AUDIT COMMITTEE

AGENDA

7.30pm	**Wednesday, 26 October 2005**	**Havering Town Hall Main Road, Romford**

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (3)	**Residents' Group (2)**	**Labour Group (1)**
Graham Price (Chairman) Eddie Cahill (Vice Chairman) Roger Ramsey	Gillian Ford Malvin Brown	Wilf Mills

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

NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

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

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

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 correct records the minutes of the Committee meetings held 28 July and 27 September 2005 and to authorise the Chairman to sign them.

5.   AUDIT COMMISSION PROGRESS REPORT SEPTEMBER 2005

6.   RESULTS OF EXTERNAL AUDIT OF ACCOUNTS

7.   PROGRESS MADE SINCE THE ESTABLISHMENT OF A GRANTS CO-ORDINATOR POST

8.   INTERNAL AUDIT PROGRESS REPORT 1 MAY 2005 – 30 AUGUST 2005

9.   CLIENT AUDIT MANAGER'S REPORT 1 MAY 2005 0 30 AUGUST 2005

10. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

11. AUDIT AND ISPECTION ANNUAL LETTER

12. REVIEW OF SCHOOLS INTERNAL AUDIT: 2004/05

13. BROADFORD SCHOOL INSURANCE CLAIM REPORT

14. URGENT BUSINESS

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

Stephen Evans
Chief Executive

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Havering Town Hall, Romford

28 July 2005 (7.30pm – 9.40pm)

Present:

Conservative Group   Councillors Graham Price (in the Chair), Eddie Cahill and Roger Ramsey

Residents' Group   Councillor Malvin Brown and Gillian Ford

Labour Group   Councillor Wilf Mills

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.

10.   MINUTES

The minutes of the meeting held 9 June 2005 were agreed as a correct record and signed by the Chairman subject to the following amendments,
- Page 5M, item 7, second paragraph, third sentence – the word 'holding' to be changed to 'held'.
- In the following paragraph, second sentence the word 'advice' to replace 'advise'.
- In the last line, the last 'a' in the sentence to be removed.
- In item 9 page 6M the following sentence to be inserted 'The Chairman explained that he envisaged a report coming to the Committee as a confidential item'.

11.   MEMBERSHIP

It was noted that Councillor Malvin Brown had replaced Councillor Barbara Reith on the Committee.

12. STATEMENT OF ACCOUNTS 2004/2005

The Statement of Accounts for 2004/05 was presented to the Committee . Officers explained that it was still subject to audit.

Officers commented that under the code of accounting practice, the Statement of Accounts had to be presented to the relevant Committee by 31 July 2005. It was further noted that once the audit had been completed the final version of the Statement of Accounts would be sent to every Member of the Council.

The Pension Fund accounts had been sent to all Members on 27 July 2005. Officers indicated that it had been difficult to meet the deadline for the end of July because of the transition of fund managers that took place in February. The change of custodian also had an effect on the Officers meeting the deadline. There had been Information Technology [IT] problems during critical parts of the closedown process and the move to the Oracle 11i package had also taken place; this year was the first year of operation of the new system.

Officers advised that preparation for the closedown of the following years' accounts would soon start as the timetable reduced by a further month. In preparing the accounts, FRS 17 would be taken into consideration as well as a number of changes in legislation that were deemed material.

Various clarifications were sought by Members and Officers offered explanations.

Officers indicated that the figures presented in the Consolidated Accounts did not have budgets included. In response to a question, it was also noted that it would become a requirement to include the Council's accounts in the whole of the Government's accounts. This would mean that the inclusion of transactions of over £5m between public bodies would have to be confirmed by both parties.

Officers commented that all public bodies with a turnover of over £5m would have to have their figures agreed with other parties with similar turnovers. It was suggested that internal audit review would start soon and contingencies would be audited. Following comments from Members, Officers agreed that to avoid re-occurrence of difficulties faced in preparing the accounts, Services would need to 'talk to each other'. It was noted that 2006 was an election year and this needed to be taken into consideration, as there would be a new Audit Committee constituted only a month before the statement of accounts would need to be approved. Officers agreed that this would be borne in mind as part of the planning stage, and had already been identified as a risk.

With regards to publicising the accounts, Officers indicated that notices had been put in the Recorder and would go through the normal process. It would also be located on the website possibly in multi languages.

In response to a question, Officers commented that Members of the public had been known to come with particular concerns in particular areas and officers had always been able to deal with issues raised.

Members sought clarification on how accuracies were checked, officers responded that regular reconciliations took place to monitor all aspects of the accounts. There were also audit checks in place to investigate all variances that occurred. It was further noted that Corporate Finance challenged figures put forward by Service Finance. School accounts were also put through the same process.

Members commented that there were a lot of write-offs in the accounts.

Members also wanted to know if compliance was happening, it was suggested that there were guidance notes and officers attended training and received notes from the Auditors to ensure compliance.

Members asked to know the role of the External Auditors, Officers explained that once the accounts had been finalised, the Auditors were given the working papers that backed up figures in the accounts. They then drew up a report and presented it to the Committee.

As a final note, Members were informed that the Comprehensive Performance Assessment [CPA] in past referred to the Annual Report because it used to be a statutory requirement, this was however no longer the case.

> Following a full discussion,
> - the Committee **received** and **approved** the Statement of accounts and
>
> - the Chairman **signed** and **dated** the Statement of accounts

13. STATEMENT ON INTERNAL CONTROL 2004/2005

The Statement on Internal Control for 2004/05 was presented to the Committee.

Officers commented that this was the first year for compliance and it needed to be approved separately from the Statement of Accounts.

In response to a question, it was noted that Internal Control was closely linked with Internal Audit but were reported separately. Furthermore, Services that had a low level of service delivery were being monitored regularly. Members would be given an update on a quarterly basis.

Members noted that the Waste Service had no star in service delivery and requested an explanation. The Client Manager, Internal Audit agreed to pursue this with the relevant Executive Director.

The Client Manager Internal Audit (CMIA), was asked how was the Statement on Internal Control (SIC) completed and how were internal control weaknesses identified and by whom. It was explained that a corporate governance GAP analysis had been carried out by the CMIA and the Executive Director of Finance and Planning. A Corporate Governance self-assessment questionnaire was then completed by the Council's Corporate Governance Group. The results of these exercises were reported to the RMG, Project Board, Governance Committee and the relevant Overview and Scrutiny Committee.

A review was carried out of the previous years SIC and resulting action plan and of the Head of Internal Audits Annual Report for 2004/2005. The results of external audits and inspection were also taken into account. In addition, all Executive Directors and Heads of Service completed a mini SIC and signed letters of representation which would have highlighted any short-comings.

Once all of the weaknesses had been identified and summarised, they were evaluated by the SMT in accordance with professional guidance, before a decision was taken as to whether to incorporate them into the SIC. Finally, the SIC was prepared by the Executive Director of Planning and Finance and by the Client Manager, Internal Audit.

> Members **noted** and **approved** the content of the Statement.

14. 2004/2005 INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Annual Report for 2004/05 prepared by pps-Acit, the Council's provider of internal audit services was presented to the Committee.

The Internal Auditor commented that it was possible to give a reasonable level of assurance that there were adequate levels of internal control within the authority.

Regarding sickness absence, officers suggested that substantial work was being carried out. Managers were regularly trained and encouraged to carry out 'back to work' interviews. However, the

importance of 'back to work' interviews was highlighted regularly to Managers.

Members requested clarification on the position of asylum seekers, Officers responded that there were now fewer asylum seekers in the Borough and that it was no longer any London Borough's responsibility to meet the needs of Asylum Seekers.

Another clarification was sought relating to partnership arrangements, Officers commented that the Service might be re-tendered, presently alternative arrangements were being looked at.

In response to a question from Members relating to HomeCare Service Providers, it was noted that they had strengthened their respective monitoring arrangements significantly and they were also checked by CSCI.

Regarding the allegation of tenders being tampered with, it was noted that the investigation was continuing but this will be reported back to the Committee.

With regards to Freedom passes, Members commented that this needed to be properly recorded and kept for monitoring purposes. Officers agreed to bring an updated report back to the Committee on actions taken and remedies sought.

It was noted that a report was due back to the Committee on the A1306. Officers advised that the Executive Director, Finance and Planning was clarifying this.

Members **noted** the internal Audit Annual Report.

15.   2003/2004 REPORT OF GRANT CLAIMS AND RETURNS

A report giving the Committee the Authority's position regarding the final version of the 2003/2004 audit report of grant claims and returns and the Action Plan was presented.

It was noted that training sessions are now taking place and there was a close working relationship between Officers and the Audit Commission. Members commented that it was important that Havering benchmarked against best practice. Also that there were systems in place to ensure and promote business continuity particularly where Officers involved in the grant claim preparation process had left the Authority prior to the audit taking place.

Officers advised that, in their view, one of the causes for late submissions was the senior audit review carried out by the Audit Commission, often close to the audit deadline. Officers have been in

discussion with the external auditor on how this could be minimised. The external auditor acknowledged this issue but stated that it was largely unavoidable.

The external auditor commented that 04/05 grants processing had started and timely reviews were taking place. Officers suggested that there were no late claims to date and that the Grants Co-ordinator was putting in significant effort to ensure timeliness of submissions to the Audit Commission. Furthermore that one of the reasons for the good report was because issues were addressed and in most cases resolved in-house before it got to the audit stage.

At the request of Members, the External Auditors agreed to approach Local Authorities classed as "low" stragglers to see if they were willing to share their experience with LB Havering.

The Committee **noted** the report

16.   STRATEGIC PROPERTY SERVICES

At the previous Committee meeting, Members requested some clarifications, because there were inferences from the report presented at the meeting that Property Services did not maintain an independent record of council properties.

The Internal Auditor from pps-Acit got a response from the relevant Service and reported back to the Committee. He informed them that Strategic Property Services maintain a database of all Council owned land and property for instance, Schools, Libraries, Administrative Centres (Town Hall). The database does not include Council Housing properties as the prime record is maintained by Housing.

He also informed them that all deed packets were stored in deed packet numerical order in locked vaults. Legal Services were currently investigating individual 'deed packets' in order to confirm that the Council not only still owned land indicated on the 'terrier system' but also held the requisite title.

17.   HOME CARE SERVICES

The Chairman informed the Committee that he had received information compiled with the help of Social Services, sent to him from Internal Audit confirming that £80k had being recovered from the HomeCare Service.

Members **noted** the information.

Audit Committee, 28 July 2005

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Havering Town Hall, Romford

27 September 2005 (7.30pm – 9.20pm)

Present:

Conservative Group	Councillors Graham Price (in the Chair), Roger Ramsey and + Paul Rochford
Residents' Group	Councillor Malvin Brown and Gillian Ford
Labour Group	Councillor Wilf Mills

An apology for absence was received from Councillor Eddie Cahill

+Substitute Member: Councillor Paul Rochford (for Eddie Cahill)

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.

18. USE OF COUNCIL PROVIDED MOBILE TELEPHONE BY COUNCILLOR ALBY TEBBUTT

A report containing information regarding the use of a Council provided mobile telephone to Councillor Alby Tebbutt was presented to the Committee.

The Chairman of the Committee gave an opening statement.

The Monitoring Officer and Section 151 Officer confirmed that following a discussion with Councillor Alby Tebbutt and further deliberations, they had accepted Councillor Alby Tebbutt's assessment of 50% of the calls being unrelated to Regulatory Services business and the sum of £2,632.98 had subsequently been paid by the Councillor.

The US mobile telephone was provided for Regulatory Services business.

It was noted that the existence of a protocol on those eligible for a mobile phone, that pre-dated the Governance Committee decision to establish such an eligibility policy was unknown to all the officers involved in this matter.

It was reported that the protocol provided to Councillors stated that Members are expected to pay for all private calls made.

Some Members suggested that the protocol had not been infringed if non regulatory service calls had been paid for. Others maintained that the proportion of non regulatory service calls could never be ascertained without further investigation, hence 50% was an arbitrary percentage.

Officers confirmed that no investigation had been undertaken, the Councillor's assessment having been accepted and should further investigation be sought by the Committee, there will be additional indirect costs in terms of staff time.

Questions were asked and responses given.

Officers confirmed that a policy has since been agreed between the Monitoring Officer and Section 151 Officer to avoid a repeat of events.

Some Members asserted that consideration needed to be given that the Councillor in question was acting in the scope of duties and therefore was acting reasonably. Others suggested that he breached the Members Code of Conduct and used the phone for political gain, hence misusing the council instrument. For this reason it should be referred to the Standards Committee.

Members agreed with the latter assertion and stated that the Standards Committee were entitled to have a report which would give them the opportunity to consider this matter.

Following a full discussion, it was **RESOLVED** that Members

- were satisfied that all Officers acted properly in issuing the mobile telephone and telling Councillor Alby Tebbutt to pay for private calls.

- had serious doubts about the level of non Regulatory Services work that the phone was used for, but it was not reasonable at this stage to incur additional expense for further investigation.

- agreed it be referred to the Standards Committee for them to consider whether the usage of the telephone was in breach of the Member Code of Conduct or any Protocols.

MEETING	**DATE**	**ITEM**
AUDIT COMMITTEE	**26 October 2005**	**5**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT SEPTEMBER 2005 Report attached.

SUMMARY

This report updates the Committee on work competed 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.

Staff Contact:	Sheree Hamilton Client Manager Internal Audit
Telephone:	01708-432946
E-mail address:	Sheree.Hamilton@havering.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers

None

Progress report:

October 2005

London Borough of Havering

INSIDE THIS REPORT

Reference:	LB Havering Progress report - Oct 05
Date:	October 2005

Introduction

The purpose of this report is to update the June 2005 Audit Committee on work completed since the last Audit Committee of 9 June 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).

Finalised reports

The following report has been finalised since the last Audit Committee:

- Report on 2003/04 claims

As this report was presented to the July Audit Committee the report has not been included within this progress update.

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 2004/05 and 2005/06 Audit and Inspection Plans

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	N/A	Set up meeting held 15 March 2005 and work completed. As primary purpose is to inform the accounts process and no significant issues were noted a separate report has no been issued.
Audit of Financial Statements 2004/05	EDF&P	July 2005	October 2005 (Opinion and SAS 610 report) December 2005 (Report)		Work largely complete and draft opinion and SAS610 report presented to October Audit Committee. More detailed report on issues arising from the audit will be drafted during November.
Financial aspects of corporate governance					
Corporate governance arrangements	EDF&P	March 2005	August 2005	N/A	Work completed and fed into the Use of Resources assessment. Findings from this will be reported to officers in early November. No separate report issued in advance of this
Grant claims					
Report on 2003/04 claims	EDF&P	November 2004	March 2005	July 2005	Draft report issued to officers on 21 March 2005. Meeting held on 28 April to discuss comments received on 15 April. Revised report provided to officers on 24 May 05. Comments and action plan received 5 July 05. Amended report issued on 15 July 05 and presented to 28 July 05 Audit Committee.

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
Performance work					
ICT review (baseline IT risk assessment)	EDCA&C	July 05	October 05		Preliminary risk assessment completed. Draft terms of reference agreed on 6 June and set up meeting held on 28 June 05. Key issues discussed and agreed at meeting on 23 August and draft report sent on 6 September 2005. Comments received on 22 September and discussed with officers. Amended version to be issued in October.
Inspections					
Housing Management	EDH&R	January 2005	April 2005	June 05	On site 17 January 2005. Work completed and draft report sent to officers on 11 March 2005. Feedback meeting held with officers on 18 May and score confirmed as 'one star service with promising prospects for improvement'. Final report issued 9 June.
2005/06 A&I Plan					
Planning and reporting					
Audit and Inspection Plan 2005/06	CE & EDF&P	January 2005	March 2005	April 2005	A&I Plan discussed with officers on 30 March 05. Presented to Audit Committee on 9 June 2005.
Annual Letter 2005/06	CE & EDF&P	September 2006	December 2006		Dates may be subject to change
Accounts					
Audit of Financial Statements 2005/06	EDF&P	June 2006	September 2006 (Opinion and SAS 610 report) November 2006 (Report)		
Grant claims					
Report on 2004/05 claims	EDF&P	January 2006	February 2006		
Performance indicators/plan audit					
BVPP compliance audit	ACES&C	September 2005	December 2005		

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
BVPP PI audit	ACES&C	July 2005	September 2005 (Submission) November 2005 (Report to Council)	September 2005	Work completed and final submission made on 5 September with 4 PIs reserved. Following extension to the deadline to allow officers to provide further information a further submission was made in the week commencing 15 September the number was reduced to three.
Comprehensive performance assessment					
Use of resources assessment	ED F&P	August 2005	October 2005		Work completed and scores submitted for national quality assurance. Scores to be reported to Council in early November.
Qualitative assessment of continuous service improvement (Direction of travel report)	CE and ACES&C	September 2005	November 2005		Council self assessment completed and submitted on 4 October. Work in progress
Performance work					
Partnerships review report	TBA	January 2006	TBA		
Human resource and recruitment and retention follow-up	ACEHR	May 2006	TBA		
Performance management follow-up	ACES&C	TBA	TBA		
Project management follow-up	ACES&C	November 2005	TBA		
Risk management follow-up	ED F&P	August 2005	September 2005	October 2005 (est)	Set up meeting held on 4 August. Draft report issued on 5 September. Officer comments received on 3 October and amended report sent to officers on 3 October. Awaiting final agreement from officers in order to issue as final (anticipate this will be before the end of October)
Customer access and user focus follow-up report	EDCA&C	March 2006	TBA		

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
Key issues note from review of the MTFS	ED F&P	April 2005	April 2005	N/A	Completed and key issues note (issued in April 05) discussed with officers on 17 May. Officers response received in August fed into CPA UoR work. Agreed no separate report to be issued.
Assessment of arrangements to comply with new legislations	ACEL&DS	July 2005	October 2005		Work set up in August and work completed during August and September. Draft report issued in mid October.
Inspections					
Culture	TBA	February 2006	TBA		

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
EDF&P	Executive Director Finance and Planning
ACEL&DS	Assistant Chief Executive Legal and Democratic Services
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
TBA	To be agreed

MEETING	DATE	ITEM
AUDIT COMMITTEE	**26 October 2005**	**6**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Results of External Audit of Accounts 2004/5

SUMMARY

1.1   The audit of accounts is currently in progress with the intention that it is completed by 31st October 2005. As part of the audit, there will be a separate report from the Audit Commission under Statement of Auditing Standards (SAS) 610 'reporting to those charged with governance' of any matters arising from the audit. This report will follow as appendix C when it is received from the Audit Commission.

1.2   Changes to the accounts have been agreed during the audit. These are mainly presentational issues but as the audit is still in progress, it is possible that further changes may be agreed and a schedule of all the changes will be included as appendix A to follow.

1.3   Following the report to the Committee in July 2005, it was necessary to make a number of changes to the Pension Fund Accounts. The effect of these changes is set out in appendix B together with the revised Pension Fund accounts.

RECOMMENDATIONS

2.1 To approve the changes to the 2004/05 Statement of Accounts as set out in appendices A and B.

2.2 To consider the SAS 610 report from the Audit Commission and to agree any changes to the Statement of Accounts following consideration of that report by the Committee.

2

REPORT DETAIL

3.1 The audit of the 2004/05 accounts is currently in progress with the intention that it is completed by 31st October 2005. A number of minor issues have come to light so far with regard to the presentation of the accounts. In addition, due to the automatic system for accruing invoices paid at the beginning of April 2005 and relating to the 2004/05 accounts, to that years accounts, £379,000 of VAT reimbursements to schools had been included as an external creditor. This has resulted in an over statement of creditors and debtors by this amount and the accounts have now been amended. As the audit is still in progress it is possible that further changes may be agreed and a schedule of the changes will follow as appendix A.

3.2 Members will recall that when the Pension Fund Accounts were presented to the Committee in July, officers highlighted the difficulties in closing the accounts due to the significant changes in the structure of the investment management of the fund together with the change in custodian, which had occurred late in the financial year.

Subsequent to the presentation of the accounts to the Committee, it was necessary to make a number of changes to the Pension Fund accounts and the effect of these changes and the revised accounts are attached as appendix B. The major change was the addition of purchases and sales which were settled after the end of the accounting period but where the commitment was made during the financial year. This had the effect of reducing net current assets by £708,000. All other changes amounted to an increase in net assets of £3,000, giving the net reduction in assets of £705,000 shown in the revised accounts.

3.3 The audit of the accounts is still in progress and there is a requirement under Statement of Auditing Standards (SAS) 610 for the Audit Commission to report separately to those charged with governance on any matters arising from the audit. The report from the Audit Commission will follow as appendix C to this report. Should any issues arise from this report, additional comments on these matters will also follow for consideration by the Committee.

4.0 **Financial Implications and risks**:

None arising directly from this report.

5.0 **Legal Implications and risks:**

None arising directly from this report.

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6.0 **Human Resources Implications and risks:**

None arising directly from this report.

7.0 **Equalities and Social Inclusion implications:**

None arising directly from this report.

Staff Contact: Corrinne Hollingsworth
Designation: Financial Services Manager
Telephone No: 01708 432203
E-mail address corrinne.hollingsworth@havering.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers List

Working papers held within the Finance Sections
The draft Statement of Accounts for 2004/05

	28/07/2005 £,000	REVISED £,000	CHANGE £,000
PENSION FUND ACCOUNTS			
Contributions receivable	19,232	19,231	1
Transfers in	3,495	3,495	-
	22,727	**22,726**	1
Benefits payable	- 17,894	- 17,894	-
Leavers	- 5,560	- 5,560	-
Administration	- 639	- 640	1
	- 24,093	**- 24,094**	1
Net additions/withdrawals	**- 1,366**	**- 1,368**	2
Investment income	7,537	7,518	19
Change in market value of investments	19,121	18,459	662
Investment management expenses	- 1,137	- 1,159	22
Net return on investments	**25,521**	**24,818**	703
Net increase in Fund	**24,155**	**23,450**	705
Net assets at 1/04/04	252,517	252,517	-
Net assets at 31/03/05	**276,672**	**275,967**	**705**
NET ASSETS STATEMENT			
Investments			
Equities	131,855	131,855	-
Fixed interest securities	52,917	52,917	-
Index-linked securities	27,226	27,226	-
Unit trusts	59,543	59,543	-
Short term securities	541	541	-
Cash and deposits	3,376	3,379	- 3
	275,458	**275,461**	- 3
Net Current Assets	**1,214**	506	708
Net Assets at 31/03/05	**276,672**	**275,967**	**705**

MEETING	DATE	ITEM
AUDIT COMMITTEE	26 October 2005	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: PROGRESS MADE SINCE ESTABLISHMENT OF GRANTS CO-ORDINATOR POST

SUMMARY

Timeliness and accuracy of grant claims is closely monitored by the Audit Commission and the Authorities previous poor performance in this area was one of the factors in establishing a Grants Co-ordinator's post.

When this post was approved it was requested that the effectiveness of this post was reviewed in the future.

This report provides the committee with progress and improvements made since the Grant Co-ordinator's post was established.

RECOMMENDATION

To note the progress and improvements made since Grants Co-ordinator's post was established.

To note that a further report will be presented when the 2004/05 grants process has been completed.

REPORT DETAIL

1.   ROLE OF THE GRANTS CO-ORDINATOR

The role of the Grant's Co-ordinators post was initially carried out on an interim basis from October 2003 and on a permanent basis from 14 March 2005. The post was agreed as part of an Invest to Save initiative and ultimately result in reducing audit fees. The main functions of the post are:

- Grants Co-ordinator's post monitors progress on grant claims requiring audit certification. A schedule of grants is maintained identifying for each grant the officer and service responsible for compiling the claim, the relevant finance officer and the deadlines for submitting claims and working papers.

- Prior to submission to audit, the Grants Co-ordinator reviews the claim form or return together with their supporting working papers against the Audit Commission's list of required working papers and identifies any issues for resolution by the grant compiler and or the relevant finance officer.

- Acts as a liaison between claim compilers and the Audit Commission. Works closely with all concerned to avoid late certification and qualifications of claims/returns.

- Produce regular monitoring reports which are submitted to Finance Managers meetings and Project Board which sets out the position each month on progress against the timetable and highlighting issues requiring action.

2.   PROGRESS

a)   Performance

2003/04 was the first year of grant claims fully covered by the Grants Co-ordinator's post and this section sets out the progress made on performance in 2003/04 compared to 2002/03. This section also includes the latest position for 2004/05 grants.

i.   2003/04 Performance against 2002/03 performance

The overall performance for 2003/04 compared to 2002/03 was presented in detail to this committee in July 05 and the performance table from that report has been updated and included at Appendix 1. In summary the performance between the 2 years is outlined below:

- Claims submitted by due date rose from 15% in 2002/03 to 76% in 2003/04.

- Claims certified by deadline rose from 24% in 2002/03 to 27% in 2003/04.

- The number of amended claims reduced from 21 claims in 2002/03 to 11 claims in 2003/04. (In addition, there are currently 2 claims for 2003/04 awaiting certification; indications are that these will require amendment).

- The number of qualified claims reduced from 21 claims in 2002/03 to 14 claims in 2003/04. (In addition, there are currently 2 claims for 2003/04 awaiting certification; indications are that these will both be qualified).

ii.   2004/05 grant claim performance

Grant claims are currently being processed for 2004/05 and a large number of claims have a certification deadline of the 31 December therefore a complete comparison of 2004/05 to 2003/04 can not be made at this stage. However the position as at the 30 September is as follows:

- 26 grants/returns were due for submission to audit. 3 claims were unable to be processed by their due date; the delays have been originated by the grant paying body and are not within the authority's control (the authority is in the process of investigating whether extensions to submission deadlines are possible until resolutions are issued by the grant paying body).

- Of the remaining 23 claims 19 were submitted to audit on time (82%). Although there are still 3 more claims due for submission in October we anticipate that there will be an improvement in 2004/05 to the 76% submitted on time for 2003/04.

- 7 claims were due to be certified by the Audit Commission at the 30 September and these have all been certified without qualification. One of these claims had received a qualification in 2003/04.

b)   Audit Fees

There was a reduction in audit fees from £266k for 2002/03 claims to £243k for 2003/04. Audit fees for 2004/05 claims incurred up to end of August are £48k. It is not possible to provide a meaningful estimate at this stage as the amount of audit work required cannot be predicted.

The reduction in fees from 2002/03 to 2003/04 is partly accounted for in the grant paying bodies reducing the number of claims requiring auditing and the introduction in 2003/04 of the new audit certification arrangements (for example claims below £50k no longer required auditing).

It is envisaged that the audit fees would expect to be reduced in the medium to long term to reflect the improved control environment i.e. once a consistent pattern emerges of claims submitted on time with adequate working papers and thereby reducing the number of audit issues raised.

4

c) Grant Protocol

Grant protocol is now in place and available on the intranet. This standardised processes and provides a step by step approach covering areas from making an application through to audit certification.

d) Action Plans

Action plans to monitor qualification issues and audit recommendations have been introduced and are currently being monitored (presented in detail to this committee in July 05).

e) Workshops/ Training

A number of workshops were provided to claim compilers (5 workshops in 03/04 and 2 in 04/05) and refresher courses are being planned to take place prior to the 2005/06 grants process.

f) Monitoring Reports

Regular monitoring reports are submitted at Finance Managers meetings and Project Board which sets out the position each month on progress against the timetable and highlighting issues requiring action. The timetable has been established with submission deadlines set a month before the stipulated deadlines, enabling potential late claims to be escalated to Heads of Service and/or Executive Directors for action.

3.   FUTURE PLANNED DEVELOPMENT

To build on the progress made so far a number of developments are planned in preparation for the 2005/06 grants process and are outlined below.

- Further training/workshops to claim compilers, to be delivered after December 05.

- Identify those Local Authorities with higher performance and investigate adopting best practice.

- Issue of guidance notes - To be produced jointly with the Audit Commission and will support the list of working paper requirements with the aim of defining what accepted adequate working papers are.

- Post audit reviews – These will be completed for each grant claim/return and will highlight issues identified during the Grants Co-ordinator's review and to agree audit findings. This will hopefully avoid delays in finalising the annual grants report and improve preparation for future claims.

5

- Reconciliation of grant income to budgets – To ensure that accounting practices are consistent across all services and identify variations from budgets.

Financial Implications and risks:

Grant claims and returns that required auditing in 2003/04 was audited to the value of £120m. Poor performance in submitting claims puts the Authority's Comprehensive Performance Assessment and income at risk. The cost of the Grants Co-ordinators post is approximately £36k (including on cost) which is 0.03% of the value of claims audited. There has already been a reduction in the size of the audit fees and the performance in the current year should lead to a further reduction in fees.

Qualified claims may lead to the authority having to repay grant income and delays leading to late certification of claims can result in the suspension of grant income. The existence of the Grant Co-ordinator post provides a further safeguard to the Council.

Legal Implications and risks:

Human Resources Implications and risks:

Equalities and Social Inclusion implications:

Staff Contact: Debbie Ford
Designation: Grants Co-ordinator
Telephone No: 01708 - 432635
E-mail address   Debbie.ford@Havering.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers List

Audit Commission's 2003/04 Audit report of grant claims & returns

2003/04 GRANT PERFORMANCE AGAINST 2002/03 GRANTS PERFORMANCE

Summary

	2003/2004		2002/2003	
	No.	**%**	**No.**	**%**
Submitted by due date	25	76	7	15
Submitted late	8	24	39	85
Total claims	**33**	**100**	**46**	**100**

Certified by deadline	9	27	11	24
Uncertified by deadline (includes 2 awaiting certification)	24	73	35	76
Total claims	**33**	**100**	**46**	**100**

Amended claims	11	33	21	46
Qualified claims	14	43	21	46
Claims awaiting certification	2	6	n/a	n/a

MEETING	**DATE**	**ITEM**
AUDIT COMMITTEE	**Wednesday, 26 October 2005**	**8**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 1 May 2005 – 30 September 2005

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 1st May 2005 to 30th September 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.   2005/2006 Audits

1.1   Schedule 1 details the progress on work completed to the draft and final stages between 1st May and 30th September 2005.

1.2   Schedule 2 contains the management summaries for audits completed to final report stage between 1st May and 30th September 2005.

1.3   Schedule 3 contains the management summaries for the follow up audits completed between 1st May and 30th September 2005.

2.   Fraud and Investigation Work

2.1   Schedule 4 contains a brief synopsis of the fraud and investigations work conducted between the 1st May and 31st August 2005. Included in the summary are the results of completed investigations and actions taken and work that is still in progress.

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

Staff Contact: Sheree Hamilton
                        Client Manager Internal Audit

Telephone: (01708) 432946

E-mail: sheree.hamilton@havering.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports
Internal Audit database

2005/2006 AUDIT PROGRAMME (01 May to 30 September 2005)   SCHEDULE 1

Audits Completed To Final Report Stage

Report	Issued	Internal Auditor's Opinion	Recommendations				Ref
			High	Med	Low	Total	
Quality & Contract Management in the Care for the Elderly.	31.05.05	Qualified	0	12	0	12	Sch 2 (a)
Monitoring and Co-ordination of Voluntary Sector & Carer Service	31.05.05	Qualified	0	10	0	10	Sch 2 (b)
Oracle Financials	22.06.05	Unqualified	0	2	2	4	Sch 2 (c)
BS799	26.08.05	Unqualified	0	4	9	13	Sch 2 (d)
Truancy	25.05.05	Unqualified	0	0	0	0	Sch 2 (e)
Education Welfare Support	20.07.05	Unqualified	0	0	0	0	Sch 2 (f)
Education Otherwise	20.07.05	Unqualified	0	1	0	1	Sch 2 (g)
Best Value Performance Indicators	27.07.05	Qualified	0	1	1	2	Sch 2 (h)
Cash and Banking	09.08.05	Unqualified	0	2	0	2	Sch 2 (i)
Counsel Payments & Legal Services Contract Monitoring	16.08.05	Unqualified	0	3	4	7	Sch 2 (j)
Housing Grants	19.08.05	Unqualified	0	5	0	5	Sch 2 (k)
Approved Lists & Contracts Register	08.09.05	Qualified	0	7	1	8	Sch 2 (l)
Fraud Policy & Response Plan/Whistleblowing Policy	20.09.05	Unqualified	0	6	0	6	Sch 2 (m)
Cashiers	22.09.05	Unqualified	0	0	0	0	Sch 2 (n)
Total			**0**	**53**	**17**	**70**	

Pro-Active Audits Completed To Final Report

Report	Issued	Recommendations				Ref
		High	Med	Low	Total	
Former Tenant Arrears Write-offs	01.06.05	2	7	0	9	Sch 2 (o)
Total		**2**	**7**	**0**	**9**	

Follow Up Audits Completed as at 30.09.05

Report	Issued	Progress Towards Implementation	Ref
Crime & Disorder Reduction CCTV	29.06.05	Good Progress	Sch 3 (a)
Right to Buy	04.07.05	Good Progress	Sch 3 (b)
Pupil Services	21.07.05	Good Progress	Sch 3 (c)
Trade Refuse Collection	18.08.05	Good Progress	Sch 3 (d)
Domestic Refuse Collection	18.08.05	Good Progress	Sch 3 (e)
Highways	01.09.05	Good Progress	Sch 3 (f)

Audits Completed to Draft Report Stage as at 30.09.05

Report	Draft Issued	Head of Service	Executive Director
Flexi & Annual Leave/Overtime & T.O.I.L. : Pro-Active	27.06.05	All	All
Grant Returns Compliance to Protocol	06.07.05	Mike Stringer	Rita Greenwood
Lessee Charges	08.08.05	Barry Kendler	Mark Gaynor
Personnel Arrangements	06.09.05	Marj Keddy	David Ede
Housing Aid	26.08.05	Barry Kendler	Mark Gaynor
Provision of Services for Those With Learning Disabilities	08.09.05	Peter Brennan	Marilyn Richards
Permits & Other Parking	12.09.05	Andrew Mckenzie	Heather Bonfield
Agencies : Pro-Active	19.09.05	All	All
Parking Tickets Issue & Processing	21.09.05	Andrew Mckenzie	Heather Bonfield
Main Accounting	23.09.05	Mike Stringer	Rita Greenwood
Sickness : Pro-Active	27.09.05	All	All
Environmental Services (Streetcare)	28.09.05	Bob Wenman	Cynthia Griffin

(ALL 2004/05 AUDIT WORK HAS BEEN COMPLETED)

Management Summaries Systems Audits

Quality and Contract Management   **Schedule 2(a)**
in care for the elderly

1.   **Management Summary**

1.1   **Introduction**

1.1.1   The Strategy and Commissioning Service within Social Services provides commissioning and contracting functions for services for vulnerable adults and older people as well as a range of support services.

1.1.2   The service area reviewed in this audit comprises those activities, within Social Services Strategy and Commissioning, for the quality assurance of services provided for placements of elderly persons in care homes and domiciliary care services.

1.1.3   The Commission for Social Care Inspection's report on Havering Services for Older People, January 2004, confirmed that the council did not have a structured and systematic approach to quality assurance and confirmed that managers and staff were largely unaware of the quality of their services. The report acknowledged that there were some promising examples of quality assurance initiatives in place but made recommendations that the directorate should work to develop a quality assurance framework.

1.1.4   The Head of Strategy & Commissioning specifically commissioned this audit requesting Internal Audit's support with the development of the systems for quality assurance of the care services.

1.2   **Key Risk Areas Reviewed**

1.2.1   This audit fully or partly reviewed the following key risk areas:
- Managers are unclear about their purpose or priorities
- Managers are unaware of the full scope of elderly care provision
- Managers are unable to measure the performance of care providers
- Managers are not capturing all available information concerning the performance of care providers
- Managers are not able to identify areas for improvement or measures for action
- Managers are not making efficient or economical use of resources
- Managers are not able to influence care providers or enforce change in order to improve performance

- Managers are not able to effectively refute a challenge to their opinion

- Managers are not able to transfer learning and good practice from one care provider to another

- Incorrect charges applied by providers

1.2.2 Due to a request from Strategy and Commissioning to limit audit activity the following risks areas were not reviewed:

- LBH unable to meet statutory requirements through loss of residential care places or domiciliary care provision through cancellation of provider contracts

- Contracts are invalid

- Incorrect payments made to providers

- Unauthorised access to data and documentation resulting in disclosure of personal or commercial information

- Loss of data

1.3   Significant Issues

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

- Good progress has been made in respect of the development of a quality assurance framework and the implementation of a structured monitoring process including service user surveys and monitoring visits by the Contract Monitoring Officers (CMOs) for Placement and for Domiciliary Care.

- The CMOs have worked collaboratively in order to develop the assurance framework, pooling resources and expertise to produce a more comprehensive and effective product. Assurance processes have been developed for both care regimes, however the rate of progress on each system has varied due to differences in loading and priorities between the 2 regimes. There is value in the CMO's continuing to collaborate and share good practice.

- Flow through of information between the CMOs and the key stakeholders needs to be strengthened, to ensure that decisions made are well informed and opinions are evidenced. Key stakeholders include CSCI, SSD Senior Management, Adult Protection Team, Care Teams, and other agencies involved in the monitoring and assessment of care services

1.4 Summary of Recommendations

1.4.1 The report contains 12 medium category recommendations.

1.5 Audit Opinion

1.5.1 A qualified audit opinion is given as this is a developing system and a number of recommendations have had to be made to improve the service. Internal Audit is satisfied that measures are being taken to develop a strong control environment.

Monitoring & co-ordination of   **Schedule 2(b)**
voluntary sector & Carer Services

Management Summary

1.1   Introduction

1.1.1   The service area reviewed in this audit comprises the activities, within
        Social Services Strategy and Commissioning, for the commissioning of
        services from Community and Voluntary Organisations (CVOs), the
        management of contracts with these service providers and the quality
        assurance of the services provided.

1.1.2   The Council received a Carer's Grant Allocation of over £510,000 and
        over £296,000 was committed for purchasing services from other
        CVOs, in the financial year 2004/05

1.1.3   The National Procurement Strategy for Local Government (10.03)
        highlighted the need for councils to develop service partnership with
        suppliers, including CVOs. As the Government is keen for CVOs to
        play a greater role in Public Service Delivery, it is important that
        systems are in place to harness the benefits which can be accrued
        from using CVOs as service suppliers, whilst addressing the barriers
        many CVOs face with local government procurement and contract
        management processes.

1.1.4   Strategy and Commissioning recognised the need to adopt a strategic
        approach to procurement of care services from the CVOs and
        specifically requested internal audit review of this developing system in
        order to ensure that the development was effective, economic and
        efficient.

1.2   Key Risk Areas reviewed

1.2.1   This audit fully or partly reviewed the following key risk areas:

    •   Commissioning unclear about their purpose or priorities

    •   Commissioning unaware of the full scope of service provision by
        Community and Voluntary Groups and the needs addressed and
        not met

    •   Commissioning unable to measure the performance of service
        providers

    •   Commissioning not capturing all available information concerning
        the performance of service providers

    •   Commissioning not able to identify areas for improvement or
        measures for action

- Commissioning not making efficient or economical use of resources

- Commissioning not able to influence service providers or enforce change in order to improve performance

- Unauthorised access to data and documentation resulting in disclosure of personal or commercial information

- Service Users are subject to abuse by staff and volunteers working for service provider

1.2.2 Due to a request from Strategy and Commissioning to cease audit activity the following risks areas were not reviewed:

- Commissioning unable to effectively refute a challenge to their opinion

- Commissioning not able to transfer learning and good practice from one care provider to another

- LBH unable to meet statutory requirements through loss of service as a result of cancellation of provider contracts or loss of goodwill of service provider

- Contracts are invalid

- Incorrect payments made to providers

1.3 Significant Issues

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

- the quality of the scope and coverage of information gathered concerning the current provision of and need for carer services will have a significant impact upon the effectiveness of the Carer's Strategy;

- the current service contracts do not identify a comprehensive range of performance standards and indicators, therefore measures need to be introduced to improve the effectiveness of performance monitoring; and

- the current service contracts or service specifications do not identify the specific responsibilities of service providers in respect of safeguarding the service users, any future contract with CVOs should identify and facilitate monitoring of key policies and procedures.

1.4   Summary of recommendations

1.4.1   The report contains 10 medium category recommendations.

1.5   Audit Opinion

1.5.1   A qualified audit opinion is given as this is a developing system and although Audit is satisfied that measures are being taken to develop is a strong control environment, an adequately robust environment is not yet in place.

Oracle Financials **Schedule 2(c)**

1. Management Summary

1.1 Introduction

1.1.1 Oracle Financials is Havering's financial information system. It comprises the General Ledger and Account Payables. It forms part of the e-business suite using an Oracle database.

1.1.2 The application runs on the P670 machine and although the system is owned by Finance, much of its day to day operation is the responsibility of ICTS.

1.1.3 The version of Oracle used had to be upgraded from 10.7 to 11i. This upgrade necessitated many changes and the upgrade was generally well managed, with user training being well structured, and a post implementation review undertaken to identify areas for improvement for future projects.

1.1.4 The audit found that overall the system of control was good. Most of the recommendations in this report relate to either improvements to administrative controls, i.e. preparation of written procedures, or relate to corporate security standards, which are not specific to Oracle Financials and may need to be addressed in the longer term.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- System failure or unavailability.

- The system does not meet existing or future business requirements.

- The application is insecure and allows unauthorised access.

- Data is inaccurate or incomplete.

- Data is lost.

- The system is inadequately supported.

- Uncontrolled or untested changes are made.

- Unauthorised activity upon the system cannot be traced back to the responsible user.

1.3   Significant Issues

There were no significant issues found within the audit.

1.4   Summary of recommendation(s)

1.4.1   The report contains four recommendations, two of which are assessed as medium, the remaining two are low.

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 governing Oracle Financials.

However management need to ensure that:

- When a housekeeping exercise is undertaken, those users who no longer use the system are locked out within a reasonable time of their last system access;
- The password lifetimes for high level access profiles is reduced from 60 to 30 days;
- A copy of the existing contract with Fujitsu is located and filed with the e-government office;

| **BS7799** | **Schedule (2d)** |

1   Management Summary

1.1   The British Standards Institute (BSI) standard BS7799 – *Code of Practice for Information Security Management Systems* is a guide for business managers and staff to provide a model for setting up and managing and effective Information Security Management Systems.

1.2   We have used the controls set out in the standard as a baseline to review and assess the general information system security controls currently in place at Havering.

1.3   As an aid to management we have also tried to identify which departments or sections have responsibility for the specific control under review.   We have provided a full copy of the control matrix to the ICT Security Manager.

1.4   The audit found that overall the controls operating over information security are improving. There are areas of weakness; however we have tried to focus the recommendations on those areas which are not under active review or consideration by senior management.

1.5   The audit also noted that the physical security of areas containing critical information could be improved and it was ascertained that the Authority are already taking action to improve the main security access in Mercury House. CCTV cameras are to be installed at the Computer Room and at the rear of Mercury House and the new accommodation review will give the opportunity to further review the security of critical information. The only point that the Authority needs to be aware of is that unaccompanied public access to different offices within buildings should not be allowed as this would negate the effectiveness of perimeter controls.

2.0   Key Risk Areas reviewed

2.1   This audit reviewed the following key risk areas:

- Information security policy.

- Information security infrastructure.

- Asset clarification and control.

- Physical and environmental security.

- Communications and operations management.

- Access control.

1.3   Significant Issues

There were no significant issues found within the audit.

1.4   Summary of recommendation(s)

1.4.1   The report contains thirteen recommendations, four of which are assessed as medium, the remaining nine are low.

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 governing Information Security. Management interviews indicated that there is an awareness of where controls need strengthening.
However management need to ensure that:

- A short Computer Security Policy document is prepared;
- Procedures are established to control and monitor all types of security incident;
- The technology is provided to stop the loading of malicious software.

Truancy   **Schedule 2(e)**

1   Management Summary

1.1   Introduction

1.1.1   Everyday over 50,000 pupils miss a day of school without permission and estimated 7.5 million school days are missed each year through truancy. Research shows that these children who are not in school are most vulnerable and are easily drawn into crime and anti-social behaviour and more likely to be unemployed after leaving school. The 2002 MORI Youth Justice survey of young people showed that those who play truant are more likely to offend than those that do not, with two-thirds (65%) of truants having offended compared to less than a third (30%) of those who have not played truant. The link between truancy and crime was also stated in the 2004 MORI Youth Justice Survey.

The Government's determination to reduce unauthorised absence and tackle truancy saw the start of national co-ordinated truancy sweeps in May 2002.Since then the Department has maintained the momentum of truancy sweeps by conducting national exercises twice a year.

Data from the previous sweeps show that, of 78,970 pupils stopped, 40% of them were truanting and 44% of those truants were with an adult.

Truancy sweeps are carried out by partnerships of Police Officers and Education Welfare Officers. National Truancy sweeps are a regular feature initiated by the DFES. Truancy Sweeps are also a good way of bringing together a number of agencies in a joint effort to tackle the truancy. Under the Crime and Disorder Act 1998, the police have powers to pick up (but not arrest) children playing truant and take them to a designated area or, sometimes, back to school. Generally this power will be used through occasional 'sweeps' where Police and Education Welfare Officers join forces for a day and target particular areas for example in shopping centres.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- No registration of pupils

- No expectations of schools monitoring attendance

- Not implementing government initiatives – e.g. truancy sweeps

- No anti truancy initiatives

1.3   Significant Issues

There were no significant issues found within the audit.

1.4   Summary of recommendation(s)

1.4.1   The report contains no recommendations.

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 Pupil Services. However Pupil Services have issued an attendance strategy and undertaken truancy sweeps that have covered both primary and secondary schools. The role of pupil services is to only cover primary schools but the resulting initiatives have benefited in dealing with attendance issues of both primary and secondary schools. The lack of one section dealing with overall attendance issues may result in inconsistent and non universal practices being applied.

Education Welfare Support	**Schedule 2(f)**

1. Management Summary

1.1 Introduction

1.1.1 Regular school attendance is essential if pupils are to make the most of the educational opportunities available to them. Irregular attendance seriously disrupts continuity of learning, undermines educational progress, and leads to under-achievement and low attainment.

1.1.2 In order to support parents and schools the Education Welfare Service provides a range of services in order to promote regular attendance at schools or to make alternative arrangements to ensure pupils receive a full time education.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- All referrals are not assessed and actioned in accordance with laid down timescales.

- No action is taken over non attendees and there is no legal intervention and no financial penalties relating to non attendance.

- No liaison with other agencies to facilitate the resolution of problems with the families concerned.

- Absence of reporting to senior management and council members.

1.3 Significant Issues

There were no significant issues found within the audit.

1.4 Summary of recommendation(s)

1.4.1 The report contains no recommendations.

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 Education Welfare Service, specifically relating to the work of Education Welfare officers and Youth Attendance Advisors.

1.5.2   Both School Support and Pupil Service (SPSS) and the Youth
        Education Support Service (YESS) provide a valuable and professional
        service to support parents, schools and other agencies in order to
        assist pupils to access full time education. The view taken by
        management in both the SPSS and the YESS is that each case
        handled by EWO's and YAA's is better managed by placing trust in
        these officers professional attributes rather than reliance being placed
        on the effectiveness of the various orders available under legislation.

| **Education other than at schools** | **Schedule 2(g)** |

1 Management Summary

1.1 Introduction

1.1.1 The primary duty to educate rests with parents and they have a legal right to educate their child at home. If a parent chooses to do this then they must notify the child's school in writing that they wish to be withdrawn from the school roll. In addition there will be other circumstances where pupils are unable to attend mainstream school due to a variety of reasons and the Education Otherwise Service offers alternatives to full-time education through mainstream schooling.

1.1.2 Education Otherwise comprises of the following services:

- **Home Education:** this service supports parents, offers advice and provides an advisor for each child educated in this way.
- **Tuition Service:** provides education for pupils who are temporarily outside of mainstream schooling. Pupils are able to attend the Tuition Centre or be taught as an outreach student.
- **Hospital Education:** the service is based at Oldchurch Hospital and has close links with parents, schools and other Hospitals.
- **Traveller Education:** the service is based at Mawney School and is intended to facilitate integration in to mainstream schooling.

1.1.3 Internal Audit examined three areas as part of this review: the Tuition Service, the Home education Service and the Hospital Education Support Service. In each area procedures were in place to ensure that all groups of pupils who (for whatever reason) were not in mainstream schooling were given access and support to an appropriate education.

1.1.4 Referrals were dealt with on an individual basis and handled in a sensitive manner, with other internal service areas and external agencies, in order to ensure maximum benefit to the pupils was derived and where possible pupils were reintegrated back into full time education. Effective liaison was found between Education Otherwise and other professionals. Effective systems were also in place to monitor the progress of pupils using each of the services reviewed

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- All referrals are not assessed and actioned.

- No access to education outside of mainstream schools.

- No policies, procedures, responsibilities over the standard of service accessible.

- No continuity of educational provision.

- No accountability of monitoring and evaluation.

1.3   Significant Issues

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 Education Otherwise Service.

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

1.   Management Summary

1.1   Introduction

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

1.1.2   Guidance on definitions and calculations of BVPI's are provided by the Office of the Deputy Prime Minister (ODPM). The latest updates available at the time of the audit were for December 2004 v1.1.

1.1.3   For each BVPI there is a PI Lead and a Directorate Co-ordinator that are responsible for collating the information and submitting it to the Performance Team. All information submitted has to be on a '2004/05 Performance Indicators Non-finance outturns & future targets' form. The form confirms the actions of the PI Lead, Head of Service, Directorate Co-ordinator and the Performance Team in preparing the BVPI and is required to be signed as evidence of the action being taken.

1.1.4   The Performance Management Group, representing the Directorate Co-odinators and the Performance Team meets on a regular basis to discuss new guidance and other issue relating to the BVPI's. The BVPI's originally selected for testing in this audit was discussed and agreed at this forum. The testing was supplemented by the BVPI's identified as high risk by the Audit Commission.

1.1.5   BVPI's 12, 56, 82a&b, 84,174,175,183,184 and 185 have been selected for review.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Non-Compliance to the Office of the Deputy Prime Minister's (OPDM) definition and guidance in the compilation of the BVPI's;

- Incorrect, invalid or incomplete information used for the calculation of the BVPI's;

- Incorrect processing or calculation of information;

- Incorrect interpretation of the definition of the Performance Indicator; and

- Comprehensive Performance Assessment (CPS) affected by qualified BVPI's.

1.3 Significant Issues

- BVPI 82a&b required recalculation and resubmission following an error in the calculations.

- BVPI 84 required resubmission as it relies on the information calculated in 82a&b

- BVPI 183 required recalculation and resubmission following the discovery of a corrupted spreadsheet.

- BVPI 185 required recalculation and resubmission following the discovery of a corrupted spreadsheet.

1.4 Summary of recommendation(s)

1.4.1 The report contains 1 medium and 1 low priority recommendation.

1.5 Audit Opinion

1.5.1 A qualified audit opinion is given as there are weaknesses in the main system of control and without these there would be a strong likelihood of errors taking place which would not be identified.

Cash & Bankings	Schedule 2(i)

1   Management Summary

1.1   Introduction

1.1.1   The Constitution of the London Borough of Havering states that the Executive Director Finance and Planning shall approve in writing all procedures for the collection of monies due to the Council regardless of the cluster within they are collected. It also states that all banking must be made using pre-printed giros showing the establishment's unique banking reference.

1.1.2   The Executive Director Finance and Planning is the employee nominated by the Council to operate its bank accounts in the way that she considers appropriate and she must approve any arrangements that need to be made with the Council's bankers, including the withdrawal of funds or transfer from one account to another. The Executive Director Finance and Planning must be notified of all bank accounts operated by any of the Council's employees in connection with the business of the Council or unofficial funds held by the Council.

1.1.3   According to the Financial Framework bank mandates must bear the signature of the Executive Director Finance and Planning, with the exception of petty cash imprest accounts or other accounts as agreed, e.g. schools and amenity funds. It also states that all receipts should be banked promptly directly into the borough's bank account and that there should be regular reconciliation of bankings made to FIS-agreeing income posted to income banked.

1.1.4   Banking can be done either at one of the Council's cash offices, located at either the Town Hall or at the Housing Offices or using a Bank Giro Credit and paying into the bank. All income should be banked intact with no deductions made , i.e. all income must be banked as income and not used for further expenditure. The Cashiers will process the payment and supply an official receipt for the transaction showing the FIS code. The cashiers can also include a short description which may make FIS reconciliation easier. In cases where there is regular income to be banked, arrangements can be made for Securicor to collect the income and consolidate it into one main banking which is then deposited at the bank.

1.1.5   Bank reconciliation are performed on weekly basis for the Council's monitoring purposes and a monthly reconciliation is prepared for external audit purposes. The monthly reconciliation is reviewed by the Financial Systems Manager and the pack includes the following:

- Summary of the Cash Book

- General bank account reconciliation,

- Bank Reconciliation (showing the latest week of the spreadsheet containing details of Income and Expenditure seen on the General and Payment Accounts)

- Cashiers 'Red Book' (Latest month of spreadsheets listing the cashiers daily takings)

- Bank Statements

1.1.6   The last two year's banking can be summarised as follows:

YEAR	Total Income	Treasury Management	Creditors	Salaries	Benefits
2003/04	£1201,870,408	£826,831,445	£243,868,667	£116,310,537	£15,526,643
2004/05	£1084,128,551	£626,632,569	£314,878,528	£120,454,182	£17,708,839

Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

1.2.2   Financial loss or misappropriation of income received

1.2.3   Regulatory risk or non-compliance with the Financial Framework, Constitution and procedures

1.2.4   Inaccurate or incomplete record keeping of the monies collected, banked and recorded on the Council's Financial Information Systems

1.2.5   Ineffective and inefficient use of resources

1.3   Matters Arising

1.3.1   It was found that the data relating to the reconciliations carried out by the Cashiers Supervisor was not up to date on the monitoring spreadsheet maintained within the Finance section. The Cashiers Supervisor has stated that if she could have access to the document she would ensure that she would monitor her reconciliations and regularly update it. This has been agreed by finance.

1.3.2   It was agreed that the policies and procedure in place for reconciling the 'Red Book' (Spreadsheet with details of receipts processed by Cashiers matched to the bank statement), preparing the cash books, reconciling the bank and unpresented cheques, would be reviewed to ensure that is it up to date and that all the changes to the system and account numbers have been incorporated.

- The Financial Systems Manager and Senior Systems Assistant should discuss the requirement for monthly balances with the

Audit Commission to ensure that reconciliation information is being provided in the most cost effective manner and if monthly reconciliations are required.

1.4 Significant Issues

- Reconciliations of income to FIS and cash books were not performed timely in period 10, 11 and 12 of 2004/05 due to the Nat West/Securicor problem when monies were not consolidated properly. This situation has now been rectified.

- The Bank Reconciliations were performed timely, although, due to the above the January and February reconciliations summary sheets were only signed off once the March year end reconciliation was completed.

1.5 Summary of recommendation(s)

1.5.1 The report contains 2 medium priority recommendations.

1.6 Audit Opinion

1.6.1 An unqualified audit opinion is given as Audit found that the system of control are generally in place and that any recommendations being made are to enhance the control environment.

Counsel Payments & legal Services Contract Monitoring	Schedule 2(j)

1.   Management Summary

1.1   Introduction

1.1.1   The Council will use counsel to provide legal advice and for representation in Court. There therefore needs to be sound controls operating for the appointment and management of such appointments. This is made more important due to the need to appoint counsel at short notice or client departments wanting the counsel of a specific barrister and so this may result in no competition being sought for these appointments. There is also a need to ensure that when advice from counsel has been obtained that management act on it to ensure that the Council is not being put at an unnecessary risk.

1.1.2   The audit will also look at the procedures followed by the Legal Services Contract Section to ensure that contracts that are required to be sealed are being identified and executed in a timely manner.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- The Council paying more than necessary for the advice from counsel.
- Legal Services do not review the performance and advice provided by counsel or take appropriate action.
- Legal Services are not maintaining a list of construction contracts that are required to be sealed.
- Officers do not monitor the progress in exchanging and sealing contracts, and
- A record of contracts is not being maintained so that officers are unaware of what contracts have been prepared which can lead to duplication of effort.

1.2.2   Apart from the issues set out below all areas reviewed were operating satisfactorily and addressed the Key risks identified above.

1.3   Significant Issues

1.3.1   There were no significant issues found within the audit. The controls and procedures operating were found to be sound and effective.

1.4   Summary of recommendation(s)

1.4.1   The report contains three medium and four low risk recommendations that will further enhance and strengthen procedures in these areas.

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 Legal Services Section in respect of both appointment and monitoring of counsel and for the preparation and sealing of contracts.

Housing Grants	Schedule 2 (k)

1. <u>Management Summary</u>

1.1 Introduction

1.1.1 Disabled Facilities Grants are provided to registered disabled people in order to make their homes more suitable for independent living. Individuals must contact the Social Services Department in order to register their details and be placed on a waiting list for an occupational therapy assessment. The disabled person and their partner are subject to a means test and individuals may be required to pay any shortfall above the grant limit (currently £25,000). The Housing Department's 2004/05 budget was £600k and actual expenditure incurred was £693k. There were one hundred and thirty four applications formally processed during the financial year.

1.1.2 Discretionary Repair Grants are provided whenever a property is in a serious state of disrepair or fails to meet the decent homes standard. An Environmental Health Officer will inspect the property and make a decision whether it is in a sufficiently poor condition. The Council targets funding at vulnerable groups. The Housing Departments 2004/05 budget was £150K and the actual expenditure incurred was £45k. There were ten applications formally processed during the financial year.

1.1.3 The overspend on Disabled Facilities Grants was funded by the savings in the Discretionary Repair Grant budget leading to a combined £12k saving across both budgets.

1.1.4 A separate budget has not been established for HMO's (House in Multiple Occupancy) as expenditure is directly made from the Housing Renovation budget.

1.1.5 There were no Housing Grants made in 2004/05 in respect of Empty Properties and Relocation Grants. Revised policy procedures are currently being prepared for Housing Grants including the following additional categories; Landlord Grant, Home Security Grant and payment of Credit Arrangement Fees.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:
- Relevant Legislation, internal procedures and guidelines are not being adhered to;
- Formal applications for Discretionary Repair Grants are not processed in accordance with laid down procedures;

- Formal applications for Disabled Facilities Grants (Mandatory) are not processed in accordance with laid down procedures;

- Formal applications for HMO (House in Multiple Occupancy) Grants not processed in accordance with laid down procedures;

- Refunds not recovered when terms and conditions of grants not observed;

- Monthly Budgetary Monitoring procedures not carried out;

- Favouritism may be shown to contractors in the award of building contracts;

- Grant claims are not submitted to the Office of the Deputy Prime Minister (ODPM).

1.3   Significant Issues

1.3.1   A Housing Grants software package (Flare) is currently in operation within Environmental Health which provides detailed information on a property wide basis and schedules of work in respect of discretionary repairs. Audit has been informed that the Housing Needs & Strategy Manager has agreed in principle to the introduction of this package within the Housing Grants section. The implementation should enable staff to accurately complete means testing for grant applicants, acquaint staff with new legislative developments and assist them in performing administrative duties in an efficient and effective manner.

1.3.2   Environmental Health has prepared an independent list of builders and contractors which complies with 'Constructionline' (National register of local & national construction and construction related contractors and consultants, pre-qualified to work within the public sector) and the Council's code of conduct for builders and contractors. This list has been issued to the Housing Grants section and must be distributed to clients on request.

1.4   Summary of recommendation(s)

1.4.1   The report contains five medium recommendations

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 operating within the Housing Grants section. Housing Grant applications are appraised and approved in accordance with laid down written procedures and payments are authorised by senior management after a thorough review of the completeness and accuracy of grant documentation.

Approved Lists & Contracts Register	Schedule 2(I)

Management Summary

1.1 Introduction

1.1.1 In 2004 the Council undertook in the region of 120 tender exercises with an estimated value of £14m. There were also several schedule of rates contracts within these 120 contracts whose value has not been included in the £14m. There is therefore a benefit that on projects where the type of work being tendered is the same, and where the cost of the works is below the EU thresholds, that officers use approved lists to prepare the select list of tenderers in order to save officers time in having to keep checking and assessing the financial and technical capabilities of the firms they are inviting to tender.

1.1.2 There is also a benefit in maintaining a list or register of all the contracts that are awarded by the Council. The register should recall all relevant details relating to the contract and especially the agreed contract sum. Some authorities include details of the original tender sum in the register and brief details explaining the differences between the tender and the agreed contract sum. Whilst this could be deemed best practice, provided staff maintaining the register have ready access and check to the tender results before entering the contract onto the register then a full audit trail is available.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Officers inviting firms to tender who have not been financially and technically vetted

- No procedures in place that detail how to use the approved lists, constructionline or the contracts register.

- No contracts register is being maintained or does not include all contracts over £25,000.

- Construction firms not on constructionline are being invited to tender.

- Lists maintained by the Council are not being maintained in accordance with best practice.

- The Council accepting higher contract sums from the amounts being tendered without the relevant approval

1.3   Significant Issues

1.3.1   There were two significant issues found within the audit. The first concerned select lists of tenderers for construction related works being selected by project officers not in accordance with the Council's Contract Procedure Rules. The second issue was that there was no independent check being undertaken to ensure that officers had the relevant authority to commit the Council to enter into a contract where the tender and contract sum differed or where the firm submitting the lowest bid was different from the firm being awarded the contract.

1.4   Summary of recommendation(s)

1.4.1   The report contains eight recommendations, seven of which are medium priority and one is low priority.

1.5   Audit Opinion

1.5.1   A qualified audit opinion is given as Audit is not satisfied that the Council's Procurement rules are being followed. Instances were noted of tender lists not being correctly selected, officers not confirming the reasons as to why there were differences between the contract and tender sum or why a firm was being awarded the contract.

Fraud Policy & Response Plan	Schedule 2(m)

1.   Management Summary

1.1   Introduction

1.1.1   The Borough has adopted formal policies and procedures in order to respond to suspected fraudulent activity both internally and from external sources.

1.1.2   In providing a response to fraud the Council actively encourages members of staff and the general public to prompt a responsive action towards any potential fraudulent activities through whistle-blowing or by notifying the appropriate officers of their concerns/ suspicions.

1.1.3   The Police however, have stated that in order to successfully prosecute fraudsters the case evidence must be handled correctly and therefore the Council has published formal guidelines informing staff how to identify a potential fraud to senior management and how to conduct a fraud investigation.

1.1.4   In 2004 the 2002/03 National Fraud Initiative carried out across 1150 local councils, NHS bodies, and other public bodies (on behalf of the Home Office) is estimated to have saved in excess of £83million of fraud and overpayments. It is therefore important to ensure that good procedures are in place to identify and investigate suspected frauds.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Fraud remains undetected because policies and procedures are not in place telling staff how to handle cases where there is suspicion of fraud.

- Fraud remains undetected because policies and procedures are not in place telling the public how to notify the Council in cases where there is suspicion of fraud

- The Council / CPS fail to successfully prosecute fraudsters due to evidence and investigations being mismanaged.

- Frauds are not pursued due to a lack of staff training and or human resource

- Financial benefits of counter fraud activities are un-recognised

- Council is in breach of its statutory duty by failing to report fraud to the Audit Commission.

- Fraud continues to occur because of failure to communicate corrective policy and procedures for management to implement.

- Financial loss to the Council will occur as a result of having ineffective disciplinary procedures through failing to identify weaknesses and implementing improvements

- Weaknesses in disciplinary procedures remain apparent through failure to learn from past cases and experience.

- Whistle-blowing and fraud investigations are compromised through failing to actively monitor performance using an appropriate management information system

1.3   Significant Issues

1.3.1   There was one significant issue identified within the audit.

- There is no follow-up review of disciplinary actions to evaluate the effectiveness of the actions taken leading up to the disciplinary / sanction having been issued. At the Exit Meeting held 18th August 2005, Management fully supported the recommendation and gave 31st March 2006 as the date by which the recommendation would be fully implemented.

1.4   Summary of recommendation(s)

1.4.1   The report contains six medium recommendations.

1.5   Audit Opinion

1.5.1   This audit has been given an unqualified status as Audit is satisfied that there is a sufficiently robust control environment within Council's policies and procedures for Fraud, Response Plan and Whistleblowing, to meet the Council's objectives. Positive action is already being taken to address any concerns highlighted during the audit.

Management need to ensure that:

- Sufficient information is provided to New Starters on anti fraud issues
- Additional resources are made available for further advertising campaigns, if appropriate
- The Council achieves high visibility of its successes at combating fraud wherever possible, including use of the internet and intranet

- While all statutory returns are now completed fully and on a timely basis to the Audit Commission, the Audit Client Manager Internal Audit needs to confirm the threshold levels for reporting for 2005/06
- Communication media are reviewed to ensure that Management are made aware of their responsibilities in relation to fraud matters
- Anti Money Laundering policies are formalised in accordance with CIPFA guidelines.
- Whistleblowing activities are to be coordinated centrally
- Following disciplinary action affected managers and the relevant members of HR should formally review the actions taken to identify any procedural issues which may have delayed the process from taking place or reduced the effectiveness of the disciplinary procedure

Cashiers	Schedule 2(n)

1. Management Summary

1.1 Introduction

1.1.1 The Main Cashiers Office is situated on the ground floor in the Town Hall. The Cashiers collect monies from the public and staff for the services provided by the Council. In addition to receiving monies, the cashiers will pay out monies in respect of petty cash claims for staff, urgent cash payment requested by Social Services and the weekly supply of cash of the Queens Theatre for them to prepare their staff wages. (These areas were not reviewed as part of the audit.) An indication of the sums taken by the service is that that during the last four weeks of March 2005 £100k per week was received.

1.1.2 The Cashiers team was restructured in June 2005. There are 5 cashiers currently in post, 2 full time and 3 part time and a Cashiers Supervisor. The Cashiers Supervisor has one day a week off, to comply with the contracted hours and the Cashiers office opening times. The Deputy Cashiers Supervisor post was made redundant and cashiers are now encouraged to deal with queries and to engage in checking and double checking to facilitate proper segregation of duties. Segregation of duties could prove to be a problem on the Cashiers Supervisor day off.

1.1.3 The Cashiers Supervisor is in the process of updating the Cashiers procedures to deal with the absence of the Deputy Cashiers Supervisor and to stipulate computer processes in her absence. However, the Principal Customers Services Officer is currently in the process of streamlining the cashiering processes on a part time basis and serves as a Supervisor on the days that the Cashiers Supervisor is off.

1.1.4 It is proposed that once the Council Tax system has been moved to the new Anite System that the cash receipting system will be moved to the same software.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Financial Loss, Misappropriation of cash and cheques, Invalid transactions, Insufficient segregation of duties and insufficient follow up of exceptions,

- Regulatory Risk, non compliance to Financial Framework and Non-Compliance to the Constitution,

- Inaccurate or Incomplete recordkeeping resulting in misstatement of the financial accounts, inefficient and poor budgetary control, lack of reconciliations, Lack of authorisation control, inadequate systems access and incorrect VAT coding,

- Ineffective or inefficient use of resources, and

- Inadequate security for staff and cash.

1.3 Significant Issues

1.3.1 There were no significant issues.

1.4 Summary of recommendation(s)

1.4.1 The report contains no recommendations.

1.5 Audit Opinion

1.5.1 An unqualified audit opinion is given as there are adequate controls in place to mitigate the risks inherent in a Cashiers system.

Pro-active Former Tenants Arrears Write offs	Schedule 2(o)

1. Management Summary

1.1 Introduction

1.1.1 The 2004/2005 Internal Audit plan includes a pro-active audit into Former Tenant Arrears Write Offs.

1.1.2 The recovery of Former Tenant Arrears (FTAs) is the responsibility of the Debt Recovery Officers at the Authority's 4 Area Housing Offices. At the end of October 2003, the outstanding FTAs raised prior to January 2003, including the cost of rechargeable works, stood at £1,152,000. FTAs created on the ANITE system from January 2003 amounted to £188,523 as of 24 October 2003.

1.2 Key Areas Reviewed

1.2.1 Details of former tenant arrears (FTA's) created prior to January 2003 are held on the old Housing Main system. Former tenant arrears accounts created after January 2003 are held on the new ANITE system. A report was created from each of the systems identifying all FTA write offs processed within the financial year 2004/2005 until February 2005.

1.2.2 From these lists a sample of twenty-nine (29) write offs was selected. The selected sample was chosen where the write off exceeded £1000. The sample was then examined to ensure that:

- All write off schedules have been completed and signed;
- Each write off is supported by a completed case sheet;
- The write off is appropriately authorised;
- The debt has been adequately written off of the system;
- All possible recovery action has been taken; and
- Evidence is retained to support recovery action taken.

1.3 Significant Issues

1.3.1 The following significant issues were noted during the current audit review:
- Recovery action for former tenant arrears should be undertaken as soon as the debt is highlighted to ensure that the arrears are not written off the system due to debt being too old to pursue.
- In the event that an entry showing an arrear is identified as an admin error, and not a debt owed by a former tenant, any action

taken to write off the debt should be undertaken separately from the former tenant arrears write off process.

- The method for retaining write off schedules needs to be reviewed so that they are stored in a secure manner that allows their prompt and easy retrieval.

1.4 Summary of recommendation(s)

1.4.1 The report contains nine (9) recommendations, two (2) being of a high category and seven (7) being of a medium category. The two high recommendations are as follows:

- The need for all former tenant arrears to be chased immediately to ensure that the arrears are not written off the system due to the debt being to old to pursue;
- The need for formal procedures to be established to ensure that debts on the system that are not due to the tenant, are cancelled from the system and not written off as a former tenant arrear.

1.5 Audit Opinion

1.5.1 From the examinations undertaken it would appear that:

- The backlog of former tenant arrears is an inherent issue. Work is currently being undertaken to clear the backlog. In order to reduce the number of former tenant arrears written off due to the debt being over six years old, all arrears should be recovered at the earliest opportunity. However, in conjunction with this task, it should be ensured that the recovery of current and newer tenant arrears are not delayed, causing these debts to become too old to pursue.

Management Summaries of Follow up Audits

Crime & Disorder Reduction CCTV	Schedule 3(a)

Management Summary

1.1. Introduction

1.1.1 "Romford CCTV System", comprises of a number of cameras installed at strategic locations. Some of the cameras are fully operational with pan, tilt and zoom facilities. Others are fixed cameras, images from which are present in the same control room. Monitoring facilities are located at five separate locations:

- Mercury House
- Liberty 1 Shopping Centre
- Liberty 2 Shopping Centre
- The Brewery Shopping Centre
- The Waterloo Road Residential Estate

1.1.2 The CCTV Systems have evolved from the formation of a partnership between:

- London Borough of Havering
- Metropolitan Police
- Liberty 1 Shopping Centre
- Liberty 2 Shopping Centre
- The Brewery

1.1.3 The CCTV System in Romford has been established to:

- Provide a safer environment for people who live, work and trade in the area and those who visit the area.
- Deter offences against the person, property and promote good order.
- To provide quality pictures sufficient to assist the Police in the investigation of a possible criminal offence, including on-going surveillance where authorized by the Responsible Officer following discussions with the Police and in accordance with the provisions of the Regulation of Investigatory Powers Act.
- Provide evidence to assist in the prosecution of offenders.
- Provide evidence from the CCTV System and its operators to enable the Police and/or Council to take civil and criminal action in Court where necessary.
- Assist with the maintenance of public order.
- Assist with the effective management of the Town Centre.
- 55 signs are around the area advising people that CCTV is in operation as directed under the Data Protection Act.

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.

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.

1.2.3 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R1	Operational manual produced. To be released in June 2005.
2	High	R3	This recommendation has been fully implemented.
3	High	R6	This recommendation has been fully implemented.
4	High	R7	This recommendation has been fully implemented.
5	Medium	R2	Deployable cameras have been purchased and a draft protocol is in place. Deployable cameras are not currently in use.
6	Medium	R4	This recommendation has been fully implemented.
7	Medium	R8	Need for and importance of telephone / radio logs still under review.
8	Medium	R9	Feasibility study still not undertaken to compare the crime figures both pre and post the installation of CCTV cameras, in order to decide upon the expansion into other arrears.
9	Low	R5	Not all CRB checks have been completed.

1.3 Audit Opinion

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

Right to Buy Follow up	Schedule 3(b)

1. Management Summary

1.1 Introduction

1.1.1 Under the 1985 Housing Act, secure tenants renting a property from a Local Authority may be entitled to purchase the property. To qualify, the tenant must satisfy a number of requirements. The Act provides for purchase discounts. Applicants are liable to pay charges to the Local Authority if the property is sold within 3 years of the date of purchase.

1.1.2 The Right to Buy process is managed and administered by the Home Ownership Team who are available to advise on any aspect of the Right to Buy scheme. They are also responsible for the on-going leasehold management.

1.1.3 During the financial year, 2003/2004, there were 301 Right to buy applications and 258 completions. The total capital receipt for the year was £14,472,620.

1.1.4 The final report for the Right to Buy audit undertaken as part of the 2004/2005 audit plan was issued on the 20th December 2005.

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.

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.

1.2.3 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R1	This recommendation has been fully implemented.
2	High	R2	This recommendation has been fully implemented.
3	Medium	R3	This recommendation has been fully implemented.

1.3 Audit Opinion

1.3.1 Excellent progress has been made as all recommendations have been implemented.

Pupil Services F/up	Schedule 3 (c)

Management Summary

1.1. Introduction

1.1.1 Section 84 of the School Standards and Framework Act 1998 requires the Secretary of State to issue a Code of Practice containing such practical guidance as s/he thinks appropriate in respect of the discharge of admission functions by local education authorities, the governing bodies of maintained schools and admission appeals panels and the Schools adjudicator. The Code covers admission arrangements in England only.

1.1.2 The original audit concentrated on whether the admissions criteria was being adhered to and that the Code of Practice was being followed.

1.1.3 The final audit report 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.

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.

1.2.3 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present position
1	Medium	R2	This recommendation has been fully implemented.
2	Medium	R4	Completed. It is not possible for Pupil Services to influence the processing of cases by Legal Services or the Court, but all sides now appreciate the problems.
3	Medium	R5	This recommendation has been fully implemented.
4	Medium	R6	This recommendation has been fully implemented.
5	Medium	R7	The Seminar has been deferred from June to July 2005.
6	Medium	R9	This recommendation has been fully implemented.
7	Medium	R10	This recommendation cannot be completed as it stands due to the large number of employers within the borough and the current resources available. However, action is being taken in the form of a marketing campaign and seminar for all child

			employers. The seminar was originally due to be held in June 2005, but has since been deferred to July 2005.
8	Medium	R12	Cannot fully implement the recommendation. All action has been taken by Pupil Services, however, Pupil Services cannot force the Schools to respond.
9	Medium	R13	This recommendation has been fully implemented.
10	Medium	R14	This recommendation cannot be fully implemented as Pupil Services cannot insist that Social Services carry out a task that is outside of their protocol. All appropriate action has been taken by Pupil Services.
11	Medium	R15	This recommendation has been superceded by the Every Child Matters Agenda.
12	Medium	R16	This recommendation has been fully implemented.
13	Low	R1	This recommendation has been fully implemented.
14	Low	R3	This recommendation has been fully implemented.
15	Low	R8	Cannot fully implement the recommendation. All action has been taken by Pupil Services, however, Pupil Services cannot force the Schools to respond.
16	Low	R11	Action is being taken in the form or a marketing campaign and seminar for all child employers. The seminar was originally due to be held in June 2005, but has since been deferred to July 2005.
17	Low	R17	This recommendation has been fully implemented.

1.3   Audit Opinion

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

Trade Refuse f/up	Schedule 3 (d)

1.   Management Summary

1.1   Introduction

1.1.1. A new domestic and trade refuse collection contract commenced in August 2004 with Biffa. The contract costs around £2m per annum.

1.1.2   Havering provides a trade waste service using trade bags or 1100 Eurobins. A roll of 26 bags costs £27.10 (including VAT) plus £2.00 if they are delivered. A Eurobin hire costs £105.20 (including VAT) per annum and to have it emptied once a week costs £348.40 (including VAT) annually.

It is a strict offence under the Environmental Act of 1990 to fly tip on private or public land. The Council is developing environmental resources to combat this antisocial behavior and will prosecute offenders where admissible evidence is available.

Business owners have a strict duty to make professional arrangements for the disposal of trade waste according to the Duty of Care processes of the Environmental Protection Act 1990. Where a company is engaged to remove trade waste they must carry a waste carriers license and must comply with a Duty of Care Transfer.

The Havering Primary Care Trust notifies Streetcare of residents that require a clinical waste collection. Referrals can be arranged via the General Practitioners.

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.

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.

1.2.3   Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R12	This recommendation will be implemented once a system has been set up to enable a reconciliation of income received from all sources to income recorded on FIS.
2	Medium	R1	This recommendation remains outstanding pending the identification of reporting tools available on CRM.

3	Medium	R2	This recommendation has been implemented.
4	Medium	R3	This recommendation has been implemented.
5	Medium	R4	This recommendation has been implemented.
6	Medium	R5	This recommendation has been implemented.
7	Medium	R6	This recommendation has been implemented.
8	Medium	R7	This recommendation will remain outstanding until the commencement of the new Waste and Recycling Officer.
9	Medium	R9	The new Manager will be responsible for reviewing the needs for the provision of the trade cardboard recycling service.
10	Medium	R13	This recommendation has been implemented.
11	Medium	R14	Not applicable as this function is carried out by Finance in consultation with Waste Services.
12	Medium	R15	This recommendation has been implemented.
13	Medium	R16	This recommendation has been implemented.
14	Low	R8	Service priorities are placing an emphasis on domestic recycling and therefore there will be no changes to trade recycling. The recommendation is therefore no longer applicable.
15	Low	R10	The new Waste and Recycling Officer will be responsible for preparing and implementing a communications plan.
16	Low	R11	This recommendation has been implemented.

1.3   Audit Opinion

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

Domestic Refuse f/up	**Schedule 3 (e)**

1. Management Summary

1.1 Introduction

1.1.1 A new domestic and trade refuse collection contract commenced in August 2004 with Biffa. The contract costs around £2m per annum.

1.1.2 ELWA is responsible for disposal of the Council's waste. Havering's levy for 2005/06 was nearly £8m. ELWA's Integrated Waste Management Service Contract, which it signed with Shanks Waste Services Ltd in 2002, will significantly increase recycling and composting levels and reduce the amount of waste sent to landfill.

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.

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 implement the recommendations raised during the audit.

1.2.3 Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R4	Pro-active monitoring will be introduced as part of the new staff responsibilities
2	High	R10	This recommendation will be implemented once a system has been set up to enable a reconciliation of income received from all sources to income recorded on FIS.
3	Medium	R1	This recommendation has been fully implemented.
4	Medium	R2	The new Waste and Recycling Officer will be responsible for reminding residents to put out collections before 7am.
5	Medium	R3	This recommendation has been fully implemented.
6	Medium	R5	This recommendation has been fully implemented.
7	Medium	R6	This recommendation has been fully implemented.
8	Medium	R7	The new Waste and Recycling Officer will be responsible for ensuring that all recycling grants still available to the Council are applied for.
9	Medium	R11	The new Waste and Recycling Officer will be responsible undertaking a marketing campaign to generate increased demand for council refuse services that generate income.
10	Low	R8	Although Shanks have the responsibility for all aspects of neighbourhood recycling centres, the section are working closely with Shanks to improve recycling centres.

11	Low	R9	The new Waste and Recycling Officer will be responsible for preparing and implementing a communications plan in relation to services.

1.3   Audit Opinion

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

HIGHWAYS FOLLOW UP	Schedule 3 (f)

Management Summary

1.1   Introduction

1.1.1   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.

1.1.2   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.

1.1.3   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.

1.1.4   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 assets
- Introduce Winter Service Plan
- Tender lamp column advertising
- Develop Highway Asset Management Plan.

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.

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 implement the recommendations raised during the audit.

1.2.3   Set out below is information regarding the recommendations and the current position regarding their implementation.

Ref	Recommendation Category	Rec No	Present Position
1	High	R8	This recommendation has been fully implemented.
2	Medium	R1	This recommendation remains outstanding until fees charged for road closures are formally agreed by Committee.
3	Medium	R2	This recommendation remains outstanding pending formalised liaisons between Streetcare and Finance.
4	Medium	R3	This recommendation remains outstanding pending completion of service standards and performance indicators.
5	Medium	R4	This recommendation has been fully implemented.
6	Medium	R5	This recommendation has been fully implemented.
7	Medium	R6	This recommendation has been fully implemented.
8	Medium	R7	This recommendation will be progressed when the Streetcare Coordinator Highways has reviewed the Loss Control Consultants Report (which had not been seen prior to the Follow Up Audit Review).

1.3   Audit Opinion

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

FRAUD AND INVESTIGATION WORK   **SCHEDULE 4**

Work completed during period 01 May 2005 – 30 August 2005

Ref	Description	Result of audit/Action taken
1.	(T8daaw) Alleged Mis-use and Abuse of PC	Member of staff received oral warning following disciplinary hearing.
2.	(T8eaap) London Public Sector Counter Fraud Partnership- Annual Crime Survey	Return completed.
3.	(T8eaaq) DWP Request for Information IS Case	Information supplied.
4.	(T8caao) Allegation re Contractor Payments - Housing	Insufficient evidence to pursue.
5.	(T8eaao) Alleged mis-use and abuse of PC	Member of staff received oral warning following disciplinary hearing.
6.	(T8eaau) Allegation of Sub Letting	Confirmed sub letting not taking place.
7.	(T8daab) Review of Firewall Introduction for network	Improvements required in internal control. Management to review exception reports of Internet use.
8.	(T8eaab) Groupwise Proxy Facilities – Access Denial	Schedule of Users issued to ICT to inform Users of access rights. Insufficient evidence to confirm abuse of individual accounts.
9.	(T8eaas) Allegation of Sub Letting	Information supplied to Housing. Awaiting notice to quit to be served.
10.	(T8eaay) Request for Information – H M Revenue and Customs	Information supplied.
11.	(T8eaaz) Information for Redbridge HB re member of staff	Information supplied. Waiting outcome of Redbridge investigations before considering LBH position.
12.	(T8eaat) Allegation of Sub-Letting	Confirmed sub letting not taking place.
13.	(T8eaav) Review of Asset Register Maintained by Property Services & Security of Deeds to Properties	Information supplied to Committee.
14.	(T8faac) Allegations re misuse of telephones	Agency staff dismissed. Full cost of calls recovered. Payment for lost time being sought from agency.

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

Ref	Description
T8caai	NFI 2004/5
T8daae	Mis use of Laptops
T8daai	Review of Parking Enforcement Notices re Residential Parking
T8daat	Alleged mis-use and Abuse of Internet
T8eaag	Purchase, Disposal and Leasing Equipment
T8eaah	Planning Application – Palmers Pallets
T8eaaj	Licence Renewal
T8eaak	Abuse of Council's Computer System by Home Users
T8eaal	Cost of ICT Contract Staff
T8eaam	No AF 70 Reports Required for Audit Commission
T8eaan	Allegations Marshalls School Overtime Payments
T8eaar	Awarding of Contract
T8eaaw	Fraudulent RTB and Sub Letting
T8eaax	Fraudulent use of Rail Warrant
T8faab	Allegation
T8faad	Allegation of Sub Letting Tenancy
T8faae	Returned Cheques
T8faaf	Review out of date Salary Cheques
T8faag	Complaint/Allegation re Payment of Personal Allowances
T8faah	Request From Agencies for Information
T8faai	ISDN Audit file 2001

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 May 2005 – 31 August 2005.

(The internal and external audit recommendations shown in appendix 1 and 2, relate to the up to date position for the first quarter, ended 30 June 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
- Statement of Internal Control Action Plan
- Progress on Fraud and Corruption Action Plan
- Budget Analysis
- Benefits Investigation
- Audit Committee Work Plan

RECOMMENDATIONS

1.   To note the contents of the report.

2.   For Committee to raise queries regarding the outstanding recommendations or other issues.

3.   To consider any training needs for members and any further additions to the work plan.

REPORT DETAIL

1.   Implementation of Audit Commission's recommendations

1.1   Appendix 1 gives full details of all the outstanding recommendations from 2003/4 to date, showing the actual recommendations, the position currently being reported and the target date that was given for the recommendations to be completed.

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   Summary of the Audit Commission's activities since the last Committee meeting

        The Audit Commission has issued two reports. The Audit Commission's September 2005
        Progress Report, see item number 5 and the SAS (610) report contained in Item 6, the
        Results of the External Audit of Accounts Report.

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 outstanding recommendations for 2003/4.	6	49	11	**66**

        As of the end of June 2005, there were 66 outstanding 2003/04 Internal Audit recommendations.
        The details are shown in Appendix 2. 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 the end of June 2005, there were 113 outstanding 2004/5 Internal Audit recommendations.
        The details are shown in Appendix 2. These are recommendations that have missed their
        implementation deadline by more than one month.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2004/05	42	221	71	**334**
Total no. of outstanding recommendations for 2004/5	9	72	32	**113**

3.   Performance Indicators (as of August 2005)

3.1   Committee members will note that there are 9-Key Performance Indicators (KPI) in Appendix 3.
        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), 21% and 14% respectively. The on-target total number of audit
        briefs issued (KPI 03) and input days resourced (KPI 04), are 57% and 46% respectively.

3.3   The following table shows Internal Audit's performance for the months of May to August 2005:-

		Definition	Annual Cumulative Target	Performance as of August 2005
KPI 01		Number of total actual audit days completed as a percentage of total planned annual days (1250).	100 %	21%
KPI 02		The number of audit reviews completed as a percentage of the total annual number of planned reviews (108).	100 %	14%
KPI 03		The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (108)	100 %	57%
KPI 04		The total number of input days on audits as percentage of the total number of planned days (1300)	100 %	46%
KPI 09		Survey Forms Assessed for the system audits	100%	42%

3.4   As at the end of August 2005, 14% of the plan had been completed, 8% of the plan was at draft or formal report stage, and 35% have received audit briefs.
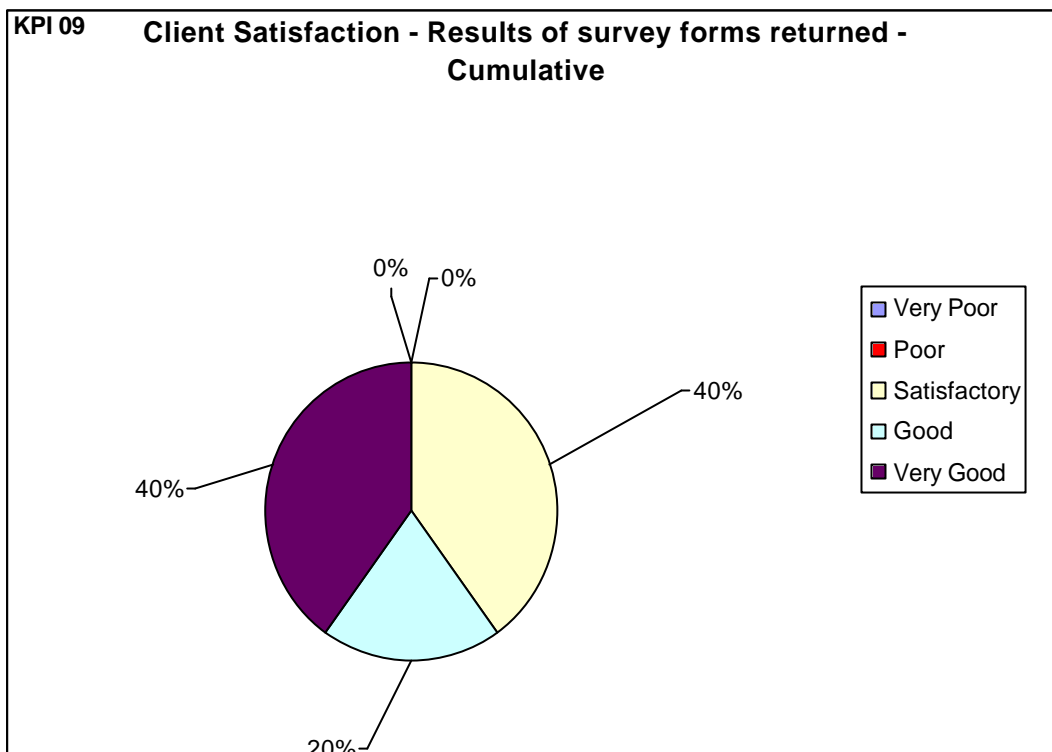

4.   Survey Questionnaire Analysis

4.1   The 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

4.2   Survey Analysis of Internal Audit's Systems 2005/06 work

40% of the survey returns reported a satisfactory review, 40% reported a good review and 20% reported a very good audit experience. It is pleasing to note that all of the managers are satisfied with the internal audit process.   The following chart shows the results for 2005/06.

KPI 09   **Client Satisfaction - Results of survey forms returned - Cumulative**

☐	Very Poor
☐	Poor
☐	Satisfactory
☐	Good
■	Very Good

0%   0%

40%

40%

20%

5. Comparative analysis between the Internal Audit Plan for 2004/05 and 2005/06

5.1 Appendix 4 provides the status of Internal Audit's efforts in implementing the 2005/06 annual plan, and data from 30th September 2004 which provides valuable comparative information. (The comparative data for previous years is produced on a quarterly basis. Therefore the closest comparison for August 2005 was September 2004)

5.2 As of 31 August 2005, Internal Audit has completed 14-reviews (14%), while 8-reviews (8%) are at the consultation/final draft stage. In September 2004, 23-audits (21%) were completed to the final and 10 (9%) to consultation/final draft stage. Although (88) 86% of the annual plan is still to be completed, at September 2004, (88) 79% of the plan was still to be completed. A comparative analysis of the results for this year and last, indicates that output for 2005/6 is at a similar level to 2004/5 and output for last year was satisfactory.

6. Statement of Internal Control Action Plan

6.1 Appendix 5 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 2004/05 Statement of Accounts. The action plan will be tracked and continuously reported to the Committee.

7. Progress on Fraud and Corruption Action Plan

7.1 Appendix 6 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.

7.2   Summary of calls on the fraud hotline log (as of 31st August 2005)

Source of calls	No.	Actions	Status
Anonymous	0		
Staff	3	All 3 cases are to be further investigated by Internal Audit.	In progress
HB Fraud Team	1	Internal Audit scrutinised the council records.	Completed and signed off and established as claimant error and benefits were suspended.
Public	0		
HOTLINE TOTAL	**4**		

- There are currently 22 special investigations in progress (3 from the hotline above) and 25 have been completed during 2005/6.

7.3   Sustaining the anti-fraud message has continued to remain a high priority for 2005/06. In September 2005, the RMG re-launched the anti-fraud poster using the JC Decaux boards. The posted was also used as an advert in the Havering Environmental Guide which was distributed to over 85,000 Havering households.

7.4   The anti-fraud campaign has succeeded in raising awareness within and outside the council. The campaign will be sustained by future advertising and by ensuring that serious cases are successfully investigated and prosecuted.

7.5.1   In the past the Council subscribed to LTAF, the London Team Against Fraud. However this service which disseminated information specifically for fraud investigations is winding down and will no longer be available from 31.10.05. Therefore the Council has elected to subscribe to NAFN, the National Anti-Fraud Network from 1st November 2005. NAFN provides a cheaper service, but provides a much wider range of information and is highly recommended by other Local Authorities.

8.   Year to Date (YTD) Budget Analysis

9.1   The revised budget figure for Internal Audit (2005/06) is £419,740. Appendix 7 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 31 August 2005. As of 31 August 2005, YTD actual (£106,102) is below the budgeted amount (£169,356). 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 shown at Appendix 8.

11.   Audit Committee Work Plan

11.1   The Committee has a clear work plan through the year and it would seem opportune to review this having regard to the need to plan for next year and consider any training needs. The plan is shown in Appendix 9.

12.   Financial Implications and risks:

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

13.   Legal Implications and risks

None arising directly from this report

14.   Human resource Implications and risks

None arising directly from this report

15.   Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Sheree Hamilton
                          Client Manager Internal Audit

Telephone: (01708) 432946

E-mail: sheree.hamilton@havering.gov.uk

                          STEPHEN EVANS
                          Chief Executive

Background Papers

Internal Audit reports & database
Audit Commission Progress report
2004/05 Statement of Internal Control

APPENDIX 1   **Outstanding External Audit Recommendations – (03/04 & 04/05)**   *(As at end June 05)*

HIGH PRIORITY RECOMMENDATIONS					
Reports	**Recommendations**	**Date Due**	**HoS Responsible**	**Current Position**	**Classification**
Democratic Renewal (Report issued 03/04)	**R10** Develop Overview and Scrutiny policy development programmes that have a clear and crosscutting direction, and take account of key performance data.	31/12/03	Christine Dooley	Group Leaders have met throughout 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 is considering R10 and others in coming to a conclusion. The Administration are currently considering officer suggestions as to a way forward.	In progress
	R11 Encourage local community stakeholder involvement in the political management process, including taking an active part in member meetings.	31/12/03	Christine Dooley	As above (R10)	In progress
	R13 Develop the work programmes of the Overview and Scrutiny Committees to include post implementation review.	31/12/03	Christine Dooley	As above (R10)	In progress
	R14 Clarify the expected role of Overview and Scrutiny Committees in respect of Best Value and communicate this effectively to members.	31/10/03	Christine Dooley	As above (R10)	In progress
	R15 Encourage greater scrutiny focus on holding the Cabinet to account.	3/12/03	Christine Dooley	As above (R10)	In progress
	R16 Improve communication between members involved in scrutiny when developing reports.	3/12/03	Christine Dooley	As above (R10)	In progress
	R17 Foster a more inclusive and less party-political approach to Scrutiny working.	3/12/03	Christine Dooley	As above (R10)	In progress
	R20 Improve member attendance at training sessions to ensure they develop the core skills necessary to carry out	1/2/04	David Ede	Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004). Action being pursued	In progress

	their roles effectively.				
	R23 Consider the establishment of a mechanism to ensure effective exchange of information between Cabinet, OSC and Area Committee chairs.	31/12/03	Christine Dooley	A report on Area Committees is likely to be put before Cabinet in September.	In progress
Joint Review SS 2002/03

(Report Issued 03/04) | Continue to extend use of financial flexibilities as part of strengthening joint commissioning | Jan 2004 | Bob Page | 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 completed. | In progress |
| Audit of Grant Claims and Returns 2003/2004

(Report issued 04/05) | R15 Establish the reason for the repayment of the Deferred Payments grant and ensure future grant income is maximised. | Grant ceased after 2003/04 | Marylin Richards (ED) | Purpose of grant to be reviewed. Grant benefits to be publicised.
Customers to be encouraged to participate in using facility. | |

MEDIUM PRIORITY RECOMMENDATIONS					
Reports	Recommendations	Date Due	HoS Responsible	Current Position	Classification
Democratic Renewal

(Report issued 03/04) | R4 Develop future training sessions to provide a greater insight into the roles of the Cabinet. | 31/10/03 | David Ede | Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004) | In progress |
| | R12 Review whether members remain supportive of the current call-in process outlined in the Council's Constitution. | 3/12/03 | Christine Dooley | 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

(Report issued 03/04) | R3 Staff should formally sign up to the model code of conduct once it is issued by the Office of the Deputy Prime Minister and adopted by the Council. Appropriate training should be given to staff on conduct issues. When the Council adopted the current code of conduct, staff were not required to acknowledge receipt of the code in writing. | | Assistant Chief Executive Corporate Human Resources (David Ede) | Agreed This recommendation is agreed and will be implemented once the model code of conduct has been agreed. The OPDM issued the draft code for consultation purposes with a response deadline of 19th November. ACEs (HR and Legal) jointly prepared a response on behalf of the authority. Currently awaiting further instruction from ODPM. | In progress |

Procurement (Report issued 03/04)	**R5** Framework to be reviewed to include detailed guidance on construction, engineering and building works and on leasing arrangements.	Oct 2003	Mike Stringer	To be included in Procurement Framework version 2. Work to be carried out in 2005 once Contract Procedure Rules update is complete and approved by Governance Committee (awaiting submission by Legal Services).	In progress
Procurement – Parkman, Domiciliary Care (Report issued 03/04)	Review and implement the most appropriate contract arrangement for the procurement of spot and block purchased domiciliary care hours, including • clarifying the contract arrangements with the four spot only providing agencies; and • 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.		Bob Page	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
Performance Management Follow Up Review (Report issued 03/04)	*R10 Part (a) completed:* Widely publicise and acknowledge staff contribution to the Council's success and ensure lessons learned are transferred across the Council **R10 b)** Evaluate the success of mechanisms to publicise these successes by December 2004	Dec 04	Jonathan Owen		In progress
Programme Governance (Nov 04) (Report issued 04/05)	**R9** 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	Sep 04 Mar 04 Jun 05	Ray Whitehouse	Establish a corporate repository Describe assets Fully link with Information Governance	In progress

	around the programme is accurate in order that priorities can be determined, interdependencies identified and conflicts resolved.				
	R12 Implement uniform arrangements, standards and systems for the maintenance of change control under Prince2. Ensure these are implemented for all e-Government and PIG projects.	Mar 05	Ray Whitehouse	A process for monitoring and compliance monitoring is progressing. Programme office to look at a flow diagram outlining the process that should take place.	In progress
	R13 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.	Mar 05	Ray Whitehouse	A process has been set-up for PIG Panel/Group which is a Mechanism from Portfolio Management to Project Management and final support for the product.	In progress

LOW PRIORITY RECOMMENDATIONS					
Reports	**Recommendations**	**Date Due**	**HoS Responsible**	**Current Position**	**Classification**
Procurement (Report issued 03/04)	**R12** Monitor the use of project management of procurement process to evaluate use and learn lessons	TBA	Mike Stringer	Started with Building Repairs contracts. Improvement action plan in place. Improvement Log reported to SPSG each month. Project support team being established to support range of projects. Post contract reviews in place	In progress

APPENDIX 2   Internal Audit Outstanding Recommendations – 2003/4 & 2004/5

	Review in 2003/4	HoS Responsible	Outstanding			Position at end of June 05
			High	Medium	Low	
	Meal on wheels	David Tomlinson		1		In progress
	Public lighting	Bob Wenman(previously Zulfiqar Ali		7		All not started
	Right to buy	Barry Kendler	1			In progress
	HB verification framework	Jeff Potter		1		In progress
	Cheque Control	Mike Stringer			1	In progress
	Final Accounts	Bob Wenman(previously Zulfiqar Ali		1		Not started
	Pensions	Jeff Potter		5	1	All in progress
	Post Completion Assessments	Mike Robinson		2		In progress
	Community Care Packages	Peter Brennan		1	2	Position/status not known
	Homecare	Bob Page		1		In progress
	Leaseholders	Barry Kendler	1			In progress – **Recruitment underway**
	Assessments & Allocations	Barry Kendler		3		2 In progress, 1 not started
	Novell	Ray Whitehouse		1		In progress
	Remote Access	Ray Whitehouse		2		Both in progress
	Physical security	Ray Whitehouse	1	1		Both in progress
	Parking COPPT system	Andrew McKenzie			1	In progress
	IT Security	Ray Whitehouse		2	1	All in progress
	UNIX	Ray Whitehouse		1		In progress
	Libraries	Dylan Champion	1	7		All in progress
	Rent Accounting	Mike Stringer		4		All in progress
	Libraries Internet	Dylan Champion		2	2	All in progress
	Community care placements	Ruth Jenkins Peter Brennan Bob Page	2	7	1	1 in progress, 9 position/status not known
	CRM system	Ray Whitehouse			2	Both in progress

	Review in 2003/4	HoS Responsible	High	Medium	Low	Position at end of June 05
	Total		6	49	11	

				Outstanding		

	Review in 2004/05	HoS Responsible	High	Medium	Low	Position at end of June 05
	Tendering Processes	Mike Stringer	1	1	1	All in progress
	Training Children & families	Bob Page		3		All position/status not known
	Pupil Services	Sue Allen		1		In progress
	Freedom Passes and Taxi Cards	Mike Stringer		1		In progress
	Crime & Disorder Reduction CCTV	Ray Stephenson	1	3	1	All in progress
	Domestic Refuse Collection	Bob Wenman (previously Zulfiqar Ali)	2	3	1	2 in progress, 4 not started
	Trade Refuse Collection	Bob Wenman (previously Zulfiqar Ali)	1	3	1	4 in progress, 1 not started
	Landscape Works A1306	Mike Robinson	1	2		All in progress
	Computer ANITE Housing System	Ray Whitehouse		3	1	All in progress
	Regeneration Projects	Roger McFarland		2		Both in progress
	Consultants Fees	Mike Stringer Christine Dooley	1	1		1 in progress, 1 no position/status recorded
	Youth Services	Sue Allen		1		In progress
	Child Protection	Ruth Jenkins David Ede Bob Page		4	13	All no position/status
	Highways	Bob Wenman (previously Zulfiqar Ali)		4		3 in progress, 1 not started
	Specific Arrears Cases Pro-Active	Jeff Potter		3		All in progress
	Journal Transfers	Mike Stringer			2	Both in progress
	Capital & Repair Work Pro-Active	Mike Stringer David Tomlinson			3	2 in progress, 1 not started

	Review in 2004/05	HoS Responsible	High	Medium	Low	Position at end of June 05
	Debtors	Jeff Potter		1	1	Both in progress
	Network Security	Ray Whitehouse		2		All no position/status
	Telecomms System	Ray Whitehouse			2	Both no position/status
	Physical Security	Ray Whitehouse			1	No position/status
	On Street Parking (Permits and Disks)	Andrew McKenzie		7		All no position/status
	Variations	Mike Robinson		3	1	All no position/status
	NNDR	Jeff Potter		2		1 in progress, 1 not started
	Catering	David Tomlinson		2		Both in progress
	Parking Enforcement	Andrew McKenzie		7	3	All no position/status
	(2004/05) Rent Accounting (& Collection Arrears)	Mike Stringer	1	1		Both not started
	New Employees (Including References) Pro Active	David Ede	1	2		No position/status
	Home Care Providers Pro Active	Bob Page		1	1	No position/status
	Telephone Abuse Pro Active	Ray Whitehouse		1		No position/status
	(2004/05) Quality & Contract Management in Care for the Elderly	Bob Page		6		All no position/status
	(2004/05) Monitoring and Co-ordination of Voluntary Sector and Carer Services	Bob Page		2		Both no position/status
	Total		**9**	**72**	**32**	

(None yet for review from 2005/06)

Categorisation of recommendations:

High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

APPENDIX 3   <u>**Internal Audit Key Performance Indicators (KPI)**</u>

KPI	Definition	Target	Qtrs 1	Qtrs 2	Comments
KPI 01	Number of total actual audit days completed as a percentage of total planned annual days (**1250**). **Compute, Total number of audit days completed to final stage plus days spent on fraud work/Total number of planned audit days**	*audits =* *fraud =* 100% cumulative	14 70 7%	115 145 21%	
KPI 02	The number of audit reviews completed as a percentage of the total annual number of planned reviews (**102**). **Compute, Total number of audit reviews completed to final stage/Total number of planned reviews.**	100% cumulative	2 2%	14 14%	
KPI 03	The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (**102**). **Compute, Total number of audit briefs issued to final stage/Total number of planned reviews**	100% cumulative	37 37%	58 57%	
KPI 04	The total number of input days on audits as percentage of the total number of planned days (**1250**) **Compute, Total number of input days on the contract/ total number of planned days**	100% cumulative	336 27%	571 46%	
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 out of time no formal 95%	1 0 1 100%	3 0 11 100%	
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 out of time no formal 100%	0 0 2 100%	2 0 12 100%	
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 Outside days 100%	2 0 100%	14 0 0%	

			number	1	5	
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*		100% cumulative	3%	13%	
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%	33%	42.0%	

APPENDIX 4   Comparative Analysis of Internal Audit Plans

This Financial Year Systems & Pro Active Audits (As of 31.08.05 position)

Detail	Systems	Contract	Computer	Pro-Active	Follow ups	Totals	%age
Original number of audits	37	9	11	17	25	99	100
Final Number of Audits	38	11	11	17	25	102	100
Audits Completed to date	7	2	0	0	5	14	13.73
Audits at Formal draft stage	0	1	0	0	0	1	0.98
Audits at Consultation draft stage	4	0	0	1	2	7	6.86
Briefs issued	19	2	5	6	4	36	35.29
Still to be started	*8*	*6*	*6*	*10*	*14*	*44*	43.14
Total	38	11	11	17	25	102	100.00

Last years position as at 30th September 2004

Detail	Systems	Contract	Computer	Pro-Active	Follow ups	Totals	%age
Original number of audits	59	13	23	13	n/a	108	100
Final Number of Audits	60	12	22	17	n/a	111	100
Audits Completed to date	16	3		4	n/a	23	20.7
Audits at Formal draft stage	0	1	1	0	n/a	2	1.8

Audits at Consultation draft stage	1	3	2	2	n/a	8	7.2
Briefs Issued	9	0	10	0	n/a	19	17.1
Still to be started	34	5	9	11	n/a	59	53.2
Total	60	12	22	17	0	111	100.0

APPENDIX 5 - STATEMENT ON INTERNAL CONTROL 2004/05 ACTION PLAN

Significant Issue	Action	Responsibility	Timescale	Progress
1. Continue to improve the recovery of debt	• Continue to focus on reducing arrears and recovering debt promptly. • Corporate debt management standards are set and a corporate policy is in development. • Regular monitoring of debt is taking place at the highest level in the authority.	Debt management Board and Executive Director Finance & Planning	Ongoing	• Meetings held regularly to review, assess and act • Debt Management Policy Strategy in draft • Corporate contract for credit card and bailiffs being prepared
2. Succession and continuity plans	• Service Business Continuity Plans are in place throughout the calendar year. • Continue to work on ensuring up to date documented procedures are in place.	Emergency Planning Manager	Ongoing	• Priority activities being identified across the Council to assist in development of overall plan • Audit of procedures in place commenced
3. There is a need to implement the consultation strategy developed by Communications, to	• Implement the consultation strategy developed by Communications. • Ensure that the consultation strategy contains effective monitoring and reviewing procedures.	ACE Strategy & Communications	Ongoing	• Implementation continuing • Monitoring and review mechanisms in place

establish clear channels of communication with all sections of the community / other stakeholders and to put in place proper monitoring and reviewing processes to ensure that the strategy operates effectively.				
4. Whilst monitoring systems exist at a service level for all complaints and corporately for certain complaints, these need to be pulled together to form a single monitoring system.	• Implement a single corporate system for monitoring complaints	Head of Customer Services	March 06	• Discussions commenced
5. There is a need to address the underlying difficulties in balancing the Social Services budget.	• Continue with special monitoring. • Progress actions identified to reduce overspends. • Assess the position for 2006/07 budget process.	Executive Director Social Services	Ongoing	• Meetings continuing • Special reporting in place • Actions being monitored
6. Improve performance on specific grant returns.	• Awareness training. • Clear responsibilities. • Monitoring and reporting arrangements.	Head of Financial Services	Ongoing	• Protocol in place • Clear timescales exist • Awareness training completed • Specific action being

				monitored
				• Regular reporting in place

APPENDIX 6   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	• In place via benefits and they will forward on any non benefit issues **COMPLETE**
Include information on Intranet and website	Cajetan Chukwulozie & ICT	April	• 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	• 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	• To have leaflet attached. • Large poster completed. • Draft Fraud leaflet at Communications. **COMPLETE**
Financial Services Briefing to include possible frauds	Cajetan Chukwulozie	Ongoing	• 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.

| Action Plan	Responsible Person	Timescale	Comments/action
			COMPLETE
Annual team briefing	Eds / HoSs	April	• EDs/HoSs advised by IT. **COMPLETE** • CC to arrange sentences for the Core Brief and send to Jackie Feeney **COMPLETE**
Production of Fraud Poster	Cajetan Chukwulozie & Design Studio	May	• Drafted. Need to be amended to ensure 24 hour anwerphone 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	• 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 anwerphone 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	• CC/RH to get together to organise coverage and content for one hr sessions on F/C as follows: – 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

Action Plan	Responsible Person	Timescale	Comments/action
			set for briefings. **COMPLETE**
Ensure induction covers Fraud and Corruption	Cajetan Chukwulozie & Human Resources	May	• Mike Chiles has been asked to do. CC to make contact re ensuring the staff flyer is also given. **COMPLETE**
Annual reminder to all Members	Rita Greenwood	May	• Sent 8th 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	• CC to make contact with police contact and advise of what we are doing and agree a formal protocol. RH to document all the protocols that benefits has.**COMPLETE** • 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	• 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 Financial Services **IN PROGRESS**

Action Plan	Responsible Person	Timescale	Comments/action
Ensure adequate arrangements maintained for RIPA	Peter Davenport & Cajetan Chukwulozie	Ongoing	• CDooley organising a meeting. Will be inspected again in September. Await meeting. • Meeting held in July. Havering 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		• C Dooley to keep a watching brief for the ODPM's new Code of Conduct. **IN PROGRESS**
Other matters			• RG/SH/RH to meet e bimonthly and SH/RH to invite other Havering sections as they consider necessary. Bimonthly meeting scheduled starting Aug 04.**ONGOING** • Need to consider intelligence gathering in Havering **IN PROGRESS** • Establish a policy and procedure for the prosecution of fraud cases **IN PROGRESS**

Appendix 7 **2005/2006 Budget Analysis**

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

	April	May	June	July	August
Year to Date Budget	37,619	70,365	103,163	135,894	169,356
Year to Date Actual	5,520	34,705	46,174	101,449	106,102
Variance	**32,099**	**35,660**	**56,989**	**34,445**	**63,254**
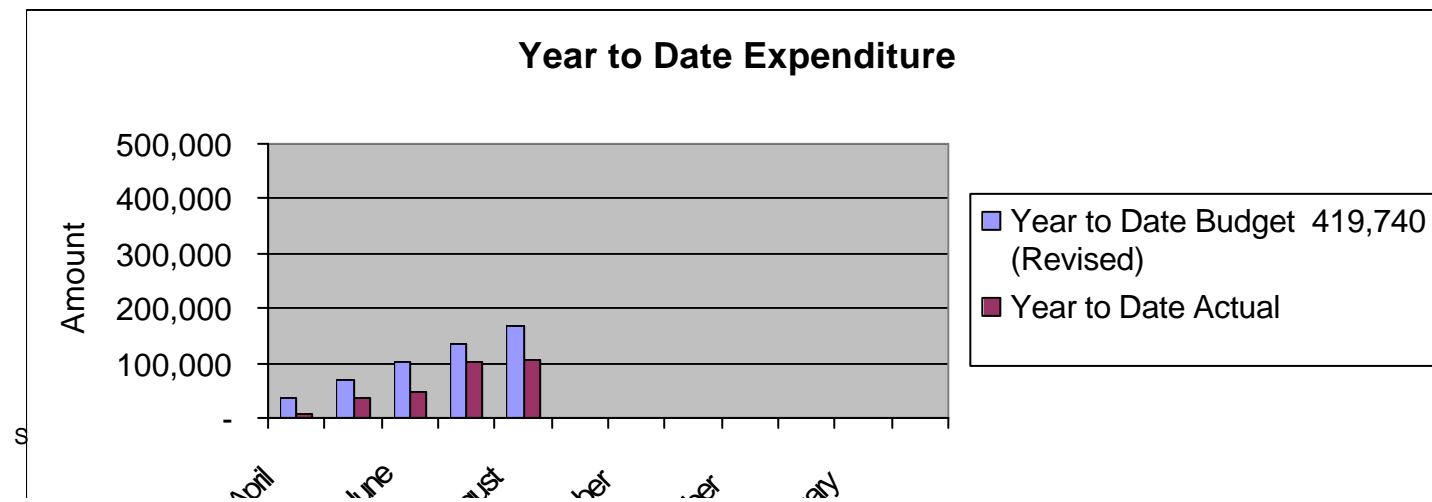
Appendix 8   Benefit Investigations1st April 2005 – 30 September 2005

The 30 September 2005 results against targets are:

	2005/6 Target	2005/6 Net Value £	YTD Target	YTD Target £	Achie-ved	Net Value £
Official Cautions administered	54	64,800	27	32,400	30	36,000
Administration Penalties administered	54	64,800	27	32,400	0	0
Administration Penalties Fines administered	54	4,050	27	2,025	0	0
Summonses Issued	14	16,200	7	8,100	16	19,200
Prosecutions (convictions)	14	27,000	7	13,500	4	8,000
Prosecution Costs	14	-9,450	7	-4,725	8	-4,660.12
TOTAL		167,400		83,700		58,539.88

Targets

The realignment of Exchequer Services took place in February 2005 and recruitment was delayed as a result of this. Consequently Year To Date activity is below target.

BVPI 76
Currently, there is not a national target set for this BVPI, only local.

Description	Annual Target	Average @ 2nd Quarter
- Number of claimants visited, per 1,000 caseload	5	1.62
- Number of fraud investigators employed, per 1,000 caseload	0.29	0.17
- Number of fraud investigations, per 1,000 caseload	60	17.40
- Number of prosecutions and sanctions, per 1,000 caseload	5.5	1.96

APPENDIX 9   AUDIT COMMITTEE – FORWARD PLAN/TRAINING

FORWARD PLAN	TRAINING
8 December 2005	• Contract • Audit Plan • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Audit Strategy 05/06 • Review of Fraud and Corruption Arrangements
9 February 2006	• Audit Plan Agreed • Annual Letter • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress
4 April 2006	• DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress
June 2006	• Annual Accounts • DA Progress/Work • IA Client Report

	• Internal Audit Work • Annual Letter Progress
September 2006	• DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Grants Performance • Annual School Report • SAS 610 • Review of Risk Management Arrangements

AUDIT COMMITTEE REPORT   26th October 2005   10

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

SUMMARY

This report updates Members on Risk Management issues as well as reviews the Risk Management Strategy.

RECOMMENDATION

Audit Committee Members:

1. To note and comment on the findings of the reviews.

2. To review the changes to the Risk Management Strategy.

3. To approve the Risk Management Strategy.

4. To note the work taking place on risk management.

5. To note the importance of risk management in the CPA.

6. To consider what if any additional work or training should be undertaken by the Committee as part of its work plan.

REPORT DETAIL

1. A review of the Risk Management Strategy is planned annually. This year it has been informed by two external reviews:

- one undertaken by Zurich Municipal
- a follow up review by the Audit Commission.

2. Zurich Municipal was commissioned to review our risk management approach as part of the partnership approach being adopted on insurance and risk management matters. The report concluded "*that the London Borough of Havering should be proud of its achievements in embedding strategic risk management throughout the authority as it has made a lot of progress in a short period of time. Inmost areas it meets the key criteria for the Risk Management Key Line of Enquiry and this report has made a number of recommendations that further support the development and implementation of a complete risk management process.*

Particular issues to consider at this time are:
- *The need for clarity in the Strategy around who takes responsibility for risk management within the authority, the allocation of responsibility for mitigating controls and the review timescales for the risk management process itse3lf*
- *More focus and detail needed on identification and analysis of risks*
- *The improved consistency of the risk management process at service level*
- *More consistent and robust action planning elements to be included in or attached to all risk registers*
- *Risk management in partnerships*
- *Continued training of both staff and members to increase awareness and understanding of risk management processes throughout the authority.*"

Appendix A sets out the recommendations, along with how they are being taken forward. The appendix also sets out the action that has or is being planned to be undertaken to implement the recommendations.

3. The Audit Commission report is appended as Appendix B. This also contains a completed action plan.

4. Some of the points raised in the aforementioned reviews are now reflected in the Risk Management Strategy which is attached for annual review and approval as Appendix C. The changes are in italics to assist Members in identifying the changes. Once approved, these changes will be placed in normal font.

5. A number of things have taken place in respect of embedding risk management in the past year and these include:

- Cabinet and Committee reports identifying risks
- Awareness/raised training provided to various groups, e.g. members, Senior Managers
- Using risk assessments in a variety of ways, e.g. budget management, contract management
- Risk management practices being integrated with health and Safety practices

6. The outcomes achieved can been seen in a variety of ways and include:

- A better understanding of risks and more informed decision making
- Resources directed to higher risk areas, e.g. as part of budget management
- Projects being progressed whilst managing considerable risks

7. It is also the time for the 6 monthly review of both service and corporate risk registers. The former is taking place internally whilst the latter has been completed and is attached as Appendix D for Members consideration. (Should this not be attached at the time of printing, it will be circulated separately.) In reviewing this Members will see a number of changes; that there is now

- graphical presentation (D1) – this will be rolled out to service risk registers in March 2006 and will be used for the monthly reporting

- more detail in the narrative register (D2) which aims to provide more detail of the risks, as well as the potential outcome. This will continue to be refined in the light of the aforementioned reviews and to ensure such things as risks being clearly tracked to the deliverability of corporate priorities.

8. The comprehensive performance assessment has changed for 2005 and whilst the use of resources block remains, the contents have changed. The sub blocks now cover:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

The use of resources block is particular relevant to this Committee in respect of risk management and internal control.

Extracts relevant to these areas are attached as Appendix E for Members perusals.

Members are asked to note these and to consider/discuss any action or issues the Committee would wish to take or have regard to in future committee work plans or training.

Financial Implications and Risks:

None arising directly.

Legal Implications and Risks:

None arising directly.

Human Resource Implications and Risks:

None arising directly.

risk management issues

Staff Contact: **Rita Greenwood**   **Title:**   **Executive Director**
                                                                               Finance & Planning

Telephone: **01708 432218**

                                                              STEPHEN EVANS
                                                              Chief Executive

Background Papers

Audit Commission Follow Up Report
Zurich Municipal Review of Risk Management
Corporate Risk Register
CPA background

ZURICH MUNICIPAL STRATEGIC RISK MANAGEMENT HEALTHCHECK
RECOMMENDATIONS

Number	Recommendation	Responsibility	Timescale	Progress
1	Step 6 of the Risk Management Process in the Strategy to state that responsibility for mitigating controls must be allocated	Sheree Hamilton, CMIA	Immediate	Complete
2	More focus and detail needed on the identification and analysis of risks	Risk Management Group	Ongoing	Corporate Risk Register Review Oct 05 includes more detail
3	Ensure that all risk registers consistently have robust action planning elements included or attached	Risk Management Group	Ongoing	The Risk Registers incorporate actions arising. The process is for these actions to be embedded into Service Plans and work objectives. These will be checked periodically
4	Standardisation of service risk registers and sharing of best practice to continue	Risk management Group	Immediate and ongoing	All have been reminded of standard format. Best Practice sharing continues via RMG
5	Ensure that responsibility to consider corporate risk management is included in the terms of reference for the audit committee	Rita Greenwood, Executive Director Finance & Planning	Immediate	Complete
6	Risk Management Strategy to state that biannual reviews of the risk management process and annual reviews of the strategy must take place	Sheree Hamilton, CMIA	Immediate	Complete
7	Consider how risk identification and management within	Mike Stringer, Head of	Feb 06	Whilst initial work has commenced, there are

Number	Recommendation	Responsibility	Timescale	Progress
	partnerships can be better evidenced	Financial Services		national reports due out which will assist
8	Formal risk management process for partnerships to be agreed and communicated	Mike Stringer, Head of Financial Services	March 06	Whilst initial work has commenced, there are national reports due out which will assist
9	Dedicated and co-ordinated programme of awareness and training in risk management to all levels of staff	Risk Management Group	Ongoing	Programme is being prepared and ideas identified
10	Ensure all members of the audit committee have received risk management awareness training	Rita Greenwood, Executive Director Finance & Planning	Oct 05	Within Annual Report to Committee
11	Implement a process whereby the audit committee reports on risk management to full council on at least an annual basis	Rita Greenwood, Executive Director Finance & Planning	March/April 06	Will now be within work plan
12	State in the Strategy that the Executive Director and Lead Members for Resources are to take overall responsibility for risk management in the authority	Sheree Hamilton, CMIA	Immediate	Complete
13	Build risk management into member training on an ongoing basis	Rita Greenwood, Executive Director Finance & Planning	Ongoing	Training completed this year, included modules. Induction arrangements being considered and ongoing programme being reviewed
14	Ensure that all aspects of risk are considered when identifying risks, particularly with regard to political, economic, social and technological risks	Sheree Hamilton, CMIA with RMG	Ongoing	All have been reminded in recent review and provided with guidance
15	Risks highlighted during the interviews should be considered for	Sheree Hamilton, CMIA	Jan 06 – Mar 06	Routine cross checks

risk management issues

Number	Recommendation	Responsibility	Timescale	Progress
	inclusion on the strategic risk register if not already on it	with RMG		take place between the Corporate Risk Register and Service Risk Register, however these will be subject to more in depth review

risk management issues

RISK MANAGEMENT STRATEGY

1. **Introduction:**

   Risk Management is the management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence, it is about making the most of opportunities (making the right decisions) and achieving objectives once those decisions are made. The London Borough of Havering will achieve it by:

   - Controlling risks
   - Transferring risks
   - Living with risks.

   The Risk Management Strategy ensures that for each Council function, activity, operation or service the level of risk is known, recorded and monitored. In each case, a conscious decision must be taken on how to manage that risk whether through controlling it, transferring it or living with it.

2. **Benefits of a robust Risk Management programme**:

   A robust and systematic approach to risk management provides London Borough of Havering with the following benefits:

   - On-going risk management framework and action plans;
   - Corporate Governance support;
   - Identified managed and unmanaged risks;
   - Increased risk control awareness and focus on key risk areas;
   - Promotion of effective and efficient controls
   - Identification of roles and responsibilities;
   - A system for continuous improvement;
   - Greater assessment of financial impact and control of costs in its services and operations;
   - Support for the Best Value process and;
   - The means to protect and enhance London Borough of Havering's reputation.

   The Lead Member Resources and the Group Director Financial and Commercial take overall responsibility for risk management in the authority.

3. **Role and responsibility for Risk Management (see Appendix 1 for details):**

   Risk Management is not simply a compliance issue. It is a fundamental and critical part of ensuring that we most efficiently deploy our resources and effectively deliver our services. Members, Senior Management Team, Managers. Staff and Partners are all risk managers. Each manager within the Council is responsible for managing the risks inherent in the operations for which they are responsible.

   Managers will discharge this responsibility by:

   - identifying the risks in those operations
   - determining the severity of those risks
   - assessing whether the level of risk being carried for each function is appropriate (neither too much risk being carried nor a too risk averse approach being taken)

- *allocating responsibility for the management of those risks.*

Where stakeholders assess levels of risk as being appropriate for the function, managers will continue to monitor risk to ensure that this remains so. Where stakeholders assess levels of risk as being inappropriate then managers are required to take remedial action such as:

- Put in place strengthened controls to reduce risk to an acceptable level to management

- Act to mitigate or transfer the impact of the risk such as, where appropriate, insuring against the risk occurring.

- Equally, if the function is being managed in too risk averse a fashion this can cause operations to be ineffective by stifling initiative and in addition can cause inefficiency and lack of economy by operating unnecessary or excessive controls. In this situation, it may be appropriate to reduce controls.

Responsibilities:

a)   Elected Members

Members have the role of overseeing the effective management of risk by Officers. In effect, this means that they will agree the proposed strategy framework and process put forward by Officers - as well as the priorities for action. They will also review the effectiveness of risk management. *Audit Committee have overall responsibility for overseeing risk management arrangements.*

b)   Senior Management Team

The Senior Management Team has a crucial role to play in Risk Management. The Management Team needs to take a lead in ensuring that there is the identification and management of risks and opportunities facing the Council.

c)   Heads of Services and Service Managers

These managers will initiate and/or extend the process cascaded from levels above to within their own service areas. Managers are responsible for identifying, evaluating, and managing risks in their service area. They are responsible for managing and reporting actions on their respective registers that contribute to the corporate and service risk register.

d)   Staff

Staff has the responsibilities of participating in the risk management activities of their service areas and Directorates. Staff should use the opportunities to obtain applicable risk training, identify risks and ensure that adequate controls are in place, and notify their managers of changes in the risk environment.

e)   Corporate Risk Management Group

The role will be to act as a source of guidance and advice to Directorates and Managers, and to co-ordinate the integrated process. The Group will:

- Determine the proposed strategy, framework and process

- Identify, analyse and profile corporate and cross-cutting risks associated with new policies and service delivery methods and with existing operations
- Determine the Council's risk appetite and priorities for action
- Lead in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process.
- Increase the awareness of all Council employees of the value of Risk Management and to encourage ownership of the principles of Risk Management ethics
- Raise the profile of Risk Management and provide a co-ordinated approach and point of reference for all Risk Management activities through the Officer Groups
- Develop expertise in reducing risk by providing a fund of knowledge and the evaluation of new Risk Management approaches
- Promote Risk Management activities within all service departments of the Council through publications, seminars and other means of dissemination
- Monitor the effectiveness of Risk Management initiatives

f)   Internal Audit

Internal Audit has an integrated role in the Authority's risk management strategy. Internal Audit has to:

- Focus audits on areas of risk
- Provide an independent opinion
- Provide assurance on the risk management strategy
- Facilitate risk management improvement
- Promote risk awareness
- Provide proactive risk advice and support

g)   Partners

It is important that partners be brought into the risk management framework. At times, it will be appropriate for joint profiles to be undertaken. However, it is essential that accountabilities are adequately determined and that London Borough of Havering does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the Council. It is not possible to outsource the risk management process.

4.   **Corporate Governance:**

Risk Management fits into the Corporate Governance process in the following areas

- Community Focus: Strategic Development, Visioning and Community Development activities
- Structures and Processes: Effectiveness of political and managerial structures and open and robust decision making
- Service Delivery: Continuous improvement through the Best Value Review and Performance Management processes
- Risk Management Internal Controls: Corporate approach to risk management and guidance on internal controls
- Standards of Conduct: Policies that define the expected standards of personal behaviour and conduct by members, staff, and officers involved in service delivery.

5.   **Risk categorisation:**

STRATEGIC RISKS **Risks that require consideration when assessing medium to long-term objectives of the council. These may be:**	**OPERATIONAL RISKS** **Risks that managers encounter in their day-to-day work. These may be:**
Political: Those associated with a failure to deliver local or central government policy or meet the Council's Strategic Objectives	**Professional:** Those associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants)
Economic: Those affecting the ability of the Council to meet its financial obligations. These include budgetary constraints and consequences of proposed investment decisions	**Financial:** Those associated with financial planning and control commitments and the adequacy of insurance cover
Social: Those relating to changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.	**Legal:** Those related to ultra vires, non-compliance with legislation, procedural issues leading to judicial review and challenges, failure to deliver the service i.e. complexity and capacity issues.
Technological: Those associated with the capacity of the Council to deal with technological change and changing demands. This may also include the consequences of technological failure.	**Physical:** Related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc).
Legislative: Those associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE Regulations).	**Contractual:** Those associated with the failure of contractors to deliver services or products to the agreed cost and specification, and/or there financial failure.
Environmental: Those relating to the environmental consequences of progressing the Council's objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc).	**Technological:** Those relating to reliance on operational equipment (e.g. IT systems or equipment).
Competitive: Those associated with the competitiveness of the Service (cost/quality) and its ability to deliver value for money efficiency of operations.	**Environmental:** Those relating to such issues as pollution, noise or energy.
Customer Focus: Those associated with the failure to meet current and future needs and expectations of customers and citizens	**Business continuity:** Those relating to failure to establish an alternative service arrangement and/or plan ahead.
Reputational: Those associated with events/activities in the Council's operations that may lead to negative publicity, like the failure to secure adequate resources to deliver an ambitious project.	
Human Rights Act: "The Act gives every citizen a clear statement of rights and responsibilities. And it requires all of us in public service to respect human rights in everything we do" Tony Blair July 1999 For Havering, the Act makes it a legal duty to act compatibly with the Convention rights. If a person's rights are harmed, he or she can take the Council	

STRATEGIC RISKS Risks that require consideration when assessing medium to long-term objectives of the council. These may be:	OPERATIONAL RISKS Risks that managers encounter in their day-to-day work. These may be:
to criminal or civil court.	
Corporate Manslaughter: This Act deals with the circumstances in which an organisation and/or officers can be prosecuted for manslaughter committed in the course of its operations.	

6. **Risk Management Framework:**

Risk Management is not about eliminating risk but rather about understanding risk in the London Borough of Havering's processes and managing it more effectively. The risks facing the Council can be assessed in the following manner:

A. Approval by Senior Management Team of a risk management strategy.
B. Ownership of risk by Members, Managers and Staff. This includes the consideration of risk for all decisions and proposals.
C. Executive support for the Risk Coordinator and the Risk Management Group.
D. Provision of appropriate training and qualifications for stakeholders on an annual and continuous basis as required.
E. Active participation by the Risk Management Group (see roles and responsibilities).
F. Establishment of the Corporate and Service risk registers.
G. Bi-annual *review* and continuous identification and evaluation of the corporate risk registers (March and October) and service risk registers (February and September).
H. Responsibilities for the risks on the register:
    1 Corporate Risk Register – Strategic Management Team
    2 Service Level – Heads of Service
    3 All risks – Managers
I. Action to deal with risks through the MTFS and establishment of adequate budgets.
J. Risk Management assessment in all committee reports and best value reviews and BVPP's.
K. Reporting and monitoring of identified risks to the Risk Management Group, Project Board, and Audit Committee.
L. Internal & External Audit involvement by facilitating risk management, establishing risk based audits, monitoring the Council's risk management programme, and providing assurance on the effectiveness of the programme.
M. Communicating of risk management issues.
    1. Financial Services Briefing Edition to Senior Managers to include examples
    2. Articles drafted for Living in Havering and Inside Havering
    3. The Risk Management Group to include the Council's insurance provider
    4. Key officers encouraged to attend professional associations like ALARM and Better Governance Forums.
N. Undertaking bi-annual reviews of the risk management process and annual reviews of the strategy.
O. Programme of training and awareness of risk management issues.

7. **The Risk Management Process at Havering**

	Key objective	**Actions**
Step 1	Identification of Risks	There is a need to identify the potential risks that may arise if informed decisions are to be made about policies or service delivery methods. These risks may arise because of the generality of the environment in which a Council operates or in relation to a specific option under consideration or decision made. The key element of this stage is that all appropriate categories of risk are considered in relation to the specific objectives of the option or decision.
Step 2	Analysis of Risks	Available data should be used to provide information to help assess the likelihood of any risk arising and the consequence or impact it may have if it does arise.
Step 3	Profiling Risks	Risks can then be profiled according to their likelihood and severity.
Step 4	Determine risk appetite to prioritise actions	Action can then be determined based on the Council's appetite for, or tolerance to, risk and the availability of limited resources.
Step 5	Determining Action on Risk	*Allocate a risk owner who should then consider* the best course of action for the Council can then be determined. Should the risk be avoided, eliminated, reduced, transferred or accepted?
Step 6	Controlling Risk	Once appropriate action is decided for each risk *and the responsibility for this allocated*, the control process can start. This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should it occur.
Step 7	Monitoring and Reporting on Progress	Progress in managing risks should be monitored and reported so that losses are minimised and intended actions are achieved. Reporting upwards is necessary on the whole spectrum of risks in the risk profile - not just on those being controlled.

8.   **External Review:**

In *August 2005*, the Audit Commission undertook a *follow up of a* performance audit review of the Council's Risk Management Strategy, as part of the agreed Audit and Inspection Plan. The report, issued in *October 2005* noted that *the Council had made good progress in implementing the recommendations.*

In addition, ZM undertook a review and this concluded that the London Borough of Havering should be proud of its achievements in embedding strategic risk management throughout the authority as it has made a lot of progress in a short period of time. Inmost areas it meets the key criteria for the Risk Management Key Line of Enquiry and this report has made a number of recommendations that further support the development and implementation of a complete risk management process.

Particular issues to consider at this time are:
- *The need for clarity in the Strategy around who takes responsibility for risk management within the authority, the allocation of responsibility for mitigating controls and the review timescales for the risk management process itse3lf*
- *More focus and detail needed on identification and analysis of risks*
- *The improved consistency of the risk management process at service level*
- *More consistent and robust action planning elements to be included in or attached to all risk registers*

- *Risk management in partnerships*
- *Continued training of both staff and members to increase awareness and understanding of risk management processes throughout the authority.*

9.   **Gaining and Maintaining Competence:**

It is essential that the London Borough of Havering have the right competencies to deliver effective risk management. Risk Management is a core competency from which the Council can build enhanced service delivery and secure the confidence of funders, regulators, business and the public. The ability to recognise and manage risk should be a prime consideration for those who direct corporate strategy and affairs. Sensitivity and receptiveness towards issues of risk is becoming part of the Councils culture. This progress demands continued depth of experience and skill to identify, profile and take effective action on all types of risk.

In this sense, traditional views of risk management as being bound up with insurance, worthy only of cursory attention on a once per annum basis, has been left behind. Risk Management is dynamic. In broadest application, it is concerned as much with optimising risk as it is with minimising it. This requires the building of competency and provision of risk management training for all involved in developing the strategy and in operations.

It will have become apparent that effective risk management depends not only on commitment, culture and the competence of individuals, but also on the sharing of knowledge and the availability of reliable data and information. London Borough of Havering will continue to ensure that its knowledge management and information systems facilitate effective risk management

Summary of roles and responsibilities

Appendix 1

	Elected Members	Senior Management Team	Heads of Services	Risk Management Group	Internal Audit	Service Managers	Service providers (contractors, partners)
Framework, Strategy and Process	Agree the Council's risk management policy and strategy	Approve the strategy, framework and process	Implement the strategy in line with the framework	Determine the strategy, framework and process. Provide support to services on implementing the strategy	Ensure the adequacy of the Council's strategy and framework	Analyse and profile service risks	Ensure Councils risk management policy is understood
Identifying risks	Obtain appropriate risk identification training. Identifying risks in proposals and proposals and cross-profiling activities of cutting risks the Council	Identify strategic and cross-cutting risks	Identify risks in their service areas.	Provide advice and support in the bi-annual corporate and service risk reviews	Undertake an annual risk plan review to inform the risk based audit plan. Use the service risk registers in systems work	Obtain appropriate risk management training. Actively participate in the bi-annual corporate and service risk reviews	Ensure Council is notified of any contractual risks
Analysing & profiling	Analyse and profile risks in proposals and activities of the Council	Analyse and profile strategic and cross-cutting risks	Analyse and profile service risks	Analyse and profile corporate and service risks	Analyse and profile the risk based audit plan. Assess the Council's corporate risk register	Analyse and profile operational and cross-cutting risks	Maintain awareness of the impact and cost of risks in their service
Establishing of risk registers	Determine the risk appetite and prioritising risks	Approve and monitor the corporate risk register. Ensure resources to action risks.	Establish appropriate service risk registers	Provide support in the establishment and monitoring of the corporate and service risk registers	Produce a risk based audit plan	Actively participate in the establishment, implementation, monitoring and reviewing of service registers	Maintain and provide the council a risk register for contracted service

	Elected Members	Senior Management Team	Heads of Services	Risk Management Group	Internal Audit	Service Managers	Service providers (contractors, partners)
Implementing actions to control identified risks	Ensure appropriate risk controls in proposals. Consider controls in activities of the Council	Determine action on corporate risk registers and cross-cutting risks	Establish an action plan for identified risks in the service risk register	Provide guidance and support for actions on identified risks	Undertake reviews to identify and manage weaknesses in control	Determining actions on service risk registers. Ensure actions to control risks are implemented. Promptly report any adverse results to HoS and Risk Coordinator	Implement actions to reduce the Council's exposure to contractual risks
Monitoring and reporting on progress	Monitor the Council's risk management strategy	Monitor all aspects of the risk management strategy ensuring compliance to corporate governance	Undertake bi-annual service risk reviews	Continuously monitor implementation of the risk management strategy, providing support to the Risk Coordinator.	Review the Council's risk management strategy as part of its corporate governance work	Timely provide risk management information. Monitor the risk management process and register for service area	Monitor the contract during its life to ensure that all risks are addressed

Notes:

The Lead Member Resources and Group Director Finance
The Audit Committee has responsibility for overseeing risk management in the authority

SIX MONTH REVIEW OF CORPORATE RISK REGISTER

The final copy of this document is awaited and will be circulated as soon as it is available.

Key lines of enquiry
for
Use of resources

London Borough of Havering

Audit Committee

4. INTERNAL CONTROL
How well does the council's internal control environment enable it to manage its significant business risks?
Key line of enquiry
4.1 The council manages its significant business risks
Audit Focus
Evidence that:
•   the council has a risk management process in place
•   the risk management system covers partnership working

Criteria for Judgement	Contact Officer	Currently Met Y/N	Assessment	Evidence
Level 2				
* The Council has adopted a risk management strategy/policy that has been approved by members.	Rita Greenwood	Y	In place and reviewed October 04. This was submitted to and approved by Audit Committee.	1. Risk Management Strategy. 2. Policy Statement.
* The Risk Management Strategy/policy requires the Council to: • **identify corporate and operational risks** • **assess the risks for likelihood and impact** • **identify mitigating controls** • **allocate responsibility for the mitigating controls.**	Rita Greenwood	Y	Clear methodology exists. Reviewed by Audit Commission in 2004.	3. Audit Committee report. 4. Methodology arrangements. 5. Corporate Risk Register and reviews. 6. Service Risk Registers and reviews. 7. Independent reviews of Risk Registers. 8. Risk review form.
* The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.	Rita Greenwood	Y	Corporate and Service Risk Registers exist which are reviewed 6 monthly at least by RMG and reported to SMT and all Members. Service Risk Registers owned by HoS. Corporate risks clearly allocated to corporate owners. Service risk registers independently cross checked to corporate Register.	9. Audit committee agendas and reports. 10. Outcomes achieved. 11. RMG reports and Minutes. 12. Various Cabinet reports PIG projects. 13. Protocols

* There is a member committee with specific responsibility included in its terms of reference to consider corporate risk management.	Rita Greenwood	Y	Audit committee is responsible for reviewing risk Register and Lead Member Resources has responsibility on champion. Evidenced by reporting of register etc to Audit Committee.	
* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.	Rita Greenwood	Y	Prince methodology used on large projects with simplified version for smaller projects. All Member reports set out risks etc. Clear examples of risk assessments/issues e.g. Children's Trust, Procurement, Property, A1306, leisure outsourcing etc.	
Level 3				

* The risk management process is reviewed and updated at least annually.	Rita Greenwood	Y	Strategy planned for annual review. (last review Oct 04)
			
			Process continually refined e.g. standard review form.
				1. See above.
				2. Examples of using Risk Management and advising of this.
				   (a) AWG report.
				   (b) Reprovisioning project.
				   (c) Leisure Outsourcing
				   (d) A1306 phone
				   (e) Property strategy

* The risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.	Rita Greenwood	Y	Risk Management evidenced in Partnerships via bids to CPE, AWG contract, contract register, tender document, leisure outsourcing. This is contained in risk register contract monitoring risks now and reported on as part of this. Key partnerships developments have involved assessing and identifying risks/issues at start e.g. Morrisons/ALMO.	3. Contract Register and contract monitoring arrangements. 4. Inside Havering. 5. H&S training. 6. F&P induction. 7. Raising awareness slides. 8. Embedding Risk Management paper. 9. CPE bids 10. Member monthly pack. 11. Information Audit Maps out locations of key information. 12. FIS Services Briefing and RMG bulletins etc. 13. Health & Safety Management System.

*All staff have been given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment.	Rita Greenwood	Y	Awareness raised generally via IH Induction/ Work Programmes for all staff cover areas of risk management, e.g. Trading Standards, Social Services. More general things include Health & Safety training/DSE training and contract monitoring. Staff made aware of issues arising in OLA via bulletins/financial services briefing. Awareness Corporately raised via Leadership Teams and Management Teams and Roadshows. Specific Roadshows taking place and induction also being planned. Fraud awareness sessions held.	
* The members with specific responsibility for risk management have received risk management awareness training.	Rita Greenwood	Y	Lead Member Resources and Chairman of Audit Committee briefed on all aspects of RM. Member briefings generally held, plus induction training took place for Audit Committee. Corporate risk register initiated via training session with Members.	
* The member committee with responsibility for risk management receives reports at least quarterly and takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually.	Rita Greenwood	Y	Every Member receives Corporate Register monthly and Audit Committee specifically receive it at least quarterly. Key risks and management are reviewed 1. Commissioner Board 2. Star Chamber 3. Considering Reports	
Level 4				

* A senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council.	Rita Greenwood	Y	Executive Director Finance and Planning and Lead Member Resources	1. See above 2. Examples of managing risk: • School places • Reprovisioning • Grange
* The Council can demonstrate that it has embedded risk management in its corporate business processes, including: • **strategic planning** • **financial planning** • **policy making and review** • **performance management**	Rita Greenwood	Y	CDP/MTFS have Risk Management inbuilt as evidenced by working papers, e.g. Star Chambers, Contingency, savings analysis, Commissioner Boards, also review risk. All reports cover risks and key examples exist. Performance Management System manages risk via RAG system. Reviews take place to identify issues. Audit plan developed on risk based approach using risk registers as part of source.	• Credit Card Policy • Property Strategy • Realignment report • Leisure outsourcing • A1306 Phase 2 • IT systems for Rev / Ben • Audit contract and tendering. 3. Commissioner Board Template 1. Star Chambers papers 2. HOS Monitoring packs
* All members have received risk management awareness training.	Rita Greenwood	Y	Member training undertaken across all parties.	3. Member training slides and attendance
* The Council considers positive risks (opportunities) as well as negative risks (threats).	Rita Greenwood	Y	Consideration is given to issues so that balance is struck, e.g. A1306, Property Strategy, Reprovisioning, Leisure Outsourcing, Revenue and Benefits systems, audit tendering in 2002 and now. Service examples also exist e.g. cheque opening/homecare	4. Member sessions held to develop risk register 5. Cabinet reports and discussions on issues cover risks involved. 6. success/outcomes of Risk Management approach.

audit
commission

Risk Management Follow-up

London Borough of Havering Council

Audit 2005-2006

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

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

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.

Copies of this report

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Contents

London Borough of Havering Council

Introduction

1   There are strong links between effective risk management (RM) and effective management. The Society of Local Authority Chief Executives (SOLACE), in its publication 'Chance or Choice', states that 'risk management is about making the right decisions and about achieving objectives once those decisions are made'. Risk management should, therefore, be integral to the corporate management arrangements of an authority, as it is currently recognised as a fundamental feature of corporate governance.

2   The new Comprehensive Performance Assessment methodology includes a section on risk management, within the Use of Resources component. This will involve auditors making a judgement about the effectiveness of local authorities' arrangements for managing its significant business risks.

Background

3   In July 2004, we undertook a review of Havering's risk management arrangements, which at the time were relatively new. Our overall conclusion was that, although Havering adopted a systematic approach to risk management much later than many authorities, it had come a long way in a short time. The key elements were in place, including a written strategy, corporate and service risk registers, action plans and a Risk Management Group (RMG) whose members acted as champions.

4   From our review of several service areas, we concluded that risk management was well-embedded at the top of the organisation. Officers were working to extend this culture throughout the Council. Although this could not be done overnight, we identified no major barriers to achieving it. The main task now was to ensure that risk management became embedded as part of all managers' everyday work. We concluded that it should happen over time if senior officers continued giving risk management a high profile and support continued to be provided to local managers where required.

5   Accordingly, we made a small number of recommendations aimed at embedding risk management throughout the organisation. Officers agreed an action plan.

London Borough of Havering Council

Audit approach

6 In August 2005, we undertook follow-up work on the following aspects.

- What progress have been made on our recommendations from Summer 2004?

- To what extent has risk management now become embedded across the Council?

7 Our work was undertaken through:

- interviews with key officers and the Lead Member;

- focus group(s) with line managers; and

- review of the Council's documentation.

Main conclusions

Progress on previous recommendations

8 In terms of taking action on our 2004 recommendations, the Council has made good progress. All of these have been addressed and the majority have been achieved. Appendix 1 (attached) provides the details. In particular, the Council has achieved a great deal in strengthening staffing in the health and safety team, defining and assessing reputational risk, and improving its incident reporting procedures. Work continues on develop benchmarking arrangements although, in common with other authorities, Havering has found it difficult to identify useful, hard indicators other than those relating to insurance. Appropriate work has been undertaken to prepare for new legislation on corporate manslaughter. The risk management guidelines for managers do not include an explicit mention of risks outside the Council's control, but there is evidence that these are often included in practice when managers compile their registers.

Civil Contingencies Act

9 We are also currently undertaking work on the Council's response to the Civil Contingencies Act. This will be the subject of a separate report.

Recommendation
R1   *When the risk management guidelines are next revised, make explicit the fact that risks outside the Council's control should be included.*

London Borough of Havering Council

Embedding risk management - focus group

10 We also held a focus group with middle managers from a range of different services to assess the extent to which risk management had become embedded across the Council. The outcome is detailed in Appendix 2 (attached). Overall, the group's response was very positive. They reported that risk management had generally become embedded and was helping them make better decisions. They had a good understanding of how risk management related to other core processes such as service and financial planning and performance management. The focus group members' only real concern was whether all managers cascaded the right amount of information about risk management to frontline staff. The group thought that practice was inconsistent and that some managers did this better than others. Accordingly, the group recommended frontline staff awareness should be tested through a staff survey.

Recommendation from focus group
R2   Use a staff survey to test awareness of RM among front line staff.

London Borough of Havering Council

Appendix 1 - Progress on recommendations

Recommendations	Findings	Conclusions	Further action needed?
R1 Progress plans to work more closely with ALARM and other networks, especially on benchmarking.	Havering are now full members of ALARM. Specialist officers such as the Client Manager (Internal Audit) (CMIA) and the Health and Safety (H&S) Adviser regularly attend meetings. Two key staff (Executive Director of Finance and Planning and H&S Adviser) also attended a major ALARM conference on risk management implementation in April 2005 and cascaded their learning to colleagues through the Risk Management Group (RMG). ZM (Zurich Municipal, the Council's insurers) are now involved in RM group. Hard (measurable) benchmarking has been undertaken with ZM on aspects of insurance, such as costs and types of claim. In practice, it has proved difficult to find other areas of risk susceptible to hard benchmarking. However, soft (process) benchmarking has taken place with several other London boroughs. The CMIA has plans to approach bodies which give awards for risk management, to learn more about best practice.	The Council is now regularly represented at ALARM meetings. Progress has been made on benchmarking although it has proved difficult to find comparable hard data in areas of risk other than insurance. This difficulty is not unique to Havering. Soft, process benchmarking has taken place and is continuing.	None at this stage.

London Borough of Havering Council

Recommendations	Findings	Conclusions	Further action needed?
R2 Seek to achieve stability in the post of Client Manager (Internal Audit).	The post is now filled on a permanent basis from 1 March 2005. Although the postholder has a wide range of other responsibilities, she reports that she has enough capacity now that the health and safety team has been strengthened and can share responsibility for work on risk management. This arrangement appears to work well.	A permanent appointment has been made. Capacity has been increased by making good use of skills in the enhanced health and safety team.	None.
R3 Consider circulating 'good practice' examples of risk management paragraphs from Cabinet reports, to guide officers.	The owners of 'good practice' risk registers have visited other directorates, accompanied by the CMIA, to disseminate good practice.	Achieved.	None.
R4 Consider circulating examples of well-constructed risk registers to guides managers.	Copies of the Regeneration Risk Register and Action Plan have been circulated.	Achieved.	None.

London Borough of Havering Council

Recommendations	Findings	Conclusions	Further action needed?
R5 Identify ways of improving compliance in incident reporting.	A new integrated system has been developed, which covers a range of events, including accidents, near misses, verbal abuse and other risks. The new intranet site contains a code of practice on how to manage incidents, together with a simplified form for managers to complete. These new arrangements allow patterns to be readily derived from the incident log and followed up. For example, investigations were undertaken after an increased number of falls were reported in the home care service.	Improved arrangements are now in place.	None.
R6 Progress proposed work on defining reputational risk. Provide guidance to managers on how to deal with this. Publicise contact details of the officer designated to provide advice.	This has been addressed very thoroughly. Using an Audit Commission checklist, officers have self-assessed the way they manage reputational risk. Several opportunities for improvement have been identified. A reputational management strategy has been drafted. Reputational risk is now included in the revised risk management strategy, so all managers are expected to address it as a standard item. An officer from the corporate communications team is attending the next RMG to discuss reputational risk issues further. She will be designated as the main point of contact and her details circulated shortly.	Action taken.	None.

London Borough of Havering Council

Recommendations	Findings	Conclusions	Further action needed?
R7 Identify any risks outside the Authority's control and consider how to deal with them.	This is not explicitly covered in the strategy or guidance to managers. However, there is evidence that action is taken in practice. For example, the corporate risk register includes 'impact of London Olympic bid' and a range of disaster recovery items. Service registers also include relevant risks and controls such as responses to extreme weather.	Although not explicitly covered in the strategy or guidance, there is evidence in practice that managers do take action to identify and manage risks outside the Council's control.	When the RM strategy is next revised, the Council may wish to make explicit the need to consider risks outside the Council's control.
R8 Set a timescale for ensuring that the RM strategy and guidance to managers are amended to take account of the Human Rights Act and changes to the law of corporate manslaughter. Ensure relevant training is included.	Risks arising from the Human Rights Act (HRA) are now included in the risk strategy. Training on risks associated with HRA was provided in 2000/01, but has not been systematically refreshed since then. However, evidence from reports to members suggests that officers do take these risks into account as part of the standard RM process. A draft report has been produced on corporate manslaughter, but will not be formally submitted to SMT until the final legal position is clearer. It is intended that the corporate risk register will be amended in due course to take account of the new legislation. In the meantime, corporate manslaughter has been discussed at a senior managers' health and safety course.	Appropriate action has been taken.	None at this stage, although training/guidance will have to be provided when the new legislation on corporate manslaughter is in place.

London Borough of Havering Council

Appendix 2 - Focus group

Issues	What's good about it?	What's not so good?	Recommendations of focus group
The framework set by the Council (guidance on RM, risk register format, training etc) - how helpful is it to managers?	We get help from the corporate centre. It's properly aligned with the MTFS and has helped our awareness of the context in which we manage risk. People in my team are well aware of how it works (*most focus group members*)... We were risk assessing anyway but the framework formalises that process. It encourages us to learn from experience including mistakes. The guidance is fit for purpose. The training was quite good… Overall, the mechanisms are good.	...only senior managers in my team know how it works (*a minority of focus group members*). ….but the extent to which is cascaded to frontline staff depends on their manager. (In one person's area) 'we aren't risk assessing formally - we just get given the work'. There is a danger of risk assessing twice if you are dealing with, say, buildings. Both the corporate centre and the service team may do it and duplicate each other.	Use a staff survey to test awareness of RM among front line staff.

London Borough of Havering Council

Issues	What's good about it?	What's not so good?	Recommendations of focus group
What happens in practice? How embedded/effective is RM at Havering?	We have got better about predicting risks and potential outcomes (of different courses of action, including the options rejected). This is carried through in committee reports. The Chief Executive encourages us. We can focus more on priorities given we have limited resources… easier to say 'what do we have to do/what would we like to do, etc.' It helps us make better decisions. We understand it (how RM works)… at least the bits that affect us. It fits well with other things we are doing (health and safety, procurement etc). There are a lot of documents but it fits into place when you have read them/had the training. More decisions are made by officers than members these days. That's generally a good thing because officers are better placed to make judgements without a political angle. Key decisions are still ratified by Members anyway (so they still have an important role). There are lots of places to go to find out information eg the intranet, corporate centre staff.	Some people still feel they will be blamed if they get it wrong. This is a historic legacy. The leadership programme has helped (dispel this).	None.

London Borough of Havering Council

Issues	What's good about it?	What's not so good?	Recommendations of focus group
How does RM fit with the other building blocks, ie service planning, financial planning, performance management?	It helps us prioritise and think about what the risks would be if we did it differently. There is a clear read across between service plans and risk registers. Identified risks are - almost always - linked with personal targets against which we are appraised. It usually works OK in practice but there are occasions when it doesn't. The corporate service planning process is very clear. We know it involves RM. There is a commandment (from the top) that it must be done in a set way. Compliance is 'policed' by the Business Management Unit. HR check we have had our appraisals. The systems are robust now and have become embedded. Financial management is clearly tied in with service planning and RM.	Frontline staff may not understand how all this works. It depends on their manager (followed by a discussion about how much detail front line staff needed to know).	See above.

London Borough of Havering Council

Appendix 3 - Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 When the risk management guidelines are next revised, make explicit the fact that risks outside the Council's control should be included.	1	Executive Director of Finance and Planning	Yes	The strategy and guidance is being reviewed to take on board risks outside our control.	Strategy: October 2005 Guidelines (informal) October 2005 (formal) March 2006
6	R2 Use a staff survey to test awareness of RM among front line staff.	2	Executive Director of Finance and Planning	Yes	We will take forward testing awareness among front line staff.	By January 2006 so that we can explore options.

London Borough of Havering Council

RISK		FURTHER DETAILS	POTENTIAL OUTCOME	COUNTER MEASURES	ASSESSMENT OF RISK (MAR 05 CONTROLS)			REVIEW FREQUENCY	RESPONSIBILITY	CHANGES ON COUNTER MEASURES SINCE LAST ASSESSMENT	CURRENT ASSESSMENT OF RISK			
	RISK				IMPACT	LIKELIHOOD	RISK RATING				IMPACT	LIKELIHOOD	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 Performance management in place Ongoing improvements in indicators Protocol for monitoring inspections audit recommendations in place MTFS incorporates assessment of resource prioritisation Commissioner Board introduced ASD to be undertaken on ineffective services	3 /4	3 /4	9 /16	As required Annually Annually Annually Monthly As required As required Annually Ongoing Ongoing	SMT/HoS ACE CSC HoS HoS SMT/HoS ACE CSC HoS ACE CSC ACE HR HoS		3 /4	2 /4	6 /16	
											Moderate scope for improvement of risk response ▼			2
	Risk Owner	Jonathan Owen												
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 reportsNo application for Corporate assessment, so still reliant on service improvement in key areas Performance Management in place Monitoring of inspections/audit recommendations Commissioner Board introduced	3 /4	3 /4	9 /16	Annually Monthly As required As required 6 monthly As required	ACE CSC SMT SMT/HoS SMT ED F&P HoS		3 /4	3 /4	9 /16	▼
											Risk response is sufficient			3
	Risk Owner	Jonathan Owen												
3	Failure to recruit/retain staff	Failure to recruit/retain staff Loss of key staff		Culture change programme Assessment of recruitment procedures Corporate plan for retaining staff Staff development (PDPAs, 1 to 1s, induction) Review of job profiles/content Recruitment and retention packages Reduction in dependency on agency staffBHO inplace Achievement of IIP in various services Further expansion of management developm,ent programme Review of agency arrangements underway thorough LCOE New HR structure implemented	3 /4	3 /4	9 /16	Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	SMT ACE HR SMT HoS HoS ACE HR/HoS SMT/HoS					▼
											Moderate scope for improvement of risk response ▼			2
	Risk Owner	David Ede												

#	RISK	FURTHER DETAILS	POTENTIAL OUTCOME	COUNTER MEASURES	ASSESSMENT OF RISK (MAR 05 CONTROLS)			REVIEW FREQUENCY	RESPONSIBILITY	CHANGES ON COUNTER MEASURES SINCE LAST ASSESSMENT	CURRENT ASSESSMENT OF RISK			
					IMPACT	LIKELIHOOD	RISK RATING				IMPACT	LIKELIHOOD	RISK RATING	
4	Poor project management	Poor programme of project management - 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 performancePost improvement reviews in place but production still patchy Simplified Prince 2 process completed but training not yet provided Project management continuing to improve Project management proposals agreed and being implemented Compatible proposals agreed for project support resource Poor project management remains on capital projects Review of contract monitoring responsibilities carried out and training provided Review of corporate projects undertaken by PIG for 05-06 monitoring	3 /4	3 /4	9 /16	As required Ongoing Annually Monthly Monthly Monthly Ongoing	HoS HoS ED CAaC ED CAaC SMT/HoS SMT/HoS HoS		3 /4	2 /4	6 /16 Moderate scope for improvement of risk response	2
	Risk Owner	Ray Whitehouse												
5	Failure to maximise use of staff	Not making the best use of staff/staff sickness absence		Training Management Staff development (PDPAs, 1 to 1s, induction) Culture change programme Sickness monitoring including RTWs and reviews Occupational Health Service Industrial relations Addressing violence to staff concernsBHO bedding-in IIP accreditation Legislation tracking PDPAs Improvement in sickness absence record ODPM funding to develop staff	3 /4	3 /4	9 /16	Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	ACE HR/HoS HoS ACE HR/HoS ACE HR/HoS HoS ACE HR ACE HR ACE HR		3 /4	2 /4	6 /16 Moderate scope for improvement of risk response	2
	Risk Owner	David Ede												
6	Not maximising income or specific grants			Central Government lobbying Partnership unit Establishment of grant spending plans Grants co-ordination role Staff training Corporate fees & charges policy Debt recovery policy and procedures Rent reviews Partnership workingAudit protocol agreed Grants co-ordinator role permanent and in post Improvement in performance in grants Action plan in place post 02-03 audit report Partnership guidance developed Staff training programme ongoing F&C policy still to be reviewed Debt is being more co-ordinated	3 /4	2 /4	6 /16	Annually Ongoing Annually Ongoing Annually Annually Ongoing Ongoing Ongoing	CE HoS R&P/ ACE CSC ED F&P HoS HoS FS HoS FS ED F&P		3 /4	3 /4	9 /16 Risk response is sufficient	3

RISK				COUNTER MEASURES	ASSESSMENT OF RISK (MAR 05 CONTROLS)			REVIEW FREQUENCY	RESPONSIBILITY	CHANGES ON COUNTER MEASURES SINCE LAST ASSESSMENT	CURRENT ASSESSMENT OF RISK			
	RISK	FURTHER DETAILS	POTENTIAL OUTCOME		IMPACT	LIKELIHOOD	RISK RATING				IMPACT	LIKELIHOOD	RISK RATING	
Risk Owner		Mike Stringer												
7	Poor financial management	Insufficient funds and/or poor financial management (Budgetary control, VFM, impropriety, fraud and corruption)	* CPA reflects poor use of resources * Council Tax increases above those really needed * Services reduced or enhancement not progressed Fraud/misuse of resources goes un-noticed	Financial procedures and manuals Financial controls MTFS and budgetary process Out-turn position Monthly monitoring Audit reports Review processes Adequacy of reserves/contingencies reviewed Fraud and corruption strategy in place	3 /4	2 /4	6 /16	As required As required Annually Annually Monthly Ongoing Ongoing Annually Annually	ED F&P/ ACE LDS HoS ED F&P SMT/HoS ED F&P HoS HoS FS ED F&P ED F&P	* Value for money indicators/reviews being put in place * MTFS process further enhanced * Monitoring systems further refined, e.g. risk, actions reinforced * Reserves increased * Social Services remains concern	3 /4	2 /4	6 /16	3
Risk Owner		Rita Greenwood									Risk response is sufficient			▼
8	Causing harm to people we owe a duty of care	Causing harm to people we owe a duty of care: - 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 e.g. corporate manslaughter		Health and Safety Management System agreed and in place H&S budgets 04-05 in place and 05-06 agreed Review of all premises under way H & S Action plans in place Risk assessments Management Inspections Directorate H&S advisors in place Insurance Identification of Corporate Manslaughter risks and action plan	3 /4	2 /4	6 /16	Annually Ongoing As required Ongoing Ongoing Ongoing As required Ongoing	ED Env HoS HoS HoS HoS ED F&P HoS Corp Safety & FM	H&S Budgets 05-06 now in place, and projects under way Legionella management programme progressing well Asbestos management under review H&S financial requirements under review for MTFS Audit programme being arranged H&S training for managers now in-house - more courses to be taken in-house	3 /4	2 /4	6 /16	
Risk Owner		Ray Stephenson									Moderate scope for improvement of risk response			▼
9	Reputational risk	Reputation risk: - failure to maintain the integrity and reputation of LBH - failure to meet residents and stakeholders aspirations, thus failing to maintain members/public/staff confidence - failure to secure resources to deliver an ambitious agenda		Assessment of the laws, policies and practices required to comply with the 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 tollikt for managers Provision of information for partners Possible considerstion of Human Rights in BV reviews Communications with media/community Promotion and publicity	3 /4	2 /4	6 /16	As required	HoS Strategy & Communcations	Annual independent MORI surveys established to monitor public reputation allowing the council to react to issues of concern to residents. Concern over crime & disorder addressed through partnership strategy & implementation of Respect campaign. Additional service spending implemented to address concerns over street cleansing & the condition of libraries & sports facilities. Service targets set & monitored for positive national publicity to enhance reputation. 40th aniversary Civic Dinner held for civic & community leaders. Emergency Planning Officer appointed to co-ordinate responses to emergency situations. Head of Communications appointed to co-ordinate corporate communcations. Public Realm campaign to further community engagement with the council. 'Living in Havering' increased from 8 to 12 pages to further improve communications with residents.	3 /4	2 /4	6 /16	
Risk Owner		Jonathan Owen									Moderate scope for improvement of risk response			▼

RISK				COUNTER MEASURES	ASSESSMENT OF RISK (MAR 05 CONTROLS)			REVIEW FREQUENCY	RESPONSIBILITY	CHANGES ON COUNTER MEASURES SINCE LAST ASSESSMENT	CURRENT ASSESSMENT OF RISK			
	RISK	FURTHER DETAILS	POTENTIAL OUTCOME		IMPACT	LIKELIHOOD	RISK RATING				IMPACT	LIKELIHOOD	RISK RATING	
10	Failing to sustain/develop relations with partners			Memberships Establishment and implementation of protocols Havering Strategic Partnership Staff contactsAlternative Service Delivery strategy approved ASD/partnering proposals identified in MTFS North East London partnership under way Partnership guidance developed	3 /4	2 /4	6 /16	As required As required Ongoing As required	HoS HoS ACE SC HoS		3 /4	2 /4	6 /16 Risk response is sufficient	▼
														3
	Risk Owner	Jonathan Owen												
11	Poor external communication	Inadequate communication with residents/service users/members		Communication strategy Consultation process Press Office Local Offices/PASC "Living in Havering" Committee meetings Overview & Scrutiny meetings	2 /4	3 /4	6 /16	Annually As required Ongoing Ongoing Monthly Ongoing Ongoing	ACE SC ACE SC ACE SC ED H&R/ED CAaC ACE SC SMT/HoS SMT/HoS	Outcome of Strategy work Media relations (press release sent to local and national media). Monthly radio interviews by the Leader of the Council established.Production of various publications like Council Tax leaflets for residents. Pagination of 'Living' increased by 50%. Programme of 40th anniversary events to highlight the role of the council. Website redesigned & relaunched to improve e-communcations. Arrangements of events for the public such as 'meet the cabinet' at Romford Market. Plan for articles in publications produced.	2 /4	3 /4	6 /16 Moderate scope for improvement of risk response	▼
	Risk Owner	Jonathan Owen												
12	Business continuity	Inability to maintain council business in the event of an incident		IT restoration procedures Review of Emergency Plan Review of Emergency spend protocol Establishment of Business continuity plans Exercises of scenarios Emergency Plan in place and schedule of call-out officers established	4 /4	1 /4	4 /16	Annually Bi Annually As requried Bi Annually Annually	ED CAaC ED Env HoS FS HoS HoS	Business Continuity Plan to be produced by Nov '05. Emergency Planning team now expanded and staffed by FTEs IT Business Continuity Plan in place NOT CONVINCED 1/4 IS FAIR ASSESSMENT OF LIKELIHOOD	4 /4	1 /4	4 /16 Risk response is sufficient	▼
	Risk Owner	Ray Stephenson												
13	Human Rights Act	Human Rights Act: - failure to comply with the Act - potential violation of the rights of stakeholders - challenges and legal suit from aggrieved stakeholders		Assessment of the laws, policies and practices required to comply with the 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	2 /4	2 /4	4 /16	As required	ACE L&D	Assessment of Council policies and practices ongoing Initial training of legal staff undertaken	2 /4	2 /4	4 /16 Risk response is sufficient	▼
	Risk Owner	Christine Dooley												
14	Failure to achieve equalities and diversity objectives			Dedicated staff to co-ordinate and progress equalities/diversity initiatives. Establishment of corporate and directorate equalities groups Completion of equalities impact assessments Standing item on management meetings	4 /4	2 /4	8 /16	6 monthly	Marilyn Richard	Aditional post being recruited to Endeavours being made to engage external consultants to progress a number of initiatives	4 /4	2 /4	8 /16 Moderate scope for improvement of risk response	▼

RISK				COUNTER MEASURES	ASSESSMENT OF RISK (MAR 05 CONTROLS)			REVIEW FREQUENCY	RESPONSIBILITY	CHANGES ON COUNTER MEASURES SINCE LAST ASSESSMENT	CURRENT ASSESSMENT OF RISK			
	RISK	FURTHER DETAILS	POTENTIAL OUTCOME		IMPACT	LIKELIHOOD	RISK RATING				IMPACT	LIKELIHOOD	RISK RATING	
	Risk Owner	Marilyn Richards/Bob Page												
15	Contract Failure	Failure to adhere to procurement rules		Procurement strategy Contract Procedure Rules Strategic Procurement Group Training Contracts Register Contract Monitoring	2 /4	3 /4	6 /16	Annually Ongoing Monthly Ongoing Monthly Monthly	ED F&P ACE L&D SMT/HoS HOFS HOFS HoS		2 /4	3 /4	6 /16	
											Risk response is sufficient			
	Risk Owner	Mike Stringer												

MEETING	DATE	ITEM
AUDIT COMMITTEE	**26 October 2005**	**11**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT & INSPECTION ANNUAL LETTER 2003/04 – Action Plan

SUMMARY

The 2003/04 Audit & Inspection Annual Letter was considered by the Audit Committee at the meeting held on 26 April 2005. An action plan to respond to the recommendations was also agreed. Progress against the action plan is now reported as Appendix A.

RECOMMENDATION

- To note progress against the action plan (attached at Appendix A).

REPORT DETAIL

1.   The 2003/04 Audit & Inspection Annual Letter prepared by the Audit Commission was considered by this committee at the meeting held on 26 April 2005. An action plan was agreed at that time. It has now been updated to report progress on achieving the recommendations contained within the Annual Letter.

2.   Members are asked to note the progress against actions.

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 note progress on the issues contained within the Action Plan.

Alternative Options Considered

None available

> Staff Contact: Jonathan Owen
> Designation: Assistant Chief Executive Strategy & Communications
> Telephone No: 01708 432416
> Email: jonathan.owen@havering.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers

None

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

Actions are described as either: **Completed** **On- going** **Behind schedule**

Council Performance

Recommendation	Priority	Responsibility	Agreed	Comments	Date
Members need to ensure they continue to focus attention on improving weaker services in the coming year.	1	ACE Strategy & Communications/Cabinet	Yes	Introduction of the Commissioner Board to examine all service performance with particular focus and priority on weaker areas. Timetable set up to December 2005 and progressing. 'Traffic Light' reports covering strategic PIs are included in the Monthly Member Performance packs. Service performance has improved in key areas which were previously performing less well – especially housing, social services and planning. This item is also monitored through the corporate risk register.	Completed Jonathan Owen

Accounts

Recommendation	Priority	Responsibility	Agreed	Comments	Date
Members should satisfy themselves that the arrangements for producing and supporting the statement of accounts are strengthened for future years. e.g.: a) Improve closedown arrangements further. b) Ensure accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years	2	Cabinet Executive Director Finance & Planning	Yes	Discussions have taken place with the Audit Commission including staff briefings. A post closedown review for 2003-04 was undertaken, reported and was used to develop the closedown process for 2004-05. A further post closedown review for 2004-05 has now been undertaken and an action plan is being developed. Awareness has been raised, e.g. global email, Inside Havering. A session has also been held on working papers. Monthly reports on closedown 2004-05 were presented to Project Board throughout the whole process. Links have also been developed with other authorities to ensure compliance with statutory guidance.	On-going Mike Stringer

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Financial Standing					
Members should ensure that management action is taken to address budget setting and the continued overspends in social services	1	Cabinet Lead Members SMT Exec. Director Social Services Exec. Director Finance & Planning / Lead Member	Yes	Cabinet and relevant portfolio holder's work with Executive Directors to ensure reductions in overspend and that savings plans are delivered. 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 have been taken and others will follow as necessary. Savings are monitored as part of the 2005-06 budget 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. A revenue longstop process has now been introduced to backstop the monitoring process.	On-going Mike Stringer
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 were taken to rectify the position in 2004-05. These steps were successful. Reports are submitted to Project Board as part of the monthly monitoring cycle and these in turn feature in reports to Members. No unexpected variances occurred during 2004-05.	Completed Mike Stringer / B. Kendler
Members should ensure that		Cabinet	Yes	The MTFS will as it is rolled forward aim to continue to	On-going

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
appropriate levels of working balances and reserves are maintained in line with the responsible Finance Officer's recommendations.		Lead Members SMT Executive Director Finance & Planning		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.	Mike Stringer
Address the following weaknesses in debt recovery: • 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 have addressed within the corporate system. However, there are IT system issues in respect of the ability to cross-reference, which are being resolved. Monitoring of these weaknesses in local income systems is continuing and action has become more focussed in recent months. Debt write-offs are now processed in a much more timely manner	On-going Mike Stringer

Systems of internal financial control

Internal Audit. Areas for improvement include: • 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 Mike Stringer

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Main Accounting system Ensure all unreconciled items are investigated and cleared on a timely basis and that senior review of reconciliations is evidenced		Executive Director Finance & Planning Head of Financial Services / Lead Member	Yes	Any items requiring reconciliation have been identified as part of the closedown process and actions have been undertaken to carry out and complete reconciliations. Those areas identified are now monitored during the year to ensure that as much of the work as possible is concluded ahead of 31 March. Reconciliations are also now subject to senior review on a significance basis.	On-going Mike Stringer

Risk Management

Recommendation	Priority	Responsibility	Agreed	Comments	Date
Further improve and cascade risk management mechanisms in specific services to all levels. E.g. • Progress plans to work more closely with ALARM and other networks, especially on benchmarking		Cabinet SMT Heads of Service CMIA	Yes	The Council recently received a good risk management review from the Audit Commission, recognising the implementation of the strategy as a success. Now Full ALARM members via the Health and Safety Officer. Officers have been consistently attending ALARM meetings during 2005/6. A meeting was held at Tower Hamlets on 17.06.05 and benchmarking issues were discussed between 6 local authorities to compare and contrast what they were doing. The ED Finance & Planning/CMIA are raising awareness at Directorate Leadership Teams. The Authority is a Member of the CIPFA Better Governance Forum and staff have been attending training courses provided by them during 2005/6. Havering is actively engaged with Zurich Municipal, who sends a representative to bi- monthly meetings.	On-going Sheree Hamilton

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Circulating good practice examples of well-constructed risk registers and 'risk paragraphs' from Cabinet reports to guide officers.	2	Exec. Director Fin. & Planning / Lead Member	Yes	Examples of well constructed risk registers and risk paragraphs were issued following the March 2005 review of risk registers. Guidance has been issued for the September 2005 preparation of risk registers, which are discussed as part of the normal business of the RMG. Risk registers are also subject to a 6 monthly review by Heads of Services and by the CMIA.	On-going Sheree Hamilton
Progressing proposed work on defining and providing guidance to managers on reputation risk.	2	ACE – Strat & Comm / Lead Member	Yes	In 2004/5 a draft paper was prepared for Risk Management Group and SMT. Another draft report was presented to the RMG in August 2005. A questionnaire has been completed and interviews have been held to identify our reputation risks in relation to the budget, performance management and communications. Work has also begun on the production of an action plan. When the new risk management website is set up the contact officer for questions and queries will be published.	On-going Jonathan Owen
Improving compliance in incident reporting. .	2	Head of Facilities Management/ Lead Member	Yes	A new incident & accident reporting form has been Introduced across the Council. Additionally a centralised accident / incident database is now active which includes the reports from all directorates including schools and education. Both the report and the database are now available online on the H&S intranet site. Monthly updates are provided to the Strategic Health & Safety Group and all directorate performance groups with an annual report on incidents and accidents to SMT.	Completed Ray Stephenson
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.	On-going Chris Dooley
Developing guidance and training on	3	ACE – Legal &	Yes	The council is awaiting legislation to be finalised.	On-going

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
changes to the law of corporate manslaughter.		Democratic Services/ Lead Member		Guidance and training will be developed.	Chris Dooley

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 are ensuring a better allocation of resources. This is now reflected in the overall MTFS approach.	On-going Mike Stringer/ Jonathan Owen
• 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 Ray Whitehouse

User Focus arrangements

Ensure wider involvement of all Councillors to build on developing community initiatives of Cabinet and 'Champion' Members	3	ACE – Legal	Yes	Complete review of area committees and overview and scrutiny committees is ongoing. Report is due to Cabinet in November.	On-going Philip Heady
Formal evaluation of user focus related initiatives to ensure they	2	ACE – Strat & Comm / Lead	Yes	The Council is implementing the recommendations of the Audit Commission User Focus inspection of	On-going

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
include wider involvement and feedback mechanisms. • More work is needed to further engage and involve residents.		Member		Oct/Nov '04. Monthly satisfaction report – the scores of a wide range of council services & with the council overall; goes to Members Oct 05. Web pages to facilitate feedback, press releases, give results of surveys and how the council is responding is being developed. Consultation & stakeholder databases should be operational November 05. Getting Involved pages give access for public participation, to work with and influence the Council's services. A methodology for evaluation is being developed.	Jonathan Owen
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	Consultation pages and getting involved pages on the internet are now a focal point on all consultations. Revised strategy to be agreed by Cabinet autumn o5; management teams to be met with to increase awareness, discuss development issues after this. Work with Community themed BVRs improved.	On-going Jonathan Owen
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	User satisfaction, Best Value and quality of life indicators reported to project board and addressed within commissioner board. Further on-going work necessary. Monthly satisfaction report to start going to members (as part of their monthly pack) Oct 05.	Completed Jonathan Owen
Review of partnership consultation and engagement mechanisms to facilitate more joined up approaches.	2	ACE – Strat & Comm / Lead Member	Yes	Consultation web pages include consultation carried out by partners. E-government Programme Board has agreed to progress development of consultation and stakeholder databases. These will add to the community's tools for achieving effective consultations. Once operational, systematic approaches to all partners will be made to develop this further and to encourage joint planning.	Behind schedule Jonathan Owen

E-Government Follow Up

Address contingency planning and business continuity issues	3	Exec. Director CAC / Lead	Yes	A Prince2 foundation and practitioner training programme is now available internally. A streamlined	On-going

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
		Member		set of project templates have been developed and are being promoted across the Council.	Ray Whitehouse
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 is now live. 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.	On-going Jonathan Owen

Procurement follow-up

Recommendation	Priority	Responsibility	Agreed	Comments	Date
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 has been provided to relevant officers and Head of Service packs now 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 a procurement-based project on agency staff. SPSG actively pursues ASD approaches. Services are also required to identify potential and actual ASD approaches as part of their MTFS submissions	Completed Mike Stringer
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 Bob Page

Performance Information

Recommendation	Priority	Responsibility	Agreed	Comments	Date
Continue to focus on improving the quality of BVPI's supporting	1	ACE – Stra. & Comm	Yes	The external audit was completed on 5 September and all submissions were accompanied by a properly	Completed

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
documentation.				completed cover sheet. We are currently awaiting the Audit report.	Jonathan Owen

Planning inspection

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Improve on the range and nature of information on planning policies, processes and requirement available to the public	2	Head of Service/Planning	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 (Envronmt.) in January 05. The Action Plan is available and is monitored by the Regulatory Service Committee.

Significant improvements have been made to the level of information on the planning site. A Service Charter has been agreed by Regulatory Services Committee in August 2004 on and an Enforcement Policy has been agreed by the Lead Member in April 2005.

More detailed guidance on S106 agreements is being developed as part of the preparation of the Local Development Framework. | On- going

Mike Day |
| Introduce a customer charter and clearly set out what service standards stakeholders can expect across the whole planning service and what outcomes are sought. | | Head of Service/Planning | Yes | | |
| More detailed guidance on section 106 requirements is required and develop an enforcement policy | | Head of Service/Planning | Yes | | |

Human Resources Inspection

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Further develop Human Resources into being more strategic in outlook.	3	Assistant Chief Executive (Human	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	On-going

David Ede |

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
		Resources)		February 2005. The Business Model continuous to be developed and we have to carryout some business process re-engineering with a view to speeding up some of our key processes, including recruitment and sickness absence. A further re-alignment of HR will need to take place as a consequence of the Senior Management Restructure. Full work plans are now in place to make progress in modernisation our HR policies. The H R Business Partner role continues to be developed with partners now clear on their strategic projects.	
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. We are reviewing and improving our ER framework and continue to build strong and beneficial relations with the TUS.	On-going David Ede

Housing Repairs & Maintenance re-inspection

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
• 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 is in place to deliver both the recommendations of the Audit Letter and the follow-up inspection. This is being monitored.** **This inspection was replaced by the Audit Commission inspection of the Housing Landlord Service in January/February 2005. The report was published in June 2005 and dealt with repairs under the heading "Value for Money".** **The Inspectors made three recommendations about repairs which will be picked up as part of our Service Plan monitoring and implementation of all other recommendations relating to this latest inspection.** **Therefore the repairs & maintenance inspection of October 2003 should now be regarded as complete and merged with the Landlord Services Inspection of June 2005.**	**Completed** Barry Kendler
Improve service reliability i.e. • high levels of delay • works not done right first time • embed appointment system		Exec Director/Housing & Regeneration		See above.	Completed Barry Kendler

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Standards of financial conduct and the detection of fraud and corruption					
Grant Claims Continue to improve on the %age of grant claims submitted for audit on time.		Lead Member for Finance Executive Director Finance & Planning Heads of Service	Yes	The grants post has been established on a permanent basis and an appointment was made some time ago. The previous post holder led the development of a grants protocol and provided training to a number of staff, and has continued to improve year on year performance. Performance is being monitored through the Member Pack, as part of financial standards, and is also now reported to Project Board on a monthly basis. An action plan has been implemented. 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.	On-going Mike Stringer

REPORT TO THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF SCHOOLS INTERNAL AUDIT: 2004/05

SUMMARY

To report to the Committee on the findings from internal audits carried out in Havering's schools during academic year 2004/05.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

1.   Audit Arrangements

Academic year 2004/05 was the first full year of the revised internal audit arrangements in schools. These include a robust, risk based triennial audit by auditors appointed through competitive tender (currently Deloitte and Touche) and an annual health check audit provided as part of the Education Directorate's School Funding and Assurance section.

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

Full Assurance   There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Substantial Assurance   While there is a basically sound system, there are weaknesses which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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

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

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

       Priority One: Major issues for the attention of senior management (LEA)

       Priority Two: Recommendations for local management action (school)

       Priority Three: Minor Matters

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

2   Findings

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

84 of the 86 Havering schools received an internal audit during the academic year, two having had their audit postponed until early autumn 2005 due to unavoidable pressures within the individual schools

The table below summarises the audit opinion for the 84 schools reviewed. The spread of audit opinion is similar to that of the previous year.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
2004/05	8	72	4	0	84
2003/04	4	78	1	0	83

In the previous academic year (2003/04) there was only one school with limited assurance but it should be borne in mind that the new audit programme is more demanding that the previous one. It is therefore a measure of more rigorous testing rather than a decline in financial control.

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

No school was considered to have weaknesses that would result in "No Assurance".

The revised audit programme has produced a substantial increase in the number of recommendations in schools as below but with increased support and follow up it is anticipated that these will reduce by the end of the next academic year.

Summary of recommendations

	No of recommendations	Av per school	Max no per school	Priority 1 recommendations
2004/05	557	7	19	27 (5%)
2003/04	289	3.5	12	19 (7%)

Appendix 2 shows the findings resulting in priority 1 recommendations.

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

- Organisation and Accountability
  Incomplete minutes and records of Governing Body and Sub-Committees
  Difficulty in recruiting school governors.
  Failures to have an up to date school finance policy or approved delegation limits
  Incomplete registers of financial interests

- Internal Financial Control
  Incomplete Inventory Lists
  No disposal Policy
  Inadequacy of Security Marking of Assets
  Lack of annual inventory checks
  Incomplete records of loaned equipment

- Budgets
  Budgets not updated in SIMS (accounting system)
  Budget Virements and adjustments not approved within delegation authorities

- Purchasing
  Copy orders not properly marked as "copy"
  Delivery notes not signed to confirm delivery of goods or services

- Personnel
  Cancellation and control of timesheets

- Income
  Identification of income streams other than LEA funding
  Updated Charging policy within the school

- Banking Arrangements/Cheque Book Scheme.
  Confirmation of regular and frequent banking arrangements

- Petty Cash
  Timely reconciliations, cancellation of receipts after payment of expense has been made.

- Recommendations from previous audits

Recommendations made in previous audits have not been followed up and implemented. In particular, recommendations on Inventory control have not been complied with.

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

FINANCIAL IMPLICATIONS

Costs

	£
Annual cost of the Triennial Audit currently delivered by Deloitte and Touche	35,000
Additional and follow up Audits	2,000
Annual Health checks including review, supervision and contract monitoring	57,500
Total	94,500

Funded By

	£
School Audit Budget (E523)	37,000
Proportion of School Financial Support Budget (E293)	57,500
Total	94,500

EQUALITY IMPLICATIONS

None arising directly from this report.

ENVIRONMENT IMPLICATIONS

None arising directly from this report.

HUMAN RESOURCE IMPLICATIONS

None arising directly from this report.

LEGAL IMPLICATIONS

None arising directly from this report.

Staff Contact: David Allen
                                Education Finance Manager

Telephone: 01708 433851

STEPHEN EVANS
Chief Executive

APPENDIX 1

AUDIT FINDINGS

1.   Submission of Reports

84 of the 86 Havering schools received an internal audit during the academic year, two having had their audit postponed until early autumn 2005 due to unavoidable pressures within the individual schools

2.   Audit Opinion and level of Assurance given

The table below summarises the audit opinion passed for the 84 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
Number of Schools	8	72	4	0	84

3.   Audit Recommendations

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

Priority of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Priority 1	6	21	0	27	6
Priority 2	267	110	11	388	15
Priority 3	105	25	12	142	7
Total Recommendations	**378**	**156**	**23**	**557**	**19**
Average Recommendations per school	6	9	8	7	

Area of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Organisation & Accountability	128	47	7	**182**	6
Internal Financial Controls	74	25	1	**100**	3
Budget	57	18	5	**80**	4
Purchasing	75	40	5	**120**	6
Personnel	3	4	0	**7**	1
Income	28	11	1	**40**	4
Petty Cash	3	3	0	**6**	2
Others	10	8	4	**22**	4
Totals	**378**	**156**	**23**	**557**	

4.   Common Recommendations and Related Risks

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

Findings / Recommendations	Potential Risk
Organisation and Accountability	
Terms of Reference for Committees not documented or documentation being out of date.	Committee Terms of Reference must be clearly documented to ensure that the committee has the authority to make decisions on issues raised.
Signed copies of minutes not held at school or minutes not signed	There is a risk of errors or omissions being incorrectly recorded with required actions not being completed correctly
Vacancies in Governing Bodies	There is a risk of insufficient representation in meetings to ensure all points of view are considered.
Lack of a documented Finance Policy or lack of regular review	The finance policy of the school must be documented to ensure transactions are kept in line with the procedures and regulations that relate to them. There is a risk that the school is not operating within a control environment, which represent good practice and guides the Governing Body in fulfilling their responsibilities.
Register of Business Interests not updated, with some staff and governors not included	Everyone who participates in either the decision making or transaction processing of public (school) funds should declare their interests in any potential supplier. No compliance risks loss of best value and good practice in allowing biased decisions being taken
Scheme of delegation, delegated authorities are not up to date or are not made available to staff. In one case there was no evidence of a documented policy	Without a controlled delegated authorities process, the school is open to financial loss through inappropriate or improper expenditure
Internal Financial Controls	
Lack of consistent Financial Monitoring	Good practice suggests monthly monitoring allowing speedier corrective action

Lack of audit trail to show monitoring reviewed by Head Teacher and finance committees	No confirmation that management are aware of financial position of the school
Inventory not up to date	Risk of losing control over assets and not having records of equipment stolen or lost can lead to financial loss
Annual Inventory Checks not carried out or not reported to Governing Body	Deterrent of Theft and assurance of safe custody of assets. Risk of assets could go missing without being identified Risk of Governors not provided with assurance of control and security of assets
Assets not security marked	Marking items is a deterrent to thieves and also makes the possibility of recovery after theft relatively more likely. This particularly the case for portable equipment and computers
Private Schools Funds not independently audited	Risk if inappropriate audits performed by governors or family friends not being independent.
Audits are not up to date	Risk of improper use of funds
User access to school It systems not up to date	Systems users who leave the school should not be able to access the systems. Risk of improper use of the system and data
Income / Expenditure of school journeys and similar events is not recorded correctly	Income / Expenditure summaries need to be produced to ensure that the events have not been overspent and the funding of these events must also be recorded. There is a risk of financial loss if the expenditure exceeds income. There is a risk to public funds if such events are incorrectly funded from delegated budgets
Cancelled Cheques not correctly marked or audit trail for cancellations incomplete	Cancelled cheques need to be physically defaced if held at school, appropriate documentation should be maintained for cancellation of lost or stolen cheques

Budgets	
Budget Virements or adjustments not reported to Finance Committee or Governing Body	Risk of inappropriate transfer of funds to cover overspends
Budget held on SIMS not reconciled to original approved budget	Risk of errors in budget monitoring and decision making
Purchasing	
Lack of segregation of duties in ordering and receiving goods (particularly in small schools)	Risk of potential misuse of funds
Copy Orders are not marked as such	Risk of duplicate orders being delivered
Incomplete audit trail in purchasing cycle	Unable to check for segregation of duties.
Approval of invoices by staff without the correct level of delegated authority	Risk of potential misuse of funds
Lack of third party evidence of creditors	Risk that school's creditors are understated
Lack of evidence of best value being obtained for public funds.	Risk of inappropriate contractors being appointed and the school not obtaining VFM
Personnel	
Schools unaware of Leavers being processed by Payroll until actual payroll files and charges are sent to schools.	Risk of staff leaving may be paid for periods beyond their leaving date
Timesheets are not correctly authorised	Risk of incorrect payment.
Copy timesheets used for approval of payment	Risk of duplication of payments
Income	
	Risk of loss of income if charging policy is not up to date
School's charging policy not reviewed or updated	Risk of missing potential profits in lettings of school facilities
Lack of daily income register	Risk of incomplete record of income
Invoices raised not authorised and no debtors control.	Loss of income to the school and incorrect invoices being raised

Petty Cash	
Incorrect accounting for VAT	Risk of loss of income if VAT elements not correctly reported.
Not using Petty Cash Vouchers	Risk of lack of appropriate authorisation
Payments made not signed as paid or not signed by recipient	Risk of dispute of payment and could lead to financial loss
Receipts not marked as paid or cancelled	Risk of duplicate payments
Copy receipt used as evidence of expense	Risk of duplicate payments
Reconciliation of Petty Cash not carried out regularly	Risk of potential over /under payments not being identified
Others	
Recommendations from Previous Audits not followed up	Audit recommendations that are agreed by school management should be implemented within agreed time scales Non compliance is seen to be a failure in management

APPENDIX 2

DETAIL OF HIGH PRIORITY RECOMMENDATIONS AND FINDINGS

The following table details audit recommendations that were deemed to require senior management action in ensuring compliance following review of audit reports by the Schools Funding and Assurance Advisor.

Auditor	Level of Assurance within school where recommendation was made	Recommendation / Finding
Deloitte & Touche & Internal audit	Substantial	Risk that independence is impaired in relation to the audit of the school fund account.
Internal audit	Substantial	Possible lack of sufficient insurance cover for cash holdings
Internal audit	Limited	Lack of scheme of delegation. Lack of clear audit trail for finance committee meetings. Payment to suppliers very late. Signature on cheques delayed.
Internal audit	Limited	No current list of Governors. No finance policy or scheme of delegation. Lack of financial reports/monitoring.
Internal audit	Limited	Claiming VAT on non-vat invoices. Timesheets not authorised.
Deloitte & Touche	Substantial	Insufficient documentary evidence of provision of PFI management/administration to school
Deloitte & Touche	Limited	Registration with the Data Information Commissioner not up to date.

MEETING	**DATE**	**ITEM**
AUDIT COMMITTEE	**26th October 2005**	**13**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: BROADFORD SCHOOL INSURANCE CLAIM – Findings of the Panel

SUMMARY

This report sets out the findings of the panel of Members who reviewed the circumstances surrounding the Broadford School Insurance Claim.

RECOMMENDATION

To note findings.

REPORT DETAIL

Cllrs. Ford, Mills and Williams met with officers to discuss the matters surrounding the fire at Broadford School. The discussion centred around 3 key matters.

Could the repair have been resolved any sooner and, if so, what intervened to prevent earlier resolution?

The rebuild and repair of the buildings could have been resolved sooner if the Council had decided to reinstate the fire damaged buildings immediately following the initial meetings with the Loss Adjuster appointed by Zurich Municipal.

This decision could have required the Council to carry out post negotiations with the Loss Adjuster, but would have enabled a complete rebuild of both areas within fifteen (15) to eighteen (18) months. This decision would also have involved financial risks to the Council but would have guaranteed the return of pupils to permanent accommodation.

<u>Was there any link between the time taken to resolve the building works and the emerging issues of the primary review? If so, what was the nature of the link?</u>

Whilst the rebuild was not deliberately delayed because of the emerging issues of the primary view (the delay being caused by negotiating with the Insurance Company), the matter did obviously become linked by virtue of the timing with the result that the Education Directorate did advise that they would hold the cash settlement offered for the Phase 2 work against the final solution agreed in the review process.

<u>Can any lessons be learned from the experiences of dealing with this matter to inform future practice?</u>

There was a general discussion which reached the following conclusions:

- The Constitution now sets out that decisions are made by Lead Members and advised to all Members through the Calendar Brief.

- Risk Management Group is now in place which has Zurich Municipal representation and receives reports on insurance issues.

- The monitoring and performance arrangements now in place within the organisation provide for notification of such issues.

- The culture of the organisation now promotes escalation and resolution.

- The Council should consider the appointment of its own loss adjustor – each case will be considered as it arises.

- Client monitoring arrangements with Zurich Municipal should be improved so that issues are addressed promptly that may be causing concern in settling claims. Executive Director Finance and Planning has taken this forward.

Financial Implications and Risks:

None arising directly from this report.

Legal Implications and Risks:

None arising directly from this report.

Human Resource Implications and Risks:

None arising directly from this report.

Equalities Implications and Risks:

None arising directly from this report.

Environmental Implications and Risks:

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None arising directly from this report.

Staff Contact: **Rita Greenwood**   **Title: Executive Director**
                                                  Finance and Planning

Telephone: **01708 432218**

                                                 STEPHEN EVANS
                                                 Chief Executive

Background Papers

MEETING	DATE	ITEM
AUDIT COMMITTEE	26 October 2005	**6A**

SUPPLEMENTARY REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Results of External Audit of Accounts 2004/5

SUMMARY

1.1   Changes to the accounts have been agreed during the audit. The main changes relate to reduction of debtors and creditors by £379,000 because a VAT reimbursement to schools for this amount had been included as an external creditor, and the treatment of £2.5m of capital expenditure on software as intangible assets rather than deferred charges. The change in the treatment of software has meant that most of the statements included in the accounts have been revised and these are now attached as appendix A.

1.2   The separate report from the Audit Commission under Statement of Auditing Standards (SAS) 610 'reporting to those charged with governance' of any matters arising from the audit is now attached as appendix C. This is a draft report as the audit is still in progress and a revised report will be provided should the findings change as a result of the work that is outstanding. At present there are no unadjusted misstatements in the draft statement of accounts

1.3   Following the report to the Committee in July 2005, it was necessary to make a number of changes to the Pension Fund Accounts. The effect of these changes is included in the revised Pension Fund accounts attached as appendix B.

RECOMMENDATIONS

2.1 To approve the changes to the 2004/05 Statement of Accounts as set out in appendices A and B.

2.2 To consider the draft SAS 610 report from the Audit Commission (appendix C).

2.3 To delegate to the Chairman agreement to any changes to the accounts that may be necessary when the final SAS610 report from the Audit Commission is received.

REPORT DETAIL

3.1   The audit of the 2004/05 accounts is now being finalised. There are two issues that have come to light during the audit. These are as follows:

- As reported in the main report, debtors and creditors were overstated by £379,000 because VAT reimbursements to schools for this amount had been included as an external creditor.

- As part of the requirement to include local authority accounts within whole of government accounts, the accounting code of practice was amended for 2004/05 to exclude deferred charges from the balance sheet and a new category of assets, intangible assets was introduced. Computer software had previously been treated as a deferred charge and written off over its estimated useful life. The guidance notes to the accounting code say that commercially developed software, which has a market value, should be treated as an intangible asset but software developed in house would normally have no commercial value and should be written off in the year the expenditure is incurred.

  As part of an IT development, the Council does purchases commercial software licences but also incurs significant additional expenditure on project management and other costs to implement the scheme. It was therefore decided that capital expenditure on software would be written off in the year the expenditure was incurred, The Audit Commission are of the view that the expenditure was more correctly treated as an intangible asset and the accounts have therefore been amended to effect this change. Implementing this change to the accounts has meant changes to most of the financial statements, but there has been no change to the final surplus on the Consolidated Revenue Account or the Housing Revenue Account and total net worth on the Consolidated Balance Sheet has increased by £2.5m, from £1,043.1m to £1,045.6m.

3.2   As part of the finalisation of the accounts, a review is undertaken to identify post balance sheet events. As a result, the contingent liabilities note to the Consolidated Balance Sheet has been updated and a post balance sheet event has been included in the Pension Fund.

3.3   The revised financial statements are now attached for approval, together with the Foreword, the Statement of Accounting Policies and the updated note on contingent liabilities (appendix A). The Pension Fund accounts are attached as appendix B.

3.4 As the audit has not yet been concluded, it is possible that further issues may come to light and it is suggested that the Chairman be authorised to agree any changes to the accounts that may be necessary if any such issues should occur.

4.0 **Financial Implications and risks**:

None arising directly from this report.

5.0 **Legal Implications and risks:**

None arising directly from this report.

6.0 **Human Resources Implications and risks:**

None arising directly from this report.

7.0 **Equalities and Social Inclusion implications:**

None arising directly from this report.

Staff Contact:	Corrinne Hollingsworth
Designation:	Financial Services Manager
Telephone No:	01708 432203
E-mail address	corrinne.hollingsworth@havering.gov.uk

**STEPHEN EVANS
Chief Executive**

Background Papers List

Working papers held within the Finance Sections
The draft Statement of Accounts for 2004/05

MEETING	DATE	ITEM
AUDIT COMMITTEE	**26th October 2005**	**14**

This report is submitted with the agreement of the Chairman as an urgent matter, pursuant to Section 100B(4) of the Local Government Act 1972

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT SERVICE PROVIDER

SUMMARY

This report updates the Committee on urgent actions taken as a result of the company going into administration.

RECOMMENDATION

Members note the content and action taken.

REPORT DETAIL

1.   The provider of internal audit services to the Council went into Administration on 23 September 2005. After taking some time to try to obtain necessary details about the administration and notified sale of parts of the Company, by the Administrator, the Executive Director Finance and Planning took an urgent decision to terminate the internal audit contract with the Company which had gone into administration and to bring the service back in house. A copy of the record of this decision, which explains the background and options, is set out in the attached.

2.   Following the decision to terminate the contract, the current position is that 5 of the staff previously employed by pps-Acit have transferred back to the Council under

TUPE regulations. These staff effectively became employees of the Council on 15 October 2005. Work is now in hand to integrate these staff into the Council's terms and conditions of employment and into the management practices in place, both generally and locally within Financial Services.

3.   The service is now being managed as an in-house service by the Client Manager Internal Audit. She will be relocating into the office in Mercury House occupied by the staff to exercise more effective control. Steps have been taken to recruit an additional resource to complement the transferred staff, and it has been decided to place a graduate trainee within the service, to increase capacity as well as providing a training and development opportunity. These resources will ensure that the audit plan for 2005-06 is capable of being delivered.

4.   There are still a number of issues to resolve and these are:

(a)   Payments for Service Provision

The Council has held all payments pending receipt of further information from the Administrators, their proposals for dealing with the administration of the company and crystallisation of the exact legal position.

(b)   Pension Contributions Under Admitted Body Status

Cheques were returned for payments due from June onwards. The Council is entitled to offset pension contributions due against monies owing to the Company. These contributions will be offset.

(c)   Pension contribution as a Result of Actuarial Valuation.

Investment Committee will be considering further action as this still has to be resolved.

The pensions regulations require the Council, as Administering Authority for the pension fund, to obtain an actuarial valuation of the liabilities of the Company and to issue a certificate showing the revised contributions due from the Company. The Administrators of the Company have not confirmed whether or not such sums will fall to be paid as 'preferential' debts during the administration and, in any event, there is unlikely to be sufficient money available, within the administration, to meet the liability. Whilst pursuing this with the Administrators, the possibility of recovery by other means is being considered.

(d)   Long Term Provision of Service

Discussions with other local authorities have been underway for some time as Members of the Committee will be aware. These will continue. It is however now felt unlikely that a partnership approach with LB Hackney will be possible, owing to a change of approach. There are others who may still be interested and these options will be pursued. Officers will be focussing on continuing the in-house service for the immediate future, and a decision

on the long term provision of the service will advised to Members in due course.

Financial Implications and Risks:

The exact financial implications are not known given the issues mentioned in the report, however Officers will act to protect the Council's interest.

The costs of providing the service will be met from the existing budget provision available. Should this not be the case, arrangements will be made to resolve the position with the Lead Member Resources.

Legal Implications and Risks:

No legal implications arise from the Committee noting the contents of this report and the action taken. However, the following is provided for the Committee's information.

The Internal Audit contract gave the Council the right to terminate the contract in the event that the Company, providing the Internal Audit Service, had an Administrator appointed over it. This event occurred.

The decision to terminate the contract on 14th October was made on the bases that: (i) the Company had not been sold by the Administrators as a 'going concern' ; (ii) the Council's internal audit contract with the Company had not been sold on; and (iii) the fact that the Council needs a certain, continuing and effective internal audit service. Terminating the contract and bringing the service back in house triggered the operation of the Transfer of Undertakings (Protection of Employment) Regulations 1981 ("TUPE") to transfer the relevant staff to the Council

There remains an issue about payment of the salaries of staff for the period immediately prior to those staff transferring to the Council.   The Administrators and the organisation, which officers understand bought parts of the business of the Company, appear to have different and contrary views about the operation of TUPE prior to the termination of the contract. If this cannot be resolved between the Council, the Administrators and the organisation which purchased parts of the Company, legal action may be necessary in order to resolve the issue.

As indicated under **Report Detail** the Council is entitled to offset pension contributions against monies owing to the Company.

Human Resource Implications and Risks:

Negotiations will take place with two of the five staff that transferred under TUPE from pps-acit as these are the only two that are not on Council's Terms and Conditions of service. Individuals may chose not to accept the Council's Terms and Conditions and may want to retain the conditions that they transferred over on.

Future options of the service may have an impact on the staff. If the service is outsourced in the future it is likely that staff will transfer under TUPE to any new provider.

Reasons for the Decision:

The reasons for the decision to terminate the contract are set out in the attached form C. This report is to advise Members of the decision and for them to note the actions taken.

Alternative Options Considered:

These are set out in the attached form C.

**Staff Contact: Rita Greenwood   Title: Executive Director
                                                      Finance & Planning**

Telephone: 01708 432218

**STEPHEN EVANS
Chief Executive**

Background Papers

Notice of executive decision of substance by member of staff

This notice is intended to assist a member of staff in recording any executive decision, which whilst not a key decision is nevertheless one of substance and where a further record of legal, financial and human resource implications should be made.

This notice parallels the requirements of rule 20 of the Access to Information Procedure Rules. Rule 20(c) requires members of staff to record any key decision taken by them. Staff must record the decision, a statement of the reasons for it and any alternative options considered and rejected.

Definition of an executive decision

An executive decision made by a member of staff is any decision that is NOT made in accordance with a function or functions listed in:

- Part 3, section 4 of the Council's constitution (Functions not to be the responsibility of an authority's Executive), or

- Part 3, section 5 of the Council's constitution (Local choice functions).

The functions listed in Part 3, section 4 are non-executive functions. The functions listed in Part 3, section 5 are also non-executive functions, with the exception of those functions delegated to Cabinet.

Executive decisions which are also key decisions

Some executive decisions will also be key decisions. Staff making key decisions should record those decisions using the standard form entitled *Notice key decision by member of staff*.

Key decisions are defined in Part 2, Article 13.03(b) of this constitution.

Part A

Decision Heading

Describe the executive decision taken.

To re-establish an "in-house" team of staff to undertake the Council's internal audit function with effect from 17 October 2005.

Substance of decision taken

The member of staff should state the substance of the executive decision.

In 2002, the Council awarded a contract for Internal Audit services to Acit Services Ltd, which later changed its name to pps-Acit. The contract commenced on 1 April 2002. This contract was originally for a 3 year period, with the option to extend for up to 2 years; it was extended for a further year from April 2005.

On Tuesday 27 September Officers were advised, by a telephone call from an employee/former employee of pps-Acit, that pps-Acit had gone into financial administration on 23 September, and that its assets and goodwill had been sold to another company in the early hours of 24 September. No further detail was provided.

On Friday 30th September, Officers met with two employees/former employees of pps Acit and were able to obtain some further, but still greatly insufficient information about the administration. An approach made to the Administrator has produced little additional information. The Administrator has eight weeks in which to put together proposals for the company and then to notify creditors of his proposals. There is, therefore, likely to be a delay before Officers have detailed information about the administration and how the Administrator proposes to deal with the Council and the other creditors of pps Acit. Officers have grave concerns over the future delivery of services to the Council given the manner in which this has taken place, and the fact that the Council has been left with

1. Acit staff who consider that they have not been communicated with

2. a claim from Acit that three members of staff have now been TUPE transferred back to the Council

3. employer contributions owing to the Council

4. a Pension Fund contribution due to the Council and unlikely to be achieved under the Admitted Body Agreement.

The Internal Audit contract enables the Council to terminate its agreement with pps-Acit in the event that the company has an administrator appointed. Having assessed the options open to the Council, the view of Officers is that the contract should be terminated, and that the service should be managed in-house in the short term.

A longer term approach, through either a partnership with other authorities or a single-authority tender, will then be taken.

The Chief Financial Officer has therefore decided to terminate the contract with pps-Acit and for the short term arrangement, indicated above, to be implemented.

Authority under which decision is made

The member of staff should cite the authority in the constitution under which the executive decision is made. Staff responsibilities for functions are set out in Part 3, section 3 of the constitution.

Part 3:3.1, paragraph 8 of the Council's Constitution authorises an Executive Director to discharge the relevant functions of the Council where, as a matter of urgency, it is necessary that action should be

taken before the date of a meeting of a body in whom the power of decision rests. The next Cabinet meeting where a report on this issue can be presented will not take place until Wednesday 19 October. The decision needs to be taken urgently to ensure the continued provision of internal audit services to the Council.

Any consultation with individual Cabinet member or chair of relevant committee

The member of staff should state **w**hether, in taking this decision, he or she considered it appropriate to consult with the relevant individual Cabinet member or with the chair of the relevant committee (as provided for in Part 3, section 3.1, function 4 of the Council's constitution).

❒ ~~I *have not* consulted with the relevant individual Cabinet member or with the chair of the relevant committee~~

❒ I *have* consulted with the relevant individual Cabinet member or with the chair of the relevant committee. (Give name of member consulted and portfolio or chair held, as appropriate.)

Councillor Roger Ramsey, Lead Member Resources

Statement of the reasons for the decision

The member of staff should state the reasons for taking this executive decision.

The Council awarded a contract for Internal Audit services to pps-Acit (formerly Acit Services Ltd) commencing from April 2002. This contract was originally for a 3 year period, with the option to extend for up to 2 years. Approval was given by Cabinet for the contract to be extended for a further year from April 2005 and it was so extended.

Officers have been in discussion with colleagues in other London boroughs for some time regarding a potential partnership approach to internal audit services. These are still progressing and the objective was to establish some form of arrangement effective from April 2006.

However, Officers were advised in late September that Acit had gone into financial administration. Whilst it is not entirely clear which part of the pps-Acit group has in fact been put into administration, the future ownership of the company and the Council's relationship with them is unclear. Coupled to issues over their membership of the Council's pension fund as an admitted body (there is a potentially significant sum owing to the Council), Officers have grave concerns over the future delivery of services to the Council.

The contract enables the Council to terminate its agreement with pps-Acit in the event that an Administrator is appointed over the Company. Having assessed the options open to the Council, Officers' view is that the contract should be terminated, and that the service should be managed in-house through a mix of permanent staff (some of whom will transfer back to the Council under TUPE rules upon termination of the contract with pps Acit) and agency employees/specialist contractors.

A longer term approach, through either a partnership with other authorities or a single-authority tender, will then be taken.

The estimated cost of running an in-house service for a duration of approximately 6 months from October 2005 is £210k. However, this depends on the cost of recruiting agency staff and/or specialist auditors, for example to carry out computer audits. The current annual budget for the internal audit service is £340k. Contingency funds of approximately £40k could therefore be required. Some of this cost will however be managed through reduced overhead costs with the termination of the contract.

The Council made a policy decision to outsource its Internal Audit service for a variety of reasons. Whilst this short-term solution is contrary to this decision, there is very little choice considered available. It is intended that the original policy decision will still continue once this immediate problem is resolved unless subject to a further report.

Any alternative options considered and rejected

The member of staff should outline any alternative options considered and rejected by him or her in making the executive decision.

There are several options:

1. continue with the existing contract; Officers feel that this is a high risk approach given the financial difficulties that pps-Acit have encountered, the fact that the Company's assets and goodwill have been sold off, the Council has been left with considerable problems, and as the contract is now less than 6 months from expiry, seeking to contract afresh with the incumbent contractor and then repeating the process within a very short timescale is not tenable .

2. bring the service in-house with permanent staff; this can be achieved relatively quickly to deliver a partial service, but recruitment to cover the full audit plan will take some time and place the Council's financial standing at considerable risk. Furthermore, this option is contrary to the Council's policy decision on procuring this service externally in the longer term.

3. "piggy-back" onto another authority's contract. This poses a range of legal issues and will take some time to negotiate. There is a considerable risk that the Council would receive a "second-best" service, that the objectives and methods of working of the parent Council would inevitably be considerably different, and that it may be difficult for specialist resources to be shared.

4. engage an external manager to manage the service, using a mix of permanent and agency/specialist staff. This poses difficulties shared with options 2 and 3; negotiating an agreement would also take some time, there is no guarantee that the service would be any more effective, and the cost would inevitably be considerably higher than options 1 to 3.

5. appoint an external organisation to deliver the service; this is likely to be the most expensive option, the most problematic to implement in the short term, and could potentially mean that the Council would have 3 contractors for its internal audit service within an 8 month period.

Officers' view is that none of these options is tenable for the Council to ensure the continuity of service that it requires in the immediate short to medium term.

Name and job title of advising staff member

The member of staff should obtain the signature of the member of staff responsible for the advice on which the decision of substance is based.

Name: ____Mike Stringer_____

Signature: _____   Date: ___13 October 2005_____

Part B

The member of staff should comment on the implications of the decision for the following areas. Not all decisions will have implications for each area.

Legal implications

The staff member should note the name and job title of the member of staff responsible for advising on the legal implications of this executive decision.

There is a difference of opinion between (a) the Administrator for pps Acit Services Ltd, (2) pps Group plc (the company which has, apparently, purchased the assets and goodwill of pps Acit Services Ltd) and (3) the Council with respect to the operation of the Transfer of Undertakings (Protection of Employment Regulations) 1981 ("TUPE").

However, the view of the Assistant Chief Executive – Legal and Democratic Services – is that the Internal Audit Contract between the Council and pps Acit Services Ltd has not been automatically terminated by the appointment of an Administrator over pps Acit Services Ltd. Neither has pps Acit Services been sold as a 'going concern'. Consequently, there has been no 'transfer of undertaking' and TUPE has not, yet, been triggered to transfer staff.

The Internal Audit contract provides for the Council to terminate the contract with immediate effect if pps Acit Services Ltd has an Administrator appointed over it. Termination of the contract and bringing the service back in-house will constitute a transfer of undertaking which will trigger TUPE to transfer staff back to the Council.

The Administrator for pps Acit has not, yet, published his proposals for dealing with the Company's debts and liabilities. Once this information is available the position regarding recovery of pension contributions due will be clearer. In the meantime, the Admission Body Agreement between the Council and pps Acit provides for the Council to 'set off', against monies due to pps Acit, pension contributions due from pps Acit to the Council.

Other legal issues which will need to be resolved, as things become clearer, include whether any payment(s) is/are due from the Council to pps Group plc in respect of the provision of internal audit services since 23rd September when pps Acit went into administration.

Sheila Saunders

Financial implications

The Staff member should note the name and job title of the member of staff responsible for advising on the financial implications of this executive decision.

The proposal to terminate the existing contract with pps-Acit and bring the service back within the Council, albeit possibly for a short term period, is the lowest risk option as it ensures continuity of service and minimises the potential problems that would result from the non-availability of the service. The estimated costs of bringing the service in-house for the remainder of 2005-06 indicate a potential overspend, however there are actions that can be taken to reduce this possibility. Any overspend would need to be met by an allocation from contingency. The potential cost arising from the other options considered is likely to be of a similar level or higher.

There are various issues around the outstanding Pension Fund and employers' contributions that the Council needs to seek to resolve with pps-Acit and the Administrator. These need to be progressed as a matter of urgency to minimise their financial impact on the Council.

Mike Stringer

Head of Financial Services

Human resources implications (and accommodation implications where relevant)

The Staff member should note the name and job title of the member of staff responsible for advising on the human resources implications of this executive decision.

The Staff member should note the name and job title of the member of staff responsible for advising on the human resources implications of this executive decision.

The ceasing of this contract will result in a TUPE transfer of the staff currently employed by pps-Acit back to the Council. Whilst a number of these staff were former employees of the Council there are others that are not. There is a requirement that following the transfer discussions are had with these staff to seek agreement from them that they are employed on the Council's terms and conditions of service to avoid operating a two tier workforce.

Any future options of this service will need to consider the impact on staff. This may result in a further TUPE transfer if the service is retendered and outsourced.

JOANNE HATFIELD

Human Resources Manager

Confirmation of executive decision

I confirm that I have made this executive decision, in accordance with authority delegated to me under the Council's constitution and in compliance with the requirements of the constitution.

Signed

Name   Rita Greenwood

Job title   Executive Director Finance & Planning

Date   14 October 2005

The member of staff making this executive decision should retain a copy of this cover sheet on the relevant file.