

AUDIT COMMITTEE

AGENDA

7.30pm

Wednesday,
27 June 2007

Havering Town Hall
Main Road, Romford

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

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

Residents' Group (2)

Clarence Barrett
Barbara Matthews

Rainham and Wennington Independent Residents Group (1)

Mark Stewart

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

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

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

2. MOBILE COMMUNICATIONS DEVICES

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

3. CONDUCT AT THE MEETING

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

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

PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

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

3. DECLARATION OF INTERESTS

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

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 24 April 2007 and to authorise the Chairman to sign them.

5. ANNUAL STATEMENT OF ACCOUNTS 2006/2007 – Report attached

6. STATEMENT OF INTERNAL CONTROL – Report to follow

7. ANNUAL HEAD OF INTERNAL AUDIT REPORT – Report attached

8. INTERNAL AUDIT REPORT – Report attached

9. EXTERNAL AUDIT 2007/2008 ANNUAL AUDIT AND INSPECTION PLAN - Report attached

10. ANNUAL LETTER PROGRESS 2004/05 - Report attached

11. ANNUAL LETTER PROGRESS 2005/06 - Report attached

12. URGENT BUSINESS

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

CHERYL COPPELL
Chief Executive

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

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), David Charles, Eddie Cahill, Frederick Thompson, and Roger Ramsey

Residents' Group Clarence Barrett and Barbara Matthews

No member declared an interest in any matter under consideration.

All decisions were made with no member voting against.

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

27. MINUTES

The minutes of the meeting held 1 March 2007 were agreed as a correct record and signed by the Chairmen.

28. ANNUAL AUDIT AND INSPECTION LETTER 2005/06

The Committee was presented a report relating to the Audit and Inspection Annual Letter for members which incorporated the Annual Audit Letter for 2005/06. The letter summarised the conclusions and significant issues arising from the recent audit and inspections of the Council.

It was noted that the Council would produce an action plan to address the recommendations for improvement highlighted in this report. This would be presented to the Committee at its next meeting.

Following further discussion Members **noted** the Annual Audit and Inspection letter report.

29. ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE AND WORK PLAN FOR 2007/08

Approval was sought of the Committee's report on its work and related outcomes over the last year for presentation to Council at the July meeting.

Members were also informed of the current arrangement with Deloitte who had been engaged to provide management support to the existing in-house team. The Committee noted that the preferred option of officers was to find a partner Authority to undertake this responsibility, but that previous attempts to engage with others had proved fruitless.

Members **agreed** that the annual report be circulated to all council members.

30. 2005/2006 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

A report updating the Committee of the position regarding the final version of the 2005/2006 audit report of grant claims and returns and subsequent Action Plan for the 2006/2007 grants process was presented.

The Committee was informed that there had been significant improvement as outlined by the report and tables. In response to a question the Committee was informed that the threshold requiring Audit Certification meant only 19 grant claims would need certifying and this would lead to a lower fee.

Following further discussion, Members **noted** the report.

31. ANTI-MONEY LAUNDERING POLICY STATEMENT AND STRATEGY

The Committee was provided an annual report which updated and revised the Council's Anti-Money Laundering Policy Statement and Strategy.

The Committee was informed that within the Council responsibility for reporting money laundering suspicions were identified within the Anti-Money Laundering Strategy. The Money Laundering Reporting Officer received all reports and investigated suspicions to establish whether it was necessary to make an official report to the Serious Organised Crime Agency (SOCA), or another Law Enforcement Agency.

In response to a question, Members were advised that staff were aware of the anonymous reporting procedure in line with the whistle blowing and Fraud policies.

Following discussion, Members **noted** the report.

34. URGENT BUSINESS

On behalf of the Committee, the Chairman thanked Sheree Hamilton, Client Manager Internal Audit for her hard work and wanted to place on record their appreciation, as this was her last meeting before she would leave the Council.



MEETING	DATE	ITEM
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REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Statement of Accounts 2006/7

SUMMARY

- 1.1 Under the code of accounting practice, the Statement of Accounts must be presented to the Council's relevant committee by the 30th June 2007.
- 1.2 The Statement of Accounts is attached (or to follow) and is presented at this stage subject to audit.
- 1.3 The key issues are set in Appendix B for information. If this is not appended it will be circulated separately.

RECOMMENDATIONS

That the Committee:

- 2.1 Consider the Statement of Accounts.
- 2.2 Note the key issues set out in Appendix B.
- 2.3 Receive and approve the Statement of Accounts.
- 2.4 Note the changes to the accounts required under the Statement of Recommended Practice (SORP) 2006.
- 2.5 Note the work taking place to continue to meet the requirements of the Whole of Government Accounts process.

2.6 That the Chairman signs and dates the Statement of Accounts as required by the Accounts and Audit Regulations.

REPORT DETAIL

3.1 The Statement of Accounts for 2006/07 is attached at appendix A (or to follow) and is at present subject to audit by the Audit Commission.

3.2 The Accounts and Audit Regulations 2003 require that the Chairman presiding at the meeting receiving the Statement of Accounts should sign and date the statement.

3.3 Copies of the published Statement will be distributed as normal and it will be published on the Council's website.

3.4 The Statement of Accounts is a public document and every year, as part of the annual audit, local government electors for the borough are given a period of four weeks to inspect the Council's accounts and supporting records. The dates for inspection are advertised in the local press.

3.5 Members of the Committee have previously been briefed on the Statement of Accounts, its purpose and the key issues arising. The key issues are also set out in Appendix B for information. If this is not appended, this will be circulated separately.

3.6 The statement of accounts reflects a number of significant changes as required by the SORP 2006. These changes are explained more fully in the body of the accounts. Most significantly the Consolidated Revenue Account has been replaced by two statements:

- The Income and Expenditure Account; which contains the income and expenditure of the Council for the year and complies with Generally Accepted Accounting Practice (GAAP).
- The Statement of Movement in General Fund Balance; which takes the deficit on the Income and Expenditure account and sets out the adjustments required by statute to be accounted for in raising council tax.

These two statements must be considered together when comparing the Council's performance to budget and the impact on the level of Council tax.

3.7 The Council has put in place arrangements to meet the requirements of the Whole of Government Accounts process which aims to amalgamate the accounts of all public bodies. The 2006/07 return will be based upon the audited accounts due to be completed by 30 September 2007.

4.0 Financial Implications and risks:

Production of the Council's accounts within the statutory deadline is a key objective for the Council and a key measure under the Use of Resources assessment. Approval of the accounts by this Committee therefore, meets these targets.

There are no financial implications or risks arising directly from the report.

5.0 Legal Implications and risks:

The consideration and signing of the accounts has to be carried out as part of the process to comply with the Councils' obligations to produce the accounts.

6.0 Human Resources Implications and risks:

None arising from this report.

7.0 Equalities and Social Inclusion implications:

None arising from this report.

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Cheryl Coppel
Chief Executive

Background Papers List

Working papers held within the Finance Sections.



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1. PURPOSE

- 1.1** The purpose of this report is to provide Members and senior managers with a formal opinion as to the adequacy and effectiveness of the Council's internal control environment and to report on the performance of the Audit Service for the year.

2. BACKGROUND

- 2.1** The Accounts and Audit (Amendment) (England) Regulations 2006: Regulation 6 Section 10 requires the Council to review, at least once a year, the effectiveness of its systems of internal control in accordance with proper practices and for the Chief Executive to personally state the adequacy or otherwise of these systems. The proper practice which an audit service should act in accordance with is the 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006'.
- 2.2** The Council is also required to include a formal Statement of Internal Control (SIC) in its Annual Statement of Accounts for 2006/07.
- 2.3** The Chief Financial Officer relies on the work and findings of Internal Audit to provide assurance as to the adequacy of the systems currently in place. The report and opinion set out below therefore form an important part of the Council's review of its systems of internal control. This together with assurances provided by management, the external auditors, other review agencies and inspectorates enables the Council to fulfill the requirements to prepare a SIC for 2006/07.

3. ANNUAL REPORT AND OPINION

3.1 Introduction

3.1.1 The role of the Internal Audit Service

Internal Audit's role is to fulfil the Authority's responsibilities under the Accounts and Audit (Amendment) (England) Regulations 2006 of 'maintaining an adequate and effective system of internal audit in accordance with proper practices'.

CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, which as stated above is deemed to be proper practice, defines what the role of Internal Audit should be and also what should be contained within the Head of Internal Audit's formal Annual Report. This report has been produced in accordance with this guidance.

3.2 Summary of Work Undertaken

3.2.1 The Plan

The original plan had been formulated by the previous internal audit supplier and where resources could not be provided by the in-house staff these were obtained from either agency staff or in the case of computer audits from Deloitte and Touche.

The 2006/07 audit plan was approved in February 2006. During the year minor amendments to the allocation of resources were required. Table 1 highlights the original against revised plan days.

Table 1 details the 2006/07 work completed by the 31st March. At this point 48 days remained to be delivered.

The Audit Committee receives updates regarding progress against the plan at each meeting as well as a summary of the findings of each audit. This has enabled the Members of the Committee to play an active part in ensuring that there are effective systems of internal control and Members have raised concerns with relevant line managers.

This section of the report therefore acts as a high level summary of the year and does not report again the findings of specific audits.

TABLE 1 – Original v Revised Plan and Days Delivered

	Totals
Days in original plan	1265
Days In revised plan	1224.5
Days delivered by 31st March	1176.5
Days delivered by 31st May	* 1223

* 1.5 days remain relating to 2 draft pro active reports issued in June.

Table 1 details the days in the original and revised plans and the progress towards completing the plan at the 31st March 2007 and 31st May 2007. Appendix B of this report provides a breakdown by type of audit.

Systems Audit

437 days of the plan were allocated to systems audits. 38 opinions were issued for these audits; six or 15% of these were qualified. The Audit Committee has received the management summary for all finalised reports and Section 3.3 highlights specific control weaknesses which are relevant to the SIC. Appendix A includes details of each of the audits completed.

3.2.2 Contract Audit

119 days of the plan were allocated to reviewing contract arrangements within the Council. 11 audits were undertaken; one or 9% was qualified as a result of our work. The key issues in the use of consultants audit are detailed under 3.3.

3.2.3 Computer Audit

As in 2005/06 an agreement was entered into with Deloitte & Touche for the provision of computer audit services, part of which included the production of a three year computer audit needs assessment.

As this agreement commenced earlier than the previous year it was possible to complete all of the audits to draft stage by the end of March. An agreement has now been signed for the next two financial years in order that the work identified in the needs assessment can be carried out.

3.2.4 Risk Management

The Council has an effective Risk Management Strategy in place. There is a Corporate Risk Management Group which meets at regular intervals to discuss and consider all matters relating to risk which may affect the Council.

The responsibility for the completion and review of risk registers lies with the Chief Officer for each Directorate and in addition to individual service registers there is a Corporate Risk Register. Chief Officers are also responsible for all aspects of risk management within the areas under their control.

In addition to the above the Council has a Risk Manager who assists in the control of risks and undertakes six monthly reviews of all of the Risk registers to ensure that the principal risks affecting each service have been identified and adequate action taken to mitigate and control these. This role is being covered currently by the Interim Audit Services Manager. In addition service relevant risk registers are being formally considered in the planning process for each audit.

All internal audit work is undertaken based on the risks that will affect the service area being reviewed and the strategic and annual audit plans are influenced and driven by the risk registers.

It is considered that the procedures in place are well documented and there is an effective risk management system in place.

The Authority is taking active steps to address the risks relating to any partnership or contractual arrangements that it enters into with other organisations. They are also including risk assessments within the budget process and when assessing savings that might accrue from various activities.

3.2.5 Details of the Fraud Work Undertaken

In addition to undertaking reviews of various Council services to determine if there were adequate systems in place to ensure effective controls existed the service undertook eight pro active audits (compared to 11 in 2005/06). Due to the heavy staff commitment to fraud work there was not the resources to complete as many audits as in the previous year. As a result of this an additional post of Senior Auditor (fraud) has been created within the team for an initial period of 12 months to ensure that sufficient resources are available in 2007/08 to deliver the planned pro active days, and to provide an appropriate level of resource to undertake fraud work.

At the commencement of the year a contingency of 295.5 days was provided to carry out investigations into suspected fraud or issues that management wished reviewed. A total of 307.5 days was actually spent on this work. 64 cases were completed during the year and a further 16 were on-going at the 31st March 2007.

As in previous years a number of investigations have led to either the resignation or dismissal of staff or disciplinary action being taken which has resulted in oral or written warnings being issued. Appendix C sets out a table showing details of these cases and the outcome of other successful investigations.

The Fraud Hotline has once again generated investigations and there have been 21 cases reported. Appendix D gives further details of these cases.

The work has commenced during the period on the 2006/07 National Fraud Initiative (NFI), this work continues into 2007/08.

3.2.6 Follow Ups

Appendix A contains details of the follow up audits completed in 2006/07. All audits related to systems where qualified reports had been issued in previous years. The outcome of each of the eight follow ups was an unqualified report.

3.2.7 Schools

The audit of schools within Havering does not form part of the in house audit plan and the service is provided through a combination of a robust, risk based triennial audit by auditors appointed through competitive tender (currently Deloitte and Touche Public Sector Internal Audit Ltd) and an annual health check audit provided as part of Children's Services' School Funding and Assurance section.

As in previous years a full report for 2006/07 will be presented at the September Audit Committee meeting to advise the Committee of the results of all audits undertaken within the period. It should also be noted that 2006/07 has been a challenging year, particularly for the secondary schools, with the requirement for compliance with the Financial Management Standards in Schools introduced by the DfES Value for Money Unit. This process required a self evaluation by schools against set national standards and an external assessment carried out by Deloitte & Touche. It has been reported to the DfES that all 18 secondary schools in Havering have met the required standard, this is a strong indication that robust systems of control exist within these schools.

The programme of reviewing the primary and special schools within the Borough will commence in 2007/08 with all schools having been assessed by the end of 2009/10.

3.3 Statement on Internal Control

The work of Internal Audit is used for this process as each of the system reviews provided opinions on the efficiency of internal controls and the fraud work identified systems weaknesses that contributed to frauds taking place.

As shown elsewhere in this report, of the 75 reports that gave opinions on the adequacy of the control environment, eight were qualified.

Whilst the majority of the qualifications were not felt to be serious enough that they would impact upon the SIC it is felt that the following issues should be addressed within the SIC:

- An audit into the employment of consultants found that there are many cases where consultants are employed without contracts, there were no terms of reference for their duties, the basis for remuneration was not clear and Council procedures were not being adhered to.
- The audit of receiverships appointeeship, resident savings and securities highlighted a number of issues for management attention. The majority of which are a result of two key factors. Firstly the lack of comprehensive procedures has impacted on the processes in place within the section. Secondly, the section is resourced to provide the service for approx 40 – 50 clients; but at the time of the audit had circa 90.
- An audit of the provision of services to the physically disabled highlighted issues relating to officers, including agency staff, where adequate evidence of Criminal Records Bureau checks were not maintained. There was also no evidence that current fees and charges had been appropriately approved or that periodic review of the service packages or the fees occurs.
- Our review of departmental budgetary control has highlighted issues with regards to the budget setting process, compliance with Financial Framework and general financial controls; which have contributed to an overspend within Adult Social Services.
- The annual report last year referred to the fact that there were problems with both disaster recovery and business continuity. These issues have again been raised in audits during this financial year but the Council is aware of these issues and action is being taken to ensure good procedures and controls are in place as soon as possible.
- Partnerships with external bodies; the complaints process; disaster recovery, business continuity and succession planning were also areas for focus in previous years. Although there is recognised progress in

these areas and the emphasis is changing they remain areas where further effort to strengthen internal control is needed.

- Further audit investigations took place into the management of capital projects at Council sports centres. The results of these audits and further information on remedial actions taken are being considered by a Joint Panel from Audit and Culture and Regeneration which will report back to both Committees after July 2007.

3.4 The Statement of Assurance

3.4.1 Introduction

As stated above the Internal Audit Service is required to provide the Chief Financial Officer with assurance on the overall adequacy and effectiveness of the Council's internal control environment. In giving this opinion it should be noted that assurance can never be absolute. The most that the internal audit service is able to provide is a reasonable assurance that there are no major weaknesses in the whole system of financial internal control. In assessing the level of assurance to be given the following have been taken into account:

- all audits undertaken during 2006/07;
- the results of follow-up action taken in respect of audits from previous years;
- whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk;
- the effects of any material changes in the Council's objectives or systems;
- matters arising from previous reports to the Council;
- whether or not any limitations have been placed on the scope of internal audit; and
- whether or not there have been any resource constraints that may impinge on internal audit's ability to meet the full needs of the Council.

The matters raised in this report are only those which came to attention during the internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report is prepared solely for the use of the Council and its senior management.

3.4.2 Operational Assurance

Audit examined systems operating to achieve objectives set by management and agreed as part of the annual audit plan. There were no major weaknesses found during the audits which would affect the materiality of the accounts, prevent the Council from achieving its objectives or bring its reputation into account. The matters raised in 3.3 above referred to individual issues which showed where the systems of internal control had not been as effective as they might have been and action has been taken to remedy these.

Where issues were found which could impact in other areas these were reported to the Directorate Audit Representatives Group and to the Project Board so that all services would be made aware of potential system weaknesses, and therefore test the controls in their own areas.

3.4.3 Overall assurance opinion

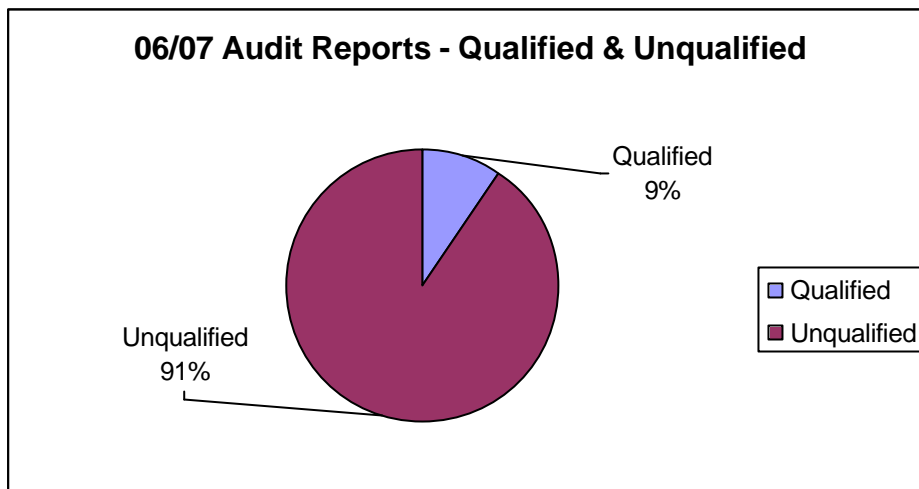
Based on the audit work set out below it is felt that it is possible to give a good degree of assurance that there are adequate levels of internal control within the authority.

At the time of producing this report 64 of the 74 audits had been completed to final stage and these made 280 recommendations. Of these there were the following themes where recommendations of similar nature were made more than 5 times:

- Lack of compliance with Council policies and local procedures;
- Failure to demonstrate adequate segregation of duties;
- Lack of management control and independent review; and
- Failure to seek / evidence appropriate approval for an action.

3.4.4 Work that supports the opinion

For the 64 finalised reports, six qualified opinions have been given. However it is noted that one report (Income Controls) contains two qualified opinions as the audit looked at three areas in all. Of the remaining reports, which are currently in draft one further report has been qualified (Departmental Budgetary Control). The overall percentage is anticipated to remain at the 9% reported below.

TABLE 2 - % of Qualified / Unqualified reports issued.

Appendix B details the reports which were qualified. Management continue to have robust procedures in place to ensure that recommendations are regularly “tracked” both within the Heads of Service reports and by Corporate Management Team (CMT). If action has not been taken by the implementation dates agreed at the time of the audit then the Audit Committee are informed and Senior Managers are required to provide explanations as to why they have not been implemented.

Details of the individual audit reports have been presented to the Audit Committee throughout the year which have included the opinion statements and Members often ask questions about the reports which again demonstrates the review process of the work of internal audit.

Internal Audit is of the opinion that the Authority has been taking active steps during the year to improve its overall internal control procedures and the following are examples of the actions taken:

- Systems for regularly reviewing and reporting on audit recommendations that have not been implemented are now embedded;
- The Council’s Fraud and Corruption Strategy and Confidential Reporting policy continue to be a high level management issue with six monthly campaigns;
- Risk management continues to be a high priority for the Authority with a Risk Management Group established which meets at regular intervals;
- A Whistleblower policy is embedding within the Council;
- Financial training continues to be given to non finance managers to ensure that they are aware of what the internal control processes should be and the part that they play in ensuring their efficiency; and
- All of the main information systems that feed the Council’s financial accounts have now been documented and flowcharted. Internal Audit now carries out a yearly check to ensure that management are keeping these up to date.

4. Internal Audit Performance

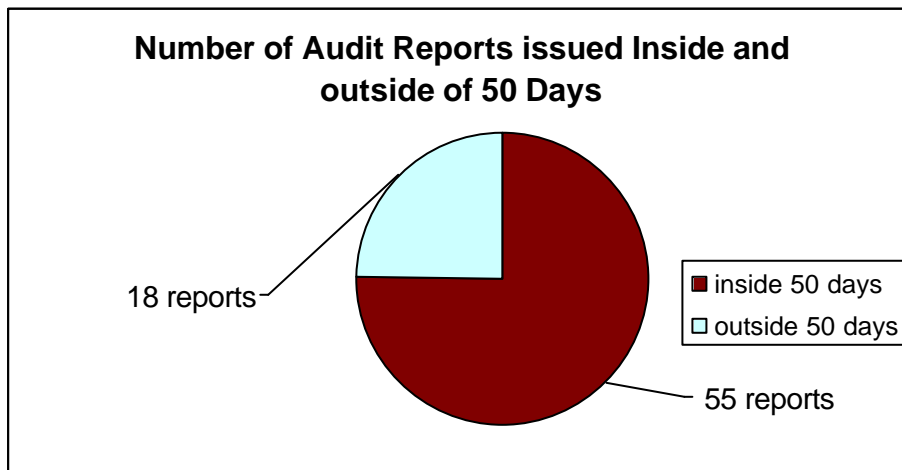
4.1 Assessment of the Year's Service

Prior to November 2005 the audit service was outsourced, due to the contractor going into administration, this agreement was terminated and an in house service reinstated. As a result of this 71 days of the 2005/06 plan were undelivered at 31st March 2006 and these days were delivered alongside the 2006/07 plan. 48 days have rolled forward from 2006/07 to 2007/08 but this has been taken into account in the estimates for resource requirements and it is envisaged that the 2007/08 plan will be completed at the end of March 2008.

TABLE 3 – Number and % of reports issued.

	Actual Number of Audits	Percentage
Reports in draft by 31st March	67	91%
Reports finalised by 31st March	53	71.6%
Reports in draft by 31st May	73	99%
Reports finalised by 31st May	64	86.5%

TABLE 4



4.2 Service Improvements

The Audit Service is continually striving to improve its service provision and in the last year we have achieved the following:

- The PDPA process is now fully embedded within the service and staff have monthly One to One reviews and six monthly PDPA reviews;
- Staff are receiving training throughout the year in matters that are relevant to their audit work and are attending regular staff meetings to update them on work issues;
- The computer assisted interrogation package “IDEA” is now being used to assist in the obtaining a samples for larger audits. The use of this will increase in the forthcoming years;
- The fraud officer is utilising a software package called “Surf Control” to assist into investigations into the misuse of the internet. Work is still progressing to fully understand and exploit the capabilities of this software but it is already proving an invaluable tool to assist in the investigation work; and
- We are working with our neighbouring authorities to carry out quality reviews of our audit services to ensure that our work is of a high standard and improvements may be learnt from each other.

In order to ensure that the work of the Internal Audit Service is carried out effectively there has to be a quality assurance programme in place which is designed to gain assurance by both internal and external review that the work of Internal Audit is compliant with the standards set out in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The work plan for the Interim Audit Services Manager includes a review of the procedures and protocols. This review will consider the feedback received from the other Boroughs, on Havering’s compliance with the Code of Practice, but also consider good practice that has been witnessed elsewhere in both in house and outsourced audit teams.

4.3 Satisfaction Surveys

Management Satisfaction Surveys are sent out with each final audit report in order to ensure the auditees perspective factors in the final evaluation of the quality of the audit completed.

TABLE 5 – Satisfaction results for Fraud Assignments

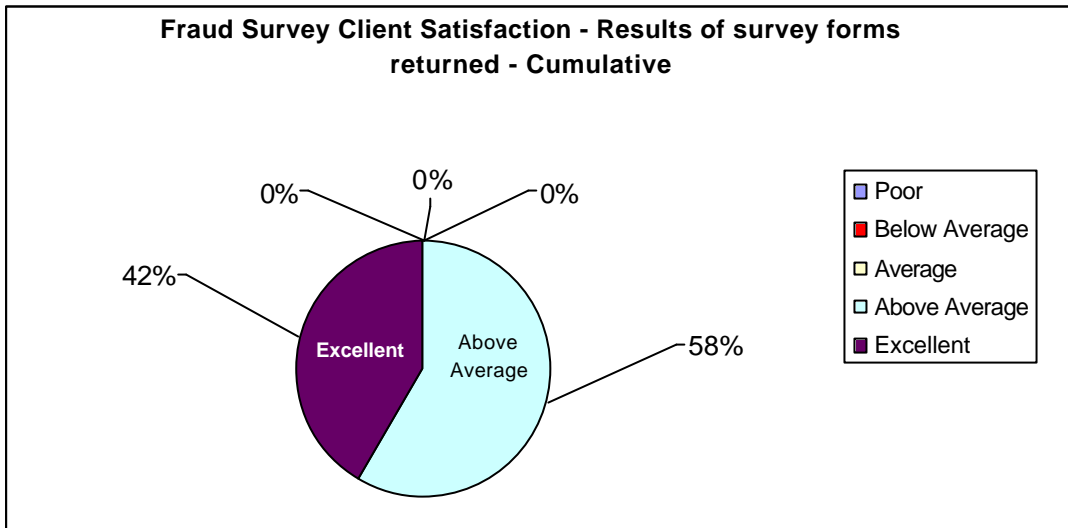
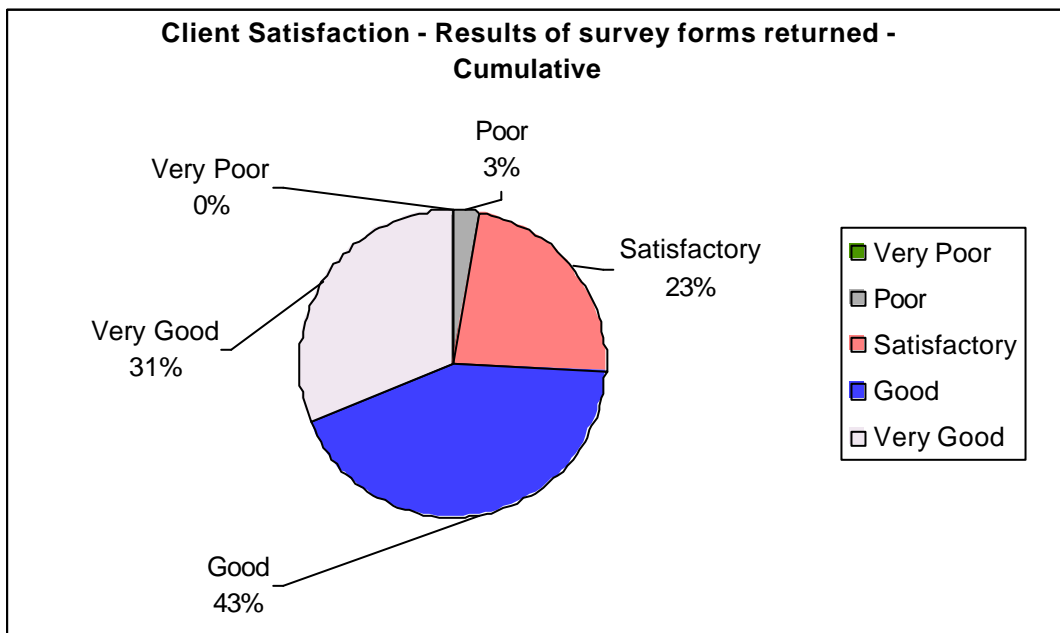


TABLE 6 – Satisfaction results for Audit Assignments



Key Performance Indicators (KPIs) relating to satisfaction surveys are in place and monitored periodically. Although feedback on the whole is good the number of returns received did not hit the targets for the year, with only 55% and 60% of forms received back; for audit assignments and fraud assignments respectively. For 2007/08, and coming years, challenging targets have been set not only for the

number returned but also for the satisfaction rating received. These will be monitored monthly by the Head of Financial Services and Quarterly by Corporate Management Team. Results will also be reported to Audit Committee.

Directorates still have the dilemma of trying to assist the Auditors during the audit but still meet the pressures that exist for their own service delivery. To assist with this problem the 2006/07 audit plan was sent to Directorates in December 2005 for discussion and agreement prior to being approved by the Audit Committee in February 2006 and proposed commencement dates for audits had been agreed with Heads of Service. This same process is being undertaken for the 2007/08 audit plan.

In summary the unit has performed very well this year and the comments, on the level of service from all levels of management, has been considered to be very good. This is a testimony to the hard work and commitment from both the in-house service and the agency staff employed during the year.

4.4 Future of the service

The future of the service has remained uncertain but it is intended that it can be demonstrated to Members that it would be cost effective to retain the service in-house whilst ensuring that the high standards required by the code of practice are being achieved.

Following the retirement of the Audit Services Manager and resignation of the Client Manager a comprehensive review of the structure of the Internal Audit team has commenced and an Interim Audit Services Manager has been seconded in to work closely with the Head of Financial Services on this and other tasks which will review, challenge and drive forward the current service.

APPENDIX A – AUDIT PLAN

Audit	Days In Budget	Status Draft/Final	Under/Over r 50 days	Qualified/Unqualified
Systems				
Governance Review	15	Final	Under	Unqualified
Constitution and Scheme of Delegation	5	Final	Under	Unqualified
Partnership Working	27	Final	Over	Unqualified
Health & Safety :Corporate controls	20	Final	Over	Unqualified
Annual Review of BVPI's	20	Final	Under	Unqualified
LPSA: Internal auditors report	5	Final	Under	Unqualified
Commissioning of Transport Services within Childrens Services	21	Final	Under	Unqualified
Special Educational Needs	12	Final	Under	Unqualified
Commissioning of residential placements and Home care for the elderly	12	Final	Over	Unqualified
Providing Services for the physically disabled	15	Final	Under	Qualified
Receiverships/Appointeeships and residents savings & securities	16	Final	Over	Qualified
Planning Application procedures	12	Final	Over	Unqualified
Housing Rents Collection / Arrears	10	Final	Under	Unqualified
Vehicle Workshops	15	Final	Under	Unqualified
Homelessness & Bed & Breakfast Accommodation	10	Final	Under	Unqualified
Central Library	15	Final	Over	Unqualified
Management of car parks and parking meters	15	Final	Under	Qualified
PASC's	12	Final	Under	Unqualified
Building & Technical Services: Commissioning of works	12	Final	Under	Unqualified
Housing Benefits	10	Final	Under	Unqualified
Council Tax	10	Final	Under	Unqualified
NNDR	10	Final	Under	Unqualified

Audit	Days In Budget	Status Draft/Final	Under/Over r 50 days	Qualified/Unqualified
Systems cont....				
Main Accounting System	10	Final	Over	Unqualified
Debtors	12	Final	Under	Unqualified
Creditors	10	Final	Under	Unqualified
Insurance	10	Final	Under	Unqualified
Cheque Control	10	Final	Under	Unqualified
Payroll	10	Final	Over	Unqualified
Pensions Systems	12	Final	Under	Unqualified
Departmental Budgetary Control	15	Draft	Under	Qualified
Recharges	10	Final	Under	Unqualified
Review of systems to ensure we comply with International Standards of Auditing	20	Final	Over	Unqualified
Income Controls	15	Final	Under	Qualified (*2)/Unqualified
Mayors Appeal Fund	1	Final	Under	Unqualified
Review of Statement of Internal Control	3	Final	Under	Unqualified
System Total	437			
Contracts				
Tendering Processes	10	Final	Under	Unqualified
Certificate Payments	11	Final	Under	Unqualified
Liquidated Damages/Loss and Expense/Variations	17	Final	Over	Unqualified
Specific Project Review: A1306 Phase 2	13	Final	Under	Unqualified
Contract Procedure Rules Compliance: Consultants	12	Final	Under	Qualified
Post Completion Assessment (Major works contracts)	12	Final	Under	Unqualified
Capital Monitoring	15	Final	Under	Unqualified
Procurement of ICS system education	10	Final	Under	Unqualified
Investigation at the request of SPSG re use of Constructionline	5	Final	Under	Unqualified
Contract Management	12	Draft	Under	Unqualified
Vendor Neutral Managed Service	2	Final	Under	Unqualified

Contracts Total	119			

Audit	Days In Budget	Status Draft/Final	Under/Over 50 days	Qualified/Unqualified
Computer Audits				
software licensing	9	Final	Under	Unqualified
PC End user controls	9	Draft	Under	Unqualified
Business Continuity	9	Draft	Under	Unqualified
Data back up	7	Final	Under	Unqualified
Customer Relationship Management	11	Final	Under	Unqualified
Oracle Financials	16	Final	Under	Unqualified
Internet	11	Draft	Over	Unqualified
I T Security	11	Draft	Under	Unqualified
IT procurement	9	Draft	Under	Unqualified
Telecommunications	11	Draft	Over	Unqualified
Computer Needs Assessment	8	Final	Under	Unqualified
Computer Audits Total	111			
Follow Ups				
Climate Change	2	Final	Under	Unqualified
Use of Fuel Cards	2	Final	Under	Unqualified
Housing Aid	2	Final	Under	Unqualified
Redecoration Allowances	2	Final	Over	Unqualified
Repairs & Maintenance	2	Final	Under	Unqualified
Approved List / Contract Register	2	Final	Over	Unqualified
Final Accounts	2	Final	Under	Unqualified
DSO Servitor	2	Final	Under	Unqualified
Follow Ups Total	16			
Pro-Actives				
Honoraria and other payments to staff	10	(Draft to be Issued In June)	Over	Unqualified
Car Loans	10	Final	Over	Unqualified
Travel / Subsistence & Car Allowances	12	Final	Under	Unqualified
Invoice payments	10	(Draft to be Issued In	Over	~

		June)		
Audit	Days In Budget	Status Draft/Final	Under/Over 50 days	Qualified/Unqualified
RTB	5	Final	Under	Unqualified
Renovation Grants	10	Final	Under	Unqualified
Raising of Debtors (Previously payroll specific)	15	Final	Over	Unqualified
Reimbursement of personal calls	5	Final	Under	Unqualified
Pro-Actives Total	77			
Homes In Havering	25	Draft	Over	Unqualified
International Standards Of Auditing	132	Final	Over	Unqualified

Appendix B - TABLE 1 – Original v Revised Plan and Days Delivered – by Audit Type

	Systems	Computer	Contract	Pro Active	Homes In Havering	Follow Ups	Fraud	ISA	General Contingency	Totals
Days Of Original Plan	430	145	134	150	0	58	300	0	48	1265
Days In revised Plan	437	111	119	77	25	16	295.5	132	12	1224.5
Days Delivered by 31st March	429	111	117	53	20	14	307.5	125	* 0	1176.5
Days Delivered by 31st May	437	111	119	75.5	25	16	307.5	132	* 0	** 1223

* Days used for Fraud assignments.

** 1.5 days remain relating to 2 draft pro active reports issued in June.

APPENDIX C
AUDIT SAVINGS FROM INVESTIGATION WORK

Project	Case details	Savings	Losses	Management	Details
Code		identified	identified	to recover	
T8caai	NFI - Housing Benefit overpayments		13,540	13,540	A review of the NFI reports indicated matches for Housing Benefits claimants where further investigation has identified overpayments.
T8caai	NFI - Duplicate payments		39,238	39,238	A review of the NFI reports indicated matches for duplicate payments and money has been refunded.
T8gaad	Hornchurch Sports Centre		5,564	5,564	The investigation highlighted that recharges to Morrisons had not been processed. A confidential panel is being set up to look at the final report.
T8haak	Chigwell Construction		16,763	16,763	Following the initial meeting with Chigwell Construction it was agreed that the current valuation had been overstated by this amount. The amount was deducted from the valuation as IA had identified payment had previously been made.
PA0012	Renovation grants		664	664	A pro active audit identified an overcharge by building

					contractor for work completed.
Project	Case details	Savings	Losses	Management	Details
Code		identified	identified	to recover	
T8iaaj	Overclaimed Car Allowance		546	546	During a pro active review car allowance and travel and subsistence had been claimed from home to location and location to home.
T8iaal	RTB	38,000		38,000	Discount previously received not entered on application form. Following involvement of Metropolitan Police RTB application has been cancelled.
T8gaas	HB fraudulent claim		2,030	2,030	Overpayment due to claimant false reporting. Claimant pleaded guilty and received Community Punishment order + payment of costs
T8iaay	RTB	38,000		38,000	Investigation confirmed that tenant was residing elsewhere. Therefore property was not her principal home. Application cancelled.

***Bought forward from previous year**

Key to management action

D = Disciplined, DD = Dismissed, F = Final Warning, N = No further action, P = Prosecution, C = Cautioned, R = Resigned, VA = Various Actions & REC = Recovery

**APPENDIX D
FRAUD HOTLINE**

REF NO.	CALLER	CALL CONTENT	CALL HANDLE D BY	DETAILS/RESULT OF INVESTIGATION	FILE REF
001/06	Member of staff	Caller alleged that the Supervisor Cleaner was claiming for hours worked that had not been completed. Work was being shared by the Supervisor and her friend.	C Nower	Internal Audit to review details of payments and timesheets to assess whether there are further investigations required. <i>Lack of records being maintained resulted in allegation being unproven. Further on site investigations being carried out by school and records of attendance at work to be retained.</i>	T8gao
002/06	Member of staff	It was alleged that a member of staff was accessing his pc for private usage during the working day on a regular basis.	C Nower	Pc to be seized and preliminary forensic examination to be completed. <i>Insufficient evidence available to proceed. Member of staff interviewed and reminded of his future conduct.</i>	T8gaat
003/06	Member of public	It is alleged that there has been a fraudulent insurance of 500k following the fire at the Whitworth Centre when vehicles were destroyed as the Council was not licensed to store vehicles in this area.	B Adams	Preliminary examination of insurance claim form to assess whether the allegation is worthy of further investigation. <i>Zurich Insurance has confirmed that they were aware that an 'O' Licence was not in operation but this did not prejudice the insurance position.</i>	T8haag
004/06	Member of public	It was alleged that a property owner was claiming single discount residency of Council Tax and that at least two other persons were lodging at the property.	C Nower	Case referred to Council Tax collection Inspectors to review. <i>Confirmed that single discount is being claimed. Result of inspections not known.</i>	N/a
005/06	Anonymous	Letter stating that the Council should review the financial accounting at the Grange Residential Homes	C Nower	Internal Audit arranged to visit and carryout spot checks of cash balances from various sources. Manager resigned. <i>Investigation to establish the total amount of monies misappropriated.</i>	T8haav
006/06	Member of public	Compliant concerning cleaner for older person.	P Harris	LBH aware of position. <i>No further action required.</i>	N/a

REF NO.	CALLER	CALL CONTENT	CALL HANDLE D BY	DETAILS/RESULT OF INVESTIGATION	FILE REF
007/06	Member of public	Allegation of fuel being stolen by member of staff based at Harrow Lodge.	S Lack	<i>Insufficient evidence - Managers aware of possible misuse of fuel in future.</i>	T8haaw
008/06	Member of staff	The allegation is based on information that Housing Services Caretakers were getting paid for hours not worked and that management were aware of this and have taken no action.	S Hamilton	Preliminary investigation to be carried out where member of staff will be interviewed and records of attendance reviewed etc. <i>Preliminary investigations to take place.</i>	T8iaaa
009/06	Anonymous	The caller stated that the tenant had been subletting the property for over 3 years and that the tenant is now buying a house elsewhere about not giving up the tenancy and allowing his daughter to sub let.	P Harris	Credit and property checks/visits will be carried. <i>Information passed to Housing - Investigations confirmed tenant hasn't been living in property for three years and had been sub letting. NTQ served.</i>	T8haaz
010/06	Anonymous	Alleged non payment of Council Tax. The caller stated that a builder had been bragging that he has not paid Council Tax for 15 months.	P Harris	The investigation has established that this was a newly built property waiting for a banding. <i>This has now been received and council tax has been back dated to 22/11/05.</i>	
011/06	Anonymous - Member of staff	Member of staff claiming for work outside of normal working hours but completing work during the working day. Additional claim that member of staffs' husband who is a co partner in a company that is awarded contracts by the Council.	C Nower	Preliminary investigations have highlighted possible over claiming of hours and mileage payments. <i>Management to Interview following issue of Case Review Sheet.</i>	T8iaab
012/06	Anonymous	Claim that family was living on Council land without permission.	C Nower	<i>Information forwarded to Planning.</i>	

REF NO.	CALLER	CALL CONTENT	CALL HANDLE D BY	DETAILS/RESULT OF INVESTIGATION	FILE REF
013/06	Anonymous	Allegations of underpayment of rent and absence from the market.	C Nower	Allegations to be investigated. <i>Cooperation to be sought from Met Police Intelligence Unit before investigation commences.</i>	T8iaao
014/06	Anonymous	The caller has claimed that the owner of a property had died and that his son is living in the property with his partner and has not paid any Council Tax.	C Nower	Council Tax has confirmed the full payment has been received. <i>Case closed as payment being received.</i>	
015/06	Member of public	Representative from MediAid claimed the Council may not have been following procurement Council had not followed the procurement process for the appointment of trainers.	C Nower	Allegations to be investigated. <i>Investigations in progress.</i>	T8iaaq
016/06	Anonymous	A letter alleged that certain contracts have been awarded unprofessionally and the award of contracts has not followed Council procedures and staff have acted inappropriately.	C Nower	Allegations to be investigated. <i>Investigations in progress.</i>	T8iaar
017/06	Member of public	Caller rang regarding his neighbour who is claiming SPD but has female living with him.	S Hughes	Reported to Council tax for investigations. <i>Reported to HB Fraud for follow up action.</i>	T8iaav
018/06	Member of public	Caller rang regarding a private property being used as a business.	P Harris	Reported to NNDR for investigations. <i>Following inspection, no evidence of Business use.</i>	N/a

REF NO.	CALLER	CALL CONTENT	CALL HANDLE D BY	DETAILS/RESULT OF INVESTIGATION	FILE REF
019/06	Anonymous	Caller concerned over the costs for a training weekend at Bridgewood Manor for Education staff.	C Nower	Allegations to be investigated. <i>Investigations in progress.</i>	T8jaad
020/06	Anonymous	Caller rang regarding the non payment of council tax.	P Harris	Reported to Council tax for investigations. <i>Investigations resulted in additional charge to Mr White for 2nd home discount. Further investigations re SRD and Mr White living address.</i>	N/a
021/06	Anonymous	Caller rang regarding the non payment of Business Rate	C Nower	Reported to Council tax for investigations. <i>Following inspection, no evidence of Business use.</i>	N/a



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 June 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 01 JANUARY 2007 – 31 MARCH 2007

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 01 January to 31 March 2007. To ensure the information reported is aligned with the presentation of the annual plan this report also details the findings of the 2006/2007 audits which occurred towards the end of the year and have therefore been finalised in the period to 31st May 2007.

The reports yet to be finalised, as at 31st May 2007, will be included within the April – June report which will be presented at the next meeting.

Performance information and details of fraud work undertaken has not been included within this report. The Internal Audit progress report will be presented alongside the Internal Audit Annual Report (agenda item 6) and all information is detailed in that report.

RECOMMENDATIONS

To note the contents of the report.

To raise any issues of concern and ask specific questions of officers where required.

To agree the new Corporate Risk Register – Section 3 – Page 51.

REPORT DETAIL

1. AUDIT

Audits issued 1st January – 31st March 2007 **PAGE 3**

Schedule 1 - Details the work completed to the draft and final stages for the period 01 January to 31 March 2007.

Schedule 2 - Contains the management summaries for those completed to final report stage between 01 January and 31 March 2007.

Schedule 3 - Where a final report has been qualified a brief summary of the action to date has been included.

2. Audits issued 1st April – 31st May 2007 **PAGE 29**

Schedule 4 - Details the work completed to the draft and final stages for the period 01 April to 31 May 2007.

Schedule 5 - Contains the management summaries for those completed to final report stage between 01 April and 31 May 2007.

Schedule 6 - Where a final report has been qualified a brief summary of the action to date has been included.

3. Risk Management **PAGE 51**

The reviewed Corporate Risk Register is attached along with details of the reviews undertaken of the highest four risk items.

Schedule 7 – Corporate Risk Register.

Schedules 8 → 11 – Reviews of the highest four risk items 1 – 4.

4. Summary of Recommendations **PAGE 60**

Tables indicating on-going and outstanding recommendations raised by both internal and external audit are attached.

Schedule 12 - Categorisation of recommendations.

Schedule 13 – Ongoing Internal Audit Recommendations.

Schedule 14 – Ongoing External Audit Recommendations.

Schedule 15 – Internal Audit Outstanding Recommendations.

Schedule 16 – External Audit Outstanding Recommendations.

5. Benefits Comparative Information

PAGE 69

As requested at the meeting in December comparative information on bereft investigations has been included within this report and will be reported quarterly to the Committee going forward.

Schedule 17 – Benefits Investigations.

Schedule 18 – BVPI 76 Security.

6. Financial implications and risks:

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. Closer attention is paid to qualified audits and managers are expected to implement the recommendations as agreed as well as being able to update Members on progress. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. There are no financial implications or risks arising directly from this report.

7. Legal implications and risks

None arising directly from this report

7. Human Resource implications and risks

None arising directly from this report

8. Equality and Social Inclusion implications

None arising directly from this report

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Cheryl Coppel
Chief Executive

SECTION 1 - AUDIT**AUDIT PROGRAMME 1st January – 31st March 2007****SCHEDULE 1: Audits Completed To Final Report Stage - 1st January – 31st March 2007**

Report	Issued	Opinion	Recommendations				Ref
			High	Med	Low	Total	
Use Of Consultants	8/01/07	Qualified	3	2	0	5	Sch 2(a)
Pensions	23/01/07	Unqualified	0	0	2	2	Sch2(b)
Special Education Needs	29/01/07	Unqualified	0	0	1	1	Sch 2(c)
Health & Safety Controls	29/01/07	Unqualified	0	6	2	8	Sch2(d)
Creditors	19/02/07	Unqualified	0	2	1	3	Sch2(e)
Council Tax	20/02/07	Unqualified	0	6	0	6	Sch 2(f)
Repairs & Maintenance	21/02/07	Unqualified	1	2	3	6	Sch 2(g)
Housing Benefits	21/02/07	Unqualified	0	1	1	2	Sch2(h)
NNDR	21/02/07	Unqualified	0	2	0	2	Sch2(i)
DSO Servitor	23/02/07	Unqualified	4	4	0	8	Sch2(j)
Software Licensing	28/02/07	Unqualified	0	3	3	6	Sch2(k)
Debtors	28/02/07	Unqualified	0	1	2	3	Sch2(l)
Main Accounting System	20/03/07	Unqualified	0	0	0	0	Sch2(m)
Post Completion Project Assessment	28/03/07	Unqualified	0	0	8	8	Sch2(n)
Total			8	29	23	60	

Pro-Active Audits Completed To Final Report 01 January – 31 March 2007

There were no Pro-Actives completed to final report between 1st January – 31st March; 5 reports had been completed prior to this time period, and 3 reports after.

Follow Up Audits Completed 01 January – 31 March 2007

Report	Issued **	Progress Towards Implementation	Ref
DSO Servitor	21/02/07	No Progress	Sch2(j)

Audits Completed to Draft Report Stage as at 31 March 2007

Report	Draft Issued	Head of Service	Group Director
PC end user controls	02/02/07	Ray Whitehouse	Rita Greenwood
Housing Rent Collection & Arrears	27/03/07	Barry Kendler	Mark Gaynor
Telecommunications	21/03/07	Ray Whitehouse	Rita Greenwood
Providing Services for the Physically Disabled	23/03/07	Peter Brennan	Mark Gaynor
Departmental Budgetary Control	30/03/07	Mike Stringer	Rita Greenwood
Specific Project Review: A1306 Phase II	13/03/07	Mark Butler	Cynthia Griffin
Contract Management	01/03/07	Various	Various
Business Continuity	11/01/07	Ray Whitehouse	Rita Greenwood
Oracle Financials	11/01/07	Ray Whitehouse	Rita Greenwood
Internet	22/03/07	Ray Whitehouse	Rita Greenwood
IT Security	15/02/07	Ray Whitehouse	Rita Greenwood
IT Procurement	02/02/07	Ray Whitehouse	Rita Greenwood

SCHEDULE 2 - Management Summaries Audits (Finalised 01 Jan – 31 March)

Use of Consultants	Schedule 2(a)
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1. Management Summary

1.1 Introduction

- 1.1.1 The original review in 2004/05 identified weaknesses which had not been fully addressed by the follow up review in 2005/06. These weaknesses were the lack of a brief/details of the service to be provided, clear or agreed payment terms and a general lack of monitoring (or it being recorded) in respect of both time and costs. There is also concern that there is no clear definition of what differentiates a consultant appointment from that of an Agency Staff/ Short term staff appointment. This issue has been identified by HR and they have produced a set of draft guidelines to address this issue.
- 1.1.2 The appointment of consultants should be treated in the same way as any other procurement/contractual arrangement that the Council enters into. The Contract Procedure Rules require all such appointments to be subject to competition and that the appointments should be covered by a formal contract. There is also a need to ensure that consultants are being fully monitored in order to ensure that they meet programmed target dates and the commission is completed within the agreed budget. The Council spent approximately £2.6m on consultants in 2005/06.
- 1.1.3 This review therefore has to be undertaken for the third year running due to the weaknesses that continue to be identified in respect of the appointment and management of consultants.

1.2. Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- Recommendations from previous review have not been implemented.
 - That no brief or terms of reference have been issued to the consultant to clearly define the service being provided.
 - The Council paying too much to consultants due to their commissions not being subject to the relevant competition.
 - The fee invoices are not being properly checked and paid in accordance with the terms stated in the contract.
 - There is no management of consultants to ensure that they provide the services stated in the contract within budget and by the due dates.
 - Inadequate budget monitoring so that changes in costs are not readily identifiable.

1.3 Critical Issues that require immediate Management attention

- 1.3.1 There continue to be significant weaknesses in this area with 67% of the appointments examined having familiar weaknesses as those identified in the previous reviews. These include no brief and/or formal contract/ official order detailing the service to be provided. Where there were contracts it was noted that the payments terms and conditions were inadequate therefore preventing officers from fully checking invoices to confirm that they are accurate and being made in accordance with the contract. It was also identified that officers were checking and signing off invoices without having any

contract/agreed brief. This only allows officers to confirm the numeric accuracy but prevents them from undertaking any other checks.

1.3.2 These weaknesses continue to expose the Council to an increased risk of fraud and abuse over the appointment and management of consultants. It is considered that this risk is of sufficient magnitude that it will need to be evaluated as a potential Statement on Internal Control (SIC) weakness by SMT.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant issues identified that required management attention.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 There were no other matters identified that required management attention.

1.6 Summary of recommendation(s)

1.6.1 There are three high risk recommendations and two medium risk recommendations within the report.

1.7 Audit Opinion

1.7.1 As this continues to be an area of continuing problems this has to be a qualified report. There continue to be appointments made without appropriate terms and conditions, the scope of the service, and poor monitoring arrangements. This represents a considerable weakness to the Council.

Pensions	Schedule 2(b)
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1. Management Summary

1.1 Introduction

1.1.1 This review was undertaken in accordance with the 2006-07 Internal Audit Plan. The review covered the pension administration system excluding investment and strategy and Finance.

1.1.2 The Pensions Section is responsible for administering the Local Government Pensions Scheme including the Additional Voluntary Contribution (AVC) Scheme. This includes maintaining individual scheme membership records, calculating transfer values and benefits, and liaising with the Council's Payroll Service to deduct employee's contributions and make pension payments.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- The Pension Section is not adequately organised resulting in non-compliance with control routines.
- New scheme members are not identified and set-up on the system correctly.
- Employee contributions are not correct.
- Employer contributions are not correct.
- Scheme members leaving service and deaths in service are not processed correctly.
- Pension payments are incorrect.
- Persons leaving the scheme are not controlled properly and refunds are incorrect.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant areas identified.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 The Pensions section, at the conclusion of this audit, is about to employ 2 further members of staff. Currently there are a few areas that have not been undertaken fully due to the reason given of lack of staff resources. These are not major areas but are invaluable in the annual reconciliation process and monthly updates to Axis.

1.5.2 Although no weaknesses were found in the transfer of contributions to the Axis system, the annual reconciliation for schedules (outside bodies using the Pension Scheme such as Francis Bardsley School, Citizens Advice Bureau etc) has not at the time of audit been undertaken for 2005-06. It is recognized that this is the final control in the process and the earlier system controls ensure all contributions reconcile. Secondly the individual accounts on Axis have not been reconciled completely for 2005-06. Only the

alphabetical letters for the surnames beginning with A B and C have been completed. Without this reconciliation the employees annual benefit statements may be delayed until February/March.

1.6 Summary of recommendation(s)

1.6.1 The report contains two low priority recommendations.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion may be given as the absence of timely reconciliations at the year end does not constitute a major weakness in an otherwise effective control system throughout the systems operated within the service.

Special Education Needs	Schedule 2(c)
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1. Management Summary

1.1 Introduction

1.1.1 This review was undertaken in accordance with the 2006-07 Internal Audit Plan. The review covered the System of Special Education Needs (SEN).

1.1.2 The general arrangements made by the LEA in relation to SEN are set out in the Appendix to the Education Handbook "Policy and Provision for Special Educational Needs" which has recently been updated in 2006.

1.1.3 SEN undertake the following:

- Carry out LEA's statutory functions in relation to identifying children with SEN, carrying out formal assessments, making, reviewing, amending and discontinuing Statements and arranging the support required to meet children's SEN;
- Undertake Inter Authority recoupment; and,
- Provide partnership support to parents of children with SEN.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- There are no policies and framework in place in line with the Code of Practice guidelines.
- There is no partnership in existence with parents.
- No identification and statutory assessment of pupils who may need a statement.
- No financial control or management.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant areas identified.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There was one matter that requires management attention regarding the resurrection of the Parents in Partnership website.

1.6 Summary of recommendation(s)

1.6.1 The report contains one Low recommendation.

1.7 Audit Opinion

- 1.7.1 An unqualified audit opinion may be given as there is effective control systems throughout the systems operated within the service.

Corporate Health and Safety	Schedule 2(d)
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1. Management Summary

1.1 Introduction

- 1.1.1 The 2006/2007 Internal Audit plan included a review into the Corporate Health & Safety Controls of the Authority.
- 1.1.2 Local authorities are required to put into place effective procedures to ensure that they have good health & safety arrangements that cover all of their activities.
- 1.1.3 This audit aimed to review the arrangements for Corporate Health & Safety controls that are currently in place to ensure that they meet the requirements of the HSE and legislation.
- 1.1.4 The review would also determine whether the development and implementation of an annual corporate health & safety plan ensures the continual development and improvement of the Health & Safety Management System and health and safety performance.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- No compliance with Health & Safety legislation;
 - Inadequate health & safety system for organisation and identification of risks and hazards;
 - No objectives for the working of a health & safety management system;
 - There are no cost effective risk control measures in place; and,
 - No monitoring of incidents and accidents.

1.3 Critical Issues that require immediate Management attention

- 1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

- 1.4.1 There were six significant issues identified that require immediate management attention. The recommendations were classified as significant due to the nature of the operations of this service and do not distort the audit opinion.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

- 1.5.1 There was one matter that required management attention to ensure good practice.

1.6 Summary of recommendation(s)

1.6.1 The report contains seven Medium and one Low recommendation.

1.7 Audit Opinion

1.7.1 As there were no critical areas an unqualified opinion can be given.

Creditors	Schedule 2(e)
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1. Management Summary

1.1 Introduction

1.1.1 The total creditor payments through the Council's bank account for 2005/06 were in excess of £200 million. There is therefore a need to ensure that there are sound controls operating to ensure that these payments are fully checked, accurate and authorised by the appropriate officer before they are paid. There is also a need to ensure that the controls minimise the risk of duplicate & fraudulent payments and that the Creditors are paid in a timely manner.

1.1.2 There is a new major contract for the provision of agency staff that will affect Creditor payments. This was not examined in any detail as part of this review as the contract had at the time not been awarded. This contract will be examined as part of the 2007/08 audit plan.

1.1.3 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Procedures do not comply with Legislation, Corporate Procedure Rules and Frameworks
- Insufficient supporting documents to support either the transaction or the procurement process.
- All transactions are not posted
- Errors in posting
- Transactions are processed to the wrong financial codes
- Invoices are paid incorrectly
- Transactions are not initiated and recorded promptly
- Unauthorised & inappropriate works, goods or services are obtained
- Unauthorised and inappropriate payments are processed.
- New Creditors are set up on the system without adequate checks being undertaken to ensure that they are valid companies and who the Council are likely to use

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified within this report.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 The rules and procedures are at present considered to be sound and adequately cover Creditors and the payment of invoices; however they do not cover e-procurement in detail. It is noted that e-procurement is currently in the process of being implemented throughout the Council. The rules and procedures therefore need to be fully reviewed to ensure that they cover these new arrangements or are amended accordingly.

1.4.2 It was noted that officers still purchase goods and services without raising the appropriate order or contract. This situation is further compounded by officers processing the invoices without checking that the goods and services provided are in accordance with the contract/order. This increases the risk of fraudulent or inaccurate payments being made.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 There were no “good practice” matters identified within this report

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no significant issues and the recommendations are only to strengthen the existing rules and procedures an unqualified opinion can be made.

Council Tax	Schedule 2(f)
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1. Management Summary

1.1 Introduction

1.1.1 The Local Government Finance Act 1992 introduced Council Tax. This replaced the Community Charge on the 1st April 1993. The money raised through the Council Tax is retained to fund Council spending. The Council Tax represents only 15 to 18% of the money needed. The remainder is made up of other things such as grants from the government and fees and charges.

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

1.1.3 Collection rates over the last three years are as follows:

Year	Net Debit	Cash Received	Collection Rate
2003/04	£93,499,296.89	£90,155,395.41	96.42%
2004/05	£98,382,430.47	£95,224,448.29	96.79%
2005/06	£102,280,465.46	£99,087,294.64	96.88%
2006/07	£106,854,496.51	£73,056,677.65	68.37% as at
31.10.06			

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- All chargeable properties are not identified, assessed and recorded and these records are inaccurately maintained.
- Amounts due in respect of each chargeable property have been incorrectly calculated and not promptly posted to the correct accounts.
- All council tax monies collected are not posted to the correct accounts.
- Prompt and effective recovery action is not taken on all overdue amounts, resulting in increasing write offs.
- Transactions are not recorded in the Authority's accounts.
- Transactions are not legitimate and appropriate (Write Offs and Refunds).
- Adequate separation of duties is in place.
- The computer system is insecure and does not operate in accordance with approved procedures.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Due to the lack of resources, the Council Tax Section did not have an Abscond Team in place at the time of the audit review. Although officers within the Council Tax Section

are carrying out cursory traces on absconded parties, the audit review found that of the 30 accounts selected for review, 3 accounts were found to have an abscond status. No evidence could be found to support any action undertaken to trace the absconded party.

- 1.4.2 When liable parties pass away, stop recoveries / holds are placed on the account to ensure that recovery letters that would normally be automatically issued by the Academy System are not issued. Instead outstanding balances should be settled via the liable party's next of kin. During the review of 30 accounts in arrears it was established that in 1 case a stop recovery had been placed on the account. However no further action was taken to recover the outstanding balance through the next of kin. Although the next of kin have since moved into the relevant property, it would be inappropriate to contact them regarding this issue as the debt relates to the financial year 04/05. Therefore this debt will now have to be written off.
- 1.4.3 During the review of 30 accounts in arrears it was found that six had at some point had a stop recovery / hold placed on the account. For the duration that a stop recovery/ hold remain on an account, no recovery action will be taken by the Academy System. In four cases the stop recovery placed on the account appears to be for valid reasons; however the stop recovery was not reviewed regularly to ensure that the stop was removed at the appropriate time. In the remaining two cases, it can only be assumed, that the delay in the recovery action was the fact that a stop recovery / hold was placed on the accounts and removed at a later date. Weekly reports are produced of those accounts where a stop recovery / hold have been placed. The report also details the officer responsible for placing the hold on the account. Reports are forwarded to the relevant section for the responsible officer to review the account and whether the hold is still applicable. It was noted that it is not current practice for these reports to be signed and dated by the relevant Supervisor as evidence of a secondary check on the necessity of the hold.
- 1.4.4 When accounts reach the P/Comm (Pre Committal) stage of the recovery process, there is often a delay in progressing the case. This is due to the way in which P/Comm cases need to be processed through the Court. There are only three court sessions available each month, to which it is only possible to progress approximately 10 cases. In some cases further information may be established regarding the account / liable party, allowing another avenue of recovery to be taken. It was established during the audit review that it is not possible to identify whether all accounts with a P/Comm status are being progressed through to the court or whether other action is being taken to recover the debt.
- 1.4.5 As part of the audit, 30 accounts that were in arrears at the time of the audit were reviewed. Although in most cases recovery action taken could be clearly identified, in 4 cases the accounts did not contain sufficient information to identify what recovery action had been taken and when. Any documentation issued by the Academy System is automatically recorded within the system. The notes module of the Academy System can facilitate manual entry notes; however, clear legible notes are not always completed. As set out in 1.4.3 above, there should be clear explanations for any action taken such as placing holds/ stop recoveries on account.
- 1.4.6 Regular spot checks on Council Tax accounts should be undertaken by Managers/ Supervisors to ensure that staff are adhering to current policies and procedures when dealing with customer accounts.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 No issues were identified during the audit review that would require Management attention to ensure good practice.

1.6 Summary of recommendation(s)

1.6.1 The report contains six medium priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Repairs & Maintenance	Schedule 2(g)
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1. Management Summary

1.1 Introduction

1.1.1 In order to try to reduce the administration and overall cost of repairs and maintenance to the Council it is beneficial for maintenance and repair contracts to be entered into. This will avoid having to constantly tender for the repairs and maintenance works as well as having various companies undertaking similar works to the same location. It will also save administration costs in seeking bids/quotes for the works and in preparing tender documents etc. By having such contracts it should help speed up the overall time for completing these works.

1.1.2 The largest repairs and maintenance contract is the contract with Morrison’s for the repairs and maintenance of Corporate Buildings (Non-Housing). The contract is worth approximately just over £1m per annum.

1.1.3 The original audit was completed in May 2006 with the issue of the final report. The report contained six recommendations, one high priority, two medium and three low priority recommendations.

1.2 Progress Implementing Recommendations

1.2.1 The original audit review as mentioned above 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 / Implementation	Present Position
R1	Low 31 st October 2006	Implemented
R2	High 31 st December 2006	Draft procedures produced and will be issued to staff in the near future
R3	Medium 31 st October 2006	Implemented
R4	Medium 31 st January 2007	Implemented
R5	Medium 31 st October 2006	Still needs to be fully resolved but has started to be implemented
R6	Low April 2007	This remains outstanding as it cannot be implemented until the contract is retendered.

1.3 Audit Opinion

- 1.3.1 Good progress has been made to implement the 5 out of the six recommendations that can be implemented at this stage. One recommendation can only be implemented when the service is next tendered. Out of the five that could be implemented three have been fully implemented and two have been progressed.

Housing Benefits	Schedule 2(h)
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1. Management Summary

1.1 Introduction

- 1.1.1 Havering's Housing Benefit Service, aims to help members of the public on low incomes with their rent by providing means tested funding to enable residents to pay their rent.
- 1.1.2 When a new claim for benefit is made the Council seeks the opinion of the Rent Officer Service to determine what rent is realistic for the property. The Rent Officer Service is an external Government body from whom an independent and unbiased opinion is obtained.
- 1.1.3 Members of the public may seek advice on Housing Benefit at the PASC (Public Advice and Service Centre). In addition, members of the public can also gain advice on Housing Benefit through mini PASC's in locations such as Upminster and Collier Row Libraries. Claimants receive payment of benefit either directly to their bank account or by cheque. Alternatively, payment may be made by the Council direct to the Landlord.
- 1.1.4 Housing Benefit is governed by the guidelines issued from the Department of Work and Pensions and subject to review from the DWP's own appointed inspectorate.
- 1.1.5 Recently the Housing rents function has been taken over by the ALMO (Arms Length Management Organisation) Homes in Havering.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- All applications are not promptly and properly assessed.
 - All benefit applications and payments are not legitimate and appropriate.
 - Benefits are not properly due and incorrectly calculated.
 - Adequate separation of duties is not in place.
 - Transactions are not recorded in the Authority's accounts.
 - The computer system is not secure and not operated in accordance with approved procedures.
 - No guidance on the reporting and dealing of referrals that could be fraudulent.
 - Investigations may not take place to ascertain why cheques may not be cashed or are being returned to the authority.
 - All suspected or attempted benefit fraud is not being investigated.

1.3 Critical Issues that require immediate Management attention

- 1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

- 1.4.1 During the audit review a sample of 25 Housing Benefit cheques (15 unrepresented and 10 returned cheques) was undertaken.

It was found that in a number of cases there was not sufficient evidence to support actions taken and controls could be improved to ensure that the authority is fully satisfied of the reasons as to why the claimant is not cashing cheques. Based on this information officers should ensure that where eligibility to entitlement has ceased that payments are terminated and if necessary action taken to recover any overpayments.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 The audit review identified that the reconciliations of the Housing Benefit Academy System to FIS had not been signed or dated by the secondary officer, in order to evidence the verification of the reconciliation, between June 2006 and October 2006.

1.6 Summary of recommendation(s)

1.6.1 The report contains one medium priority and one low priority recommendation.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

NNDR	Schedule 2(i)
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1. Management Summary

1.1 Introduction

1.1.1 Business rates, collected by local councils are the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services.

1.1.2 Apart from properties that are exempt from business rates, each non-domestic property has a rateable value which is normally set by the Valuation Office Agency (VOA). The rateable value of the property broadly represents the yearly rent the property could have been let for on the open market. Properties are revalued every five years, the latest revaluations being dated 1st April 2005.

1.1.3 Havering works out the business rate bill by multiplying the rateable value of the property by the 'poundage' which the Government sets from the 1st April each year for the whole of England.

1.1.4 Collection rates over the current and the previous three years are as follows:

Year	Net Debit	Cash Received	Collection Rate
2003/04	£48,993,115	£45,152,986	92.16%
2004/05	£51,831,455	£50,530,126	97.49%
2005/06	£53,565,766	£52,249,471	96.88%
2006/07	£58,877,512	£40,836,757	69.36% as at
31.10.06			

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- The authority does not maintain an accurate list of all properties subject to locally collectable business rates.
- Liability for business rates is not accurately assessed and untimely bills for incorrect amounts are sent to the occupiers of all rateable properties in the authority's area.
- All business rates monies collected are not posted to the correct accounts.
- Inadequate, invalid or illegal recovery action is undertaken.
- No evidence is retained to support recovery action taken.
- Costs and penalties are not recovered.
- Recovery arrangements are not monitored.
- Debts written off are unauthorised.
- The computer system is insecure and does not operate in accordance with approved procedures.

1.2.2 This audit also reviewed the following recommendations raised as part of the 2005 / 2006 NNDR Internal Audit review.

- Procedures for recovery of outstanding NNDR monies should be reviewed to ensure that all controls are clearly documented especially in relation to the recording of evidence showing the action or non action being taken to recover outstanding debts. These procedures should be reissued to appropriate staff to reiterate the need for tasks to be undertaken completely and accurately.
- Cases passed to the Bailiffs should be monitored on a monthly basis to ensure that cases are being progressed in accordance with the procedures. In addition, it should be ensured that all appropriate information is being recorded on the Academy System, e.g. bailiff fees.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 As a result of the 2005/2006 an audit recommendation was raised requiring the need for procedures for recovery of outstanding NNDR monies to be reviewed to ensure that all controls are clearly documented and issued to staff.

1.4.2 A review of 25 NNDR accounts in arrears at the time of the audit review established that in 18 cases appropriate and timely action had been taken to recover the outstanding monies owed. However, it was noted that in 7 cases, where there were long periods of time between note entries onto the Academy system or records of bailiff visits, there was no evidence to support action taken or, indeed, not taken . In addition, a review of the bailiff fees entered onto the system identified that in one case fees had not been added to the system for a distraint undertaken by the bailiff.

1.4.3 It can therefore be seen that whilst the procedures had been reviewed, the information had not been notified to all relevant staff and no action had been taken to ensure that staff that had been advised were actually adhering to the procedures.

1.4.4 Formally recorded spot checks are not being regularly undertaken to ensure that staff are adhering to the procedures in place.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 There were no other matters identified that would require Management attention to ensure “good practice” within the control environment.

1.6 Summary of recommendation(s)

1.6.1 The report contains two medium recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

DSO Servitor F/U	Schedule 2(j)
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1. Management Summary

1.1 Introduction

- 1.1.1 The DSO Servitor application is used for the management of DSO operations within the London Borough of Havering. The use of the application is split between the following areas for the management of work orders and to record DSO activity:-
- Fleet Management
 - Repairs Management, Vehicle and Council House Repairs
 - Highways and Streetcare
 - Stores
- 1.1.2 The application is supplied was previously supplied by RAC Software Solution, now by VT Software Solutions.
- 1.1.3 Servitor I was implemented at London Borough of Havering in April 1992. In July 2005, Servitor II was installed. Servitor II is a bespoke system that can be tailored to suit individual business requirements.
- 1.1.4 The Servitor application is run on a Unix P670 server maintained by ICT which is backed up on a daily basis.
- 1.1.5 Servitor contains a number of interfaces of data between Council applications. There are the interfaces with Anite Housing for details of Housing repairs. Updating the General Ledger with payments and costings and Oracle Financials for the details of payments to contractors.
- 1.1.6 The application manages the process of recording work orders and managing their completion and associated costing information.

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 / Implementation	Rec No	Present Position
R1	High January 2007	1	This recommendation will remain outstanding until a decision has been made regarding the remaining recommendations.
R2	High January 2007	2	This recommendation remains outstanding pending the consultation with VTSS to ascertain the practicalities of implementing the recommendation. A decision will be made by 31.03.07.
R3	High November 2006	4	See comments above in R2.
R4	High November 2006	5	See comments above in R2.
R5	Medium November 2006	3	See comments above in R2.
R6	Medium November 2006	6	See comments above in R2.
R7	Medium November 2006	7	See comments above in R2.
R8	Medium November 2006	8	See comments above in R2.

1.3 Audit Opinion

1.3.1 Little progress has been made to implement the recommendations. At the time of the release of the Final Internal Audit Report the possibility of decommissioning the use of the Servitor Software was being considered. As no decision was made in time, action was taken in late December 2006 to contact the Servitor Software Supplier in order to obtain advice on the implementation of the recommendations. No response was received from the Software Supplier until early February 2007. Since then the Software Supplier had assigned a resource which will enable progress to be made on the feasibility and implementation planning.

It has been reported in the Head of Service Pack regarding these recommendations that:

Work is underway in a number of areas to replace Servitor with new systems. In view of this, a consultancy software company has been engaged to review the audit actions against Servitor and the costs and timescales of implementing them.

Software Licensing	Schedule 2(k)
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1 Management Summary

1.1 Introduction

- 1.1.1 Software licensing is the method of ensuring that all ICT software is appropriately licensed for use within the Authority. This requires that there are policies in place for the procurement of licenses, procedures for recording and storing licenses and also methods for confirming that licensing arrangements are sufficient to protect the Authority from litigation due to possessing unlicensed software
- 1.1.2 End User desktop software within Havering is purchased and records are maintained centrally via the main ICT Help Desk and there is a requirement for all purchasing to be made via this route. For network applications software is purchased centrally via the Help Desk but records are maintained by the individual Networks team. The purchase and control of individual application software is generally managed by the Business system 'owner' or the relevant Portfolio Manager within ICT.
- 1.1.3 In relation to 'Desk Top software, records of installation and location are currently maintained across several registers and are not located in one central repository.
- 1.1.4 A number of formal policies refer to the issue of loading software on User PC devices.
- 1.1.5 Budgets for software are owned and managed by the respective Business departments, rather than centrally by ICT and must be quoted when a purchase is required.

1.2 Key Risk Areas reviewed

- 1.2.1 The audit reviewed the following key risk areas
- Unlicensed software has been installed by the Council; and illegal software is used by employees;
 - Lack of control over software;
 - No controls over the management of software; and software cannot be identified, leading to theft or misuse;
 - No controls over the software installed; and this is not reconciled to the licenses purchased;
 - No check of software installed;
 - Due to distributed purchasing, there are excessive costs for software; and
 - Individual business applications are not licensed appropriately.

1.3 Critical issues that require immediate management attention.

- 1.3.1 There are no critical issues that require immediate management attention.

1.4 Significant issues that require management action to improve the control environment.

- 1.4.1 The inventory of End User PC devices is not fully complete and accurate to reflect the current number of machines.

- 1.4.2 There are no procedures to audit the hardware and software information held on the inventory to ensure that items identified on the inventory are accurate and that users only have licensed and appropriate software installed.
- 1.4.3 Master software media is not held in a secure repository, with records maintained of their existence and any temporary withdrawal from the repository.
- 1.4.4 Although an inventory of Network Servers and associated software is maintained, a periodic audit has not been performed to confirm the accuracy and completeness of the records.

1.5 Other matters identified that require management attention to ensure “good practice” within the control environment.

- 1.5.1 There is currently no single consolidated policy relating to End user computing and this currently draws upon directives currently identified in linked policies.
- 1.5.2 Formal software license documentation is currently ‘filed’ with the respective purchase orders and correspondence and not held in a central repository.

1.6 Summary of recommendation(s)

- 1.6.1 The report contains no high risk recommendations.
- 1.6.2 This report contains no four medium risk recommendations.
- 1.6.3 This report contains two low risk recommendations.

1.7 Audit Opinion

- 1.7.1 An unqualified audit opinion can be given as a reasonable underlying control environment exists, although there are a number of weaknesses that serve to undermine its effectiveness.

However to further improve the control environment, management need to ensure that:

- A central inventory of all software is maintained in a central location possibly using the Helpdesk software.
- A periodic software audit is performed to ensure that software license procurement is sufficient for Council usage.
- Master copies of CDs and Diskettes are retained in a central secure location.
- A periodic review of network and server licenses should be performed
- The policy pertaining to software licensing should be brought together in a single document to promote awareness and ensure that policies do not become outdated.
- Licenses should be retained in a secure central location.

Debtors	Schedule 2(I)
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1. Management Summary

1.1 Introduction

1.1.1 The Debtors System forms a central function to the Council's ability to manage its financial resources and as such represents a key critical system which must be audited every year.

1.1.2 Debtors management concerns the raising of invoices for services provided by the Council, subsequent cash collection and debt management where outstanding debtors fall behind with payment and get into arrears.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Requests to raise debtor accounts may not be received.
- Debtor accounts are not raised in a timely manner.
- Details of debtor accounts are incomplete and inaccurate.
- Write-offs and cancellations processed are not bona fide.
- Transactions are not supported by adequate / appropriate documentation.
- Accounts are not updated appropriately to record payments, refunds, write-offs and cancellations.
- There is inadequate security over access to the computer system.
- An independent reconciliation is not undertaken to confirm that written off sums agree to the approved list of write-offs.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 It was found during the audit review that on a number of occasions original documentation, supposedly retained by the original Service Department, could not be located upon request of the Auditor. Whilst copies of documents are retained by the Sundry Debtor Section for accounts passed to them, original files should be retained by the originating Section to ensure that there is adequate documentation in place to support debts. Whilst there is a record retention policy in place, documentation should be retained over this period if action is still being taken to recover the debt. Two recommendations have been made to address this issue.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 The audit review identified that there is no regular housekeeping undertaken on the users of the Sundry Debtor System. During the audit review it was found that of the 15 users selected for the review three had not accessed the system at all and four had not accessed the system for some time. It was also confirmed that at least two of the users had left the Authority.

1.6 Summary of recommendation(s)

1.6.1 The report contains one medium and two low priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the retention of records and existing controls an unqualified opinion can be given.

Main Accounting System	Schedule 2(m)
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1. Management Summary

1.1 Introduction

1.1.1 The aim of the audit was to provide assurance to management that both the Main Accounting system used in 2006/07 year and the high level systems of control are functioning as intended.

1.1.2 This work is performed to form a view on the systems of internal financial control and, as such, control weaknesses identified will feed into the statement on internal control wherever applicable.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- That recommendation for service improvements by both the internal and external auditors have not been implemented within pre-set time scales.
- Opening balances are incorrectly brought forward from 05/06 to 06/07.
- Journal transfers are not appropriately authorised, are insufficiently detailed and have been incorrectly posted.
- Transactions in the feeder systems are not transferred completely and accurately to the main accounting system.
- Amendments to, or the introduction of, new financial codes are not strictly controlled or co-ordinated and are inadequately documented.
- Appropriate arrangements are not in place to reconcile the Council's Bank accounts and there is not documentary evidence to prove the total net cash balance shown on the consolidated balance sheet.
- FIS does not provide an effective management tool and does not enable adequate budgetary control and coding on a timely basis.
- Disaster recovery systems and back-up are not in place for the FIS system.
- Access to various levels of the financial system is not restricted to authorised personnel.
- There is no monthly reconciliation between the data appearing in FIS and the main feeder systems.
- The Annual Statement of Accounts is not prepared by the due date.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant issues identified that require immediate management attention.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 There were no other matters that required management attention to ensure good practice.

1.6 Summary of recommendation(s)

1.6.1 The report contains no recommendations.

1.7 Audit Opinion

1.7.1 As there were no areas of weakness an unqualified opinion can be given.

POST COMPLETION PROJECT ASSESSMENT	Schedule 2(n)
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1. Management Summary

1.1 Introduction

1.1.1 The Capital spend for 2006/2007 is approximately £69.5m. The majority of this spending will be in respect of specific projects. There is also a large amount of revenue expenditure that is incurred on various types of contract. It is therefore important that there is a debrief at the end of each project to ensure that any lessons, either good or bad practice, are identified and incorporated into future schemes accordingly. There is also a need for these details to be sent to all other staff who may benefit from this information and incorporate these lessons on the projects that they are undertaking.

1.1.2 There is also a need to ensure that the companies appointed by the Council provide a good service after completing the project to ensure that all necessary defects/repairs are completed in a timely manner, and that the necessary manuals and associated training is being provided. It is also important that final payments signifying that the company has completed all of their obligations are produced so that the Council can close down the project.

1.2. Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Officers not identifying weaknesses in the design and management of the scheme and these are then continued onto future projects or impact on revenue streams for the client,
- Officers not identifying good points and practices in the design and management of the scheme and incorporating them on future projects or the project not achieving the required aim,
- Project defects not being identified and corrected in a timely manner,
- Final accounts are delayed resulting in unexpected costs in later years,
- Companies not providing a reasonable after completion service leading to defects remaining outstanding and additional costs having to be incurred by the Council,
- Companies not providing completed health & safety manuals/documents leading to the new equipment not being utilised properly and a breach in Health & Safety legislation occurring.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified within this report.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant issues identified within this report.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

- 1.5.1 There were various issues identified that need to be addressed to improve or enhance controls within Technical Services. The areas of weakness include officers not retaining details of any de-brief with the client and lists of defects on file and using contracts without any defects liability period. The Project Evaluation (end project) reports need to be retained by Technical Services in order to allow management to identify any trends in the way in which they design and manage projects. There is also a need to identify and monitor that schemes, which have to fully comply with the Contract Design & Management regulations, have complied with them.
- 1.5.2 The Programme Office need to ensure that project closure reports are completed and for them to be analysed. Officers also need to determine whether there is a need to assess the performance of the companies that they monitor or manage.

1.6 Summary of recommendation(s)

- 1.6.1 The report contains 8 low risk recommendations.

1.7 Audit Opinion

- 1.7.1 As there were no significant issues identified an unqualified opinion can be given.

SCHEDULE 3 - FEEDBACK ON QUALIFIED REPORTS (Jan – March)

Compliance with Contract Procedure Rules – Use of Consultants

This was a follow up audit and was qualified on the basis that this continued to be an area of continuing problems. There were three high risk recommendations and two medium risk recommendations within the report.

A report was subsequently submitted to CMT (then SMT) setting out proposals to address the problems highlighted during the audit. A number of actions have been taken, including the issue of guidance on the appointment of consultants as well as establishing a shared area for lodging electronically information on such appointments in a register. This can then be easily reviewed by Officers.

Of the five recommendations, the first two were implemented by the due dates (end of March and end of April respectively). The next two are being implemented during the first quarter of 2007/08 and the last is not due until December.

SECTION 2 - 2006/07 AUDIT PROGRAMME 1st April – 30th June 2007**SCHEDULE 4: Audits Completed To Final Report Stage - 1st April – 31st May 2007**

Report	Issued	Internal Auditor's Opinion (Final)	Recommendations				Ref
			High	Med	Low	Total	
Data Back Up	03/04/07	Unqualified	0	4	0	4	Sch 5(a)
Housing Rents Collection And Arrears	17/04/07	Unqualified	0	2	0	2	Sch5(b)
Payroll	02/05/07	Unqualified	0	4	1	5	Sch 5(c)
Providing Services for the Physically Disabled	14/05/07	Qualified	4	7	0	11	Sch 5(d)
Oracle Financials General Ledger and Accounts Payable application	15/05/07	Unqualified	0	5	1	6	Sch 5(e)
Raising of Debts	21/05/07	Unqualified	0	1	0	1	Sch 5(f)
Approved List Contract Register	31/05/07	Unqualified	0	7	1	8	Sch 5(g)
Commissioning Of Residential Placements for the Elderly	31/05/07	Unqualified	1	1	1	3	Sch 5(h)
Homelessness And Bed And Breakfast Accommodation	31/05/07	Unqualified	0	0	2	2	Sch 5(i)
Customer Relationship Management (CRM) Application	31/05/07	Unqualified	0	5	0	5	Sch 5(j)

Audits Completed to Draft Report Stage as at 31st May 2007

Report	Draft Issued	Head of Service	Group Director
Specific Project Review A1306 Phase II works	13/03/07	Mark Butler	Cynthia Griffin
Departmental Budgetary Control (Adult Social Services)	30/03/07	Peter Brennan	Mark Gaynor
Contract Management	01/03/07	Various	Various
PC end user controls	02/02/07	Ray Whitehouse	Rita Greenwood
Business Continuity	11/01/07	Ray Whitehouse	Rita Greenwood
Internet	22/03/07	Ray Whitehouse	Rita Greenwood
IT Security	15/02/07	Ray Whitehouse	Rita Greenwood
IT Procurement	02/02/07	Ray Whitehouse	Rita Greenwood
Telecommunications	21/03/07	Ray Whitehouse	Rita Greenwood
Honoraria And other payments to staff	12/06/07	Various	Various
Homes In Havering	08/05/07	Nimmi Channa	Stephanie Miller

Efforts were made to finalise these reports in time for the meeting, however responses were not received. The management summaries for the above audits will therefore be included in the next progress report to Audit Committee.

SCHEDULE 5 - Management Summaries Audits 06-07 Completed 1/4/07 – 31/05/07

Data Back Up	Schedule 5(a)
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1. Management Summary

1.1 Introduction

- 1.1.1 The process of backing up data held on Authority systems helps ensure there is a duplicate copy of application data that can be recovered in the event of system failure.
- 1.1.2 Data backups within Havering are managed by a separate TIVOLI Storage Management system (TSM) for use on both the Microsoft and UNIX environments used to host the majority of departmental applications and network files. These systems automatically create backups on disk and tape on-site on a daily basis and produce an additional tape copy for transfer to an off-site location.
- 1.1.3 All records of creation, cycling and transfer are maintained by each TSM system. If restoration from a backup is required, the TSM can be directed to identify the required version and copy it back to the original disk file.
- 1.1.4 Following completion of the back up process, the TSM system is checked by the operators and a copy is stored in either a room adjacent to the server room or in Mercury House.

1.2 Key Risk Areas reviewed

- 1.2.1 The purpose of the audit is to review the following key risk areas and determine if there are adequate internal controls in place to address these:
- Critical business data is lost;
 - Business data cannot be recovered within the business processing cycle;
 - Business applications cannot be recovered in a timely manner, due to unavailability of backup data;
 - Business applications cannot be recovered due to backup copies of critical business data being destroyed or unavailable; and
 - Business applications cannot be recovered due to inability to read backup data.

1.3 Critical issues that require immediate management attention

- 1.3.1 There are no critical issues that require management attention.

1.4 Significant issues that require management action to improve the control environment.

- 1.4.1 The present storage location for the Microsoft environment 'off-site' backup tapes is next to the building that houses the primary data. The storage location for the UNIX environment 'off-site' backup tapes is the 11th floor of Mercury House. A secure location which is a significant distance away from the Server Room should be established, for storing 'off-site' backup tapes.

- 1.4.2 The access control security parameters provided on the TSM systems is not enforced. These should be set with appropriate values in order to provide a more effective control over access. Furthermore administrators on the Unix TSM use a generic user account and there are also some users on the Microsoft TSM which may not be required.
- 1.4.3 There is no formal control regime in place that includes specific consideration of the requirements to change business data backup requirements.
- 1.4.4 Back up copies are currently retained for the number of cycles that are required by the TSM Tape Manager and as a result may not provide the facility to recover files from systems in an expected timescale.

1.5 Other matters identified that require management attention to ensure “good practice” within the control environment.

- 1.5.1 There are no other matters that require attention.

1.6 Summary of recommendation(s)

- 1.6.1 This report contains no high priority recommendations.
- 1.6.2 This report contains four medium priority recommendations.
- 1.6.3 This report contains no low priority recommendations.

1.7 Audit Opinion

- 1.7.1 An unqualified audit opinion can be given as a reasonable underlying control environment exists, although there are a number of weaknesses that serve to undermine its effectiveness.

However to further improve the control environment, management need to ensure that:

- Back up copies should be stored in an off site location away from the main server area.
- Controls on User access to the back up systems should be enforced
- Change control procedures for back up arrangements should be considered.
- The current period of back up tapes should be reviewed to ensure it meets business requirements.

Housing Rents Collection And Arrears	Schedule 5(b)
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1. Management Summary

1.1 Introduction

1.1.1 This review is undertaken in accordance with the 2006-07 Internal Audit Plan. The review covered the System of Rent Collection and Arrears (incl. Former Tenant Arrears).

1.1.2 Housing Rents are administered by the Anite System and the collection and recovery is now the responsibility of Homes in Havering.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Financial procedures and relevant housing legislation are not being adhered to
- Council rent is not charged in respect of all properties leading to subsequent loss of rental income.
- Council tenants are not legally notified of rent increases leading to loss of rental income
- Correct level of housing rent not applied and housing benefit rebates and rent-free weeks not recorded.
- Inadequate segregation of duties between collection and recording of rents resulting in an increased risk of errors and misappropriation of funds. Failure to accurately record rent collected and monitoring of collection rates.
- Rents charged and Void properties not dealt with in a timely and efficient manner resulting in a loss of rental income.
- Income received is not accurately reflected in the Authority's accounts.
- Rent arrears are not identified/monitored and recovery action taken in accordance with internal procedures and relevant legislation.
- Authorised documentation not retained to support tenant refunds.
- Procedures for dealing with the write-off of outstanding rent have not been established.
- Procedures for the transfer of rent money to Havering have not been established.
- Rent income is not being passed to Havering in accordance with the agreed contract

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Areas of significance were problems with the interface between Anite and FIS and the need for increasing performance in the transition of void properties in to a standard ready for let.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 There were no other matters identified.

1.6 Summary of recommendation(s)

1.6.1 The report contains two medium recommendations.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion may be given as there are effective control systems but some significant areas of note do need management attention.

1. Management Summary

1.1.1 Introduction

Havering Council's total payments for salaries and wages for 2005/06 amounted to £157,313,988. This comprises mainly of the monthly payments to staff and pensioners and the one off payments to staff on short term engagements/ casual labour. There is therefore a need for sound systems of control to be in operation in order to minimise the risk of fraud and to ensure that the staff get paid the correct amount and by the correct date.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Financial loss, ghost employees or fraudulent payments and incorrect payments.
- Regulatory risk/non-compliance to national (DSS and Inland Revenue) and local regulations and financial procedures and Council policies not being adhered to.
- Inadequate/incomplete recordkeeping, failure to perform integrity checks, inadequate system access control and possible loss of data or corruption of data and all payments correctly accounted for.
- Service risk or delays in making payments.
- Agreed staff deductions may not be in accordance with agreements e.g. Trade unions, car loans, court orders

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Although the leavers checklist recommended as part of the 2005/2006 Payroll audit review has been produced it has not yet been written into current procedures or disseminated to all relevant officers.

1.4.2 There is a lack of consistency in the process for the signing of leavers forms, by a secondary officer, verifying that all necessary calculations have been undertaken and that the final payment is correct.

1.4.3 It is not current practice within Education HR to record the reasons for new employees starting on a spinal point exceeding the lowest (which is current practice). Therefore there is no evidence to establish the reason for the variation in spinal point and that this has been checked by an officer from Education HR.

1.4.4 Currently the filing cabinets within the Payroll section are not fireproof. There is a significant risk that all documentation within the section would be destroyed in the event of a fire. In addition a fire on the floor would pose a significant Health and Safety risk to officers if it occurred during working hours.

1.5 Other matters identified that require Management attention to ensure “good practice” within the control environment.

1.5.1 Deductions from employee’s salary for items such as union contributions require the officers signed agreement. This documentation has not always been retained if the employee has been in post for many years, in accordance with the Retention of Records Policy. This prevents there being a full audit trail. The original signed agreement to the deduction should therefore be retained until they leave the Authority or cease made the contributions.

1.6 Summary of recommendation(s)

1.6.1 The report contains four medium priority recommendations and one low recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

Providing Services For the Physically Disabled	Schedule 5(d)
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1. Management Summary

1.1 Introduction

1.1.1 The Yew Tree Day Care Centre provides social and respite services for adults with both physical and sensory disabilities. However, so far the activities provided by the service have focussed mainly on art / craft / education and healthy well being.

1.1.2 A total of 1,695 people were known to the Authority under the physical disability criteria RAP (Referrals, Assessments and Packages of Care) in December 2006.

1.1.3 The consultation report on the 'Modernisation of Day Services at the Yew Tree Resource Centre, dated February 2007, states that as at November 2006, only 33 of the 1,695 people under P & SD RAP within the Borough attend the day centre.

1.1.4 Proposals are currently being drafted on the modernisation of the Yew Tree Day Service in order to provide additional services, such as 'Independent Living Skills training', 'Health in Balance' classes and 'Education, Work and Career Opportunity' sessions.

1.2. Key risk areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Service fails to be delivered due to lack of funding;
- Services users are abused;
- Service provided fails to meet the needs of the recipients;
- Service fails to reach those in most need;
- Service fails to be delivered or is disrupted due to lack of suitably qualified staff;
- Service users are a risk to others and themselves;
- Service partners fail to provide service as a result of all the above;
- Suitable care package not put in place to provide the level of assistance required;
- Inadequate facilities are used for the provision of care;
- Incorrect or inadequate transport used to take the person from home to facility; and
- Users are not paying the correct fee for the provision of the service.

1.3 Critical issues that require immediate management attention

1.3.1 During the audit review it was found that of the 51 officers selected for a review of Criminal Records Bureau (CRB) checks, only 31 officer files contained evidence of CRB check. In addition to the 31 officers, 21 appear to have commenced work prior to the receipt of the CRB check. As a result of this, three recommendations have been raised, two high priority and one medium priority recommendations. It must also be noted that this issue is reflective of Social Services as a whole and not just Yew Tree Day Centre.

1.3.2 As part of the audit testing undertaken, a sample of service users care packages were reviewed. It was noted that in April 2003 the old Social Services Information System (SSID) was replaced with the current system SWIFT. Whilst all active / current cases at

that time were migrated from SWIFT it was found during the review that original information is still contained within the SSID system.

1.3.3 Currently a fee of £1.25 is charged per day per service user for attendance to the Day centre. This fee does not cover the cost of providing the service. In addition the cost of collecting, recording and banking this income may not be cost effective.

1.4 Significant issues that require management action to improve the control environment

1.4.1 There is a proposal in place that sets out the possibilities for 'Partnership Working' and the introduction of an independent model allowing the service, in conjunction with other organisations, to provide short term programmes designed to enable / encourage services users to maximise functional potential. These programmes, however, have not been put in place for the current service users, who at present are not benefiting from any kind of rehabilitative programmes. As a result of this issue two medium priority recommendations have been made.

1.4.2 During the review of service user care packages, it was found that a record has not been maintained of all files sent to be archived. The number of files for each case is therefore unknown, unless clearly marked on corresponding files and whether previous files have been archived is unknown.

1.4.3 During the audit it was established that current service users are not charged for the use of the day centre transport. There are a limited number of places available on the transport each day. Those service users with other means of transport to the day centre are benefiting from the limited service, without charge whilst receiving other forms of benefits to allow them access to transport such as mobility allowances.

1.4.4 The current charge to attend the day centre is £1.25. Documentation could not be provided at the time of the review to evidence how the fees have been calculated, what the fees are for, and whether the fee has been subject to appropriate approval. In addition, it was found that whilst the £1.25 is only for attendance to the day centre, this fee does not cover the cost of running the service. Further to this, the cost of staff salary's to collect, record and bank the cash is likely to exceed the income generated. As a result of this issue three recommendations have been made, one high priority and two medium priority recommendations.

1.4.5 It was found during the audit that banking documentation completed for the weekly banking fees and charges is currently not signed and dated by a secondary officer, to verifying the banking amounts.

1.5 Other matters identified that require management attention to ensure "good practice" within the control environment.

1.5.1 The audit review did not identify any issues within the control environment that would require management attention to ensure good practice.

1.6 Summary of recommendation(s)

1.6.1 This report contains a total of four high priority recommendation and seven medium priority recommendations. The four high priority recommendations relate to:

- Evidence to support that CRB checks have been received;

- Officers commencing work prior to receipt of a CRB check;
- Information contained within SSID not transferred to SWIFT is not accessible; and
- The fees being charged for attendance to the day centre do not cover the cost of providing the service and possibly the staff costs involved in collecting, recording and banking the income.

1.7 Audit Opinion

- 1.7.1 A qualified audit opinion must be given due to a number of weaknesses in the control environment relating to the CRB clearance of staff, inaccessibility of service user records, reduced income and service provision costs.

Oracle Financials General Ledger and Accounts Payable application	Schedule 5(e)
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1. Management Summary

1.1 Introduction

1.1.1 The Oracle application is the Councils key financial application within the London Borough of Havering. Oracle is an ERP (Enterprise Resource Planning) Application which is designed with a modular approach to allow organisations to use or implement only areas of the software suite which meets requirements

1.1.2 Although there are a large number of modules available the Councils Oracle Application supports five different modules including Accounts Payable, General Ledger, CRM, I-Procurement and the Purchase Card Scheme for online reconciliations. (Accounts Receivable is provided using a further application called Nucleus). The scope of this audit was to cover General Ledger and Accounts Payable, two of the key financial modules.

1.1.3 The Oracle Financial application has been in place since April 1997 and has undergone two upgrades from version 9.5 to 10.7. The currently version in use by the council is V11.1 which was upgraded in April 2004.

1.1.4 The total value for payments transacted on the Accounts Payable system has been approximately £340 million annually for the past 2 -3 years.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Transactions are not authorised, complete, accurate, and timely and input once only.
- Appropriate levels of controls are not maintained during processing to ensure completeness and accuracy.
- There are no controls to ensure the accuracy, completeness, confidentiality and timeliness of output reports and interfaces.
- There is no complete audit trail maintained which allows items to be traced from input through to their final resting place, and a final result broken down into its constituent parts.
- No arrangements exist for creating back-up copies of data and programs, storing and retaining them securely, and recovering Oracle applications in the event of failure.

Due to the continually changing risks and threats to ICT systems and the identification of new threats to ICT security this review has been based on current general practice.

1.3 Critical issues that require immediate management attention

1.3.1 There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require management action to improve the control environment.

- 1.4.1 Audit testing identified that the Oracle Financials system has an auditing capability. However this has not been switched on. An audit trail provides a means of detecting and providing management information in relation to the creation and amendment of data. This can be used to investigate fraudulent activity or identify reasons for changes on the system.
- 1.4.2 Review of logical access controls to the Oracle Financial system identified that passwords are not required to be a minimum of six characters, and the system does not require a mixture of alpha numeric characters in the construction of the password.
- 1.4.3 Testing identified that the Oracle Financial Application does not lock a users account after three consecutive unsuccessful login attempts.
- 1.4.4 A security log of unsuccessful login attempts is not generated or reviewed. Given that the Application does not lock a user's account after three unsuccessful attempts this is a key control in the identification of unauthorised access attempts and is imperative in maintaining the security of the application.
- 1.4.5 The 'Clearing' and 'Wire' payment methods are currently not in use and have not been deactivated as options within the application. Payments that are erroneously posted via these methods are currently identified by the supplier bringing it to the council's attention due to a missed or delayed payment, at which point it can then be investigated.
- 1.4.6 The daily backup cycle of the application is Mondays to Fridays and the tapes are rotated on a 15 day retention cycle. An additional copy is taken at 18:00 on Sunday and is retained for 93 days (3 months) which means that the maximum recovery timeframe
- 1.5 Other matters identified that require management attention to ensure "good practice" within the control environment.**
 - 1.5.1 Users are not formally notified of their password responsibilities i.e. to keep passwords private during the user enrolment process.
 - 1.5.2 Sampled reports printed via Oracle and the Discoverer reporting tool identified that the pages were not consistently numbered, the system name is not always reported and an End of Report statement is not always present at the end of the report.
- 1.6 Summary of recommendation(s)**
 - 1.6.1 The report contains no high priority recommendations.
 - 1.6.2 The report contains six medium priority recommendations
 - 1.6.3 The report contains two low priority recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.

To improve the control environment, management need to ensure that:

- System Auditing is established on the Oracle Application and this identifies all activity on the system which can be used to maintain accountability for system changes
- Oracle passwords should require a minimum of 6 characters and be comprised of alpha numeric characters.
- The Oracle application should be configured to lock a user account after 3 unsuccessful attempts at user login
- A report should be developed which identifies unsuccessful logins to the application
- Functionality not required such as the wire and clearing payment options should be deactivated if not required to avoid the risk of erroneous payments or missed payments.
- The current back up cycle should be reviewed to help ensure that the application can be recovered in a required timescale.
- The FIS (Finance) group should consider implementing a reporting standard for their reports via Discoverer.
- Users should be reminded when their password is allocated not to disclose or share passwords.

Raising Of Debts	Schedule 5(f)
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1. **Management Summary**

1.1 **Introduction**

1.1.1 The 2006/2007 Internal Audit Plan includes a pro-active audit into the Raising of Debts, to ensure that debts have been raised in a timely manner.

1.2 **Key Areas Reviewed**

1.2.1 An Excel spreadsheet/report of debts raised on the 'Nucleus' sundry debtor system for various directorates/sections, between 1 August 2006 to 31 January 2007, was obtained from Chris Spicer, Senior Support Officer.

1.2.2 The report showed that for the period 1 August 2006 to 31 January 2007, 12639 debts totalling nearly £74,000,000 had been raised.

1.2.3 Debts raised between the 1 December 2006 to 31 January 2007 were extracted. For this period 3,875 debts totalling £23,816,756 had been raised in respect of the following:

Service Centre	Service Centre Name	Number of Debts Raised	Value of Debts Raised
LIB	Library Accounts	98	£4,680.02
MSD	Sundry Debtors Accounts	710	£3,274,842.12
MSS	Social Service Accounts	178	£250,134.37
REC	Recurring Accounts	862	£18,904,859.12
RES	Residential Accounts	1,797	£1,290,848.87
STA	Market Stalls	230	£91,391.34
TOTALS		3,875	£23,816,755.84

1.2.4 'Nucleus' was interrogated to ascertain the date the invoices were raised and the date/period the services/goods were provided. For 2,349 accounts/debts totalling £1,365,093.95 it was not possible to identify the date or period the services/goods were provided as no dates were shown.

Service Centre	Service Centre Name	Number of Debts	Value of Debts
LIB	Library Accounts	98	£4,680.02
MSD	Sundry Debtors Accounts	281	£286,372.39
MSS	Social Service Accounts	2	£15,413.30
REC	Recurring Accounts	70	£64,821.46
RES	Residential Accounts	1,668	£,902,414.55
STA	Market Stalls	230	£91,391.34
TOTALS		2,349	£1,365,093.06

1.2.5 For the remaining 1,526 debts/accounts it was found that:

	No. of Debts	%	TOTAL VALUE	%
Debt Raised in Advance	517	33.88	18,767,733.24	83.59
Debt Raised >= 0 & < 30	712	46.66	2,107,484.49	9.39
Debt Raised >= 30 & < 60	97	6.36	1,014,845.24	4.52
Debt Raised >= 60 & < 90	45	2.95	46,764.17	0.21
Debt Raised >= 90 & < 120	50	3.28	105,772.38	0.47
Debt Raised >= 120 & < 150	25	1.64	26,282.35	0.12
Debt Raised >= 150 & < 182	24	1.57	145,443.58	0.65
Debt Raised >= 182 & < 365	45	2.95	136,111.75	0.61
Debt Raised >= 365 & < 730	6	0.39	90,287.68	0.40
Debt Raised >= 730 & < 1,095	3	0.20	10,182.42	0.05
Debt Raised >= 1,095 & < 1,460	2	0.13	754.59	0.00
Totals:	1,526	100.00	22,451,661.89	100.00

1.3 Significant Issues

- 1.3.1 Although the vast majority of debts/accounts (87%) are raised within 60 days there were fifty six (56) debts/accounts, totalling £237,336.44 that were raised over six months after the goods/services were provided.
- 1.3.2 Whilst undertaking this review it was noted that debts were being raised for the hire of Council premises. In forty nine (49) cases the account was raised after the premises had been hired and not before.

1.4 Summary of recommendation(s)

- 1.4.1 The report contains 1 recommendation of a medium category.

1.5 Audit Opinion

- 1.5.1 The audit review established that in the vast majority of cases debts/accounts are being raised in a timely manner. However, it is of concern that there have been delays in the raising of some debts/accounts. An unqualified opinion is therefore given.
- 1.5.2 Wherever possible debts should be raised in advance of providing the goods or services, i.e. hire of premises or rooms, collection of refuse etc.
- 1.5.3 When debts/accounts are raised they should include the date the service/goods were provided or for what period the account has been raised for. Without these details it makes the collection of the debt more difficult, and it is possible that by omitting these details the person who has raised the debt is covering up the fact that there has been a delay in raising the debt.

Approved List Contract Register	Schedule 5(g)
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1. Management Summary

1.1. Introduction

1.1.1 In 2006/2007 the Council undertook in the region of 76 tender exercises with an estimated value of £19m. Of the 76 tenders received, 16 were schedule of rates contracts. 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.

1.2 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	Re c No	Present Position
1	Medium	R1	This recommendation has been fully implemented.
2	Medium	R2	Implementation of this recommendation is pending the completion of the Procurement Framework review by 31.12.07.
3	Medium	R3	This recommendation has been fully implemented.
4	Medium	R4	This recommendation has been fully implemented.
5	Medium	R5	This recommendation has been fully implemented.
6	Medium	R7	This recommendation has been fully implemented.
7	Medium	R8	Whilst there are now procedures in place for the maintenance of the contract register and they are being followed they have not been written down. The procedures need to be written and this element of the recommendation remains outstanding. Implementation is expected by 31.12.07.
8	Low	R6	No further action is being taken to progress this recommendation as the number of tender invitations issued and bids received are not a key performance indicator requirement. This information is available upon request. Monitoring is undertaken as part of the general tendering process. Poor levels of returned bids over a period of time would be identified by key officers and action taken where necessary to identify the reasons why.

1.3 Audit Opinion

- 1.3.1 Good progress has been made as six recommendations have either been implemented or are being progressed. No further action is being taken to implement one recommendation as the percentage of tender bids issued and returned are not a KPI requirement. Monitoring is undertaken as part of the general tendering process, although this is not formally documented. The number of tender invitations issued to the number received can be easily obtained. No action has been taken to implement one recommendation relating to procedures. Whilst there are procedures in place for the updating of the contracts register, no action has been taken to document these procedures.

Commissioning Of Residential Placements for the Elderly	Schedule 5(h)
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1. Management Summary

1.1 Introduction

- 1.1.1 This review is undertaken in accordance with the 2006/07 Internal Audit Plan. The review covered the commissioning of residential placements for the elderly.
- 1.1.2 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. The service area reviewed in this audit is responsible for the quality assurance of services provided for placements of elderly persons in care homes.
- 1.1.3 Budgetary aspects of the audit have been covered within a separate audit – Departmental Budgetary Control reference FC0001.

1.2 Key risk areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- Staff do not comply with internal procedures and external regulations in respect of assessment of customer requests and the purchasing of and payment for services provided;
 - Commitments are made for which no / insufficient budget exists;
 - Payments in respect of services for the elderly are not properly controlled;
 - Insufficient records are maintained to allow for expenditure to be monitored
 - The service becomes inefficient as income streams from contributions from customers who are means tested fail to be collected;
 - Services provided do not meet client needs within the resources available;
 - Individuals who would merit benefit from the services are excluded by persons not entitled to receive such benefits actually receiving them;
 - Assessments of the person's ability to pay have not been carried out;
 - Managers are unable to measure the performance of care providers;
 - Contracts are invalid; and
 - Premises being used do not meet prescribed standards and resident's health and safety may be put at risk.

1.3 Critical Issues that require immediate management attention

- 1.3.1 There were no critical issues found.

1.4 Significant issues that require management action to improve the control environment.

- 1.4.1 There were two significant issues identified as follows; no formal reporting on the monitoring of care homes and no performance indicators for the income team.

1.5 Other matters identified that require management attention to ensure 'good practice' within the control environment.

1.5.1 There was one item of best practice in that the mapping exercises, undertaken by different sections, have not been cross checked and reconciled.

1.6 Summary of recommendation(s)

1.6.1 The report contains one high, one medium and one low priority recommendation.

1.7 Audit Opinion

1.6.2 An unqualified audit opinion must be given as there are effective control systems in operation, but management should address the areas identified in the action plan to improve efficiency on the operational element of the commissioning for residential placements for the elderly. Comments regarding the budgetary aspects have already been made in a previous audit report.

Homelessness and Bed & Breakfast Accommodation	Schedule 5(i)
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1. Management Summary

1.1 Introduction

1.1.1 This review was undertaken in accordance with the 2006-07 Internal Audit Plan. The review covered the system of Homelessness and Bed and Breakfast Accommodation.

1.1.2 The homelessness legislation places a general duty on housing authorities to ensure that advice and information about homelessness, and preventing homelessness, is available to everyone in Havering free of charge. The legislation also requires authorities to assist individuals and families who are homeless, or threatened with homelessness, and apply for help.

1.1.3 Homelessness is the service of the authority that is responsible for discharging the authority's statutory housing advice and homeless functions incurred under Part VII of the Housing Act 1996 (as amended by the Homelessness Act 2002).

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Service fails to be delivered through inadequate budgetary provision;
- Service is provided to ineligible beneficiaries;
- No quality checks on placing homeless applicants;
- Service is criticised for failing to follow guidelines set by statutory bodies such as Housing Corporation (DCLG/Audit Commission); and,
- Housing aid is unchecked due to ineffective management information systems and performance measurements.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 Areas of significance were the lack of detail/poor quality of the management reporting.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There were no other matters identified.

1.6 Summary of recommendation(s)

1.6.1 The report contains two low recommendations.

1.7 Audit Opinion

- 1.7.1 An unqualified audit opinion may be given as there are effective control systems but some significant areas of note do need management attention.

1. Management Summary

1.1 Introduction

- 1.1.1 The 2006/2007 Internal Audit Plan includes an audit of the Customer Relationship Management Application.
- 1.1.2 The Customer Relationship Management (CRM) application is part of the Oracle e-Business Suite 11i.10 solution, consisting of a set of applications which are information-driven, service, and marketing. Oracle CRM is built on an open, standards-based architecture that streamlines business processes and improves data quality for information management.
- 1.1.3 CRM was implemented at London Borough of Havering in October 2001. In December 2005 the system was upgraded to the latest version of software, 11i.10.
- 1.1.4 CRM handles service requests from customers for council services and the initial stage has included the reporting of environmental problems and faults. The CRM system is currently handling approximately 250,000 service requests per year.
- 1.1.5 The majority of CRM service requests are for Streetcare services. However, the system also handles a variety of other requests including but not restricted to, Chief Executives office correspondence, Complaints, Freedom Pass Administration, Members correspondence and Parking services.
- 1.1.6 There is currently a CRM Project initiative underway, CRM Phase 2, headed by the Head of Customer Services and the Customer Services Portfolio Manager.
- 1.1.7 The CRM Phase 2 Project Business Case, has 3 key objectives:
- Integration of cash receipting, CRM and online forms;
 - To re-establish and re-energise development and investment in CRM;
 - To demonstrate the benefits of business process re-engineering.
- 1.1.8 Although there is no firm date for the implementation of the CRM Phase 2 Project, it does aim to deliver considerable business benefits and savings to the London Borough of Havering up to the value of £17,000 per annum.

1.2 Key Risk Areas reviewed

- 1.2.1 The audit reviewed the following key risk areas:
- Lack of Logical access controls may lead to unauthorised access.
 - There is no Business Continuity Planning.
 - There are no Systems Backup and Recovery procedures in place.
 - There is no disaster Recovery Planning and Testing.
 - There is no Support Arrangements in place to support the system.
 - Management Trails do not exist.
 - There are no controls to deal with Change Management.
 - There are no controls to monitor performance.

- The Applications systems are not being administered.

Appropriate Systems Operations are not being performed to ensure the system is available as and when required.

1.3 Critical issues that require immediate management attention

There were no critical issues identified that require immediate management attention.

1.4 Significant issues that require management action to improve the control environment.

1.4.1 A Systems Administrator activity log is not maintained. A timely review of the appropriateness of supervisor activity cannot be undertaken.

1.4.2 Procedures for the timely removal of CRM users are not operating effectively. It was also identified that there is no deletion of users who have not registered any activity for over two years.

1.4.3 Several Logical Access weaknesses were identified as follows

- Passwords can be a minimum of 5 characters long (instead of the recommended minimum of 6 characters);
- Alpha/numeric passwords are not enforced;
- There is no restricted number of logons on to the CRM system.
- There is no timely deletion of user activity reports.

1.4.4 User access has not always been kept up to date in line with user job functions.

1.4.5 There are no firm dates for the implementation of an appropriate Disaster Recovery solution for the CRM system at present although a project is currently being implemented by the Information Governance Manager.

1.5 Other matters identified that require management attention to ensure “good practice” within the control environment

1.5.1 There are no low risk recommendations identified that require management attention.

1.6 Summary of recommendation(s)

1.6.1 The report contains no High risk recommendations, five Medium risk recommendations and no low risk recommendations.

1.7 Audit Opinion

1.7.1 As there were no critical areas an unqualified opinion can be given on the CRM system.

1.7.2 However, to improve the control environment, management need to ensure that:

- Independent monitoring of supervisor activity to ensure system security should be set up and performed on a daily basis.
- User rights on the application are reviewed for accuracy and permissions for users are only in line with the users job function.

- System parameters are changed to ensure that user passwords are appropriately formulated, (i.e. Minimum of 6 characters long, alpha/numeric system enforced, restrict number of logons to maximum of 3, User passwords are deleted following 90 days inactivity).
- A review of “OLD” users is undertaken and any users who no longer require access to the system, or who have left the Councils employment are removed.
- The Disaster Recovery Plan includes the CRM Application. The DR Plan is tested on an annual basis.

SCHEDULE 6 - FEEDBACK ON QUALIFIED REPORTS (April - May)

Providing Services For the Physically Disabled

There were four high risk recommendations and seven medium risk recommendations within the report.

Of the eleven recommendations, the four required no further action at the time the final report was issued. Of the remaining seven recommendations only one medium priority recommendation had reached its target implementation date. Progress with regards to this recommendation has not been reported to date.

Target deadlines for completion of the other six recommendations have been agreed during the 2007/08 financial year.

SECTION 3 - RISK MANAGEMENT

The Corporate Risk Register has been reviewed. The graphical format is attached as Schedule 7.

The update has involved:

- Reviewing triggers and consequences
- Confirming the counter measures
- Re-assessing the current risk
- Reviewing the further actions planned
- Assessing the predictive risk given the further action plans
- Assessing the scope of improvement

In addition, detailed reviews of the actions associated with the top four risks were undertaken with the aim of:

- Ensuring actions are being progressed
- Assessing what further actions could take place

These reviews are attached as schedules 8 – 11.

Schedule 7 – Corporate Risk Register – graphical format

	4		<p>7. Children's Act: Every Child Matters (Andrew Ireland) - 3</p> <p>9. Lack of Infrastructure Development (Mark Gaynor) - 3</p>		
		<p>6. Causing harm to people we owe a duty of care (Rita Greenwood) - 2</p> <p>8. Community Safety (Christine Dooley) - 3</p> <p>13. Business Continuity and Emergency Planning (Rita Greenwood) - 3</p> <p>14. Perception of the Organisation and Poor Reputation (Jonathan Owen) - 2</p> <p>17. ALMO/Decent Homes Standard (Mark Gaynor) - 3</p>	<p>1. Recruitment and Retention (David Ede) - 2</p> <p>3. London Olympics (Cynthia Griffin) - 2</p> <p>4. Organisational capacity/capability (David Ede) - 2</p> <p>15. Partnerships (Jonathan Owen) - 2</p>	<p>2. Succession Planning (David Ede) - 2</p> <p>11. Health Restructuring (Mark Gaynor) - 2</p>	
		<p>10. Breakdown in Social Cohesion (Mark Gaynor) - 2</p> <p>16. Financial Arrangements (Rita Greenwood) - 2</p> <p>19. Compliance with New Legislation</p>	<p>5. CPA Inspection (Jonathan Owen) - 1</p> <p>12. Poor Management of Council's Assets (Rita Greenwood) - 3</p> <p>18. Contract Dependency (Rita Greenwood) - 2</p>		
	↑				
		1	2	3	4

Likelihood

Risk response is sufficient	Moderate scope for improvement of risk response	Significant scope for improvement of risk response
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SCHEDULE 8 – Review 1

Vulnerability : Business Continuity and Emergency Planning	Article I. <i>The Council is required to respond to both external and internal business continuity issues.</i>
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Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress and next steps	Article II. <i>Timescale</i>
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Existing Controls				
• Major Emergency Plan	N/A	R.Stephenson	In place and annual reviews planned	N/A
• Emergency spend protocol	N/A	M.Stringer	In place	N/A
• Establishment of Service Business Continuity Plans	N/A	R.Stephenson	Many in place. Database now being developed	N/A
• Emergency Plan in place and schedule of call-out officers established	N/A	R.Stephenson	Reviewing change to LALO	N/A
• IT back up taken	N/A	R.Whitehouse	Back ups taken	N/A
• Training programme devised	N/A	R.Stephenson	Being revised	N/A
• Risk Management/Business Continuity Group	N/A	R.Greenwood	In place	N/A
• Overall Business Continuity Strategy and Corporate Plan formulated	N/A	R.Stephenson	In place and evolving as dynamic document	N/A
• Website advice in place	2	R Stephenson	Website advice in place but being improved	N/A
• Regular review of Emergency Plan	2	R.Stephenson	Annual review completing	
• Regular Exercises	3	R Stephenson	March 28 saw completed exercise	

Further Actions Planned				
• IT Disaster Recovery Plan	3	R.Whitehouse	Option appraisal nearing completion and cabinet report planned for March	First stage March 07
• Exercise of scenarios	3	R.Stephenson	Overall MEP planned for 28 March 07 service testing scenarios being developed	March 07
• Training delivered	3	R.Stephenson	Training being revised	Dec 07
• Raising of awareness in the community	2	R.Stephenson	Leaflets being prepared	June 07
• Documenting of key activities progressing	3	R.Stephenson	Will await service continuity plans	Ongoing
• Further refinement of Corporate BC Plan	3	R.Greenwood	More detail being added will also need to be cross checked once service plan added	May 07
• Internal Flu Plan being reviewed	3	R.Stephenson	Draft in place but being reviewed	June 07
• Flu spend protocol	2	R.Greenwood	Commenced	Sept 07

SCHEDULE 9 – Review 2

Vulnerability : Health Restructuring Commentary : LBH one of a range of partners across NE London. Will require a joint approach by Councils to set the best deal for local government	Article III. <i>The Health Service is undergoing review and restructuring in London.</i> Havering is dependant on effective partnership working with Health in order to deliver on a number of key objectives.
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Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress and next steps	Article IV. <i>Timescale</i>
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Existing Controls	Priority	Lead Officer	Comments	Article	<i>Timescale</i>
• Clear direction from Central Government via White Paper	3	MG	Central government position on finances unhelpful and threatens cost shunting.		N/A
• Good existing partnerships with PCT in many areas	3	MG	Developing joint commissioning further.	Article V.	<i>Ongoing</i>
• Joint arrangements/commissioning	3	MG	As above.	Article VI.	<i>Ongoing</i>
• Health scrutiny	2	MG	Operating effectively in respect of major developments, less well on relationship building.	Article VII.	<i>Ongoing</i>
• Fit for the Future Group	3	MG	Options developed and will be consulted upon in 2007. Need for community based provision included.	Article VIII.	<i>March 08</i>
• HSP/CMT	2	MG	Several elements of LAA with PCT.	Article IX.	<i>Ongoing</i>

Further Actions Planned				
• Better scrutiny operation	2	MG	Joint North East London Scrutiny established for Fit for the Future. New proposals included in Local Government Bill.	Article X. <i>March 08</i>
• Link to community consultation	2	MG	Will commence Spring 2007.	Article XI. <i>Underway</i>
• Borough Needs Assessment and Strategic role of DASS and DPH	2	MG	Awaiting guidance from DoH. Agreed to carry out jointly with PCT.	Article XII. <i>March 08</i>
• Political pressure as needed in community leadership	2	MG	Ongoing.	Article XIII. <i>Ongoing</i>
• Council representation on PCT Board	2	MG	Agreed to co-opt Director of Sustainable Communities.	Article XIV. <i>Achieved</i>
• Liaise at Cx/Chairs leader level	2	MG	Regular meetings established.	Article XV. <i>Ongoing</i>
• London Councils Lobbying	2	MG	Underway.	Article XVI. <i>Ongoing</i>

SCHEDULE 10 – Review 3

<p>Vulnerability : Lack of Infrastructure Development Commentary : LBH are not the major players in Thames Gateway, and even in the rest of the Borough will be dependent on central government and partners.</p>	<p>Article XVII. <i>The east of London and Thames Gateway will be subject to massive housing development. This will assist in meeting affordable housing targets which are a challenge.</i> Key concerns however are that: (i) increased levels of housing must be accompanied by improved levels of infrastructure within the Borough, e.g. transport; (ii) new housing meets the targets.</p>
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Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress and next steps	Article XVIII. <i>Timescale</i>
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Existing Controls	Priority	Lead Officer	Comments	Article	Timescale
• Operation of London Thames Gateway Development Corporation	3	MG	Leader on LTGDC Board. Development Control protocols agreed. Regular senior management meetings.		0
• Continued involvement in Thames Gateway 'family'	3	MG	Ongoing.	Article XIX.	0
• Establishment of Planning Framework	3	MG	LTGDC have adopted, broadly, the Council's overall direction.	Article XX.	<i>March 08</i>
• Operation of Regeneration Board	2	MG	Established.	Article XXI.	0
• Maximising of Borough influence with LDA, TfL, GLA etc.	2	MG	Ongoing.	Article XXII.	0
• Development of detailed proposals for area action, e.g. Rainham, Rainham Marshes	3	MG	Being developed by LTGDC in partnership with Council. Good progress on Rainham Village and Rainham Marshes.	Article XXIII.	<i>March 08</i>
• Implementation of Romford and Hornchurch Urban Strategies	3	MG	Urban strategies agreed and being incorporated into LDF. Delivery Boards established for both.	Article XXIV.	0
• Ensure S106 agreements are delivered	3	MG	Performance recognised as good.	Article XXV.	0

• Develop partnership with PCT and bringing forward primary health facilities	2	MG	Ongoing – 3 open, others planned.	Article XXVI. 0
• Agreement of clear HSP Regeneration Strategy	2	MG	Agreed via Prosperous Community Theme.	Article XXVII. 0

Further Actions Planned

• Explore LAA as route to gain commitment of partners	1	MG	Limited progress – LAAs not as yet used for infrastructure projects.	Article XXVIII.
• Use of LDF to guide development	2	MG	Ongoing – approval January 08.	Article XXIX. Jan 08
• Identification of additional housing opportunities (e.g. Mardyke Farm)	2	MG	In LDF.	Article XXX. Jan 08
• S106 in LTGDC area	3	MG	Responded to consultation, await final version.	Article XXXI. March 08
• Planning Delivery Grant	3	MG	Await national proposals.	Article XXXII.

SCHEDULE 11 – Review 4

Vulnerability : Breakdown in Social Cohesion.		Havering is regarded by many as a prosperous London Borough but it has within it seriously deprived wards. These wards contain communities from ethnic minorities.		
Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress and next steps	Article XXXIII. Timescale
Existing Controls				
• Council's Race Equality Scheme and parallel scheme for disability.	3	DE	Produced, along with other required disability schemes. Overall Diversity Strategy in draft.	
• Development of BAME network	3	MG	Established and good ongoing relationship.	Article XXXIV. <i>Ongoing</i>
• Crime and Disorder Strategy.	3	CJD	Contains key targets on cohesion matters.	Article XXXV.
• Regeneration Strategy.	2	MG	Agreed. Aims to deliver to existing and new communities.	Article XXXVI. <i>Achieved</i>
• Clear political position of the Council.	2	-	Clear.	Article XXXVII. <i>Achieved</i>
• Multi-cultural event	2	MG	Black History Month event at Queens Theatre.	Article XXXVIII. <i>Achieved</i>
Further Actions Planned				
• Development of Race Equality Partnership.	2	DE	In progress.	Article XXXIX. Article XL.
• Community Cohesion Strategy with LTGDC.	3	MG	Discussions commenced. Seeking to establish a strategy for HSP and resources requested from Community Chest.	Article XLI. <i>Ongoing</i>
• Further development of BAME.	2	MG	Ongoing.	Article XLII. <i>Ongoing</i>
• Assistance with facilities.	2	MG	Ongoing.	Article XLIII. <i>Ongoing</i>
• Use of LAA.	2	MG	No specific cohesion target.	Article XLIV.

SECTION 4 – SUMMARY OF AUDIT RECOMMENDATIONS

Schedule 12 - 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

		High	Medium	Low	Total
03/04	Internal	30	261	107	398
	External	94	88	18	200
04/05	Internal	42	221	71	334
	External	38	21	11	70
05/06	Internal	14	180	45	239
	External	29	21	4	51
06/07	Internal	13	92	63	168
	External	13	7	2	22

SCHEDULE 13 - ONGOING Internal Audit Recommendations – 2004/05, 2005/06, 2006/07 (None for 03/04)

Business Continuity <i>2004/05</i>		<i>(Report Issued</i>	
Recommendations	Priority	Reported By	Current Position
R21 A call off contract for the supply of trauma counselling services in the event of a major incident should be established.	Low	Occupational Health Manager	<p>These are integrated into procedures for services provided by other areas of the Council, including Adult Services. Given current work conducted by the Metropolitan Police on family assistance centres, there will be developments to how trauma counselling is managed in an incident. Any contracting of social services should be managed by that area of the Council and only if their capability is overreached along with that of partner agencies and the voluntary sector. The EP and BCU can raise this issue with Adult Services.</p> <p>Major incident response will be on a case by case basis.</p>

Approved Lists & Contracts Register				<i>(Report Issued 2005/06)</i>
Recommendations	Priority	Reported By	Current Position	
R4 The Business Development Manager should instruct the PPDU Support Officer to send details of all construction related tender exercises to the Surveying Services Manager in order for him to confirm that the tenderers have been selected from Constructionline. Where the firms have not been selected from Constructionline the Surveying Services Manager should prepare a report for the Strategic Procurement Group in order for the relevant departmental representative(s) to be informed and to remind the relevant sections accordingly of the need to comply with the Council's Contract Procedure Rules.	Medium	The Business Development Manager & the Surveying Services Manager	BDM has met with Surveying Services Manager and report is being done on a quarterly basis to SPSG. The PPDU support officer is sending the SSM copies of tendering notices which relate to construction contacts. SPSG report on tender processes and use of Constructionline for period October 2005 to February 2006 received June 06 by the SSM, under consideration. For the purpose of this recommendation as it applies to the HoFS it can be signed off as delivered. COMPLETED. Addition from TD Jun 06 pack: SPSG report on tender processes and use of Constructionline for period October 2006 to February 2006 received June 06, under consideration.	
Liquidated & Ascertained Damages				<i>(Report Issued 2006/07)</i>
Recommendations	Priority	Reported By	Current Position	
R5 Develop a standard filing system for all contracts and works managed by the section. This should include standard core sections for items such correspondence, account details, meetings, programmes, complaints, monitoring reports, contract. There also needs to be provision for the details specific to each project to be maintained	Low	Head of Streetcare	This is being considered as part of the Highway IT strategy and the implementation of a new management system for all of the services. The paper records can be addressed much sooner. (30 Sept 07 for paper records 3 years for new IT to be implemented)	

SCHEDULE 14 - ONGOING External Audit Recommendations – 2003/04 & 2005/06 (None 2004/05 & 2006/07) (As at end Mar 07)

Corporate Governance Arrangements 2002/3			<i>(Report Issued 03/04)</i>
Recommendations	Priority	Reported By	Current Position
<p>R17 The Council should develop an approved listing of Agencies, from which contractors can be recruited.</p> <p>Contracts should be established with such Agencies which specify pay rates, qualifications and the reference checks which should be made.</p> <p>Monitoring procedures should be established to ensure compliance with the contract.</p> <p>Staff are currently recruited from different agencies with which the Council has no contract. The only contract in place is with Adecco for non skilled staff. Corporate Human Resources and the Purchasing section do not have a listing of all the Agencies used by the different service areas.</p>	High (3)	Group Director Finance and Planning (Rita Greenwood) via Business Development Manager and Assistant Chief Executive Corporate Human Resources (David Ede)	<p>Agreed. This will be taken forward as part of the strategic procurement arrangements. Contracts are in fact in place for other agency arrangements, in particular office/administrative staff.</p> <p>Draft procedures being considered for agency staff by ACE (HR).</p> <p>The Council is working as lead authority on an LCOE procurement project on agency staff. This cross-London project will address this particular recommendation but will take some time to bring to fruition. The project commenced in August 2005. The Council is working as lead authority on an LCOE procurement project on agency staff. This cross-London project will address this particular recommendation but will take some time to bring to fruition. The project commenced in August 2005. The Council has recently been granted further funding to deliver an expansion to the scope of the project. It is now envisaged that the project will be delivered in March 2007. This project is continuing successfully and has now received further funding to deliver another expansion to the scope of the project. This will run from April 2007 to March 2008. The contract has now been awarded and a Project Board has been set up to work with the new provider to implement the service. Implementation of this contract in July 2007 will complete this recommendation.</p>

Civil Contingencies			<i>(Report Issued 05/06)</i>
Recommendations	Priority	Reported By	Current Position
R7 Revise and evaluate regularly the Council's communications strategy in the light of statutory public advice requirements using: • a range of media channels; and • accessible and multi agency formats to meet diverse needs.	2	Manager, Communications and Marketing	This work is ongoing and in its infancy

SCHEDULE 15 - Internal Audit Outstanding Recommendations – 2003/4, 2004/5, 2005/6, 2006/7

	Review in 2003/4	HoS Responsible	Outstanding			Position as at end MAR 07		
			High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
	Community Care Packages	Peter Brennan		1		1		
	Homecare	Peter Brennan		1		1		
	Community Care Placements	Peter Brennan	1	1		2		
	Total		1	3	0			

	Review in 2004/05	HoS Responsible	Outstanding			Position as at end MAR 07		
			High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
	Freedom Passes and Taxi Cards	Mike Stringer		1		1		
	Crime & Disorder Reduction CCTV	Christine Dooley		2		2		
	Domestic Refuse Collection	Bob Wenman	1			1		
	Trade Refuse Collection	Bob Wenman	1			1		
	Landscape Works A1306	Mark Butler	1			1		
	Consultants Fees	Christine Dooley		1				1
	Highways	Bob Wenman		1		1		
	Capital & Repair Work Pro-Active	Mike Stringer			1	1		
	(2004/05) Quality & Contract Management in Care for the Elderly	Peter Brennan		1		1		
	Partnership Arrangements	Mark Butler	1	1		2		
	Total		4	7	1			

		Outstanding					
Review in 2005/6	HoS Responsible	High	Medium	Low	Position as at end MAR 07		
					In Progress	Not Started	Status Unknown
Approved Lists & Contracts Register	Mike Stringer Mark Butler		2		2		
Prov of Services Learning Disabilities	Peter Brennan		1		1		
Parking Tickets Issue and Processing	Mark Butler		1	1	2		
Stock & Plant Pro-Active	Peter Brennan		1		1		
Personnel	David Ede		1		1		
Agencies Pro-Active	Mike Stringer	1			1		
Project Assessment & Monitoring	Rita Greenwood		1		1		
Placements Pro-Active	Peter Brennan	2	2		4		
Consultants	David Ede		1		1		
Health & Safety	Mark Butler		2		2		
Provision of Residential Placements and Home Care for the Elderly	Peter Brennan		3	1	4		
Insurance and Performance Bonds	Mike Stringer		2	1	3		
Repairs and Maintenance Contracts	Mark Butler	1		1	2		
E Commerce	Dylan Champion		3		3		
New Employees Pro-active	David Ede		1		1		
Housing Rents & Arrears inc FTAs	Barry Kendler			1	1		
Total		4	21	5			

Outstanding

	Review in 2006/07	HoS Responsible	Outstanding			Position as at end MAR 07		
			High	Medium	Low	In Progress	Not Started	Status Unknown
	Certificate Payments	Mark Butler		2		2		
	Tender Review of ICS and ISA Systems	Mike Stringer		2		2		
	Commissioning of Transport Services within Childrens' Services	Peter Brennan		1		1		
	Income Controls Planning	Patrick Keyes	1			1		
	Income Controls Facilities	Bob Wenman	1			1		
	Commissioning of Works Havering Technical Partnership	Mark Butler		3	1			4
	Management of Car Parks and Meters	Mark Butler	2	6	1			9
	Central Library	Dylan Champion		1	3			4
	Cheque Control	Mike Stringer		1		1		
	Constitution	Christine Dooley			1	1		
	PTCS Recharges	Mark Butler		2	2			4
	Partnership Arrangements	Jonathan Owen		1		1		
	Capital Monitoring	Mike Stringer			1	1		
	Council Tax	Jeff Potter		2		2		
	Repairs and Maintenance Contracts	Mark Butler	1		1	2		
	NNDR	Dylan Champion Jeff Potter		2		1		1
	Software Licence	Ray Whitehouse			1	1		
	Total		5	23	11			

SCHEUDLE 16 - Outstanding External Audit Recommendations – 05/06

(There are none outstanding for 03/04, 04/05 and 06/07) (As at end MAR 07)

<u>MEDIUM PRIORITY RECOMMENDATIONS</u>				
Reports	Recommendations	HoS Responsible	Current Position	Classification
Civil Contingencies (Report issued 05/06)	R4 Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	Ray Stephenson	The existing ECC will remain for the foreseeable future. A replacement ECC will have to be found from within existing building resources. Costings will follow once there is agreement of a location	In Progress

SECTION 5 - Benefits Comparative Information

SCHEDULE 17 - Benefit Investigations - 1 April 2006 to 31 March 2007

The results against local performance targets for the above period are shown in the table below, together with national and London comparisons. It should be noted that the comparator information is a forecast based on data for the first three quarters of the year.

	2006/7 Target	Achieved YTD	National Average	All London Average	Outer London Average
Official Cautions administered	54	36	24	33	28
Administrative Penalties administered	54	10	15	27	23
Administrative Penalties value	£16,200	£10,447	No figures available	No figures available	No figures available
Summonses Issued	24	26	No figures available	No figures available	No figures available
Prosecutions (convictions)	24	21	15	23	23
Prosecution Costs	- £19,440	- £29,921	No figures available	No figures available	No figures available

Performance in the areas of Administrative Penalties and Official Cautions has not lived up to expectations, although a CPA score of 3 has been achieved. Prosecution costs are currently higher than expected, largely due to several not guilty cases being heard in the Crown Court. However, costs awarded to date in the courts amounts to £5,500. The level of successful prosecutions is down against target due to an increase in pleas of not guilty resulting in delays at Court, with four cases still awaiting trial.

SCHEDULE 18 - BVPI 76 - Security

BVPI	Description	Annual Target	Outturn	National Average	All London average	Outer London average
76a	Number of claimants visited, per 1,000 caseload	210 *	187	No figures available	No figures available	No figures available
76b	Number of investigators employed, per 1,000 caseload	0.35	0.35	0.27	0.26	0.27
76c	Number of investigations, per 1,000 caseload	50	29 (21)	22.8	14.8	15.0
76d	Number of prosecutions and sanctions, per 1,000 caseload	6	3.8 (2.6)	3.0	2.5	2.5

The figures in brackets show LBH outturn for the third quarter as the annual national figures are not yet available. It is clear however that LBH is performing at a level above the London averages. Whilst the number of investigators per 1,000 caseload appears high in comparison to the averages, it places LBH in the upper middle quartile nationally.

* In December 2006, the DWP revised the annual national target for BVPI 76a. For LBH this resulted in a reduction from 210 effective visits per 1,000 caseload to 150.



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 JUNE 2007	9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2007/2008

SUMMARY

This report informs the Committee, of the audit work that the Audit Commission propose to undertake during 2007/08.

RECOMMENDATION

To consider the contents of the report.

REPORT DETAIL

See attached report from the Audit Commission

Financial Implications and Risks:

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

The total audit fee arising from the 2007/08 plan is £500k, comprising £376k for audit and inspection work and £120k for grants work. The fee is paid over 2 years, with the grant fee lagging one year; so the actual payment to the Audit Commission is based on the planned fee for 2006/07, i.e. £143k.

The fee within the plan reflects a continuing decrease in the amount of work on grant claims. The fee is currently within the available budget, however this is based on the currently estimated volume of work. Any additional work, for example on processing grant claims will increase the actual costs of audit work. This will have to be managed within the overall approved budget.

Legal Implications and Risks:

None arising directly from this report.

Human Resource Implications and Risks:

None arising directly from this report.

Equalities and Social Inclusion Implications:

None arising directly from this report.

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CHERYL COPPELL
Chief Executive

Background Papers

None

Audit and Inspection Plan

May 2007



Audit and Inspection Plan

London Borough of Havering

Audit 2007/2008

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Introduction

- 1 This plan has been developed by the Relationship Manager and appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2007/08;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the Statement on Internal Control (SIC)); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's *Statement of Responsibilities of Auditors and of Audited Bodies* sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

CPA and Inspection

- 8 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2006, the Council was categorised as three stars.
- 10 We have applied the principles set out in the CPA framework, *CPA – the Harder Test*, recognising the key strengths and areas for improvement in the Council's performance.
- 11 Strengths in the Council's performance include:
- a robust performance management framework;
 - securing improvement in services; and
 - progressing to a three star authority under CPA.
- 12 Areas for improvement in the Council's performance include:
- addressing the improvement areas identified in the Council's 2006 Corporate Assessment, including diversity and scrutiny arrangements;
 - increasing the pace of improvement in Adult Social Services; and
 - the robustness of performance information and data quality.
- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager (RM) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.

6 Audit and Inspection Plan | CPA and Inspection

Inspection activity	Reason/impact
Direction of Travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT label will be reported in the CPA scorecard alongside the CPA category. The DoT assessment summary will be published on the Commission's website.
ALMO Inspection	Our Housing Inspectorate will carry out an inspection of your ALMO. The fee for the ALMO Inspection is not included in the audit and inspection fee disclosed in Appendix 2; a separate invoice will be issued for this work.

Work under the Code of Audit Practice

Financial statements

- 14 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 15 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 16 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

Use of resources

Value for money conclusion

- 17 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 18 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 19 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 20 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council’s priorities and improve services.
- 21 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor’s value for money conclusion. We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Table 2

Theme	Description
Financial Reporting	<ul style="list-style-type: none"> • Preparation of financial statements. • External reporting.
Financial Management	<ul style="list-style-type: none"> • Medium-term financial strategy. • Budget monitoring. • Asset management.
Financial Standing	<ul style="list-style-type: none"> • Managing spending within available resources.
Internal Control	<ul style="list-style-type: none"> • Risk management. • System of internal control. • Probity and propriety.
Value for Money	<ul style="list-style-type: none"> • Achieving value for money. • Managing and improving value for money.

- 22 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 23 The auditor’s scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

Data quality

- 24 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- stage 1 - management arrangements;
 - stage 2 - completeness check; and
 - stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 25 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.
- 26 Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

Best Value Performance Plan

- 27 We are required to carry out an audit of your Best Value Performance Plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

Assessing risks

- 28** The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 29** Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with Internal Audit; and
 - the results of other review agencies' work where relevant.
- 30** We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in November 2007. At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- there are a number of changes to the Statement of Recommended Practice 2007 with which the Council must comply; and
 - there are changes proposed to elements of some material financial systems (for example, fixed assets) and other systems may become material during 2007/08 (e-procurement and private sector leasing).
- 31** For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 32** Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

Work specified by the Audit Commission

Whole of government accounts (WGA)

- 33 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

National Fraud Initiative

- 34 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Voluntary improvement work

- 35 We are not proposing to do any voluntary improvement work at the Council during 2007/08.

Certification of grant claims and returns

36 We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

The audit and inspection fee

- 37 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 38 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £376,440 which compares with the planned fee of £511,250 for 2006/07.
- 39 Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions the Council could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 40 In addition we estimate that we will charge approximately £120,000 for the certification of claims and returns.
- 41 As indicated in paragraphs 3, 30 and 32, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 38 above. Any changes to the fee will be agreed with you.

Other information

The audit and inspection team

- 42 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

Table 3

Name	Contact details	Responsibilities
Jon Hayes Relationship Manager District Auditor	j-hayes@audit-commission.gov.uk 020 7166 2877	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Audit Committee.
Sharon Martin Audit Manager	s-martin@audit-commission.gov.uk 020 8708 3237	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Group Director - Finance and Commercial.
Janette Whitfield Area Performance Lead	j-whitfield@audit-commission.gov.uk 020 7166 2319	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment.

Independence and objectivity

- 43 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.

- 44 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 45 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Relationship Manager or District Auditor in the first instance. Alternatively you may wish to contact the London Region Head of Operations, Les Kidner.
- 46 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission's website or on request.

Planned outputs

- 47 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 4

Planned output	Indicative date
Annual Audit and Inspection Plan	April 2007
Opinion Audit Plan	November 2007
Data Quality Report	December 2007
BVPP Report	December 2007
Use Of Resources Report	December 2007
Inspection Outputs:	
ALMO	October 2007
Direction of Travel Statement	December 2007

Planned output	Indicative date
Annual Governance Report	September 2008
Opinion on the Financial Statements And Value For Money Conclusion	September 2008
Opinion Audit Memorandum (to the Group Director - Finance And Commercial)	November 2008
Annual Audit and Inspection letter	February 2009

Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
The Council will be implementing the Single Status agreement. This will have a significant financial impact.	The options for Single Status have been fully costed and provision has been made in the 2007/08 budget.	Yes	We will maintain a watching brief on the progress on Single Status and its financial impact.	VFM Criterion 9 - The Council has put in place arrangements to ensure that its spending matches its available resources.
The Council is required to adhere to the Gender Equality and Disability Equality Duty.	Previous reviews have found the Council has adequate arrangements in place to implement new legislation.	Yes	We will review the Council's arrangements for ensuring compliance with these duties.	UoR KLOE 4.2 - the Council has arrangements in place to maintain a sound system of internal control.
The Council is reviewing and testing its Business Continuity Plans.	There is a co-ordinated approach to this process.	Yes	We will review the Council's progress on business continuity planning.	UoR KLOE 4.2 - the Council has arrangements in place to maintain a sound system of internal control.
The triennial valuation of the Pension Fund will be reported as at 31 March 2007.	The Council is liaising with the Actuary to ensure the assumptions used are prudent.	Yes	We will consider the Council's response to the triennial valuation.	UoR KLOE 2.1 - the Council's medium term financial strategy, budgets and capital programme are soundly based.

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
The Council will be implementing an action plan to address the improvement areas identified in the 2006 Corporate Assessment.	There is a robust performance management framework to support the implementation of audit and inspection recommendations.	Yes	We will maintain a watching brief on the progress of in implementing the Corporate Assessment recommendations.	Relevant to several VFM and UoR criteria.
The pace of improvement in Adult Social Services is not as fast as for other Council services.	Service delivery and budget setting arrangements are being reviewed.	Yes	We will maintain a watching brief on developments within Adult Social Services.	UoR KLOE 5.2 - the Council manages and improves value for money.

Appendix 2 – Audit and inspection fee

- 1 Table 5 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

Table 5

Audit area	Planned fee 2007/08	Planned fee 2006/07
	£	£
Audit		
Financial Statements	236,500	241,000
Use of Resources (including BVPP)	60,000	62,000
Data quality	48,000	39,000
Whole of government accounts	4,100	4,000
National Fraud Initiative	1,300	1,250
Total audit fee	349,900	347,250
Inspection		
Relationship management	13,270	36,100
Direction of Travel	13,270	6,400
ALMO inspection	0*	0
Corporate Assessment	0	121,500
Total inspection fee	26,540	164,000
Total audit and inspection fee	376,440	511,250
Certification of claims and returns	120,000	143,000

* The fee for the ALMO Inspection will be invoiced separately.

- 2 The Audit Commission scale fee for Havering Council is £318,530. The audit fee proposed for 2007/08 is + 10 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.

- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 4 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 5 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.

Specific audit risk factors

- 6 In setting the audit fee we have taken into account the following specific risk factors:
 - the impact of implementing a Single Status agreement;
 - changes in senior staffing and the delivery of internal audit;
 - prescribed changes to the content and presentation of the Accounts; and
 - improvement areas identified in the Corporate Assessment.

Assumptions

- 7 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by the date agreed with the Audit Manager;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and

- additional work will not be required to address questions or objections raised by local government electors.
- 8 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 9 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Specific actions the Council could take to reduce its audit and inspection fees

- 10 The Audit Commission requires its auditors to inform a Council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions the Council could take:
- continue to improve the quality of self-assessments ensuring they are focused and targeted to the relevant criteria;
 - improve the quality of analytical review to support the Accounts; and
 - senior managers continue to keep external audit apprised of developments within the Council that impact on our audit responsibilities.

Process for agreeing any changes in audit fees

- 11 If we need to make any amendments to the audit fee during the course of this plan, we will firstly discuss this with the Group Director Finance and Commercial. We will then report the reasons why the fee needs to change to the Audit Committee.

Appendix 3 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 June 2007	10

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT AND INSPECTION ANNUAL LETTER 2004/05 – Action Plan

SUMMARY

The 2004/05 Audit and Inspection Annual Letter was considered by Cabinet on 15 February 2006 and shared with members. It was subsequently considered by the Corporate Overview and Scrutiny Committee on 13 April 2006.

The letter recommends actions to be taken. To help members an Action Plan has been prepared. This reports progress on the actions contained within the Annual Letter and is attached as Appendix A.

Your Committee last considered this Action Plan on 12 December 2006. This report updates the Action Plan on activities since then.

RECOMMENDATION

That the Committee note the contents of the Action Plan and the progress made to date.

REPORT DETAIL

1. The 2004/05 Audit and Inspection Annual Letter, prepared by the Audit Commission, was considered by Cabinet on 15 February 2006, the Corporate Overview and Scrutiny Committee on 13 April 2006 and by the Audit Committee on 4 April 2006 and 12 December 2006.
2. The letter is positive in tone, with its key messages being;
 - Havering has been assessed as a one-star council that is improving well.
 - A range of priority areas have been addressed, including levels of public satisfaction, children's social care, housing and the environment.
 - Other improvements were noted in the areas of partnership collaboration, improving access to vulnerable groups and in reducing the level of staff sickness.
 - Overall there has been a positive shift in organisational culture.
3. The Letter also set out specific recommendations for members:
 - Monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care;
 - Ensure effective arrangements are in place and monitored, to ensure the 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met;
 - Ensure that appropriate action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed; and
 - Continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.
4. It was agreed by the Audit Committee that they would receive regular reports so that they could monitor the progress of the Action Plan.
5. The regulations required publication of the Annual Letter and, in line with good practice, the Council's response was also published. The updated Action Plan will be placed on the council's website.

Financial Implications and risks:

No direct financial implications arise from this report.

Legal Implications and risks:

No direct legal implications arise from this report.

Human Resources Implications and risks:

HR will continue to support management in maintaining the improvement in sickness absence and developing organisational culture.

Equalities and Social Inclusion implications:

No direct Equalities and Social Inclusion implications arise from this report.

Staff Contact	Jonathan Owen
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E-mail address	jonathan.owen@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Report to Audit Committee 4 April 2006.

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN as at June 2007

Recommendation & Key Tasks	Lead Officer	Comments; including progress & Next Steps	Timescale
----------------------------	--------------	---	-----------

Housing Management			
<ul style="list-style-type: none"> Ensure all offices comply with the requirements of DDA 	B. Kendler	Achieved. All District Housing Offices closed apart from Elm Park which is due to close on Friday 28 th July 2006. All housing offices are now DDA compliant.	Achieved
<ul style="list-style-type: none"> Provide greater clarity in response to domestic violence, and racial harassment. 	B. Kendler	Achieved	
<ul style="list-style-type: none"> Better information on welfare benefits 	B. Kendler	Achieved.	
<ul style="list-style-type: none"> Address inconsistencies in the provision of caretaking and grounds maintenance 	B. Kendler	Caretaking Review agreed by Cabinet in September 2005. Service Changes pending.	On-going
<ul style="list-style-type: none"> Address inconsistencies in the treatment of waiting list, transfer list applicants and visiting new tenants 	B. Kendler	Achieved April 2005	
<ul style="list-style-type: none"> Improve tenant participation structures 	B. Kendler	Restructure of Tenant Participation agreed in December 2005 by Cabinet. Current structure was replaced from 3 rd April 2006.	Achieved
<ul style="list-style-type: none"> Reduce the number of temporary staff usage. 	B. Kendler	Progressing.	On-going
Supporting People			
<ul style="list-style-type: none"> Improve governance arrangements by: establishing action plans for the commissioning body and core strategy group which are formally monitored and reported on. 	B. Kendler	Action Plans have been discussed and are being drafted. To be rolled out at next meeting of relevant groups.	Achieved

<ul style="list-style-type: none"> Strengthen delivery arrangements by: establishing local and shared (with partners) performance indicators; working with the sub-regional group on the development of outcome measurements for service users; establishing an approach to needs analysis across the client groups in a systematic and regular (at least six-monthly manner); developing an approach to value for money that should incorporate cost and quality assessment (for both the grant and administrative costs); developing an approach to learning and benchmarking beyond the sub-regional group and from higher performers; and ensuring that all plans are SMART and have clear measurable outcomes. 	B. Kendler	<p>Performance Indicators and outcome measurements are the subject of a contract monitoring strategy being drafted currently, however some progress on this (particularly outcome measurement) will be dependent on publication of the mandatory outcome measures currently being piloted by CLG.</p> <p>Needs analysis refreshment is being addressed as part of the action plan attached to the new strategy currently being drafted.</p> <p>Value for Money approach being drafted currently.</p> <p>Benchmarking being addressed as part of VfM approach above and also being done sub-regionally. Learning from other authorities is ongoing and all policies and procedures currently being drafted are mindful of other Supporting People approaches.</p> <p>Workplan has been extensively revised to ensure it is SMART.</p>	Achieved
<ul style="list-style-type: none"> Strengthen access to information and knowledge of supporting People and service provision by: working with frontline service deliverers to ensure staff are kept fully informed and confident about Supporting People services; ensuring frontline service deliverers have access to the Supporting People directory, and; introducing regular monitoring of access arrangements to Supporting People at frontline services. 	B. Kendler	<p>A rolling programme of briefings has been drawn up to address knowledge across relevant personnel. Further exercise of mystery shopping to check knowledge levels will be carried out. Directory on website.</p>	Achieved
<ul style="list-style-type: none"> Improve management and monitoring arrangements 	B. Kendler	<p>Audit Commission Inspection report in draft form. We will comment by 31st July 2006</p>	Achieved

Adult Social Care			
<ul style="list-style-type: none"> Improve performance on direct payment 	P. Brennan	Now over 200 people receiving Direct Payments which is above Key Threshold indicators	Achieved
<ul style="list-style-type: none"> Improve the number of service users who receive care reviews 	P. Brennan	Improvements in numbers of people receiving reviews are being achieved. 60% to be achieved by March 07.	Achieved
<ul style="list-style-type: none"> Monitor performance information 	P. Brennan	Performance information is monitored monthly. Now an integrated Management Structure has been achieved, action as a result of monitoring is more robust. A mistake was made in the submission to CSCI of high-level performance information which has skewed one indicator. Systems are now in place to prevent such a problem recurring.	Achieved
<ul style="list-style-type: none"> Ensure better budget setting and financial management in care provision 	P. Brennan	Budget setting for 07/08 MTFS is now robust. Financial projections and monitoring now in place as of November 2006.	Achieved
<ul style="list-style-type: none"> Improve recording of ethnicity 	P. Brennan	Management action improving the situation.	Achieved
Accounts & Governance			
<ul style="list-style-type: none"> Strengthen internal audit and disaster recovery arrangements 	R.G/ M. Stringer	Internal Audit strategy and plan 06-07 agreed by Audit Committee. International Auditing Standards work completed and implemented. Report presented to Audit Committee on CIPFA compliance. Review of service delivery arrangements undertaken by Head of Service. Business Continuity Group is in place and project plan developed to deliver an approach to internal disaster recovery including IT. Draft Business Policy Strategy and Plan in place. Major Emergency Plan reviewed and launched.	Achieved
<ul style="list-style-type: none"> Ensure further strengthening of the accounts closedown processes. 	M. Stringer	Post closedown debrief 04-05 action plan produced and incorporated in closedown plan for 05-06. Closedown achieved for 05/06.	Achieved

Use of Resources / Financial Standing			
<ul style="list-style-type: none"> Ensure financial and performance information is more fully integrated. 	R. Greenwood J. Owen	Budget analysis being undertaken to assess key areas of spend and review against performance information / local budget books to assess performance / activity information.	Achieved
<ul style="list-style-type: none"> Ensure that appropriate management action is taken to manage personal social care budget and spending 	R. Jenkins	Budget analysis undertaken on a regular basis; monthly budget monitoring meetings with managers, weekly meetings with Finance, plus detailed action plan with timescales and actions identified, monthly meetings with members.	Achieved
<ul style="list-style-type: none"> Ensure Star Chamber & Commissioner Board explicitly confirm value for money improvements as part of achieving stronger monitoring and scrutiny. 	R. Greenwood J. Owen	This will be addressed as part of the corporate VFM strategy being formulated.	Achieved
<ul style="list-style-type: none"> Assist service areas to identify cost drivers and monitor them. 	M. Stringer / J. Owen	MTFS 07-08 completed. CPA action plan being refreshed to ensure clearer links between service plans and MTFS.	Achieved.
Customer Access to Services			
<ul style="list-style-type: none"> Establish baseline data to enable measurement of benefits and monitoring of published customer standards and targets. 	D. Champion	Customer Standards have been agreed and these are monitored through mystery shopping and a range of other methods to measure performance against targets	Achieved
Performance Information			
<ul style="list-style-type: none"> Further strengthen the Council's performance reporting quality assurance process. 	J. Owen	Steps have been taken to implement the recommendations in the BVPI audit report, including those covering the production of out-turn figures and the sign-off requirement by senior managers. Need to ensure that all HoS have QA arrangements in place.	Ongoing

Education and Children Social Services			
<ul style="list-style-type: none"> Develop a wider range of preventative services to reduce the number of looked after children and children on the child protection list. 	R. Jenkins S. Allen	Part of CSCI Action Plan and ECM actions (e.g. development of schools; Children's Centres; CWD Review; Early Support Service) Local Safeguarding Children Board is established and its business plan is being finalised.	Achieved
<ul style="list-style-type: none"> Develop more opportunities to ensure the 'voice' of children and young people develop 	R. Jenkins S. Allen	Progressing through consultation of CYPP; development of Children's Trusts and Young Peoples Participation Board. Dialogue with young people has formed strategy for the voice of children and young people, which includes model to establish Participation Board as part of Children's trust.	Achieved
Capital Programme			
<ul style="list-style-type: none"> Ensure that robust business cases including fully costed option appraisals and whole life costings are consistently produced in all projects 	R. Greenwood	Overall project management arrangement reviewed with a toolkit approach. Forms have been reviewed. Project management toolkit will incorporate whole life costing, for which guidance is now being finalised. The Procurement Framework and Strategy has been refreshed to reflect whole life costings considerations and this is now covered in framework training as well as guidance in the Financial Framework on financial implications.	Achieved
<ul style="list-style-type: none"> Produce monitoring information to evaluate the effectiveness of all recovery actions and the associated costs 	J. Potter	Monitoring information is in place and recovery strategies being reviewed.	Achieved
<ul style="list-style-type: none"> Continue to improve income collection performance, taking into account the costs of various collection methods 	J. Potter	Targets being set for all areas and collection initiatives under constant review.	Achieved



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 June 2007	11

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT AND INSPECTION ANNUAL LETTER 2004/05 – Action Plan

SUMMARY

The 2004/05 Audit and Inspection Annual Letter was considered by Cabinet on 15 February 2006 and shared with members. It was subsequently considered by the Corporate Overview and Scrutiny Committee on 13 April 2006.

The letter recommends actions to be taken. To help members an Action Plan has been prepared. This reports progress on the actions contained within the Annual Letter and is attached as Appendix A.

Your Committee last considered this Action Plan on 12 December 2006. This report updates the Action Plan on activities since then.

RECOMMENDATION

That the Committee note the contents of the Action Plan and the progress made to date.

REPORT DETAIL

1. The 2004/05 Audit and Inspection Annual Letter, prepared by the Audit Commission, was considered by Cabinet on 15 February 2006, the Corporate Overview and Scrutiny Committee on 13 April 2006 and by the Audit Committee on 4 April 2006 and 12 December 2006.
2. The letter is positive in tone, with its key messages being;
 - Havering has been assessed as a one-star council that is improving well.
 - A range of priority areas have been addressed, including levels of public satisfaction, children's social care, housing and the environment.
 - Other improvements were noted in the areas of partnership collaboration, improving access to vulnerable groups and in reducing the level of staff sickness.
 - Overall there has been a positive shift in organisational culture.
3. The Letter also set out specific recommendations for members:
 - Monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care;
 - Ensure effective arrangements are in place and monitored, to ensure the 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met;
 - Ensure that appropriate action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed; and
 - Continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.
4. It was agreed by the Audit Committee that they would receive regular reports so that they could monitor the progress of the Action Plan.
5. The regulations required publication of the Annual Letter and, in line with good practice, the Council's response was also published. The updated Action Plan will be placed on the council's website.

Financial Implications and risks:

No direct financial implications arise from this report.

Legal Implications and risks:

No direct legal implications arise from this report.

Human Resources Implications and risks:

HR will continue to support management in maintaining the improvement in sickness absence and developing organisational culture.

Equalities and Social Inclusion implications:

No direct Equalities and Social Inclusion implications arise from this report.

Staff Contact	Jonathan Owen
Designation:	Assistant Chief Executive, Strategy & Communications
Telephone No:	01708 432416
E-mail address	jonathan.owen@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

Report to Audit Committee 4 April 2006.

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN as at June 2007

Recommendation & Key Tasks	Lead Officer	Comments; including progress & Next Steps	Timescale
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Housing Management			
<ul style="list-style-type: none"> Ensure all offices comply with the requirements of DDA 	B. Kendler	Achieved. All District Housing Offices closed apart from Elm Park which is due to close on Friday 28 th July 2006. All housing offices are now DDA compliant.	Achieved
<ul style="list-style-type: none"> Provide greater clarity in response to domestic violence, and racial harassment. 	B. Kendler	Achieved	
<ul style="list-style-type: none"> Better information on welfare benefits 	B. Kendler	Achieved.	
<ul style="list-style-type: none"> Address inconsistencies in the provision of caretaking and grounds maintenance 	B. Kendler	Caretaking Review agreed by Cabinet in September 2005. Service Changes pending.	On-going
<ul style="list-style-type: none"> Address inconsistencies in the treatment of waiting list, transfer list applicants and visiting new tenants 	B. Kendler	Achieved April 2005	
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<ul style="list-style-type: none"> Reduce the number of temporary staff usage. 	B. Kendler	Progressing.	On-going
Supporting People			
<ul style="list-style-type: none"> Improve governance arrangements by: establishing action plans for the commissioning body and core strategy group which are formally monitored and reported on. 	B. Kendler	Action Plans have been discussed and are being drafted. To be rolled out at next meeting of relevant groups.	Achieved

<ul style="list-style-type: none"> Strengthen delivery arrangements by: establishing local and shared (with partners) performance indicators; working with the sub-regional group on the development of outcome measurements for service users; establishing an approach to needs analysis across the client groups in a systematic and regular (at least six-monthly manner); developing an approach to value for money that should incorporate cost and quality assessment (for both the grant and administrative costs); developing an approach to learning and benchmarking beyond the sub-regional group and from higher performers; and ensuring that all plans are SMART and have clear measurable outcomes. 	B. Kendler	<p>Performance Indicators and outcome measurements are the subject of a contract monitoring strategy being drafted currently, however some progress on this (particularly outcome measurement) will be dependent on publication of the mandatory outcome measures currently being piloted by CLG.</p> <p>Needs analysis refreshment is being addressed as part of the action plan attached to the new strategy currently being drafted.</p> <p>Value for Money approach being drafted currently.</p> <p>Benchmarking being addressed as part of VfM approach above and also being done sub-regionally. Learning from other authorities is ongoing and all policies and procedures currently being drafted are mindful of other Supporting People approaches.</p> <p>Workplan has been extensively revised to ensure it is SMART.</p>	Achieved
<ul style="list-style-type: none"> Strengthen access to information and knowledge of supporting People and service provision by: working with frontline service deliverers to ensure staff are kept fully informed and confident about Supporting People services; ensuring frontline service deliverers have access to the Supporting People directory, and; introducing regular monitoring of access arrangements to Supporting People at frontline services. 	B. Kendler	<p>A rolling programme of briefings has been drawn up to address knowledge across relevant personnel. Further exercise of mystery shopping to check knowledge levels will be carried out. Directory on website.</p>	Achieved
<ul style="list-style-type: none"> Improve management and monitoring arrangements 	B. Kendler	<p>Audit Commission Inspection report in draft form. We will comment by 31st July 2006</p>	Achieved

Adult Social Care			
• Improve performance on direct payment	P. Brennan	Now over 200 people receiving Direct Payments which is above Key Threshold indicators	Achieved
• Improve the number of service users who receive care reviews	P. Brennan	Improvements in numbers of people receiving reviews are being achieved. 60% to be achieved by March 07.	Achieved
• Monitor performance information	P. Brennan	Performance information is monitored monthly. Now an integrated Management Structure has been achieved, action as a result of monitoring is more robust. A mistake was made in the submission to CSCI of high-level performance information which has skewed one indicator. Systems are now in place to prevent such a problem recurring.	Achieved
• Ensure better budget setting and financial management in care provision	P. Brennan	Budget setting for 07/08 MTFS is now robust. Financial projections and monitoring now in place as of November 2006.	Achieved
• Improve recording of ethnicity	P. Brennan	Management action improving the situation.	Achieved
Accounts & Governance			
• Strengthen internal audit and disaster recovery arrangements	R.G/ M. Stringer	Internal Audit strategy and plan 06-07 agreed by Audit Committee. International Auditing Standards work completed and implemented. Report presented to Audit Committee on CIPFA compliance. Review of service delivery arrangements undertaken by Head of Service. Business Continuity Group is in place and project plan developed to deliver an approach to internal disaster recovery including IT. Draft Business Policy Strategy and Plan in place. Major Emergency Plan reviewed and launched.	Achieved
• Ensure further strengthening of the accounts closedown processes.	M. Stringer	Post closedown debrief 04-05 action plan produced and incorporated in closedown plan for 05-06. Closedown achieved for 05/06.	Achieved

Use of Resources / Financial Standing			
<ul style="list-style-type: none"> Ensure financial and performance information is more fully integrated. 	R. Greenwood J. Owen	Budget analysis being undertaken to assess key areas of spend and review against performance information / local budget books to assess performance / activity information.	Achieved
<ul style="list-style-type: none"> Ensure that appropriate management action is taken to manage personal social care budget and spending 	R. Jenkins	Budget analysis undertaken on a regular basis; monthly budget monitoring meetings with managers, weekly meetings with Finance, plus detailed action plan with timescales and actions identified, monthly meetings with members.	Achieved
<ul style="list-style-type: none"> Ensure Star Chamber & Commissioner Board explicitly confirm value for money improvements as part of achieving stronger monitoring and scrutiny. 	R. Greenwood J. Owen	This will be addressed as part of the corporate VFM strategy being formulated.	Achieved
<ul style="list-style-type: none"> Assist service areas to identify cost drivers and monitor them. 	M. Stringer / J. Owen	MTFS 07-08 completed. CPA action plan being refreshed to ensure clearer links between service plans and MTFS.	Achieved.
Customer Access to Services			
<ul style="list-style-type: none"> Establish baseline data to enable measurement of benefits and monitoring of published customer standards and targets. 	D. Champion	Customer Standards have been agreed and these are monitored through mystery shopping and a range of other methods to measure performance against targets	Achieved
Performance Information			
<ul style="list-style-type: none"> Further strengthen the Council's performance reporting quality assurance process. 	J. Owen	Steps have been taken to implement the recommendations in the BVPI audit report, including those covering the production of out-turn figures and the sign-off requirement by senior managers. Need to ensure that all HoS have QA arrangements in place.	Ongoing

Education and Children Social Services			
<ul style="list-style-type: none"> Develop a wider range of preventative services to reduce the number of looked after children and children on the child protection list. 	R. Jenkins S. Allen	Part of CSCI Action Plan and ECM actions (e.g. development of schools; Children's Centres; CWD Review; Early Support Service) Local Safeguarding Children Board is established and its business plan is being finalised.	Achieved
<ul style="list-style-type: none"> Develop more opportunities to ensure the 'voice' of children and young people develop 	R. Jenkins S. Allen	Progressing through consultation of CYPP; development of Children's Trusts and Young Peoples Participation Board. Dialogue with young people has formed strategy for the voice of children and young people, which includes model to establish Participation Board as part of Children's trust.	Achieved
Capital Programme			
<ul style="list-style-type: none"> Ensure that robust business cases including fully costed option appraisals and whole life costings are consistently produced in all projects 	R. Greenwood	Overall project management arrangement reviewed with a toolkit approach. Forms have been reviewed. Project management toolkit will incorporate whole life costing, for which guidance is now being finalised. The Procurement Framework and Strategy has been refreshed to reflect whole life costings considerations and this is now covered in framework training as well as guidance in the Financial Framework on financial implications.	Achieved
<ul style="list-style-type: none"> Produce monitoring information to evaluate the effectiveness of all recovery actions and the associated costs 	J. Potter	Monitoring information is in place and recovery strategies being reviewed.	Achieved
<ul style="list-style-type: none"> Continue to improve income collection performance, taking into account the costs of various collection methods 	J. Potter	Targets being set for all areas and collection initiatives under constant review.	Achieved

AUDIT COMMITTEE

SUPPLEMENTARY

AGENDA

7.30pm	Wednesday, 27 June 2007	Havering Town Hall Main Road, Romford
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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

5. ANNUAL STATEMENT OF ACCOUNTS 2006/2007 – Appendix attached
6. STATEMENT OF INTERNAL CONTROL – Report attached

For information about the meeting please contact:

Taiwo Adeoye (01708) 433079

E-mail: taiwo.adeoye@havering.gov.uk



Audit Committee, 27 June 2007

2006/07 Outturn - Key Issues Highlight Report

1. Summary

The outturn shows an overspend of £1.2M for 2006/07. This means that going forward into 2007/08, general reserves will now be at the level of £10M recommended within the Medium Term Financial Strategy (MTFS).

The overspend is largely due to variances within Adult Social Services of £4.4M. This is partly mitigated by under spends, principally within the Finance & Commercial Group.

2. Overview

This report advises Members of the outturn position for 2006/07. An analysis of the outturn at Head of Service level is attached at **Appendix 1**.

This is summarised below.

Service	Revised Budget £000	Outturn Actual £000	Outturn Variance £000
Public Realm Group	28,517	29,207	690
Children's Services Group	26,961	27,680	719
Finance and Commercial Group	6,156	3,128	(3,028)
ACE - Legal & Democratic Services	3,359	3,099	(260)
ACE - Human Resources	545	543	(3)
ACE - Strategy & Communications	1,303	1,318	15
Sustainable Communities Group	66,384	70,432	4,048
Contingency	981	0	(981)
General Fund Total	134,206	135,406	1,200
Housing Revenue Account	400	262	*(138)

*Although underspent against the revised budget, this represents a reduction in HRA balances of £262k; as a net deficit of £400k was actually budgeted for.

3. Key Movements from Period 11 to the Provisional Outturn Position

The outturn position has improved by a net £445k since the period 11 forecast, which is principally due to: -

- a) increased provisions and a range of adverse movements within Adult Social Services;
- b) increased benefit subsidy received and increased case load reviews resulting in higher recovery of overpayments;
- c) generation of DSO surpluses within Streetcare, due to vacancies and the use of subcontractors.

Attached at **Appendix 2** is a detailed summary of the movements between periods.

4. General & Earmarked Reserves

Earmarked reserves have been created, in regard to specific matters where action is continuing into 2007/08 and the dedicated funds from 2006/07 are still required. The opportunity has also been taken to allocate funds to support the delivery of the Council's priority projects.

The impact of the outturn, including the creation of the specific reserves, means the balance of general reserves will reduce from £11.2M as at 31/3/06 to £10.0M. On a risk based approach this is the minimum level, based on the MTFS.

A further review will take place as part of the MTFS process and it is not expected, based on past experience, that the minimum level will need to increase.

5. Movement in Outturn Between Years

Appendix 3 details the outturn movement between 2005/06 and the 2006/07 outturn at service level.

6. Other Matters for the Attention of Members

- Members would have attended a detailed briefing on the accounts prior to the meeting of the Audit Committee to consider the draft Statement of Accounts.
- The Authority is preparing for the Whole of Government Accounts arrangements.
- A summary of the outturn position will be included within Living in Havering.
- The audit process is commencing and officers are making arrangements to ensure that working papers are in place.
- A post completion review of the year and the closedown process is also being undertaken as is customary in order to continue to refine the process for future years.

SERVICE	FY ORIGINAL 06	FY REVISED 06	YTD ACTUAL	YTD VARIANCE	NOTES
BBB1 CULTURAL & LEISURE	5,863,980	6,449,025	7,200,368	751,343	Pressures within the Leisure service for the first half of the year and costs associated with outsourcing.
BBB2 CUSTOMER SERVICES	5,880,880	6,012,500	6,143,448	130,948	
BBB3 TECHNICAL SERVICES	868,200	1,140,006	1,583,617	443,610	Parking income reduced as less tickets issued and the effect of the Barnet judgement, Cemeteries and Crematorium income shortfall.
BBB4 DIRECTORATE SUPPORT SERVICE	477,700	464,880	457,127	(7,753)	
BBB5 STREETCARE	15,511,230	14,450,894	13,822,294	(628,600)	DSO surpluses due to vacancies and the use of subcontractors, reduced waste tonnages and an underspend relating to public convenience leasing costs.
BBB PUBLIC REALM Subtotal	28,601,990	28,517,305	29,206,854	689,549	
EEE2 SCHOOL IMPROVEMENT	2,705,568	3,295,145	3,293,014	(2,132)	
EEE3 PUPIL & STUDENT SERVICES	5,238,490	5,073,464	5,048,975	(24,489)	
EEE4 STRATEGY & COMMISSIONING	10,666,850	2,515,240	2,596,701	81,462	
EEE5 STANDARDS FUND	(630,838)	(1,282,752)	(1,282,752)	(0)	
EEE6 CHILDRENS SOCIAL SERVICES	15,958,040	17,359,490	18,023,651	664,161	Asylum lack of central funding and legal casework requirements and minor adverse and favourable variances.
EEE CHILDRENS SERVICES	33,938,110	26,960,587	27,679,589	719,002	
FFF1 FINANCIAL SERVICES	444,190	19,880	(15,392)	(35,272)	
FFF2 EXCHEQUER SERVICES	2,453,840	2,700,880	1,518,013	(1,182,867)	Increased benefits subsidy and recovery of overpayments.
FFF4 CORPORATE FINANCIAL MATTERS	(3,790,444)	2,074,521	862,771	(1,211,750)	Interest received on investments and provisions not required.
FFF6 BUSINESS SYSTEMS	2,365,300	(23,020)	(604,613)	(581,593)	Various under spends across the service including employee costs (pending restructure), reduced telecommunications costs, capitalisation of air conditioning expenditure and less systems & maintenance support required.
FFF7 LAND & PROPERTY SERVICES	1,868,680	1,383,440	1,367,016	(16,424)	
FFF FINANCE & COMMERCIAL Subtotal	3,341,566	6,155,701	3,127,795	(3,027,906)	
GGG1 LEGAL & DEMOCRATIC SVS	4,752,860	3,358,895	3,098,755	(260,139)	Underspend on local election services and various other under spends across the service, including employee costs and printing.
GGG2 HUMAN RESOURCES	961,940	545,470	542,929	(2,541)	
GGG3 STRATEGY & COMMUNICATIONS	1,009,350	1,302,858	1,317,739	14,881	
GGG ASST CHIEF EXECUTIVE Subtotal	6,724,150	5,207,223	4,959,424	(247,799)	
SSS3 HOUSING & HEALTH	3,026,770	9,799,920	9,432,564	(367,356)	Increased income from the Private Sector Leasing scheme.
SSS4 REGENERATION & STRATEGIC PLANNING	2,480,440	2,536,210	2,552,329	16,119	

SERVICE	FY ORIGINAL 06	FY REVISED 06	YTD ACTUAL	YTD VARIANCE	NOTES
SSS5 DEVELOPMENT & BUILDING CONTROL	2,368,810	2,187,350	2,158,334	(29,016)	
SSS6 ADULTS	51,892,114	51,755,839	56,184,910	4,429,071	A number of adverse variances in supporting clients in Older People, Learning Disabilities and Physical and Sensory Disability groups. Additionally Transport overspend supporting client areas across the Council and the costs of reprovisioning were greater than anticipated.
SSS7 POLICY & PROJECTS	106,840	104,390	103,459	(931)	
SSSS SUSTAINABLE COMMUNITIES	59,874,974	66,383,709	70,431,596	4,047,887	
SUB TOTAL	132,480,790	133,224,525	135,405,257	2,180,732	
FFF5 CONTINGENCY	1,997,584	981,059	0	(981,059)	Calls on contingency less than anticipated.
GRAND TOTAL	134,478,374	134,205,584	135,405,257	1,199,673	

Comparison of Period 11 Outturn Projection Against the Actual 2006/07 Outturn

Appendix 2

SERVICE	2006/07 PERIOD 11 FORECAST OUTTURN	2006/07 OUTTURN	MOVEMENT BETWEEN PERIODS	NOTES
	£	£	£	
BBB1 CULTURAL & LEISURE	650,000	751,343	101,343	Finalisation of Leisure externalisation.
BBB2 CUSTOMER SERVICES	35,000	130,948	95,948	Additional agency staff and grant not receivable.
BBB3 TECHNICAL SERVICES	525,000	443,610	(81,390)	General underspends.
BBB4 DIRECTORATE SUPPORT SERVICE	0	(7,753)	(7,753)	
BBB5 STREETCARE	(300,000)	(628,600)	(328,600)	Reduced waste tonnages, DSO Surpluses due to vacancies and use of subcontractor.
BBBB PUBLIC REALM	910,000	689,549	(220,451)	
EEE1 INDIV SCHOOL BUDGET - ISB	0	0	0	
EEE2 SCHOOL IMPROVEMENT	0	(2,132)	(2,132)	
EEE3 PUPIL & STUDENT SERVICES	0	(24,489)	(24,489)	
EEE4 STRATEGY & COMMISSIONING	342,800	81,462	(261,338)	Maximisation of year end grant claims.
EEE5 STANDARDS FUND	0	0	0	
EEE6 CHILDRENS SOCIAL SERVICES	587,000	664,161	77,161	
EEEE CHILDRENS SERVICES	929,800	719,002	(210,798)	
FFF1 FINANCIAL SERVICES	0	(35,272)	(35,272)	
FFF2 EXCHEQUER SERVICES	0	(1,182,867)	(1,182,867)	Additional subsidy received and recovery of overpayments.
FFF4 CORPORATE FINANCIAL MATTERS	(1,499,000)	(1,211,750)	287,250	Funding required for specific earmarked reserves.
FFF6 BUSINESS SYSTEMS	(370,000)	(581,593)	(211,593)	Increased recharges to the HRA and HiH and general underspends.
FFF7 LAND & PROPERTY SERVICES	(11,000)	(16,424)	(5,424)	
FFFF FINANCE & COMMERCIAL	(1,880,000)	(3,027,906)	(1,147,906)	
GGG1 LEGAL & DEMOCRATIC SVS	(293,000)	(260,139)	32,861	
GGG2 HUMAN RESOURCES	(19,000)	(2,541)	16,459	
GGG3 STRATEGY & COMMUNICATIONS	(5,000)	14,881	19,881	
GGGG ASST CHIEF EXECUTIVE	(317,000)	(247,799)	69,201	
SSS1 HOUSING (GF)	(206,290)	0	206,290	} Increased private sector leasing income due to reduced voids.
SSS3 HOUSING & HEALTH	(17,160)	(367,356)	(350,196)	
SSS4 REGENERATION & STRATEGIC PLANNING	21,000	16,119	(4,881)	
SSS5 DEVELOPMENT & BUILDING CONTROL	(30,000)	(29,016)	984	
SSS6 ADULTS	3,335,000	4,429,071	1,094,071	} Various items of provision estimate etc., adverse resolution at outturn.
SSS7 POLICY & PROJECTS	0	(931)	(931)	
SSSS SUSTAINABLE COMMUNITIES	3,102,550	4,047,887	945,337	
GENERAL FUND SUBTOTAL	2,745,350	2,180,732	(564,618)	
FFF5 CONTINGENCY / PROVISIONS	(1,100,000)	(981,059)	118,941	
GENERAL FUND GRAND TOTAL	1,645,350	1,199,673	(445,677)	
SSS2 HRA	46,800	261,867	215,067	Various movements across the service.

Comparison of 2005/06 Outturn Against the 2006/07 Outturn

Appendix 3

SERVICE	2005/06 OUTTURN £	2006/07 OUTTURN £	MOVEMENT BETWEEN YEARS £	NOTES
BBB1 CULTURAL & LEISURE	1,317,242	751,343	(565,899)	Pressures on Grounds Maintenance DSO now addressed, savings realised within the Parks Rangers service and overspend reduced within Leisure Services.
BBB2 CUSTOMER SERVICES	278,261	130,948	(147,313)	
BBB3 TECHNICAL SERVICES	25,413	443,610	418,198	Effect of Barnet judgement on parking income and deterioration of Cemeteries and Crematorium income.
BBB4 DIRECTORATE SUPPORT SERVICE	25	(7,753)	(7,778)	
BBB5 STREETCARE	(564,434)	(628,600)	(64,165)	
BBBB PUBLIC REALM	1,056,506	689,549	(366,957)	
EEE1 INDIV SCHOOL BUDGET - ISB	(1,191)	0	1,191	
EEE2 SCHOOL IMPROVEMENT	10,908	(2,132)	(13,040)	
EEE3 PUPIL & STUDENT SERVICES	(13,086)	(24,489)	(11,403)	
EEE4 STRATEGY & COMMISSIONING	(125,532)	81,462	206,994	
EEE5 STANDARDS FUND	0	0	0	
EEE6 CHILDRENS SOCIAL SERVICES	2,595,868	664,161	(1,931,708)	Reduction due to benefits of increased management control, new processes on management of child related spend, and emphasis on improved results for children.
EEEE CHILDRENS SERVICES	2,466,967	719,002	(1,747,965)	
FFF1 FINANCIAL SERVICES	(24,456)	(35,272)	(10,816)	
FFF2 EXCHEQUER SERVICES	(334,009)	(1,182,867)	(848,858)	Increased subsidy received and recovery of overpayments.
FFF4 CORPORATE FINANCIAL MATTERS	(2,884,843)	(1,211,750)	1,673,093	Funding required for specific earmarked reserves.
FFF6 BUSINESS SYSTEMS	(278,728)	(581,593)	(302,865)	Reduced telecommunications costs, capitalisation of air conditioning expenditure and less systems & maintenance support required.
FFF7 LAND & PROPERTY SERVICES	(90,559)	(16,424)	74,136	
FFFF FINANCE & COMMERCIAL	(3,612,595)	(3,027,906)	584,689	

Comparison of 2005/06 Outturn Against the 2006/07 Outturn

Appendix 3

SERVICE	2005/06 OUTTURN	2006/07 OUTTURN	MOVEMENT BETWEEN YEARS	NOTES
	£	£	£	
GGG1 LEGAL & DEMOCRATIC SVS	(88,468)	(260,139)	(171,671)	Underspend on local election services and various other under spends across the service, including employee costs and printing.
GGG2 HUMAN RESOURCES	(137,746)	(2,541)	135,205	
GGG3 STRATEGY & COMMUNICATIONS	11,299	14,881	3,582	
GGGG ASST CHIEF EXECUTIVE	(214,915)	(247,799)	(32,885)	
SSS1 HOUSING (GF)	(153,668)	0	153,668	} Increased private sector leasing income due to reduced
SSS3 HOUSING & HEALTH	(28,915)	(367,356)	(338,441)	
SSS4 REGENERATION & STRATEGIC PLANNING	(58,099)	16,119	74,218	
SSS5 DEVELOPMENT & BUILDING CONTROL	(24,239)	(29,016)	(4,777)	
SSS6 ADULTS	1,444,374	4,429,071	2,984,697	Older People and Learning Disabilities client groups were the main areas of increased variance due to a mix of income and expenditure issues.
SSS7 POLICY & PROJECTS	(4,043)	(931)	3,112	
SSSS SUSTAINABLE COMMUNITIES	1,175,410	4,047,887	2,872,477	
GENERAL FUND SUBTOTAL	871,373	2,180,732	1,309,359	
FFF5 CONTINGENCY	(871,373)	(981,059)	(109,686)	
GENERAL FUND GRAND TOTAL	(0)	1,199,673	1,199,673	
SSS2 HOUSING REVENUE ACCOUNT	185,251	261,867	76,616	

London Borough of Havering

Draft
Statement of Accounts

For the Financial Year

2006/07

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MEETING	DATE	ITEM
AUDIT COMMITTEE	27 JUNE 2007	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: STATEMENT ON INTERNAL CONTROL 2006/2007

SUMMARY

The Statement on Internal Control (SIC), for 2006/2007 is attached as Appendix 1.

RECOMMENDATIONS

To consider whether the Statement is complete, having regard to the work of the Audit Committee during the year.

To amend or add to the 2006/2007 Statement resulting from Members' review of the:-

- Statement on Internal Control;
- Financial Statements (of which the SIC is an integral part);
- Issues reported by the Audit Services Manager relating to 2006/07; or
- Any matters Members believe are control weaknesses resulting from the training sessions held in September 2006 and June 2007, with regards to key issues and the importance of internal control.

To otherwise approve the contents of the Statement.

REPORT DETAIL

The Accounts and Audit (Amendment) (England) Regulations 2006: Regulation 6 Section 10 requires the Council to review, at least once a year, the effectiveness of its systems of internal control in accordance with proper practices and for the Chief

Audit Committee, 27 June 2007

Executive to personally state the adequacy or otherwise of these systems. This duty has been delegated to this committee.

The document sets out the control environment, the effectiveness of the control environment and details any significant control issues.

The Chartered Institute of Public Finance and Accountancy has produced guidance on how the statement should be prepared and its contents. The Council has prepared the statement in accordance with this guidance. This has amongst other things included reviewing each Service and Directorate Statement of Internal Control; completing the Corporate Governance Gap Analysis reviewed by Governance Committee and the Internal Audit Annual Report; agenda item 7.

The Committee has throughout the year been reviewing various aspects of the Council's internal financial controls. In considering the Statement proposed it should be mindful of the contents of the reports received during the year and the briefings provided on the purpose of such documents.

Financial Implications and Risks:

The SIC sets out issues which impact on the Council's internal control environment. A number of actions may arise from the SIC. Managers are obligated to consider financial risks and costs associated with action plans, to ensure they are met from the existing budget. There are no financial implications or risks arising directly from this report.

Legal Implications and Risks:

The consideration by the committee of the effectiveness of the system of control and approval of the statement to fulfil the Council's statutory obligations.

Human Resources Implications and Risks:

None arising from this report.

Equalities and Social Inclusion Implications:

None arising from this report.

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**Cheryl Coppell
Chief Executive**

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the London Borough of Havering's functions and includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31st March 2007 and up to the date of approval of the annual accounts.

The Internal Control Environment

The key features of the Council's internal control environment operating in the Council can be summarised as follows:

Establishing and monitoring the achievement of the Council's objectives

The Corporate Plan 2006 - 2009 sets out the Council's three corporate priorities that support the Community Strategy (the long term strategy for improving the quality of life in Havering) and reflect the Council's role as community leader. The London Borough of Havering's core priorities are:

- promoting financial efficiency and value for money;
- making Havering a better place to live and work; and
- to continually improve the quality of our services.

These objectives are the result of a wide-ranging consultation programme over many years and reflect the concerns and aspiration of residents, businesses and community groups. A hierarchy of more detailed objectives link statutory plans and other Council plans. Priorities for improvements are pursued on a three year rolling programme and include reviews and actions to progress the corporate objectives, and any outstanding actions from previous reviews. Progress in implementing improvement plans and outcomes achieved are also included within the Council's Corporate Plan.

Policy and decision-making

The Council's Constitution sets out how the Council operates; how decisions are made and the procedures that are followed, to ensure that these are efficient, transparent and accountable to local people. The full Council of fifty four elected members determines the budget and policy framework. The Executive, responsible for most member-level decisions, comprises the Leader and Cabinet Members who oversee specific areas of Council business. Prior notice of matters for Executive decisions is published within the Forward Plan. Matters outside of the budget and policy framework are referred to the full Council for decision. Service Overview and Scrutiny Committees assist in policy development and consider Executive decisions.

Some regulatory functions remain the responsibility of the Council rather than the Executive and most of these are delegated to a small number of regulatory committees. All meetings are open to the public but a small number of confidential matters are considered in private. All committee reports are subject to independent officer scrutiny, to ensure that the implications and risks are set out for informed decision making. Council officers provide appropriate advice at the points of consideration and decision, and report to members on progress and the outcome of decisions taken.

Compliance with established policies, procedures, laws and regulations

The Council's 'rules of procedure' are designed to ensure that it acts lawfully and to ensure compliance with its policies and procedures. These rules include budget framework procedure rules, contract procedure rules, financial procedure rules and rules for legal proceedings, and they are underpinned by Codes of Conduct for members and staff respectively and by the Council's Code of Corporate Governance. There are various manager handbooks providing more detailed guidance and other detailed corporate instructions for staff. Chief Officers (Corporate Management Team and Heads of Service) also maintain detailed procedure notes for specific services and systems within their own services.

The Council's policies and procedures have been implemented via levels of management with appropriate briefings and guidance provided as necessary. Communication and compliance has been enhanced through a number of facilities including the availability of courses and manuals, induction, training and the Council's intranet site. Services are delivered by trained and experienced staff. All posts have a detailed job description and person specification. Training needs are identified through the Personal Development and Appraisal Scheme and addressed by managers and the Organisational Development Team.

The Council has designated the Assistant Chief Executive, Legal and Democratic Services as Monitoring Officer to ensure compliance with established policies,
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procedures, laws and regulations. After consulting with the Head of Paid Service/Chief Executive and each other, either the Chief Finance Officer or the Monitoring Officer will report to the full Council if she considers any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Monitoring Officer also has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution is also regularly scrutinised and updated by the Monitoring Officer.

Risk management

Chief Officers are responsible for risk management within their directorates and services, with advice and instructions from the Council's Risk Manager and the Corporate Risk Management Group. The Council's Risk Management Strategy sets out the approach and risk registers exist at both Corporate and Service level to identify the principal risks to the achievement of the Council's objectives. These registers set out the actions being taken to mitigate and control the risks and are formally reviewed every six months by the Council's Risk Manager. Chief Officers annually certify their own Statement of Internal Control.

Risk awareness is continually developed through everyday practices and project management. Each Directorate is represented on the Corporate Risk Management Group and representatives ensure appropriate risk awareness by staff whilst Internal Audit helps embed risk management by cyclical audits and other risk management initiatives.

Economical, effective and efficient use of resources, and securing continuous improvement

Value for money, stabilisation of council tax levels, the provision of quality services and continuous improvement are cornerstones of the Council's culture and approach. Service and financial plans flow from the Council's corporate priorities and are aligned via annual service plans and annual budget plans prepared throughout the Council. Annual key issues and other improvement priorities and individual performance targets, all contribute to continuous improvement. Services are subject to budget reviews and to regular quality and performance reviews and are also subjected to a range of optional external quality accreditations, in addition to statutory inspections.

Financial management

The system of internal financial control is based on a coherent accounting and budget framework including financial procedure rules, a system of delegation and accountability, segregation of duties, management supervision, administrative procedures and regular management information. In particular, the system includes:-

- scrutiny committees;
- comprehensive corporate accounts and corporate budgeting systems;
- budget strategies and an annual budget approved by the Council;

Audit Committee, 27 June 2007

- medium-term financial plans;
- targets set to measure financial and other performance;
- formal project management disciplines, as appropriate;
- all accounting codes and legal requirements;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly-defined capital expenditure guidelines;
- delivery of efficiency savings;
- treasury controls via the key recommendations in CIPFA's Treasury Management Code of Practice and the Prudential Code; and
- Internal Audit.

Performance management

Departmental and corporate performance systems integrate into a well-developed performance regime that underpins the Council's priorities. Key objectives, targets for statutory indicators and other areas for improvement are approved following detailed business planning across Council services. These tasks and targets are assigned to individual Chief Officers, cascaded down through the management chain and published within the annual Corporate Plan and Best Value Performance Plan both of which include relevant prior-year data.

Monthly monitoring systems operate within services. The Chief Executive reports regularly to all Members on progress against policy items, key issue and performance indicators and the Executive meet to review this performance with the Corporate Management Team. Performance Management is delivered by services being subject to review by the Improvement & Delivery Board, consisting of the Cabinet and the Principal Opposition Leader, and the annual business planning process includes a review via Star Chambers. Overview and Scrutiny Committees regularly consider performance issues.

Monitoring of the Arms Length Management Organisation

In 2006/07 Homes in Havering came into existence, this Arms Length Management Organisation (ALMO) operates to that manage and maintain the housing stock of London Borough of Havering. The Head of Housing and Health monitors the ALMO on behalf of the Council against the management agreement through which responsibilities have been delegated. Performance is assessed against the annually produced Performance and Delivery Plans. The Council's Internal Audit team have completed audits in this area, during 2006/07, and found that sound governance arrangements are being implemented by management. A service level agreement exists to enable Homes in Havering to procure audit services from the Council and audits of this area appears within the Council's risk based Audit Plan.

Review of effectiveness

The Council has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and the chief officers within the authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

Internal Audit operates to the mandatory standards of internal audit practice established by the Code of Practice for Internal Audit in Local Government in the UK, published by the Chartered Institute for Public Finance and Accountancy in 2006. They also assist External Audit by reviewing material systems in accordance with the International Standards of Auditing, effective from 1st April 2005. Audit work is based on an analysis of risks to which the Council is or may be exposed and its plans are endorsed by the Chief Finance Officer and by the Audit Committee.

The primary objective of internal audit is to assist management to ensure that internal controls and financial systems are secure and thereby reduce the likelihood of fraud or abuse. Reports are issued to management following the completion of audits and an agreed process is followed to ensure that all recommendations are implemented.

All significant issues are reported to the Council's Chief Officers and the Audit Commission (the Council's external auditors). The Council's Audit Committee receives reports directly from the Audit Services Manager, so that the members are aware of key control issues and can obtain assurances from executive officers (when necessary), that appropriate actions have been applied.

The Audit Commission carry out their own review of the Council's finances and related controls and make recommendations where appropriate. The external auditors also review the work of internal audit with particular regard to audit planning, management, effectiveness and independence in reporting. Whilst the Audit Commission will shortly commence auditing the Council's accounts for 2006/07, worthwhile assurance can be gained from the unqualified opinion issued as a result of the previous year's audit (2005/06), and the improved Use of Resources assessment for 2006.

The Council is also subject to various Inspection regimes, including:

- OFSTED undertake inspections and report upon the performance of schools on a cyclical basis. It also inspects and reports upon the organisation and management of Local Education Authorities.
- Benefits Fraud Inspectorate is an Inspectorate of the Department of Work and Pensions. It inspects and reports upon Social Security Benefit administration and counter-fraud activity in a local authority.
- CSCI inspects Social Services provision and the organisation and management of service provided by the local authority.
- CPA is a corporate assessment of services provided by a local authority that results in a ranking and opinion of the authority. The Audit Commission undertakes this.

Issues arising from the relevant inspection agencies are reported to the appropriate scrutiny committees for review and follow-up.

The review conducted has also taken account of the other methods employed by the London Borough of Havering in providing corporate and service-based assurance on the overall system of internal control in operation. The other information utilised includes:

- Local Management Information Systems;
- Overview and Scrutiny arrangements;
- Best Value Performance Plan;
- Performance Indicator Information;
- Residents/Staff survey;
- Analysis of awards/accreditations;
- Self assessments against various frameworks;
- Corporate accreditation of Investors In People; and
- Chief Officer individual SIC returns.

Significant Internal Control Issues

The Council's annual review of the effectiveness of the system of internal control has identified some areas where action is appropriate to enhance the internal control environment and ensure continuous improvement. These areas are already included within existing corporate or departmental plans and work is currently underway on each of the action points:

No	Significant Issue and action already taken if identified in the previous year's Statement on Internal Control	Actions (planned)
1	<p>Although significant progress has been made in this area the following areas remain a priority: disaster recovery, business continuity and succession planning.</p> <ul style="list-style-type: none">• Business Continuity Policy Strategy and Plan in place.• Business Impact Analyses undertaken.• Disaster Recovery Solution identified.• Council Continuity Plan in place.• Documentation of systems.• ICT plan in place.	<ul style="list-style-type: none">• Ensure all policies are reviewed and approved periodically.• Further evolution of the Business Continuity Strategy and Plan.• Specific focus on succession planning.• Ensure sufficient skilled staff to deliver key services.• Ensure staff recruitment and retention processes comply with relevant legislation and local policy.• Business continuity specialist to support production of service level continuity plans.• Internal Audit in 2007/08 of the Council's business continuity arrangements and compliance with relevant guidance.

<p>2</p>	<p>Continued focus is required to ensure robust processes for the Corporate handling of complaints.</p> <ul style="list-style-type: none">• CRM complaints functionality has been developed and implemented in a number of service areas. This has subsequently been reviewed by an Overview and Scrutiny Committee topic group and a report prepared for Cabinet.	<ul style="list-style-type: none">• Implementation of the Cabinet report recommendations;• Enhancements to the technology and a wider roll out. This to be complete by March 2008.
<p>3</p>	<p>There is a continued need for focus on service pressures and budgetary control within Adult Social Services so this remains an area of focus.</p> <ul style="list-style-type: none">• Monitoring meetings periodically.• Local action plan is monitored and reported.• A review of departmental budgetary control in 2006/07.	<ul style="list-style-type: none">• Strategic review of service delivery.• Formal report for CMT and Audit Committee to be compiled in response to the 2006/07 audit report and resulting recommendations.• Continue with the system integrity project and improve control and information.• Recruitment to key posts.• Increased financial delegation and responsibility.• Improved income systems.• Follow up of the 2006/07 audit report.

<p>4</p>	<p>Working in partnership to achieve joint objectives will continue to be a key area of focus in the coming year. Progress is documented in the last year however continued effort is required to ensure robust arrangements exist and benefits to the community are maximised.</p> <ul style="list-style-type: none"> • Partnership risk report has been produced and distributed. • Self evaluation checklist produced. • A partnership toolkit has been rolled out. • Audit completed with an unqualified opinion. 	<ul style="list-style-type: none"> • Focus on building corporate knowledge of all current and potential partners. • Ensure partnership organisations have adequate governance arrangements to promote community outputs. • Review database to assess any issues. • Ensure risk management arrangements assist in achievement of objectives. • Monitor reporting arrangements. • Internal audit in 2007/08
<p>5</p>	<p>Since the formation of Homes in Havering, the Council's Arms Length Management Organisation (ALMO), the Council is presented with new challenges and although arrangements have been put in place it is imperative that the Council ensures that robust management information is available.</p>	<ul style="list-style-type: none"> • Ensure that strong links exist between the two organisations to ensure support in the achievement of individual and joint objectives. • Ensure channels for communication and provision of management information are maintained. • Support to ALMO in preparing for the Audit Commission's inspection in September 2007.
<p>6</p>	<p>Issues have been identified with regards to compliance with Contract Procedures Rules in terms of the Council's use of consultants. Progress has been made to put corrective measures in place promptly including:</p> <ul style="list-style-type: none"> • the issue of guidance on the appointment of consultants. • establishing a shared area for lodging appointments electronically, in a register; which can be easily reviewed by officers. • Annual report of use. <p>Systems have yet to embed and be tested; therefore it remains an issue.</p>	<ul style="list-style-type: none"> • Annual review of the use of consultants by a Strategic Procurement Steering Group. • Follow up audit of compliance with revised procedures in 2007/08. • Embed systems of management of consultants.

7	The quality of the data being produced within the Council and how this data is used is key to the performance management systems as well as being integral to sound decision making at all levels of the organisation.	<ul style="list-style-type: none">• Review arrangements in place to ensure quality data is produced first time.• Ensure that appropriate actions are taken to address issues identified during monitoring and reporting of data.• Raise awareness of officers with regards to the importance of data quality.
8	The transport operation is also an area for focus going forward.	<ul style="list-style-type: none">• Ensure clear accountability for control over activity and subsequent charges.• Increase transparency in charges.• Ensure efficient and effective use of resources.• Review of potential options for long-term delivery of service.

Conclusion

We are satisfied that the Council's internal control framework has been effective throughout 2006/2007 and up to the date of this statement. We are also satisfied that there are suitable plans to address areas where action is appropriate to ensure continuous improvement.

Rita Greenwood
Group Director
Finance and
Commercial
June 2007

Cheryl Coppell
Chief Executive
June 2007

**Councillor Michael
White**
Leader of the Council
June 2007