p>Annually</p> <p>Annually</p> <p>Monthly</p> <p>Ongoing</p> <p>Ongoing</p> <p>Annually</p> <p>Annually</p> | <p>ED, F&P / ACE /LDS</p> <p>HoS</p> <p>ED, F&P</p> <p>SMT / HOSs</p> <p>ED, F&P</p> <p>HoSs</p> <p>HoS FS</p> <p>ED F&P</p> <p>ED F&P</p> | <ul style="list-style-type: none"> Final out-turn position as expected MTFS process firmly established Clear parameters set for directorates New monitoring systems in place Reserves/contingencies reviewed as part of MTFS Fraud & corruption strategy launched | 3 / 4 | 2 / 4 | 6 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|---|---|---|-----------------|-------------------------|---|---|--|---------------------------|-----------------|-------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 9. Causing harm to people we owe a duty of care. <ul style="list-style-type: none"> • Failure to provide appropriate service leading to the death of a resident and/or stakeholder • Potential for the civil and/or criminal prosecution of officers in cases like Corporate Manslaughter | Health and Safety Policy and Procedures H&S action plans Risk assessments Management Inspections Insurance Identification of Corporate Manslaughter risks and action plan | 3 / 4 | 3 / 4 | 9 / 16 | Annually Ongoing As required Ongoing Ongoing As required | ED, Environment HoSs HoSs HoSs HoSs D, F&P HoC Safety & Facilities | <ul style="list-style-type: none"> • Corporate H&S policy still to be agreed • Minimal progress with allocation of H&S budgets 04-05 • Considerable work carried out on legionella but still underway • Risk assessments and action plans in place | 3 / 4 | 2 / 4 | 6 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|---|---|-----------------|-------------------------|--|--------------------------------|--|---------------------------|-----------------|-------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 10. Reputational risk <ul style="list-style-type: none"> failure to maintain the integrity and reputation of LBH failure to meet residents and stakeholders aspirations, thus failing to maintain Members/public/s taff confidence failure to secure resources needed to deliver an ambitious agenda | Assessment of the laws, policies and practices required to comply with Act Establishment of an action plan Budgetary allowance for the potential costs of challenges Provision of appropriate training (general and/or specific) for staff/officers/Members Development of a guidance toolkit for managers Provision of information for Partners Possible consideration of Human Rights in BV reviews | N/a | N/a | N/a | As required | HoStrategy & Communications | N/A | 3 / 4 | 2 / 4 | 6 / 16 |
| 11. Failing to sustain/develop relations with partners | Memberships Establishment and implementation of protocols Havering Strategic Partnership Staff contacts | 3 / 4 | 2 / 4 | 6 / 16 | As required As required Ongoing As required | HoSs HoSs ACE SC HoSs | <ul style="list-style-type: none"> Alternative Service Delivery strategy approved ASD/partnering proposals identified in MTFS North East London partnership established but in early stages | 3 / 4 | 2 / 4 | 6 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequency | Responsi-bility | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|--|---|-------------|----------------------|--|---|--|------------------------|-------------|----------------------|
| | | Impact | Likeli-hood | Residual Risk Rating | | | | Impact | Likeli-hood | Residual Risk Rating |
| 12. Inadequate communication with residents /service users /members | <p>Communication strategy Consultation process Press office Local offices/PASC</p> <p>“Living In Havering” Committee meetings Overview & Scrutiny meetings</p> | 2 / 4 | 2 / 4 | 4 / 16 | <p>Annually As required Ongoing Ongoing</p> <p>Monthly Ongoing Ongoing</p> | <p>ACE CSC ACE CSC ACE CSC ED, H&R / ED CAC ACE CSC SMT / HoSs SMT / HoSs</p> | <ul style="list-style-type: none"> • Outcome of Strategy work • Media relations (Press release sent to Local & National media) • Production of various publications like Council Tax leaflets for residents • Arrangement of events for the public like meet the Cabinet at the Romford Market | 2 / 4 | 2 / 4 | 4 / 16 |
| 13. Inability to maintain council business in the event of an incident | <p>IT restoration procedures Review of Emergency plan Review of Emergency spend protocol Establishment of Business continuity plans Exercises of scenarios</p> | 4 / 4 | 1 / 4 | 4 / 16 | <p>Annually Bi Annually As required Bi Annually Annually</p> | <p>ED, CAC ED, Env HoFS HoSs HoSs</p> | <ul style="list-style-type: none"> • Emergency plan in place and schedule of call-out officers established • Still more to do on business continuity and IT backup • Most Directorates have failed to provide the business continuity plans | 4 / 4 | 1 / 4 | 4 / 16 |

| Risk | Counter Measures | Assessment of Risk (with controls in place) Mar '04 | | | Review Frequenc y | <i>Responsi-bility</i> | Changes on counter measures since last assessment | Assessment of risk now | | |
|--|---|--|-------------------------|---------------------------------|----------------------------------|------------------------|--|-----------------------------------|-------------------------|---------------------------------|
| | | Impact | Likeli- hood | Residual Risk Rating | | | | Impact | Likeli- hood | Residual Risk Rating |
| 14.Human Rights Act <ul style="list-style-type: none"> • Failure to comply with the Act • Potential violation of the rights of a stakeholders • Challenges and legal suit from aggrieved stakeholders | Assessment of the laws, policies and practices required to comply with Act Establishment of an action plan Budgetary allowance for the potential costs of challenges Provision of appropriate training (general and/or specific) for staff/officers/Members Development of a guidance toolkit for managers Provision of information for Partners Possible consideration of Human Rights in BV reviews | N/a | N/a | N/a | As required | Ass CEX Legal | N/A | 2 / 4 | 2 / 4 | 4 / 16 |



| MEETING | DATE | ITEM |
|------------------------|----------------------|-----------|
| AUDIT COMMITTEE | 26 April 2005 | 10 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT & INSPECTION ANNUAL LETTER 2004

SUMMARY

The 2004 Audit & Inspection Annual Letter is attached to this report as Appendix A. An action plan has been prepared to report progress on the recommendations contained within the Annual Letter and this is attached at Appendix B.

RECOMMENDATION

- To note the Annual Letter which was reported to Cabinet on 9 February 2005 and Corporate Overview & Scrutiny on 8 March 2005 and 12 April 2005.
- To agree the action plan attached at Appendix B.

REPORT DETAIL

1. The 2004 Audit & Inspection Annual Letter prepared by the Audit Commission is attached to this report as Appendix A. An action plan has been prepared to report progress on achieving the recommendations contained within the Annual Letter is attached at Appendix B.
2. Progress against this Action Plan will be reported to future meetings of this committee

3. A representative from the Audit Commission will attend the Audit Committee to introduce the Annual Letter and answer any queries.
4. All Members have received a copy of the Annual Letter as a report to Cabinet committee.
5. The Council is under an obligation to publish the Annual Letter as regulations require consideration and publication and it is also good practice to publish the Council's response. This will be achieved via:
 - a) the previous report to Cabinet Committee.
 - b) the report and appendices considered as part of the Corporate Overview and Scrutiny committee agenda – 12 April 2005
 - c) including the information on the website
 - d) placing copies of the information in the public offices of the Council

Financial Implications

The Annual Letter has significant implications for the continuing improvement of the Council's financial processes. There should be no additional costs incurred as a result of the recommendations, which may however result in reprioritising work.

Legal Implications

None

Human Resources Implications

None

Reasons for the decision

To receive the Annual Letter

Alternative Options Considered

None available

Staff Contact: Jonathan Owen
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STEPHEN EVANS

Chief Executive

Background Papers

None

Annual Audit and Inspection Letter

London Borough of Havering

INSIDE THIS LETTER

PAGES 2 - 16

- Executive summary
- Key messages
- Council performance
- Accounts and financial aspects of corporate governance
- Other work
- Looking forwards
- Closing remarks

PAGES 17 - 20

Appendices

- Appendix 1 - Reports issued during 2004
- Appendix 2 - Scope of audit and inspection
- Appendix 3 - Audit and inspection fee

| | |
|-------------------|--|
| Reference: | HA025 Annual Audit and Inspection Letter |
| Date: | January 2005 |

Executive summary

The purpose of this Letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/04 and is presented by the council's Relationship Manager and District Auditor Jon Hayes. The Letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection.

Appendix 3 provides information about the fees charged.

Key messages

Council performance

The council has improved its CPA score from weak to fair. It has made improvements in planning, housing benefits and social care services over the last year. Aspects of housing services have improved too, albeit from a low base.

Education continues to be a high performing service. Other areas such as street services and libraries and leisure show less progress. Housing repairs and maintenance remains a poor service.

The council is clearer about its priorities and knows where it needs to improve. There is greater involvement of partners in planning council services. Capacity is improving with reserves being built up, more training for staff and sickness rates reducing.

More work is needed to ensure better engagement with residents and delivery of real improvements for residents through partnerships.

Improved risk and performance management arrangements are in place but the council needs to further improve these mechanisms in specific services. It continues to invest in areas such as new technology to support further improvement.

Based on its plans, the council is well placed to continue to improve the way it works and the services it provides to local people.

Accounts

The council was successful in meeting the earlier deadlines for the approval and audit of the accounts for 2003/04. We gave an unqualified opinion on the council's financial statements on 30 November 2004. In order to ensure accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years, closedown arrangements will need to be improved further.

Financial standing

The council has continued to strengthen its financial position and has been successful in increasing reserves and balances to just over the minimum level of £10 million recommended by the Responsible Financial Officer. The continued overspends in social services are a cause for concern, as was the unexpected overspend on the Housing Revenue Account (HRA).

Arrangements for managing and reporting debt have also improved in the 12 months, resulting in increased collection levels in a number of areas, although there remain areas for improvement.

Governance and other issues

Overall, the council's corporate governance arrangements are satisfactory and have been strengthened during the year, particularly in relation to risk management. There remain areas where arrangements could be further developed.

We gave an unqualified opinion on the council's 2004/05 Best Value Performance Plan (BVPP). The number of reservations was reduced to two, this was however only achieved after significant additional work by both officers and audit staff.

Action needed by the council

Performance

Members need to ensure they continue to focus attention on improving weaker services in the coming year. Housing and environmental services need to be improved as they score relatively poorly at present.

Given the likely direction of government policy in relation to adults' and children's services, Members need to ensure that partnership arrangements between social services and the health sector are strengthened.

Accounts

In order to meet the earlier accounts deadlines, Members should satisfy themselves that the arrangements for producing and supporting the statement of accounts are strengthened for future years.

Financial standing

Members should ensure that management action is taken to address the continued overspends in social services.

Members should continue to monitor the financial position of the HRA.

Members should ensure that appropriate levels of working balances and reserves are maintained in line with the responsible Finance Officer's recommendations.

Council performance

Improvements have been made in a number of service areas and in the council's financial and management capacity. Havering is now a 'fair' council under the Audit Commission's Comprehensive Performance Assessment (CPA) methodology.

CPA scorecard

Havering was one of seven London Boroughs categorised as fair by the Audit Commission in the 2004 CPA.

Exhibit 1 below illustrates Havering's detailed service scores, which have improved from the previous year. The scores are based on a rating from one to four (with four being a strong service).

EXHIBIT 1

| Element | 2004 assessment |
|------------------------|-----------------|
| Overall | Fair |
| Current performance | |
| Education | 4 |
| Housing | 1 |
| Use of resources | 3 |
| Social care (children) | 2 |
| Social care (adults) | 2 |
| Benefits | 3 |
| Environment | 2 |
| Libraries and leisure | 2 |

(Note: 1=lowest and 4=highest)

CPA Improvement report

This is the third year of CPA and as part of the inspection programme we reviewed the council's direction of travel over the past 12 months. The results are set out next.

Ambition, focus and prioritisation

The council is clear about its vision, ambitions and priorities. Priorities have been informed by a range of intelligence such as external inspection and, in some cases, stakeholder involvement and include a balance of national and local priorities. There are clear links from community aims through to service plans.

Weaker services such as housing, adults social care and cultural services are noted as improvement priorities. Resources have been re-prioritised to focus on specific services.

There is a mixed picture on improvement of focus. The council has maintained focus on getting the basics right in certain areas, for example through:

- monthly reporting against key performance indicators for each of the three ambitions;
- close monitoring of progress against the improvement plan; and
- more effective cross-party working and the consistent use of action planning.

However, there are also areas where focus has slipped, for instance, whilst children's social care services have improved this has coincided with concerns about adults social care services.

Capacity and performance management

The council has demonstrated an increase in its capacity to deliver services. For example, there is now an average of three days training per member of staff, sickness levels have improved and the Human Resources function has been rated as fair with promising prospects for improvement. The council is beginning to employ multi-agency partnership working and alternative methods of service delivery to increase capacity. However, there needs to be greater formalisation of partnerships to deliver better services. In particular, given the likely direction of government policy on adults and children's services, arrangements between social services and the health sector need to be strengthened.

Financial capacity has improved, with working balances at £10.9 million at the end of March 2004 and earmarked reserves (excluding schools) at £11.1 million. However, the HRA working balance has reduced by £0.7 million following an unforeseen overspend.

Progress in performance management is also evident. There is now wider ownership of regular and consistent performance reporting and monitoring and an effective cascade of priorities to service level through improved service plans. This is supported by wider completion of Personal Development and Performance Appraisals (PDPAs).

The planning and budget cycle has been improved and the Medium-Term Financial Strategy (MTFS) demonstrates better integration of finance and performance management. Consultation to inform planning priorities, although improved, still requires some further action, including ensuring that all consultation data is up-to-date.

In addition, although performance information systems have improved, there needs to be better use of performance targets to focus scarce resources and to demonstrate improvements in services.

Risk management is now embedded at the top of the organisation and work is continuing to cascade the new approach and system to all levels. Project management arrangements are also being introduced although work is required to ensure that this tool is used as effectively as possible.

Improvement and investment

Half of the council's indicators are in the top two quartiles and half in the bottom two quartiles. In the last financial year 49 per cent of indicators showed improvement and 49 per cent of Havering's own targets were achieved.

Exhibit 2 shows the council's performance against its three ambitions.

EXHIBIT 2**Performance against ambitions****Promote efficiency and value for money**

Rent, council tax and business rate collection rates have improved.

Sickness levels have reduced.

Many of the council's directorates now have Investors in People status.

To improve the quality of services

Fifty three per cent of education indicators improved, with GCSE attainment, key stage 2 and SEN indicators in the top quartile and exclusions and primary absences improving. Key stage 3 has slipped (while remaining top and second quartile) and secondary school absences increased.

Fifty seven per cent of indicators in social care improved. The Commission for social care inspection currently rate Havering as serving some people/children well and having promising prospects, although concerns have been highlighted regarding some weaknesses in adult services.

Only 40 per cent of indicators in the environment sector improved last year and the majority of indicators are in the bottom two quartiles. For example, the council missed its target for recycling and resident satisfaction with waste services is low and declining. Areas where there were improvements include the processing of planning applications.

To make Havering a better place in which to live and work

Eighty three per cent of housing performance indicators showed improvements in 2003/04. Highlights include performance in the use of hostel and bed and breakfast accommodation for homeless households. However, the housing repairs re-inspection rated the service as poor, but with promising prospects for improvement.

Housing benefits continues to be rated as 'fair' by the BFI.

The council is improving access for disabled people to council buildings but this remains bottom quartile as does provision/support for refuges and for people suffering from domestic violence, which is not improving. Only 22 per cent of leisure and library indicators improved last year and resident satisfaction with this service is relatively low and declining.

Investment is occurring across a range of activities designed to enable further service improvement. These include:

- opening the Public Advice and Service Centre (PASC);
- a leadership programme for middle managers and diversity training for all staff;
- mobile and flexible ICT, such as tablet PCs to enable social care staff to implement an improved assessment process; and
- additional CCTV facilities and home security for vulnerable residents.

Additional funding from external sources has also been secured to finance further investment. For example, £4 million from the Department of Health (DoH) is being used to provide sheltered housing.

Learning and future plans

The council is now clearer on its progress and achievements and is generally aware of its problem areas. It is willing to learn from others and is beginning to use different forums to learn and share experiences. It is also using its risk management process to identify learning opportunities. Consideration still needs to be given to a more co-ordinated approach to the ongoing publicity and availability of good practice across the council.

Work has been undertaken to develop future plans and strategies, with some success. Wider consultation is now used to involve more stakeholders in planning for the future and the council has been involved in ensuring that the LSP reviews its progress. However, work is needed to further engage and involve residents. The Medium-Term Financial Strategy (MTFS) is providing a foundation for the council to improve its financial standing and financial management. However, the HR function does not yet actively plan for the future.

Other performance work

Programme governance

The council is at a comparatively early stage in the development of programme and project governance. However, it has made good progress in some areas (eg e-government) and is seeking to further develop its arrangements to achieve best practice. Achievements to date include initiating:

- an exercise to establish programme and project standards and processes across the e-government agenda; and
- project management training for all relevant and key staff.

In order to develop further the programme governance framework needs to be strengthened and robust arrangements and standards for programme and project management need to be more consistently applied. In particular, further emphasis should be given to ensuring the council-wide application of the council's agreed project management methodology, which is based on the generic PRINCE2 methodology.

User-focus

A number of user-focus initiatives are already in place such as the successful introduction of the first PASC and piloting of street information kiosks. Other successes include:

- high profile commitment by the Leader and Member 'Champions' to empowering the local community;
- overview and scrutiny involvement with focus on 'hard to reach' groups;
- improvements in frontline customer care services;
- use of innovative channels to provide accessible information and further develop local intelligence; and
- increased awareness of the need to address issues of social exclusion.

In addition, a revised consultation strategy has been drafted, based on good practice principles and mechanisms for consultation.

We have also identified some areas where the council could further strengthen its user focus arrangements, including:

- wider involvement of all councillors to build on the developing community initiatives of Cabinet and 'Champion' Members;
- formal evaluation of user focus related initiatives to ensure they include wider involvement and feedback mechanisms;
- collation of good practice from recently introduced initiatives to feed systematically into the final consultation strategy and 'community themed' BVRs;
- further development of the current performance packs to include user satisfaction, best value and quality of life indicators, beyond the current emphasis on waiting times and complaints; and
- review of partnership consultation and engagement mechanisms to facilitate more joined up approaches.

E-government follow-up

The council has addressed a number of the issues raised in the original review carried out in 2003. However, some issues still need to be addressed to improve service resilience and delivery. In particular, substantial funding is required to realise the disaster recovery plan and the council's increased reliance on electronic technology leaves service delivery open to serious jeopardy if contingency planning and business continuity are not fully addressed. The council should also ensure that as part of the intranet re-development, information on services and standards are widely available across all council departments and for all staff.

Areas where improvements have been made include:

- e-government processes have been restructured and an e-government board of senior managers has been developed to improve communication and information sharing;
- ICT has been centralised (providing more control over business case development and co-ordination of initiatives) and is being developed to support service and business initiatives, including, e-commerce and the democratic process;
- community consultation procedures and practices have been initiated to ensure that development is in line with, and supports, community expectations;
- training and staff development initiatives have been implemented in order to raise staff skills and service performance; and
- service targets have been developed and are regularly reported across a range of services.

Procurement follow-up

The follow-up to our overview of procurement (undertaken as part of the 2001/02 audit) concluded that the council had put in place a corporate procurement framework which provides the foundations for improving the procurement function. Our review of the two specific areas of domiciliary care and the Mouchel/Parkman technical services partnership, which were identified potential risks in our initial study, identified a number of areas of improvement as well as areas for further development.

The basic partnership foundations are in place in relation to the Mouchel/Parkman contract, although developments within the council and between the council and Mouchel/Parkman are necessary to build on the current arrangements. Improved clarity of direction, better forward planning and performance management are the key elements in taking forward the partnership.

The key areas of risk that remain to be addressed in relation to the procurement arrangement for domiciliary care include the need to develop a commissioning strategy and robust contracting arrangements that demonstrate value for money. A simple price comparison does however suggest that the council is paying a competitive price for domiciliary care.

Performance information

We gave an unqualified opinion on the council's 2004/05 Best Value Performance Plan (BVPP). The number of reservations was reduced to two, this was however, only achieved after significant additional work by both officers and audit staff.

The council published its Best Value Performance Plan (BVPP) by the statutory deadline of 30 June 2004. The plan complies in all significant respects with the statutory requirements and we issued an unqualified opinion on the BVPP on 22 December 2004.

Our audit of the Best Value Performance indicators (BVPIs) identified 40 that required subsequent amendment and two that could not be verified as accurate and were therefore subject to reservation (these related to teacher training and development and further action taken on racial incidents). This is a significant improvement from the previous year when eight PIs were subject to reservation (19 in the previous year). However, this position was only reached after significant additional work by both officers and audit staff.

Although the number of reservations has decreased, the number of amendments, which is high, has increased from the previous year when 33 BVPIs were subject to amendment. This is indicative of inadequate initial supporting documentation. In order to reduce the level of audit work and amendments in future years the council should continue to focus on improving the quality of its BVPIs and supporting documentation.

Audit Commission inspections

Planning inspection

We assessed the council's planning service as a 'fair', one star service that has 'promising' prospects for improvement.

The overall aims of the service reflect the broad themes and priorities in the corporate development plan. Staff are well motivated and committed and although recruitment and retention remains a key problem, effective use is being made of agency staff and secondments. Partnership working is strong and partners and stakeholders are positive in relation to their interaction with the council on major projects. Performance management processes are embedded and timely and accurate performance information is being produced.

However, there are several areas which require further attention:

- the range and nature of information on planning policies, processes and requirements available to the public is not comprehensive and fully up-to-date. There is a lack of customer charters that clearly set out what service standards stakeholders can expect across the whole planning service and what outcomes are sought;
- more detailed guidance on section 106 requirements is required and an enforcement policy needs to be developed; and
- although government targets on the speed of determining planning applications were met in respect of 'other' planning applications, targets for major and minor planning applications were not met in 2003/04. In 2004/05 there have, however, been significant improvements in performance on minor and other applications, and very recently on major applications and Havering is not an ODPM standards authority for 2004/05.

Human Resources (HR) inspection

The council's Human Resources service is a 'fair', one star service that has promising prospects for improvement.

The service provides sound operational advice and support to its internal customers based on a robust policy framework. However, it remains largely service focused rather than strategic. Employee relations are a concern and were slowing the implementation of key Human Resource policies including sickness absence management.

A strong policy and advice support function has been developed and links between corporate priorities and service planning are clear. The council has also demonstrated a high level of self-awareness and there was a strong commitment from senior management and Members to development a robust performance culture, and an effective Human Resources service was clearly seen as central to this. There is strong monitoring and reporting of performance in the service and progress is being made against key local indicators.

Housing inspections

Housing repairs and maintenance re-inspection

Our inspection of housing repairs and maintenance in November 2002 assessed the service as a poor, no star service with uncertain prospects for improvement.

Our follow-up work earlier this year found that the council has made reasonable progress against the recommendations from the November 2002 inspection and additional resources have been made available to assist with service improvements. However, we still assessed the council as providing a 'poor', no star service, although with promising prospects for improvement.

The positive aspects of the service are that:

- customers generally find it easy to report repairs and staff are generally viewed as polite and helpful;
- the range of information on services for residents has improved and there is provision of material in community languages and other formats on request; and
- the repairs reporting centre is now fully staffed and the new IT system allows for direct recording and allocation of repairs. Repairs complaints are now properly recorded and dealt with in accordance with the council's published standard.

However, a number of areas where improvements are needed were also identified:

- insufficient performance information is being made available to enable constructive challenge to weak areas of performance for senior management and Members;
- resident involvement in the development of capital and planned works programmes and establishing their priorities is limited and dissemination of information on these programmes to residents is poor;
- monitoring of delivery of capital programmes is weak and the ratio of planned to responsive works low (44:56); and
- the average cost of voids is high, although the work of a focussed team is succeeding in reducing turnaround times.

Outcomes for users are also variable, with:

- high levels of delay;
- works not done right first time; and
- lack of appointments system (although this has now been introduced under the recently awarded housing repairs and maintenance contract).

Working with other inspectorates and regulators

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. These include:

- Ofsted/DfES;
- Commission for Social Care Inspection (CSCI);
- Benefits Fraud Inspectorate (BFI); and
- Government Office for London (GOL).

We share information and seek to provide 'joined up' regulation to the council. As part of this approach we have liaised with BFI, CSCI and GOL throughout the year.

Accounts and financial aspects of corporate governance

The council was successful in meeting the earlier deadlines for the approval and audit of the accounts for 2003/04.

Overall, the council's arrangements for financial aspects of corporate governance are satisfactory and have been strengthened during the year, particularly in relation to risk management. There remain areas where arrangements could be further developed.

Accounts

The council was successful in meeting the earlier deadlines for the approval and audit of the accounts for 2003/04. We gave an unqualified opinion on the council's financial statements and on the Pension Fund accounts on 30 November 2004. In order to ensure timely accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years, closedown arrangements will need to be improved further.

The council's draft financial statements were presented for audit on 16 August 2004. This was an improvement on previous years, although in a number of areas we had to ask for further supporting evidence, in addition to the working papers initially provided.

We are required by professional standards to report to those charged with governance certain matters before we give an opinion on the financial statements. The council has delegated this function to the Audit Committee.

We reported to the Audit Committee on 24 November 2004 on one non-adjusted error relating to an un-reconciled difference of £396K between the council's record of school bank balances and that of the schools. We did not qualify the accounts in respect of this because, given the size of the council's annual spend, it is not a material item.

We also reported that the council did not undertake a fully comprehensive review of the effectiveness of internal control and that the statement on internal control did not include specific reference to weaknesses identified in line with the standards.

The other matter that we drew attention to was that the council needs to further improve its closedown processes to ensure timely accounts are produced, which are fully supported by good quality working papers, if it is to be successful in meeting the earlier closing deadlines demanded by the Whole of Government Accounts (WGA) timetable over the next two years. The WGA will continue to move forward the deadlines for approval and audit of the accounts to 31 July and 31 October respectively for 2004/05 and 30 June and 30 September in 2005/06.

The audit for 2003/04 cannot be formally concluded and the certificate issued until the matter of an IT procurement irregularity outstanding from the 2000/01 audit is resolved.

Financial standing

The council has continued to strengthen its financial position and has been successful in increasing reserves and balances to just over the minimum level of £10 million recommended by the Responsible Financial Officer. The continued overspends in social services are a cause for concern, as was the unexpected overspend on the Housing Revenue Account (HRA). Arrangements for managing and reporting debt have also improved in the 12 months, resulting in increased collection levels in a number of areas, although there remain areas for improvement.

General fund spending and balances

The council is committed to strengthening its financial health position and has increased the level of general fund balances and reserves during 2003/04. Nevertheless, overspends in a number of areas remain an area of concern.

Social services is projecting an overspend of £2.1 million for 2004/05 as at the end of September 2004, of which £1.9 million relates to children and families. This service also reported overspends of £0.7 million in 2003/04, £3.2 million in 2002/03 and £3 million in 2001/02. Although an action plan has been developed to address this year's position, which is being monitored by senior officers and Members, the continued overspending indicates weaknesses in budget setting and financial management within this service, which need to be addressed.

The general fund balance at 31 March 2004 has increased by just over £3 million to £10.94 million (£7.63 million at 31 March 2003), and is now above the minimum level of £10 million recommended by the Responsible Financial Officer in the MTFS. Earmarked and general reserves (excluding schools balances) have also increased significantly to £11.1 million (£6.7 million at 31 March 2003). Given the overspends in social services and housing this is a considerable achievement.

The ongoing delivery of savings is critical in enabling the council to meet future efficiency target challenges. The council has put in place arrangements for monitoring the achievement of savings plans, but note from our review of the August 2004 performance pack that the robustness of the monitoring of delivery of savings plans is variable across service areas.

Housing Revenue Account (HRA)

The housing revenue account overspent by £0.7 million in 2003/04 with the overspend only being identified when the accounts for the year were closed down. The council has taken robust action to address the cause of the overspend and to ensure HRA balances will be rebuilt by the end of 2004/05 and we note that at the end of September 2004, officers are projecting a surplus of £145k on the HRA, in addition to the virement of £792k to reserves. However, the fact that this overspend was not identified by the in year financial monitoring arrangements, indicates that budget monitoring procedures within housing were not fully effective.

In addition, although the HRA balance is being increased, it is still a relatively small contingency for any unexpected expenditure, particularly in light of the need to improve housing services. Members should continue to monitor the financial health position of the HRA in developing the future housing strategy.

Capital programme

The council has identified total capital needs of around £95 million over the three years 2004/05 to 2006/07 and resources currently identified as available from borrowing and capital receipts of £22.5 million. Although further funding will be obtained from other sources such as government grants and private sector funding, the council will not have the resources to deliver all identified needs. A process of prioritisation on the basis of the predefined criteria and business cases analysis is therefore used to develop the capital programme. Our review of a sample of schemes indicated that the system for consideration and profiling of revenue consequences of capital bids is not yet fully implemented across all service areas.

As at the end of September 2004, the council has delivered £10.9 million of the forecast spend of £49 million on the 2004/05 non HRA programme and £4.5 million of the forecast spend of £10.7 million on the HRA programme. There therefore remains a significant proportion of the non-HRA programme to be delivered before year-end.

The council has set its prudential indicators and put appropriate governance arrangements in place in accordance with the requirements of the Prudential Code.

The council's asset management plan and Capital Strategy have both been assessed as good by the Government Office for London (GOL).

Pension fund

In line with current stock market trends, the value of the pension fund's assets appreciated by over 22 per cent during the year, from £205 million as at 1 April 2003 to £251 million as at 31 March 2004. As in previous years, this represented a slight underperformance against the WM benchmark of 23 per cent.

The council will shortly receive the results of the full actuarial valuation of the pension fund. It is anticipated that the actuary will recommend an increase in the employer's contribution over the next three years, with provisional figures reported to the Investment Committee indicating a stepped increase from the current level of 17.9 per cent to 21.5 per cent in 2007/08 in order to provide a funding level of 65.3 per cent. The council will need to consider the phasing options for this increase as part of the 2005/06 budget setting and further development of the Medium-Term Financial Plan (MTFP).

Income collection and arrears

The council's arrangements for managing and reporting debt have significantly improved in the last year. A debt management strategy has been developed and processes for the collection of debt have been reviewed as part of the debt management improvement plan. Arrears are being monitored at a summary level as part of the monthly performance monitoring system. All debt is reported to the Debt Management Board and monitored against expected standards for collection. Additional resources have also been put into appointing a senior debt officer and debt staff and a debt management board has been operating for some time now.

Overall the council's collection rates are good compared to other London Boroughs, with rent collection of 99 per cent being one of the best in London, having improved significantly over the last year (96.9 per cent) following targeted management action. Although overall the arrears balance has increased there has been a decrease in balances at the year-end for the majority of debtor categories, as summarised in Exhibit 3.

EXHIBIT 3 ARREARS

| | 31 March 2003 £'000 | 31 March 2004 £'000 |
|--------------------------------------|------------------------|---------------------------|
| Council Tax | 7,342 | 9,218 |
| Business rates | 6,608 | 5,743 |
| Housing rents and leaseholders | 2,897 | 2,654 |
| Sundry debtors | 16,045 | 15,997 |
| Government | 4,842 | 4,641 |
| Other | 1,783 | 1,438 |
| Total | 39,517 | 40,226 |
| Provision | 26,706 | 27,320 |

Source: Havering audited accounts.

Although council tax arrears are continuing to increase, we are pleased to note that collection performance has improved to 96.42 per cent in 2003/04. This follows deterioration in performance to 95.94 per cent in 2002/03, and is still below the all England average of 96.87 per cent.

Internal Audit have however reported some weaknesses in debt recovery and write off procedures, with the main issues being:

- delays in the various stages of recovery;
- lack of cross-referencing of different debts relating to the same individual; and
- lack of timely write off.

Internal Audit made a number of recommendations to management on these issues and we understand that action has now been taken to strengthen arrangements. We will review the effectiveness of this action as part of next year's audit programme.

Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework. A number of internal controls have been strengthened during the year, with particular improvements noted in the council's risk management arrangements. There remain however, areas where further improvements could be made.

Internal Audit

Overall Internal Audit provides an effective service with improvements noted this year in arrangements for tracking the implementation of recommendations through the regular progress reports to audit committee. Areas for further improvement include cross referencing of working papers, completion of audit pro-formas and systems documentation.

Main accounting system

Our review of the key controls in the council's main accounting system indicated that they were generally satisfactory. We are pleased to note improvements in control account reconciliation arrangements, although there remains the need to ensure all unreconciled items are investigated and cleared on a timely basis and that senior review of reconciliations is evidenced.

Budgetary control

There have been significant improvements in the council's overall budget setting process, in particular an increased focus on longer-term financial planning, more robust savings risk analysis and the full costing of risks. Weaknesses however remain in relation to budget setting in social services where spend has been consistently in excess of budget for the last three years. This is referred to in more detail in our comments on financial standing.

Risk management

Although the council adopted a systematic approach to risk management much later than many authorities, it has come a long way in a short time. The key elements are now in place, including a written strategy, corporate and service risk registers, action plans and a risk management group whose Members act as champions.

From our review of several service areas we have concluded that risk management is now well embedded at the top of the organisation with officers working to extend this culture throughout the council. Although this cannot be done overnight, we have identified no major barriers to achieving it and conclude that it should happen over time if senior officers continue giving risk management a high profile and support continues to be provided to local managers where required.

We made a small number of recommendations which should help with the implementation process, the most important of which related to:

- progressing plans to work more closely with ALARM and other networks, especially on benchmarking;
- circulating good practice examples of well constructed risk registers and 'risk paragraphs' from Cabinet reports to guide officers;
- improving compliance in incident reporting;
- progressing proposed work on defining and providing guidance to managers on reputational risk; and
- developing guidance and training on the Human Rights Act and changes to the law of corporate manslaughter.

We understand that officers have already actioned a number of these recommendations and we will be following up on progress as part of our 2005/06 audit and inspection programme.

Standards of financial conduct and the prevention and detection of fraud and corruption

We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption, but have suggested that arrangements would be further strengthened by a more proactive approach in some areas.

Ethical framework

A number of initiatives to raise awareness of ethical and governance issues are underway or planned and the council has successfully bid for capacity building funding for member development, which will include focus on ethical standards. Currently however, the initiatives seem to be largely officer led and there is a need for the Standards Committee to take a more proactive role in raising awareness of and ensuring compliance with standards across the council.

Arrangements for the prevention and detection of fraud and corruption

Over the last 12 months the council has put a number of processes in place to promote awareness of fraud and corruption issues. Progress on the council's fraud and corruption action plan was reported to the Audit Committee in November 2004. This noted the recent establishment of a fraud protocol with the police and that the fraud response plan was near completion. A number of fraud seminars were held in September 2004 and fraud leaflets have been distributed as well as a number of other initiatives. Training has also been provided during the year through the leadership programme and various talks.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the council for ensuring the legality of its significant financial transactions. Arrangements would however be further strengthened by a more proactive approach to monitoring action to ensure compliance with some key legislation.

Legal and democratic services have input into key developments during the year. They have also produced guidance for officers, policies, and action plans to oversee the implementation of changes required because of new legislation. A project team, which includes a representative from legal, is in place to implement major new legislation. Directorates and service areas tend to lead on less significant legislation and arrangements to monitor the implementation of the necessary actions in relation to such legislation could be strengthened.

During the year, we did not receive any enquiries from Members of the public which identified instances of illegality or other irregularity that required action from us.

Other work

Grant claims

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with its Strategic Regulation approach, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the council's control environment.

The appointment in summer 2003 of a grants co-ordinator with the specific mandate of ensuring that claims are submitted for audit on time having been subject to appropriate quality review, has resulted in a significant improvement in performance in relation to 2003/04 claims:

- 79 per cent were received on time (or within one week of the deadline) compared to 40 per cent in 2002/03; and
- of the ten claims certified to date two have been amended and four qualified (21 and 20 from 48 in 2002/03).

Further efforts are however required to address the claims that are still not being submitted on a timely basis. We will continue to work with officers to facilitate the necessary improvements.

National Fraud Initiative (NFI)

The council took part in the Audit Commission's National Fraud Initiative (NFI) 2002. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002 exercise exceeded £83 million.

The council's arrangements for responding to matches identified by the NFI remain generally satisfactory, and have been strengthened slightly over the past year, with more proactive work on matches.

The Commission are repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from authorities.

Looking forwards

Future audit and inspection work

We have an agreed plan for 2004/05 and we have reported in this Letter aspects of that work that have already been completed. The remaining elements of that plan, including our audit of the 2004/05 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.

We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the council. We will continue with this approach when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2005. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of the results of audits.

Further details will be provided in the audit and inspection plan 2005/06.

CPA 2005 and beyond

The Audit Commission has also consulted on a new framework for CPA in 2005 and beyond. The main changes proposed are as follows:

- rationalisation of service blocks;
- 'achievement' assessment element of corporate assessment to be driven by review of community plan and shared priority themes;
- corporate assessments to be undertaken on rolling programme, integrated with joint area reviews of children and young people;
- stronger focus on service delivery for users and customers; and
- more robust and explicit view of value for money and cost-effectiveness.

Closing remarks

This Letter has been discussed and agreed with Chief Officers. A copy of the Letter will be presented at the cabinet on 9 February 2005.

The council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this Letter

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
District Auditor and Relationship Manager
13 January 2005

Status of our Letter to the council

Our Annual Audit and Inspection Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual Audit and Inspection Letters are prepared by Relationship Managers and appointed auditors and addressed to Members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Reports issued during 2004

| Report | Date issued |
|--|----------------|
| Performance Management Follow-up | February 2004 |
| Information Governance | March 2004 |
| 2002/03 Final Accounts Memorandum | April 2004 |
| Housing Repairs and Maintenance | April 2004 |
| Human Resources Inspection | May 2004 |
| Audit and Inspection Plan (2004/05) | June 2004 |
| Procurement Follow-up | July 2004 |
| Risk Management | September 2004 |
| Planning Inspection | October 2004 |
| Interim Report | November 2004 |
| Programme Governance | November 2004 |
| Qualitative Assessment of Continuous Service Improvement | December 2004 |
| Annual Audit Letter | December 2004 |
| E-government Follow-up | December 2004 |
| User Focus | December 2004 |

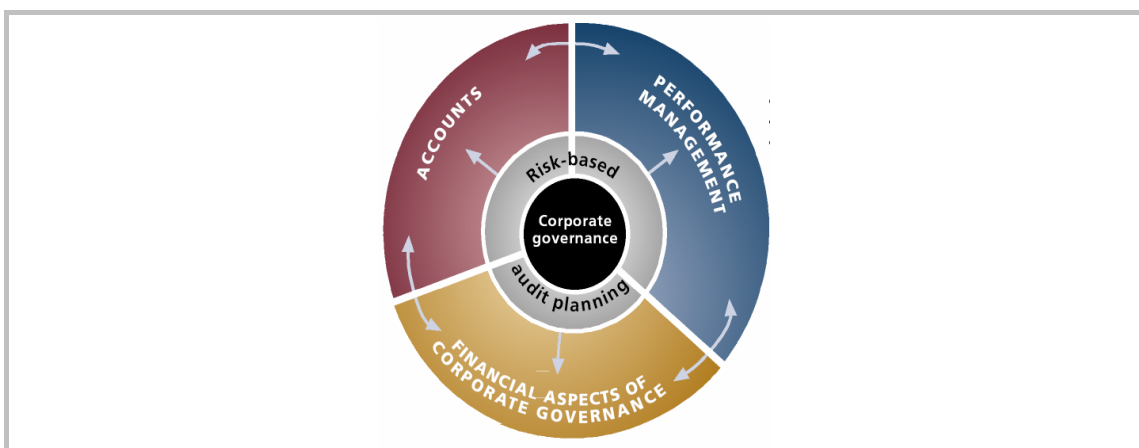
Scope of audit and inspection

Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 4.

EXHIBIT 4 THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan (BVPP).

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the council and the public to judge whether best value is being delivered;
- enable the council to assess how well it is doing;
- enable the government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Audit and inspection fee

Audit and inspection fee update

| Audit area | Plan 2003/04 (£) | Actual 2003/04 (£) |
|--|---------------------|-----------------------|
| Accounts | 83,000 | 121,000 |
| Financial aspects of corporate governance | 77,000 | 56,000 |
| Performance | 132,000 | 115,000 |
| TOTAL CODE OF AUDIT PRACTICE FEE | 292,000 | 292,000 |
| Inspection fees | 175,000 | 175,000 |
| Additional voluntary work (under section 35) | 0 | 0 |
| TOTAL FEE | 467,000 | 467,000 |

Inspection and performance work reported in this Letter has been funded by an element of the fee covering 2003/04 and an element covering 2004/05. The grant claim work for 2003/04 is still in progress and the fees for this work are charged separately.

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
|----------------|--|----------------|--------|----------|------|
|----------------|--|----------------|--------|----------|------|

Council Performance

| | | | | | |
|--|---|--|-----|---|----------|
| Members need to ensure they continue to focus attention on improving weaker services in the coming year. | 1 | ACE Strategy & Communication s/Cabinet | Yes | Introduction of the Commissioner Board to examine all service performance with particular focus and priority on weaker areas. | On-going |
|--|---|--|-----|---|----------|

Accounts

| | | | | | |
|--|---|---|-----|---|------------------------------------|
| <p>Members should satisfy themselves that the arrangements for producing and supporting the statement of accounts are strengthened for future years. e.g.:</p> <p>a) Improve closedown arrangements further.</p> <p>b) Ensure accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years</p> | 2 | <p>Cabinet</p> <p>Executive Director Finance & Planning</p> | Yes | <p>Arrangements are in place to take this forward.</p> <p>Discussions have taken place with the Audit Commission including staff briefings. A post closedown review has been undertaken, reported and used to develop the closedown process for 2004-05, which is monitored closely, Awareness has been raised, e.g. global email, Inside Havering. A session is planned on working papers.</p> <p>Monthly reports on closedown will be presented to Project Board. Links will be developed with other authorities to ensure compliance with statutory guidance</p> | Ongoing With planning commenced |
|--|---|---|-----|---|------------------------------------|

Financial Standing

| | | | | | |
|---|---|--|-----|--|----------|
| Members should ensure that management action is taken to address budget setting and the continued overspends in social services | 1 | <p>Cabinet</p> <p>Lead Members</p> <p>SMT</p> <p>Exec. Director Social Services</p> <p>Exec. Director Finance & Planning / Lead Member</p> | Yes | <p>Cabinet and relevant portfolio holders work with Executive Directors to ensure reductions in overspend and that savings plans are delivered.</p> <p>There are ongoing meetings in place between Lead Members and relevant Executive Directors (and the Chief Executive) to review the position in Social Services and to review financial management. Detailed analysis has taken place and the Executive Director has prepared a specific report. Specific actions are now being taken.</p> <p>Savings are monitored as part of the 2004-05 budget</p> | On-going |
|---|---|--|-----|--|----------|

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
|---|--|---|--------|---|----------|
| | | | | monitoring process along with key areas. This is now a standard element of the monthly performance pack. Information on arrears and income collection levels is also included with regular reports to Members. Arrears and income collection levels are being reported in the Monthly Performance pack. | |
| Members should continue to monitor the financial position of the Housing Revenue Account (HRA). | | Lead Member/ Exec. Director Housing & Regen Exec. Director Fin. & Planning | Yes | A robust action plan was put in place immediately after the issues in the HRA for 2003-04 were identified and steps have been taken to rectify the position in 2004-05. Reports are submitted to Project Board as part of the monthly monitoring cycle and these in turn feature in reports to Members | Ongoing |
| Members should ensure that appropriate levels of working balances and reserves are maintained in line with the responsible Finance Officer's recommendations. | | Cabinet Lead Members SMT Executive Director Finance & Planning | Yes | The MTFS will continue as it is rolled forward with the aim of continuing to move resources to priorities; ensuring a balanced budget and maintaining financial stability e.g. robust reviews, risk assessments and adequacy of reserves. The principles of the 05-06 strategy require directorates to operate within their financial means. The budget also considered the adequacy of the reserves and contingency sum and the risks being faced | Ongoing |
| Address the following weaknesses in debt recovery: <ul style="list-style-type: none"> • Delays in the various stages of recovery • Lack of cross-referencing of different debts related to the same individual • Lack of timely write off | | Exec. Director Fin. & Planning / Lead Member | Yes | These are being addressed within the corporate system. However, there are IT system issues in respect of the ability to cross-reference, which need to be resolved. Monitoring of these weaknesses in local income systems is continuing and action will become more focussed in coming months. | On-going |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
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Systems of internal financial control

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|---|--|--|-----|--|-----------|
| <p><i>Internal Audit.</i> Areas for improvement include:</p> <ul style="list-style-type: none"> • Cross-referencing of working papers • Completion of audit pro-formas • Systems documentation | | Exec. Director Fin. & Planning / Lead Member | Yes | Internal Audit papers are cross-referenced. System documentation is undertaken for all reviews. | Completed |
| <p><i>Main Accounting system</i> Ensure all unreconciled items are investigated and cleared on a timely basis and that senior review of reconciliations is evidenced</p> | | Executive Director Finance & Planning Head of Financial Services / Lead Member | Yes | Any items requiring reconciliation will be identified as part of the closedown process and actions will be undertaken to carry out and complete reconciliations. Those areas identified will in turn be monitored during 2005-06 to ensure that as much of the work as possible is concluded ahead of 31 March. Reconciliations will be subject to senior review on a significance basis | Ongoing |

Risk Management

| | | | | | |
|--|---|---|-----|--|---------|
| <p>Further improve and cascade risk management mechanisms in specific services to all levels. E.g.</p> <ul style="list-style-type: none"> • Progress plans to work more closely with ALARM and other networks, especially on benchmarking | | Cabinet SMT Heads of Service CMIA | Yes | <p>The Council recently received a good risk management review from the Audit Commission, recognising the implementation of the strategy as a success.</p> <p>These recommendations arose from this review and are being taken forward and monitored by the Risk Management Group.</p> <p>The ED Finance & Planning/CMIA are raising awareness at Directorate Leadership Teams.</p> <p>The Authority is a Member of the CIPFA Governance Forum, is partnering with other North East London Authorities and actively engaged with Zurich Municipal.</p> | Ongoing |
| <p>Circulating good practice examples of well-constructed risk registers and</p> | 2 | Exec. Director Fin. & Planning / | Yes | Examples of good practice relating to risk registers and risk paragraphs are discussed as part of the | Ongoing |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
|--|--|--|--------|---|-----------|
| 'risk paragraphs' from Cabinet reports to guide officers. | | Lead Member | | business of the RMG. Risk registers are subject to a 6 monthly review by Heads of Service | |
| Progressing proposed work on defining and providing guidance to managers on reputation risk. | 2 | ACE – Strat & Comm / Lead Member | Yes | This is currently under discussion. An action plan will be produced in due course. | June '05 |
| Improving compliance in incident reporting. | 2 | Head of Facilities Management/ Lead Member | Yes | A new incident & accident reporting form has been designed and will be rolled out across the Council from April 2005. Monthly updates will be provided to the Strategic Health & Safety Group on incidents and accidents. | April '05 |
| Developing guidance and training on Human Rights Act. | 2 | ACE – Legal & Democratic Services/ Lead Member | Yes | Update previous guidance to incorporate recent development and disseminate more widely. | Oct '05 |
| Developing guidance and training on changes to the law of corporate manslaughter. | 3 | ACE – Legal & Democratic Services/ Lead Member | Yes | Information on current legal position already available. Further advice/ training on corporate killing dependent on progress of primary legislation | Oct '05 |

CPA Improvement Report

| | | | | | |
|--|---|-----------------------------------|-----|---|----------|
| Ensure better use of performance targets to focus scarce resources and to demonstrate improvements in services. | 1 | ACE Strategy & Comm / Lead Member | Yes | Plans in place to further strengthen MTFs and service-planning process will ensure better allocation of resources. | On-going |
| <ul style="list-style-type: none"> • Ensure council-wide application of the agreed project management methodology (PRINCE2), is consistently applied. • Improve project management across the Council. e.g. PRINCE 2 | 2 | Exec. Director – CAC/Lead Member | Yes | A Prince2 foundation and practitioner training programme is now available internally. A streamlined set of project templates have been developed and are being promoted across the Council. | On-going |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
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User Focus arrangements

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|--|---|--|-----|---|-----------|
| Ensure wider involvement of all Councillors to build on the developing community initiatives of Cabinet and 'Champion' Members | 3 | ACE – Strat & Comm / Legal/Human Resources/Lead Member | Yes | Complete review of area committees and overview and scrutiny committees. Implement member development programme as agreed with ODPM. | On-going |
| Formal evaluation of user focus related initiatives to ensure they include wider involvement and feedback mechanisms. <ul style="list-style-type: none"> • More work is needed to further engage and involve residents. | 2 | ACE – Strat & Comm / Lead Member | Yes | This evaluation will be a cross service one including inputs from the head of customer relationship management. The Council will implement the recommendations of the Audit Commission User Focus inspection of Oct/Nov. '04. | April 05 |
| Collation of good practice from recently introduced initiatives to feed systematically into the final consultation strategy and 'community themed' BVRs | 2 | ACE – Strat & Comm / Lead Member | Yes | Continued development, promotion and use of internet / intranet. | April 05 |
| Further development of the current performance packs to include user satisfaction, Best Value and quality of life indicators, beyond the current emphasis on waiting times and complaints. | 2 | ACE – Strat & Comm / Lead Member | Yes | This is going to be improved with the introduction of the Commissioner Board. | Completed |
| Review of partnership consultation and engagement mechanisms to facilitate more joined up approaches. | 2 | ACE – Strat & Comm / Lead Member | Yes | Introduction and rethink of the partnership to improve networking and joined up working. | April 05 |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
|----------------|--|----------------|--------|----------|------|
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E-Government Follow Up

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|--|---|---|-----|--|----------|
| Address contingency planning and business continuity issues | 3 | Exec. Director CAC / Lead Member | Yes | Funding has been agreed in the MTFS, and a partnership project is underway to establish a North East London disaster recovery facility for all ICT systems run by EGTS. (This does not remove the responsibility of each individual business area to have their own contingency plans in place). | On-going |
| Ensure that as part of the intranet re-development, information on services and standards are widely available across all council departments and for all staff. | 2 | ACE – Strat. & Comm / Lead Member | Yes | A new Content Management System will be live by May 2005. The project to redevelop the Intranet has been started by the EGTS web Team. As part of the new Intranet development, internal services will be responsible for publishing their own content. | May '05 |

Procurement follow-up

| | | | | | |
|--|--|---|-----|--|-----------|
| Further develop procurement in the council e.g. Mouchel/Parkman | | Cabinet Lead Member SMT Heads of Service | Yes | The Council has approved a Procurement Strategy and an Alternative Service Delivery Strategy. The Strategic Procurement Steering Group has the responsibility for overseeing procurement within the Council and receives reports on a range of strategic issues. Training in contract monitoring is being provided to relevant officers and future Head of Service packs will include information on contracts. The Council is actively working with other authorities in North East London and has submitted a successful bid to the London Centre of Excellence for procurement-based projects | Ongoing |
| Develop a commissioning strategy and robust contracting arrangements for procuring domiciliary care. | | Exec. Director – Social Services/Lead Member | Yes | Arrangements are in place to deliver. | Completed |

Performance Information

| | | | | | |
|---|---|-----------------------|-----|---|----------|
| Continue to focus on improving the quality of BVPI's supporting | 1 | ACE – Stra. & Comm | Yes | The revised Cover Sheet for the submission of the 2004/05 out-turns, and the associated emphasis on | 31/03/05 |
|---|---|-----------------------|-----|---|----------|

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
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| documentation. | | | | sign-off responsibility is expected to ensure compliance with audit guidelines and requirements. Additionally, Internal Audit to inspect some 'at risk' BVPIs. | |

Planning inspection

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|---|---|--|-----|--|
| Improve on the range and nature of information on planning policies, processes and requirement available to the public | 2 | Exec. Director – Finance / Lead Member | Yes | The Service has already prepared a comprehensive action plan to cover the Audit Commission report recommendations. This action plan has been agreed by Regulatory Services in December 04 and by O&S (Environmt.) in January 05. The Action Plan is available and will be monitored. |
| Introduce a customer charter and clearly set out what service standards stakeholders can expect across the whole planning service and what outcomes are sought. | | Exec. Director – Finance / Lead Member | Yes | |
| More detailed guidance on section 106 requirements is required and develop an enforcement policy | | Exec. Director – Finance / Lead Member | Yes | |

Human Resources Inspection

| | | | | | |
|---|---|---|-----|---|---------|
| Further develop Human Resources into being more strategic in outlook. | 3 | Assistant Chief Executive (Human Resources) | Yes | The HR service has been restructured to provide a more strategic focus. HR teams relocated to one central location into new teams at the beginning of February 2005. A review of the new structure and how it is best meeting business needs will take place later in the year. | Ongoing |
| Continue to improve employee relations | 3 | Assistant Chief Executive (Human Resources) | Yes | Discussions continue to take place with trade union colleagues to ensure that employee relations issues are raised and resolved. | Ongoing |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
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Housing Repairs & Maintenance re-inspection

| | | | | | |
|--|--|---|-----|--|--|
| <ul style="list-style-type: none"> • Improve performance information available to enable constructive challenge to weak areas of performance for senior management and Members. • More involvement of resident in the development of capital and planned works programmes and establishing their priorities • Improve dissemination of information on these programmes • Ensure better monitoring of the delivery of capital programmes and improve the ratio of planned to responsive works (44:56) • Reduce the cost of voids | | Exec. Director – Housing & Regen. / Lead Member | Yes | A comprehensive Action Plan in place to deliver both the recommendations of the Audit Letter and the follow-up inspection. This will be monitored. | |
| Improve service reliability i.e. <ul style="list-style-type: none"> • high levels of delay • works not done right first time • embed appointment system | | | | | |

Annual Audit Letter 2004 - Action Plan

| Recommendation | Priority 1: Low 2: Medium 3: High | Responsibility | Agreed | Comments | Date |
|----------------|--|----------------|--------|----------|------|
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Standards of financial conduct and the detection of fraud and corruption

| | | | | | |
|---|--|--|------------|--|-----------------|
| <p><i>Grant Claims</i> Continue to improve on the %age of grant claims submitted for audit on time.</p> | | <p>Lead Member for Finance</p> <p>Executive Director Finance & Planning Heads of Service</p> | <p>Yes</p> | <p>The grants post has now been established on a permanent basis and an appointment has been made; the candidate commences in March 2005. The current post holder has led the development of a grants protocol and has provided training to a number of staff, and has continued to improve year on year performance.</p> <p>Performance is being monitored through the Member Pack, as part of financial standards. Development of an action plan arising from the 2002-03 grants audit is underway. Training has been provided to a range of staff and officers involved in the grants process are contributing to the development of the action plan.</p> | <p>On-going</p> |
|---|--|--|------------|--|-----------------|



| MEETING | DATE | ITEM |
|------------------------|----------------------|-----------|
| AUDIT COMMITTEE | 26 April 2005 | 11 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2003/04 PERFORMANCE INDICATORS

SUMMARY

The Best Value Performance Plan Audit Report is attached to this report as Appendix A and the associated Action Plan as Appendix B. It provides details of the recent audit by the Audit Commission on the Council's statutory performance indicators (PI's).

RECOMMENDATIONS

- That Committee note the reduction in the number of qualified PI's in 2003/04 against the previous years;
- That Committee note the reasons underlying the external auditor's qualification of five PI's;
- That Committee note the additional work being undertaken, or which has been undertaken, in order to ensure compliance of the 2004/05 indicators.

REPORT DETAIL

1. Best Value legislation places the Council under a duty to seek continuous improvement in the way in which it exercises its functions. The statutory performance indicators have to be published annually, and allow an assessment of whether the Council is meeting its duty of continuous improvement.
2. The Government has tried to ensure that the PI's reflect the broad range of local services, to prevent performance or resources being skewed in favour of areas with a greater weight of indicators. The Government has also tried to

ensure that the PI's reflect policy priorities and are consistent with Local Public Service Agreements.

3. The PI's have to be published as part of the Best Value Performance Plan (BVPP) in June. The BVPP also has to show how the Council compares with other authorities. Some of the PI's are also used within the Comprehensive Performance Assessment (CPA) to help assess how much the Council is improving year on year.
4. The Office of the Deputy Prime Minister (ODPM) produces a guidance document every January/February. The guidance includes full definitions of the PI's, the data collection process to be in place, the time frame if applicable, and details of any relevant national forms from which figures should be extracted, as well as other information. The Council's Performance Team is responsible at the corporate level for ensuring that each directorate and service is aware of these requirements.
5. During the year, the Audit Commission periodically publishes 'Newsletters' which will provide advice on changes or amendments to the original PI definition, or to national forms used to extract data, or other additional information. As part of the audit process, the Commission also releases an audit guide that provides additional information that services are expected to follow as this will provide the major source for ensuring validation.
6. Using the guidance, Newsletters, and the audit guide, services are expected to provide compliant outturn figures for publication as part of the BVPP. Because (currently) outturn finance figures are not available that early in the annual cycle, any service costings required as PI's are published as estimates. All these figures are approved by the relevant Head of Service before publication. Confirmation of the published figures is signed by a senior manager and sent to the Audit Commission electronically.
7. Members will appreciate that using PI's as part of national comparisons requires a robust audit process in order that Government, best value authorities, local taxpayers, and service users themselves, can have a high degree of assurance that the outcome is valid. The external audit process is rigorous, and is meant to provide the assurance that services have met, and can demonstrate that they have met, every requirement laid down in the annual guidance, the Newsletters and the audit guide.
8. Where the external audit finds evidence of non-compliance, services are expected to either recalculate the PI, or agree the necessary changes. When services are unable to demonstrate full compliance with the guidance, or the data is missing or incomplete, the external auditor will express qualifications or reservations on the information that has been published.
9. The Audit Committee will wish to note that the external auditor made several recommendations on improving the collection process, etc. within the

associated Action Plan (see Appendix B). These have now all been adopted for the 2004/05 audit.

10. Havering was expected to have produced outturn figures for one hundred and fifty one PIs (or parts thereof). Of these, the external auditor expressed reservations against five. The details of these reservations, and the actions being taken to ensure full compliance for the 2005/06 audit, are attached as Appendix C. The Audit Committee are asked to note that, of the five qualifications noted, three are derived from figures supplied by the Metropolitan Police that failed a data quality check.
11. Although reservations are, by themselves, a matter of concern because they suggest an inability to measure the effectiveness of a service, they additionally affect us through the CPA process. This is because any qualified or reserved indicator is automatically allocated to the lowest score. Audit Committee will wish to know that none of the qualified PI's in 2003/04 were CPA sensitive, and thus did not affect December's judgement.
12. The Audit Committee will wish to note that the two qualified indicators within the Council's remit represent a significant improvement from the previous two years (2001/02 = 19; 2002/03 = 8), and this has been noted within the Audit Commission's report.

Financial Implications

None

Legal Implications

None

Human Resources Implications

None

Reasons for the decision

To receive the Best Value Performance Plan Audit Report

Alternative Options Considered

None available

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Designation: Assistant Chief Executive – Strategy & Communications

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Email: jonathan.owen@haverling.gov.uk

STEPHEN EVANS
Chief Executive

2003/04 QUALIFICATIONS

| Directorate | Code | Description | Reason for Qualification | Action taken to date |
|------------------------------|-------|---|---|---|
| Children & Lifelong Learning | BV192 | (a) Teacher Training and Development | The Authority was not able to provide some of the information required to substantiate this indicator | The service has met the external audit team to agree a methodology for 2004/05, and this could also serve to remove the qualification for 2003/04 |
| | BV175 | Percentage of recorded racial incidents that resulted in further action | The Authority was unable to produce sufficient documentary evidence to support this PI in respect of incidents at schools (only). | As we were unable to access schools' records because of the summer vacation, we have arranged for the internal audit team to carry out an advance review ahead of the formal 2004/05 external audit. This is acceptable to the Audit Commission |
| Environment | BV126 | Domestic burglaries | This was qualified in line with the Audit Commission guidance, as a result of the qualification of the police data from which it was calculated | This is outside the Authority's control, as it will require the Metropolitan Police to ensure compliant data. |
| | BV127 | Robberies | As above | As above |
| | BV128 | Vehicle crimes | As above | As above |

Best Value Performance Plan Audit

London Borough of Havering

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Summary Report

- Introduction
- Audit approach
- Main conclusions
- Way forward
- Acknowledgements

PAGE 5

Detailed Report

- Co-ordination arrangements
- Finance indicators
- Other issues

Appendices

- Appendix 1 – Summary of reservations and amendments for 2002/03 and 2003/04
- Appendix 2 – Details of reservations
- Appendix 3 – Details of amendments

| | |
|-------------------|---|
| Reference: | BVPI LB Havering report - Final Draft for LBH 03/04 |
| Date: | January 2005 |

Introduction

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

We have undertaken our audit of the statutory BVPIs for 2003/04 involving the review and examination of evidence in order to allow us to:

- assess whether the compilation of BVPI's is in accordance with Office of the Deputy Prime Minister (ODPM) definitions and guidance;
- make judgements about the adequacy of systems used to collect and performance information;
- conclude whether outturn figures of performance for 2003/04 have been fairly stated; and
- report our conclusions to the Audit Commission.

Audit approach

Our work has been conducted in accordance with the risk based audit methodology developed by the Audit Commission, the requirements of the Code of Audit Practice and having regard to the supplementary guidance issued in Auditor Briefing 10/2004 and the Audit Guide for Performance Indicators.

Our risk assessment was based on a comprehensive variance analysis and analytical review incorporating factors such as previous audit findings, knowledge from other relevant audit work, amendments and additions to the list of PIs and consideration of those designated as high risk by the Audit Commission.

Of a total of 151 PIs (or parts thereof) 29 were identified as high risk, 92 as medium risk and 30 as low risk.

PIs that were identified as low risk were checked for transposition and rounding errors and, where applicable, explanation for significant variances were obtained.

Further audit work undertaken in respect of medium risk PIs also included a re-performance of calculations, verification that the method of compilation was in accordance with the definition and agreeing the information in the PI to the Authority's system records.

In addition for high risk PIs, the system, its controls and the parameters set for data capture were documented and testing to source documents undertaken.

In the limited number of instances where the Authority's Audit and Risk section had undertaken quality assurance work on specific PIs, reliance was placed on their work as appropriate.

Where errors were identified officers were informed and, where possible, amendments agreed. However, where errors could not be quantified or rectified, or where no information was provided, the indicator was reserved.

Main conclusions

Best value performance indicators

The Authority continues to improve its arrangements for the production of BVPIs. However, improvements in the standard of documentation, quality of working papers and ability to meet agreed deadlines has largely been achieved through the considerable efforts of officers in the Performance Team and audit staff and there remains scope for further significant improvement in arrangements, particularly within service areas, as highlighted in the detailed report.

At initial submission on 6 September 2004, our work identified one prior year reservation and nine reservations in respect of 2003/04 PIs (three of these are in relation to information required from the Metropolitan Police and therefore do not reflect on the Authority's arrangements). Additionally, 38 PIs required amendment (35 in relation to 2003/04 and three in relation to the previous year).

During the post submission period up to the extended deadline of 11 October, the provision of further working papers and significant efforts by both officers and audit staff reduced the number of reservations to five, of which again three related to information provided by the metropolitan police. This is an improvement on last year, when 8 PIs were reserved, although there has been an increase in the level of amendment necessary (from 32 to 40) indicating a lack of adequate initial supporting documentation. Appendix 1 provides a more detailed analysis of this position, including the equivalent information for the previous year.

The reduction in the level of pre audit review by the Business Monitoring Unit also resulted in additional resources being required from both the Council and the Audit Commission to enable the audit to be completed by the revised deadline. Although this extra work did not result in additional fees being charged for the 2003/04 audit, the fee setting for 2005/06 will need to reflect the level of additional audit work likely to be required to audit the 2004/05 BVPIs.

Best value performance plan

The Council produced a fully compliant Best Value Performance Plan (BVPP) in two documents, the 'Performance Plan' which includes the BVPIs and the 'Corporate Development Plan' which addresses all the other BVPP requirements. Both plans were published on the Council's website within the statutory timescales, but were difficult to locate with no link from the home page.

Way forward

In order to reduce the level of additional officer time, audit work and amendments in future years the council should continue to focus on improving the quality of its BVPIs and supporting documentation.

An action plan containing our detailed recommendations has been discussed with Performance Team officers and appropriate action agreed as indicated.

Acknowledgements

We would like to take this opportunity to thank your officers for their assistance during the course of the audit.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to non-Executive Directors/Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director/Member or officer in their individual capacity, or to any third party.

Co-ordination arrangements

1. Central co-ordination was provided by officers the Performance Team. This included supporting Directorate co-ordinators in producing PIs, agreeing a timetable for the production of the indicators and associated working papers for submission for audit, providing general assistance during the audit and, in some instances, producing indicators or amendments themselves in the absence of a responsible officer.
2. This year, use was again made of standard cover sheets to record basic PI information. The changes made to these since last year have proved helpful and could be usefully added to for next year by giving more prominence to the PI number in order to encourage its more consistent use.
3. Once prepared, the working papers supporting PIs were collated by the Performance Team before submission to audit. Working papers for 20 PIs were not ready in good time, resulting in delays to the audit. Particular problems were experienced with the financial PIs, as noted later in this report.
4. Unlike last year, when the Business Monitoring unit undertook significant detailed pre-audit review and testing work on many PIs, this year only four had been subject to such work by the Audit and Risk section. Our experience of such work is that it greatly assists the audit process and reduces the level of PIs subject to amendment. As a consequence of the reduced pre audit review the number of audit queries and required resources increased, as well as the officer time required to respond to those queries.

| Recommendations | |
|-----------------|---|
| R1 | The PI cover sheets should be amended to increase the prominence of the PI number and its use promoted. |
| R2 | Arrangements should be established to monitor the preparation of working papers to ensure that submission deadlines are met. |
| R3 | Arrangements should be put in place to focus increased pre-audit review and testing work on new, amended or particularly problematic PIs. |

Financial indicators

5. Six PIs are based on financial data as specified in the RO forms. As in previous years, and in common with many other authorities, the Authority experienced some difficulty producing these indicators before the deadline for the submission of the indicators to the Audit Commission central PI team. As a result, estimates are published in the BVPP: these indicators account for six of the 40 amendments this year.
6. In light of the anticipated timing issues producing these indicators, a deadline of mid-August was agreed for their submission, allowing three weeks for the audit. However, only the Education finance indicator was submitted within the deadline. The other five were received on 20 August, two weeks before the reporting deadline and the working papers for the finance indicators for Social Services, Environment, Transport and Planning were poorly cross referenced and therefore time-consuming to audit.
7. These issues, combined with the significant volume of other information received in the last three weeks of the audit, contributed to the qualification of PIs 186 (a) and (b) as the key contact was unavailable to resolve audit queries in the last days of the audit.

8. Directorate finance teams and the PI co-ordinators need to take steps to ensure that finance indicators are produced to the agreed deadline and with properly cross-referenced working papers in order to ensure qualifications are avoided in future years.

| Recommendation | |
|----------------|---|
| R4 | The Authority should monitor the production of financial PIs to ensure that deadlines agreed for their submission are met and appropriately cross referenced working papers provided. |

Other issues

9. Many of the amendments made to indicators during the course of the audit would have been identified by a basic review of working papers. Such a review would have possibly prevented errors occurring and reduced the level of audit queries addressed to officers.
10. The nature of the common errors and problems encountered included:
- inappropriate or incorrect rounding of figures;
 - transposition errors;
 - the lack of a meaningful explanation of variances where necessary;
 - incomplete, insufficient or inadequately cross-referenced working papers; and
 - failure to comply with the definition.
11. Of particular note was the lack of a meaningful explanation of variances. The design of the standard cover sheets distributed by the Performance Team incorporates a “variance calculator” and information on how to determine if an explanation of the year on year variance is necessary. However, the poor quality of explanations has highlighted a widespread lack of understanding of these requirements. A good variance analysis should not just identify the level of variance but should explain clearly the reasons for the change in performance.
12. We encountered problems during the audit of PI 164 (follow the CRE’s code of practice in rented housing and good practice standard for social landlords in tackling harassment) as a result of the lack of adequate explanation of a significant variance in outturn. Officers were initially unable to provide sufficient support to justify the change between years from “No” to “Yes”. This accounts for two of the 40 amendments, one to avoid qualification at the earlier deadline and the second during the post submission period when further support was provided.
13. More robustness arrangements for the review of indicators and related working papers should result in a significant reduction in officer time required to respond to audit queries.

| Recommendation | |
|----------------|---|
| R5 | A review of working papers should be undertaken prior to submission for audit to ensure that basic errors and problems are identified and rectified. |
| R6 | The Authority should ensure that officers have a suitable understanding of basic variance analysis and are in a position to provide explanations where necessary. |

14. Due to the timing of the BVPI audit over the summer holidays, in a number of instances key contacts were unavailable for long periods of time, significantly delaying the audit. While better quality working papers would decrease the need for direct officer contact there will

always be instances when the PI co-ordinator will need to be contacted, especially for high risk PIs. The absence of key contacts for long periods could lead to potential qualifications.

| Recommendation | |
|----------------|---|
| R7 | The Authority needs to ensure that key contacts or their deputies are available to provide timely responses to audit queries. |

Summary of qualifications and amendments for 2002/03 and 2003/04

| Category | 2003/04 BVPIs* | Reporting Date | | | |
|--------------------------|-------------------|------------------|-----------|-----------------|-----------|
| | | 6 September 2004 | | 11 October 2004 | |
| | | Qualified | Amended | Qualified | Amended |
| Corporate health | 13 | 0 | 6 | 0 | 6 |
| Education | 16 | 1 | 4 | 1 | 4 |
| Social Services | 13 | 2 | 5 | 0 | 7 |
| Housing and Benefits | 11 | 0 | 8 | 0 | 9 |
| Environment | 6 | 0 | 4 | 0 | 4 |
| Transport | 8 | 1 | 1 | 0 | 2 |
| Planning | 3 | 1 | 3 | 0 | 4 |
| Cultural services | 3 | 0 | 1 | 0 | 1 |
| Community safety & legal | 7 | 4 | 2 | 4 | 2 |
| Cross cutting | 1 | 0 | 1 | 0 | 1 |
| Total | 84 | 9 | 35 | 5 | 40 |
| | 2002/03 BVPIs* | 8 September 2003 | | 24 October 2003 | |
| Corporate health | 19 | 3 | 8 | 0 | 8 |
| Education | 24 | 0 | 8 | 0 | 8 |
| Social Services | 14 | 1 | 3 | 1 | 3 |
| Housing and Benefits | 19 | 4 | 1 | 2 | 3 |
| Environment | 7 | 3 | 2 | 3 | 2 |
| Transport | 19 | 0 | 2 | 0 | 2 |
| Planning | 7 | 0 | 4 | 0 | 4 |
| Cultural services | 6 | 0 | 1 | 0 | 1 |
| Community safety & legal | 10 | 3 | 0 | 2 | 1 |
| Total | 125 | 14 | 29 | 8 | 32 |

*Recorded as whole PIs regardless of the number of parts.

Details of qualifications (as at 11 October 2004)

| Indicator | | Reservation |
|-------------------------|---|---|
| Education | | |
| BVPI 192a | Teacher Training & Development | The Authority cannot produce this PI as a result of a lack of information on the length of the typical working day of local practitioners. |
| Community Safety | | |
| BV 126 | Domestic burglaries per 1000 households | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 127a | Violent offences by a stranger per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 127b | Violent offences in public per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 127c | Violent offences licensed premises per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 127d | Violent offences under influence per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 127e | Robberies per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BV 128 | Vehicle crimes per 1000 population | We have qualified this PI, in line with Audit Commission guidance, as a result of the qualification of the police data from which it is calculated. |
| BVPI 175 | Percentage of recorded racial incidents that resulted in further action | The Authority cannot produce sufficient documentary evidence to support this PI in respect of incidents in schools. |

Details of amendments

| Indicator | Original submission | Amended submission | Reason for amendment |
|-----------------------------|---------------------|--------------------|--|
| Corporate Health | | | |
| 1d | N/a | | Compliance with requirements of submission format (a blank entry needed). |
| 8 | 80.81% | 80.52% | The need for this amendment was identified prior to our audit due to omission of stores invoices |
| 11a | 35.97% | 32.80% | Recalculation was required as a result of errors in the data extracted for the Authority's system. |
| 11b | 4.71% | 4.22% | As for 11b. |
| 12 | 9.31 | 9.38 | As for 11b. |
| 16a | 1.65% | 1.86% | As for 11b. |
| 17a | 3.8% | 4.1% | As for 11b. |
| Education | | | |
| 33 | £82.30 | £81.06 | This is a finance indicator originally submitted as an estimate. |
| 34a | 6.20% | 6.15% | This indicator was originally incorrectly rounded. |
| 192b | 84.0 | 0.0 | Recalculation was required in order to meet the PI definition as the authority did not employ any early years QTS teachers during the academic year 2002/03. |
| 193a | 103.0% | 102.6% | This indicator was originally incorrectly rounded. |
| Social Services | | | |
| 51 | £871 | £854 | This is a finance indicator originally submitted as an estimate. |
| 52 | £524.00 | £531.88 | This is a finance indicator originally submitted as an estimate. |
| 53 | 10.20 | 10.21 | This indicator was originally incorrectly rounded. |
| 54 | 72.30 | 72.33 | This indicator was originally incorrectly rounded. |
| 56 | 90% | 88% | Recalculation was necessary as a result of errors in the data from which the indicator was calculated. |
| 161 | 52.60% | 52.63% | This indicator was originally incorrectly rounded. |
| 196 | 62.1% | 63.5% | Recalculation was necessary as a result of errors in the data from which the indicator was calculated. |
| Housing and Benefits | | | |
| 62 | 0.84% | 1.06% | This indicator was originally based on an incomplete set of data. |
| 64 | 1.00 | 2.00 | This indicator was originally based on an incomplete set of data. |
| 66a | 99.00% | 99.05% | This indicator was originally incorrectly rounded. |
| 183b | 14.85 weeks | 14.65 weeks | The original calculation of this indicator contained inappropriate rounding. |
| 184b | 34.6% | 36.1% | The original calculation was oversimplified and recalculation was necessary in order to comply with the definition. |
| 76a | 0.39 | 0.53 | This indicator required amendment in |

| | | | |
|-----------------------------------|---------|---------|---|
| | | | order to rectify double counting of data points. |
| 76b | 0.2 | 0.29 | As for 76a, also recalculating the number of investigators and reporting to the correct number of decimal places. |
| 76c | 39.6 | 53.82 | As for 76a and reporting to the correct number of decimal places. |
| 76d | 3.67 | 4.98 | As for 76a. |
| 79b | 28.02% | 28.03% | Recalculation was required to ensure that the indicator was supported by an audit trail. |
| Environment | | | |
| 82a | 7.75% | 7.54% | Recalculation was required to base the PI an actual data. |
| 82b | 2.10% | 2.05% | Recalculation was required to base the PI an actual data. |
| 84 | 532.2Kg | 546.8Kg | Recalculation was required to base the PI an actual data. |
| 86 | £19.66 | £19.34 | This is a finance indicator originally submitted as an estimate. |
| 91 | 96.5% | 93.8% | Recalculation was required to achieve year on year comparability. Method of calculation was changed from previous year but did not comply with the definition |
| Transport | | | |
| 100 | 0.1 | 0.2 | Recalculation was required to reflect the most up to date data for the period. |
| 186a | 66 | 64 | This PI was originally submitted as an estimate. |
| 186b | 607 | 608 | This PI was originally submitted as an estimate. |
| Planning | | | |
| 106 | 99.00% | 99.01% | This indicator was originally incorrectly rounded. |
| 107 | £13.55 | £13.69 | This is a finance indicator originally submitted as an estimate. |
| 109b | 60.67% | 60.44% | This PI was originally submitted as an estimate. |
| 109c | 84.79% | 84.10% | This PI was originally submitted as an estimate. |
| 179 | 97.50% | 97.43% | Errors in the data extracted from the Authority's system required recalculation. |
| Cultural Services | | | |
| 170b | | N/a | This indicator was originally missing from EDC electronic submission |
| 170c | | N/a | This indicator was originally missing from EDC electronic submission |
| Community Safety and Legal | | | |
| 174 | 108.39 | 110.62 | Recalculation was required in order to correct errors in the data used. |
| 177 | 36.2% | 34.6% | Recalculation was required to enable agreement to the Authorities records. |
| Cross Cutting | | | |
| 197 | -14.0% | -13.8% | Transposition error in calculation and rounding error in figure reported. |

Best Value Performance Indicators

London Borough of Havering

ACTION PLAN

| | |
|-------------------|--|
| Reference: | BVPI LB Havering action plan - Final Draft for LBH |
| Date: | January 20054 |

| Ref | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------------------------|--|--|---|--------|---|------------------|
| Co-ordination arrangements | | | | | | |
| R1 | <p>The PI cover sheets should be amended to increase the prominence of the PI number and its use promoted.</p> <p>In some instances working papers did not specify either the number or description of the indicator to which they related.</p> | 1 | Performance Team | Yes | The PI cover sheet will be re-designed in order to make it a check list of actions taken and papers included in order to evidence compliance with the guidance. The cover sheet will ensure prominence for the PI number and short title. | 31 March 2005 |
| R2 | <p>Arrangements should be established to monitor the preparation of working papers to ensure that submission deadlines are met.</p> <p>Working papers for the following PIs were not submitted until after the audit had begun (30 June):</p> <ul style="list-style-type: none"> Community Safety PIs (received on 19 July). PIs 157, 117, 114, 62 and 193 (received between 23 and 29 July). PI 66a (received on 11 August after being specifically requested). | 3 | Performance Management Group (PMG); Performance Team | Yes | <p>Completion of the re-designed cover sheet (see R1 above) will specifically require service leads and Heads of Service to confirm that all data and spreadsheets, etc. used in the preparation and calculation of the outturn are included in the evidence pack submitted to audit. It will also include a reminder that all submissions must be with the Performance Team no later than 6 May 2005 in order to meet the publication timetable for the Performance Plan and allow final verification of the figures prior to submission to external audit.</p> <p>The preparation and audit timetable will be further reinforced by distributing a 'guidance note' prepared by the Performance Team that will provide a reminder of roles and responsibilities and the reporting timetable.</p> <p>In addition, action will be taken through PMG, Corporate Leadership Team and SMT to ensure that Heads of Service are fully aware that they form an important part of the internal audit process in checking that all submissions comply with agreed minimum reporting requirements</p> | 31 March 2005 |
| R3 | <p>Arrangements should be put in place to focus increased pre-audit review and testing work on new, amended or particularly problematic PIs.</p> <p>BVPI's 11, 12, 16a, 17a, 192, 56, 179 and 175 experienced significant problems which could</p> | 3 | Performance Team; Internal Audit | Yes | <p>Service leads are expected to be self critical in reviewing their data collection and monitoring processes, and to test processes early on where there are amended or new BVPIs within the basket. Where necessary, resource issues should be flagged up to Heads of Service for resolution.</p> <p>In addition, during the 4th quarter PMG representatives are expected to identify those PIs that, from previous experience</p> | 31 December 2004 |

| Ref | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|-----------|--|--|----------------------------|--------|---|---------------|
| | have been identified by pre audit review and testing (resulting in additional audit resources being). | | | | or from current knowledge are likely to be 'high risk' and to encourage all necessary remedial work to ensure full compliance with the guidance. The Performance Team will work with services to reduce this risk. In December, PMG will be asked to consider those PIs where there was concern in 2003/04 with a view to having Internal Audit review processes early in the New Year | |
| | Finance indicators | | | | | |
| R4 | The Authority should monitor the production of finance PIs to ensure that deadlines agreed for their submission are met and appropriately cross referenced working papers provided. Of the six finance PIs only PI 33 was submitted for audit by the agreed deadline. The remaining five were received on 20 August, two week before the 6 September deadline. | 3 | Head of Financial Services | Yes | The new post of Financial Services Manager – Services will now co-ordinate the production of these indicators. This should ensure that they are submitted on time. The Financial Services Manager – Services will additionally organise or support a check of the financial indicators, and will liaise with the external audit team at an early stage. The Directorate PI co-ordinator will regularly request updates on progress so that any issues can be addressed. | 31 March 2005 |
| | Other areas | | | | | |
| R5 | A review of working papers should be undertaken prior to submission for audit to ensure that basic errors and problems are identified and rectified. Many of the 45 amendments to PIs were to correct errors which should have been identified as a result of proper pre-submission review. For example the calculation for PI 197 contained a transposition error and the outturn had been incorrectly rounded to the nearest whole number. | 3 | Performance Team; PMG | Yes | The PI cover sheet will become a checklist of actions taken and will require formal signature to show acknowledgement of this, and will include a specific reference to show the accuracy and correctness of the outturn figure. This means that there will be formal checking by: <ul style="list-style-type: none"> • The service lead; • The directorate/ACE co-ordinator; • The Head of Service; and • The Performance Team | 31 March 2005 |
| R6 | The Authority should ensure that officers | 3 | Performance Team | Yes | The authority internally monitors performance against the | 31 |

| Ref | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|------------------|---|--|---|------------|---|----------------------|
| | <p>have a suitable understanding of basic variance analysis and are in a position to provide explanations where necessary.</p> <p>Problems were experienced obtaining explanations of significant variances for many indicators. For example PI 164.</p> | | | | <p>targets set within service plans. PMG will be reminded that there is equal value in looking at trend analysis as a way of setting and measuring improvement. The Performance Team will offer additional PI training sessions in the New Year as a means of reinforcing this for new staff or as part of follow-up training for existing service leads.</p> | <p>January 2005</p> |
| <p>R7</p> | <p>The Authority needs to ensure key contacts and their deputies are available to provide timely responses to audit queries.</p> <p>Significant problems were encountered in contacting officers (resulting in the need for additional audit resources).</p> | <p>3</p> | <p>Performance Team; PMG; External Audit team</p> | <p>Yes</p> | <p>The Performance Team will reinforce the need for staff accessibility through PMG, but asks that it be recognised that the bulk of the external audit takes place during the period of peak summer vacation.</p> <p>In the spring, PMG will meet the external audit management team in order to agree a draft reporting timetable. The external audit team will additionally be requested to provide a draft audit timetable by the middle of July.</p> <p>As part of the re-design of the PI cover sheet, it will now include the names and contact details of all those staff likely to have sufficient knowledge to answer audit queries in the event that the primary contact(s) are unavailable.</p> <p>The Performance Team will also carry out awareness raising of the role of the external audit team through the guidance note (see R2) and through training.</p> | <p>31 March 2005</p> |