

AUDIT COMMITTEE

AGENDA

7.30pm

Wednesday,
27 September 2007

Havering Town Hall
Main Road, Romford

Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

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

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

2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

3. DECLARATION OF INTERESTS

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

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 27 June and 31 July 2007 and to authorise the Chairman to sign them.

5. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT – To Follow

6. RESULTS OF THE EXTERNAL AUDIT OF ACCOUNTS 2006/2007 – Report attached

7. INTERNAL AUDIT REPORT – Report attached

8. ANNUAL REVIEW OF SCHOOLS INTERNAL AUDIT 2006/2007 – Report attached

9. DATA QUALITY REVIEW 2006/2007 – Report attached

10. AUDIT & INSPECTION ANNUAL LETTER 2004/2005 & 2005/2006 PROGRESS – To Follow

11. URGENT BUSINESS

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

CHERYL COPPELL
Chief Executive

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
27 June 2007 (7.30pm – 9.30pm)

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), +Robby Misir,
Frederick Thompson, and Roger Ramsey

Residents' Group Clarence Barrett

+ Substitute Member: Councillor Robby Misir (for Edward Cahill)

Councillor Roger Ramsey was welcomed to the Committee as replacement for Councillor David Charles.

Apologies were received from Councillors Barbara Matthews and Michael Armstrong

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.

The Chairman sought the Committee's approval to defer items 10 and 11 as Member had not had enough time to review the reports and they were not deadline driven.

1. MINUTES

The minutes of the meeting held on 24 April 2007 were agreed as a correct record and signed by the Chairman.

2. ANNUAL STATEMENT OF ACCOUNTS 2006/2007

The Committee considered the draft Statement of Accounts for 2006/07 that is at present subject to audit by the Audit Commission.

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.

Members were reminded by officers that detailed briefing sessions had already taken place, and that detailed notes had been taken as these formed part of the scrutiny process of the draft accounts.

The Statement of Accounts was introduced by officers and a number of significant changes, as required by the SORP 2006, were highlighted. These changes were explained fully in the body of the accounts and have generally been introduced in order for the accounts of Local Authorities to be more consistent with Generally Accepted Accounting Practice (GAAP).

These changes most significantly include: -

- a) 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
 - the Statement of Movement in General Fund Balance; which takes the surplus / 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.

- b) The Statement of Total Recognised Gains & Losses (STRGL) is a new statement which brings together all the recognised gains and losses of the authority during the financial year. In doing so it analyses the movement in Total Net Worth of the Council between years.
- c) The Dedicated School's Grant is a specific grant used to fund individual schools budgets and some central expenditure. This has previously been funded from general funding and a corresponding reduction can be seen in the level of Government Grant and the Council's share of the Non Domestic Rate Pool. This is a change in classification and not accounting policy, therefore, the 2005/06 comparator has not been adjusted.
- d) Note 11 is a new disclosure which details the deployment of the Dedicated Schools Grant.
- e) Note 12 is a further new disclosure which gives further analysis of the elements included within the Statement of Movement on the General Fund Balance.

- f) Group Accounts are required for the first time this year following the incorporation of Homes in Havering. These follow the same format of the Council's general fund statements.
- g) The Housing Revenue Account statements have been revised to follow the same format as the general fund statements.

The Council had put in place arrangements to meet the requirements of the whole of Government Accounts process which amalgamate the accounts of all public bodies.

The Statement of Accounts was then discussed by Members and the following key questions and issues were raised: -

- a) The continuing pressures within Adult Social Services are to be the subject of a separate review and an action plan put into place.
- b) The overspend associated with the Leisure outsourcing was explained to be due to the initial set up costs of externalisation and the ongoing income shortfall at the beginning of the year. The principal drivers for the high level of spend in 2005-6 were related to the Leisure externalisation - including trading losses on the Leisure Direct DSO - and a budget pressure in Grounds Maintenance of some £200K

The Leisure Direct DSO was externalised to SLM on 1.10.2006, thus containing the principal budget pressure within available funds. The Grounds Maintenance pressure was managed out throughout the year and the service ended up with a small surplus in that area.

A decision was taken to close the green patrol and transfer all the unding into the mainstream grounds maintenance service. The saving was not fully achieved in 2005-6, contributing to the pressure, but was for 2006-7.

The staff in the service were offered redeployment and this was successful for all but one employee.

No specific alternative provision has been made but the funding decision was designed to ensure that more staff were able to be deployed as gardeners, providing a better basic service.

The situation has changed over time with Safer Neighbourhood teams and Police Community Support Officer's and Friends of Parks groups having more an active presence in parks.

- c) The overspend in Children's Services was explained to be due to insufficient Central Government funding for asylum-related services and increased legal costs.
- d) The overspend within Technical Services was explained to be due to a reduction in income across Parking and Cemeteries and Crematoria.

- e) Officers were asked to clarify how the final General Fund position related to the detailed service breakdown set out in Appendix B to the report.
- f) Members asked whether assets were grouped together for the purpose of assessing the capital de minimis figure of £5,000 and officers explained this would be the case.
- g) Members asked what were non distributed costs and why had the figure reduced. It was explained that non distributable costs are strictly defined by the Statement of Recognised Practice and Best Value Accounting Code of Practice. Following a review the current treatment now more accurately reflects this requirement.
- h) Officers were asked to clarify whether the fixed asset disposal figure included property disposals and explained that these were figures resulting from revaluations only. Members then asked officers to advise whether property sales could be valued at anything other than market value and to clarify whether any profit or loss resulting would appear within the fixed asset revaluation surplus or deficit figure within the STRGL.
- i) The increase in the level of earmarked reserves was noted. This was achieved despite the reduction in the General Fund balance.
- j) Members also asked why debtors had decreased and creditors increased. It was explained that debtors had fallen mainly due to the improved position on the NNDR pool and in capital debtors. Creditors had increased mainly due to the increase in NNDR payments due to be paid to Central Government.
- k) Several questions were raised on the balance sheet and cash flow statement, including:
 - clarification of the impact of the transfer of the Mardyke estate
 - whether general reserves differentiated between capital and revenue
 - how the pension reserve was calculated
 - why the net cash flow from revenue activities had changed
 - where housing subsidy was included
- l) Officers were asked to clarify who co-opted members were and to include an explanation of this in the subsequent year's accounts.
- m) Members requested an explanation of the course of the net earmarked reserves transfer.
- n) Members requested clarification of why Council Tax debtors had increased. Officers explained that the rise was mainly due to the inflationary increase on Council Tax and that the real increase was minimal.
- o) The level of provision for doubtful debts was discussed and it was noted that changes in the level of specific provisions were set out in the notes to the accounting statements.

- p) Members asked why the Central Government Other Creditors had increased so much and explained that this was again largely due to the payments to the NNDR pool.
- q) Members asked officers to advise why the VAT reserve was no longer needed.
- r) Officers were asked to clarify the issue relating to Bretons.
- s) Members asked why the depreciation, amortisation and impairment figures had increased so much and officers explained that this was due to one off charges for the amortisation of intangible assets, largely within the Housing General Fund.
- t) Officers were asked to confirm that the phrase "cash with officers" did not in fact mean actual cash but represented cash and bank deposits, which they did.
- u) Members asked why a HRA existed when housing services were provided by Homes in Havering. Officers explained that Homes in Havering were managing the stock on the Council's behalf and that there was no change in the ownership of the stock. The statutory requirement to retain an HRA was unaffected
- v) Members asked for clarification whether the Council Tax income loss allowance was for non-collection.
- w) Members asked for confirmation that the average maturity period meant the length of time to repay loans.

It was noted that the Pension Fund Accounts would be scrutinised in detail at the Pensions Committee in September.

Following further discussion, Members **agreed the recommendations** in the Statement of Accounts and the Chairman signed and dated the statement.

3. STATEMENT ON INTERNAL CONTROL

The Interim Audit Services Manager reminded the Audit Committee that they are delegated with the responsibility of ensuring an annual review of the effectiveness of the Council's system of internal control is satisfactorily completed.

The Statement on Internal Control was presented by the Interim Audit Services Manager and the Members were reminded to consider the work of the Audit Committee and the issues reported during 2006/07 whilst satisfying themselves as to the completeness of the statement.

Members were asked if they had any questions regarding the outline the Internal Control environment contained in the document before table containing the specific issues identified for attention was presented.

Each issue was presented in turn, it was noted whether the issue had appeared in the 2005/06 Statement or whether it was a new issue for this year.

The 2006/07 Statement on Internal Control contains eight issues for management attention.

The Committee were advised that although six issues remain from the 2005/06 Statement, this is because focus has moved on or changed rather than due to a lack of progress.

The Audit Services Manager concluded that despite the issues identified within the document the internal control environment is satisfactory.

Members **agreed** the Statement on Internal Control.

4. ANNUAL HEAD OF INTERNAL AUDIT REPORT

The Committee received a report outlining all 2006/07 Internal Audit work, including fraud and pro-active assignments

The Interim Audit Services Manager introduced the report providing a high level summary of the findings of the Internal Audit Team's work with specific information relating to any issues likely to impact on the Statement on Internal Control. It also summarised key performance information for the period.

The Strategic Audit Plan had been formulated by the previous internal audit supplier and where resources could not be provided by the current in-house staff the plan had been slightly reduced and shortfalls were addressed either via agency staff or in the case of computer audits from Deloitte and Touche.

The Audit Committee had received updates regarding progress against the plan at each meeting, during the year, as well as a summary of the findings of each audit. This had enabled 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.

In response to the level of customer feedback returns, the Committee was assured that ways to encourage more returns was being considered but also noted that only constructive feedback would challenge the process.

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

5. INTERNAL AUDIT REPORT

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 2006/07 audits which occurred towards the end of the year and have therefore been finalised in the period to 31st May 2007.

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

The Committee was informed that the performance information and details of fraud work undertaken had not been included within this report. The Internal Audit progress report will be presented alongside the Internal Audit Annual Report and all information is detailed in that report.

In response to the issue of no formal reporting on monitoring of care homes and no performance indicators for the income team, within schedule 5h of the management summaries, the Committee was informed there was an independent inspection that would pick up any issues within the care homes.

The Committee was also informed that officers would check figures and report back on the figures in schedules one and four.

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

6. EXTERNAL AUDIT 2007/2008 ANNUAL AUDIT AND INSPECTION PLAN

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

The Committee was informed that the Audit and Inspection Plan was prepared in accordance with the Audit Commission's Code of Audit Practice and Statement of Responsibilities.

Members **noted** the contents of the report from the Audit Commission.

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
Tuesday 31 July 2007 (7.30pm – 9:15pm)**

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), Michael Armstrong, Roger Ramsey, and Frederick Thompson

Residents' Group +Gillian Ford and Barbara Matthews

An apology for absence was received from Councillor Clarence Barrett.

+Substitute Member: Councillor Gillian Ford (for Clarence Barrett)

Councillors Gary Adams, Robert Benham, David Charles, John Clark, Linda Hawthorn, Barry Oddy and Melvin Wallace were also in attendance at the meeting.

There were no declarations of interest.

The Chairman announced the arrangements to be followed in the event of the building needing to be vacated as the result of an emergency.

7 EXCLUSION OF THE PUBLIC

At this point, the Committee **RESOLVED** that the public be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraphs 1 and 3 of Schedule 12A to the Local Government Act 1972.

8 CHIEF EXECUTIVE'S REPORT CONTAINING EXEMPT INFORMATION

A number of questions were raised on behalf of the Committee to which Officers responded.

Members of the Committee were satisfied with the responses and accordingly **RESOLVED** to **RECOMMEND** acceptance of the recommendations in the Chief Executive's report.



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Results of External Audit of Accounts 2006/07

SUMMARY

- 1.1 The audit of accounts by the Audit Commission is currently in progress. Regulation 11 of the Accounts and Audit regulations require the publication of the statement of accounts after the conclusion of the audit but in any event no later than 30th September 2007. As part of the audit, there is a separate report from the Audit Commission titled "Audit Commission Annual Governance Report". This report is included as the next item on this agenda.
- 1.2 At this stage of the audit no significant issues have been reported. However, as the audit is still in progress, it is possible that changes may be agreed and included in the Auditors report.

RECOMMENDATIONS

- 2.1 To note the contents of this report and (if required) consider any issues raised by the Audit Commission during the course of the audit of the statement of accounts and to agree the response to be made to any such issues.

REPORT DETAIL

- 3.1 The audit of the 2006/07 accounts is currently in progress with a view to achieving it's completion by 30th September 2007 at the latest. At this stage of

the audit no significant issues have been reported. However, as the audit is still in progress, it is possible that changes may be raised in the Auditors' report that require consideration by this Committee.

- 3.2 Should any issues be raised, a supplementary report will be produced setting out these issues and the proposed response to them (any supplementary report will follow if required).
- 3.3 As part of the annual audit the Audit Commission are required to report separately to those charged with governance in the form of an "Audit Commission Annual Governance Report". This report is included as the next item on the agenda for consideration by this Committee.

4.0 Financial Implications and risks:

- 4.1 There are no financial implications or risks resulting directly from this report. Any financial consequences arising from the outcome of the audit of accounts and recommendations set out by the Audit Commission will be addressed as part of the Council's response.

5.0 Legal Implications and risks:

On the basis that there are no specific issues raised by the Audit Commission, there are no direct legal implications arising directly from this report.

6.0 Human Resources Implications and risks:

None arising directly from this report.

7.0 Equalities and Social Inclusion implications:

None arising directly from this report.

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Cheryl Coppell
Chief Executive

Background Papers List

Working papers held within the Finance Sections.

Draft Statement of Accounts 2006/07

Summary Statement of Accounts 2006/07

Report to Audit Committee 28th June 2007 on Draft Statement of Accounts 2006/07



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	7

REPORT OF THE CHIEF EXECUTIVE

**SUBJECT: INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 01
APRIL 2007 – 29 JUNE 2007**

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 01 April to 29 June 2007.

RECOMMENDATION

To note the contents of the report.

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

REPORT DETAIL

**SECTION
NO** **PAGE**

1. AUDIT 2006/2007 Plan **04**

Schedule 1 - Details the work completed to the final report stage.

Schedule 2 – Reports completed to draft stage.

Schedule 3 - Contains the management summaries for those completed to final report stage.

**SECTION
NO** **PAGE**

2. AUDIT 2007/2008 Plan **28**

Schedule 4 - Details the work completed to the draft stage for the period 01 April to 29 June 2007.

3. Statement on Internal Control (SIC) **29**

Schedule 5 – SIC Action Plan

4. Fraud **36**

Schedule 6 – Fraud Hotline Reports

5. Performance Information **38**

Graphs displaying Key Performance Indicators 1, 2 and 3.

6. Summary of Recommendations **39**

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

Schedule 7 – Categorisation of recommendations and totals by year.

Schedule 8 - Internal Audit Outstanding Recommendations 2003/2004.

Schedule 9 – Internal Audit Outstanding Recommendations 2004/2005.

Schedule 10 – Internal Audit Outstanding Recommendations 2005/2006.

Schedule 11 – Internal Audit Outstanding Recommendations 2006/2007.

Schedule 12 – High Priority External Audit Outstanding Recommendations.

Schedule 13 - Medium Priority External Audit Outstanding Recommendations.

7. Benefits Comparative Information 45

Schedule 14 – Benefits Investigations.

Schedule 15 – BVPI 76 Security.

8. Financial implications and risks:

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, 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.

9. Legal implications and risks

None arising directly from this report

10. Human Resource implications and risks

None arising directly from this report

11. Equality and Social Inclusion implications

None arising directly from this report

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Cheryl Coppell
Chief Executive

SECTION 1 - AUDIT

All 2006/2007 audit reports, except Departmental Budgetary Control, have now been finalised. The Audit Protocol is currently being revised and the new document will identify strict deadlines for responses to be provided by management. These deadlines will be closely monitored and escalation procedures applied where necessary; it is hoped that these measures will reduce the time taken to finalise reports and the resource required to chase responses.

SCHEDULE 1: 2006/2007 Audits Completed To Final Report Stage

Report	Issued	Opinion	Recommendations				Ref
			High	Med	Low	Total	
Telecommunications	4/09/07	Unqualified	0	9	1	10	Sch 2(a)
Honoraria and other payments to staff	30/07/07	Unqualified	0	1	1	2	Sch 2(b)
Homes in Havering	17/07/07	Unqualified	0	3	3	6	Sch 2(c)
Specific Project Review: A1306 Phase II	08/06/07	Unqualified	0	4	1	5	Sch 2(d)
Contract Management	05/09/07	Unqualified	0	2	3	5	Sch 2(e)
Business Continuity	21/06/07	Unqualified	0	5	0	5	Sch 2(f)
Internet	21/06/07	Unqualified	0	3	0	3	Sch 2(g)
IT Security	21/06/07	Unqualified	0	2	0	2	Sch 2(h)
IT Procurement	24/08/07	Unqualified	0	3	0	3	Sch 2(i)
PC end user controls	22/06/07	Unqualified	0	5	0	5	Sch 2(j)
Total			0	37	9	46	

SCHEDULE 2: Audits Completed to Draft Report Stage

Report	Draft Issued	Head of Service	Group Director
Departmental Budgetary Control	30/03/07	Adult Social Services	Sustainable Communities

SCHEDULE 3: Management Summaries for 2006/2007 Audits

Telecommunications	Schedule 3(a)
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1. Management Summary

1.1 Introduction

- 1.1.1 This report details the Computer Audit of procedures and controls in place for the use of telecommunications within the Council.
- 1.1.2 The Council operates an internal telephone network comprising Ericsson MD110 switches and approximately 2500 extensions. These are supported as a managed service from Damovo. There are a number of trunk lines supplied by BT and by Virgin Media (formally NTL) Administration of telecommunications rests within the ICT service area and there is a Telecommunications Manager who is supported by an assistant. The Telecommunications Services Manager is responsible for the supply of all telecommunications and network services to connect users, partners and remote locations to the Havering core network.
- 1.1.3 Other associated systems include voicemail systems (a main system and another pilot voicemail system) and a call logging system.
- 1.1.4 Telecommunications is funded through a central budget which is then recharged to departments. The cost of calls is recharged to departments through call log reporting.

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:
- Telecommunications services are inadequately managed;
 - Documentation on telecommunications is incorrect or lacking;
 - Access to switch configuration administration is unauthorised;
 - Management of telephone system security is inadequate;
 - Potential or actual abuse is not recognised or reacted to;
 - Unintentional disclosure of information;
 - Excessive call costs;
 - Loss of telecommunications systems;
 - Loss or reduction of Value For Money;
 - Lack of performance monitoring and inability to plan;
 - Inability to detect inappropriate use; and
 - Incorrect billing.

1.3 Critical issues that require immediate management attention

1.3.1 We identified three critical areas during our review that required management attention. These issues were raised in the draft consultation report and management have already taken action to address these concerns.

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

1.4.1 There is scope for reviewing restrictions on calls which can be made. All external call extensions are allocated a standard call restriction level which has several weaknesses including the ability to bypass call restrictions by placing calls directly through the public operator.

1.4.2 The amount of work involved in administering the telecommunications area, an analysis of tasks and resources required should be carried out in order to ensure the area is adequately managed and that staff have appropriate training to ensure that the skills required are in place.

1.4.3 There is no central inventory of telecommunications equipment and we noted that the network diagram had not been updated with details of the new circuit.

1.4.4 Authorisation requirements for telecommunications services mainly rests with provision of a budget code for voicemail and new extensions. There are no documented user management procedures including those for maintaining the two telephone directories in place and other sources of telecommunications information such as those on e-mail systems.

1.4.5 There is scope for improving physical and environmental controls for telecommunications equipment. The room containing the main switches, voicemail and call logging systems was inspected and there is no automated fire prevention system. Other weaknesses were also noted, for example at present the voicemail system does not have a backup power supply system.

1.4.6 We were unable to determine the frequency of the external backup of the switch and backups of other systems such as the configuration of the voicemail system are stored on-site.

1.4.7 Supplier maintenance cover for the main switches is Monday to Friday 8.30am – 5.30pm with an 8 hour response. Therefore a breakdown on Friday could technically result in loss of service until the following Tuesday.

1.4.8 No schedule of base line statistics is kept which could impact on strategic planning for the development of telecommunications provision within the Council.

1.4.9 The call logger has not yet been updated with details of the current BT call costs. There are also no details of direct lines or their costs, which could also impact on strategic planning, as well as identifying potential value for money savings.

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

1.5.1 The allocation and reservation of memorable DDI numbers has not been documented.

1.6 Summary of recommendation(s)

1.6.1 This report contains no high priority recommendations.

1.6.2 This report contains nine medium priority recommendations.

1.6.3 This report contains one low priority recommendation.

1.7 Audit Opinion

1.7.1 As Management are aware of all issues and several initiatives are underway to resolve them, an unqualified opinion can be given.

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

- Call of restriction is reviewed to ensure that users cannot bypass the existing call controls to make calls that may not be in line with their job role.
- The provision of staffing for telecommunications should be reviewed to ensure that there is sufficient support for the delivery of telecoms support within the Council.
- An asset inventory is completed for telecommunications equipment and processes put in place to keep this up to date.
- User manuals are put in place for the management of telecommunications systems.
- Physical and environmental controls are improved for telecommunications equipment.
- Off site back ups of telecommunications configuration and systems should be put in place to assist in disaster recovery capabilities.
- Supplier cover for the switch should be reviewed in light of fault resolution times and the Business Continuity Plan.
- Baseline statistics for call usage should be maintained to detail what costs are maintained and provided for calls.
- Call costs should be updated on the call logger and the current provision of call restrictions reviewed to ensure value for money is obtained.
- The allocation of memorable DDI numbers should be documented.

1. Management Summary

1.1 Introduction

1.1.1 The 2006/07 Internal Audit plan includes a pro-active audit into Honoraria and other payments to staff.

1.1.2 During the financial year 2006/07 a total of £339,518 was paid out to staff in Honoraria Payments.

1.2. Key Areas Reviewed

1.2.1 The HED register for the period March 2007 was obtained from Payroll. A sample of 25 officers in receipt of honoraria payments prior to March 2007 was randomly selected from the report. This process was also followed in order to select a random sample of five officers in receipt of temporary promotion payments.

1.2.2 For each of the officers selected the CYBORG system was checked to establish in which months payments were received, whether the payment was honoraria or temporary promotion and how much was paid.

1.2.3 The payroll / personnel files were checked to establish whether an appropriate 'Request for Payment of Honoraria' or PAMS form (for temporary promotion payments) were retained to support the payment.

1.2.4 Each form was then checked to ensure that:

- The form had been adequately completed;
- The actual payment made was in accordance with that set out on the form;
- The form had been adequately authorised; and
- That the payment was in accordance with the guidance set out by Human Resources (HR).

1.2.5 It was found at the beginning of the audit that one officer had been selected twice for the audit sample. The officer was selected at random from the HED register under honoraria payments but was also selected from the HED register for temporary promotion payments. All payments were checked as part of the review; therefore the sample size is actually 29.

1.3 Significant Issues

1.3.1 No significant issues were identified during this audit review. All recommendations made are general control / good practice issues.

1.4 Summary of recommendation(s)

1.4.1 The report contains two recommendations, one of a medium category and one of a low category.

1.5 Audit Opinion

- 1.5.1 The review found that all but one payment was in accordance with the documentation received and all payments appeared to be appropriate to the work being undertaken.
- 1.5.2 Documentation was in place and completed in accordance with HR policy and procedures. However, it was found that:
- HR procedures entitled “Employees Asked to Undertake Additional Responsibilities” refers to Service Cluster Personnel and Corporate HR, whilst the HR function was centralised in February 2005. In addition, these procedures do not refer to temporary promotion payments, only honoraria, acting up and secondment;
 - There is no form in place that specifically relates to requests for payment of temporary promotions;
 - The request for payment of honoraria form does not allow for the signature of the HR officer that has checked the payment request details; and
 - Of the 29 officers selected, in only one case was documentary evidence of a review retained on file. However, in all other cases continuation of payments was made upon receipt of a new form.

1. Management Summary

1.1 Introduction

1.1.1 The 2006/2007 Internal Audit plan included a review into the governance arrangements over Homes in Havering (HiH).

1.1.2 HiH is the Arms Length Management Organisation (ALMO) that manages and maintains properties for the tenants and the leaseholders of Havering. HiH is a registered company which is owned entirely by the London Borough of Havering.

1.1.3 HiH manage the day-to-day maintenance of properties, including improvements and repairs to tenant's homes. The main aims of HiH are to achieve Decent Homes by 2012, and to continually improve the quality of life for, and in partnership with, all the residents.

1.1.4 HiH are due to be inspected by the Audit Commission in September 2007. The Audit Commission inspection involves staff as well as residents and it is very important that they achieve two stars when inspected so that they can access additional money to achieve the Decent Home Standard target by 2012.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- There is a mechanism established to identify principal statutory obligations;
- There is a mechanism to establish corporate objectives;
- There are effective corporate governance arrangements embedded within the authority;
- There are no performance management arrangements in place;
- There are no roles and responsibilities set down; and
- The organisation does not have robust systems and processes in place for the identification and management of strategic and operational risk.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were none identified.

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

1.4.1 There were significant issues identified that require immediate management attention as follows; no reserved powers in place, no documented delegated powers to EMT and below and staff not trained in the identification of risks.

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

1.5.1 There were matters identified that required management attention to ensure good practice as follows: integration of the CIPFA guidance on Corporate Governance, publishing the Code of Governance and training be devolved to all levels for governance issues.

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium and three low level recommendations.

1.7 Audit Opinion

1.7.1 As there are adequate controls in place but a number of issues identified as need management attention and unqualified opinion must be given.

1. Management Summary

1.1 Introduction

1.1.1 The project to detrunk the A1306 (formerly the A13) from a dual carriageway down to a single lane road has been broken down into various phases within London Borough of Havering (LBH) and London Borough of Barking and Dagenham (LBBB). Within Havering the works were split into two sections. Phase I was from Dover's Corner to Cherry Tree Lane, and Phase II Cherry Tree Lane to the border with LBBB. The Phase II works are expected to cost approximately £3.352m, the majority of which is for the main contract with Ringway, £2,814k. Other major costs are for the landscape works (£148k), safety works (£130k), Solar irrigation (£40k) and fees (£187k).

1.1.2 The review has examined the project to ensure that the relevant rules and procedures have been followed. This included how the scheme was identified, designed; the appointment of the contractor and the construction of the project.

1.2. Key risk areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- The project has not been approved by Members and/or Senior Officers thereby leaving the Council open to accusations of acting "Ultra Vires";
- The appointment of the contractor and the design team have not been made in accordance with the Council's rules and procedures leading to officers being accused of acting in favour of a particular company;
- Tender documentation is insufficient to allow full comparisons to be made between the different offers thereby resulting in them not being fully evaluated;
- Works not being subject to the necessary control resulting in them going over budget;
- Works not being subject to the necessary control resulting in them not being completed on time and potentially leading to additional costs; and
- Certificates not being issued in a timely manner resulting in the contractor claiming for the loss of interest that they may have incurred.

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 Absence of key documentation in respect of the tender selection and evaluation processes have been noted, which may have resulted in reputational damage to the Council or it's officers should a challenge have been made by an unsuccessful contractor.

- 1.4.2 Consideration should be given to the split between the quality and price percentage, a review may be required to ensure that low quality offers are not accepted which could incur further costs if the work needs to be redone.
- 1.4.3 It was noted that no DF98s were prepared seeking the release of the capital funds to cover the additional works. Although the project has been completed within budget the Council's rules which require approval from Capital Finance for the release of the additional capital funds have not been followed.
- 1.4.4 There have been changes in the specification for the works undertaken on the main contract; however a lack of evidence was noted in some instances. This may result in an overpayment to contractor.
- 1.4.5 Weaknesses were noted in the monitoring procedures of the contract. Financial position statements prepared were only prepared towards the end of the contract. This has also been identified on the recent audit review on Contract Management.

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

- 1.5.1 Consideration should be given to the benefits of undertaking fixed price contracts of this size seems. The transference of all construction risks to the contractor results in the Council having to pay a considerable premium.

1.6 Summary of recommendations

- 1.6.1 It is noted that the personnel changes have occurred since this contract was in existence; however four medium and one low priority recommendation have been raised to highlight some of the issues and strengthen the system of control going forward.

1.7 Audit Opinion

- 1.7.1 As there were no critical issues an unqualified opinion can be made.

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. Sound management arrangements need to be in operation, from the Group Director down to the officers undertaking the day to day management of each contract so as to try to minimise the risk of problems arising on the project.

1.1.2 Senior managers also need to ensure that the Council's rules and procedures are being followed by officers. It should be noted that these systems will always depend on the integrity and the ability of the monitoring officers to ensure that they do not instruct the contractor to undertake work that will exceed the budget, or for which there is no approval.

1.2. Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- No monitoring reports produced to identify when projects are completed.
- No management involvement resulting in officers not taking appropriate action to ensure that projects are being progressed,
- No control over project by the officers who have been given delegated authority to manage the contract on behalf of the Council.
- Inadequate training resulting in unqualified officers being asked to manage contracts.
- No procedure or departmental rules for the management of the contract to ensure that projects are being adequately monitored.
- Inadequate project risk assessments being undertaken resulting in additional costs being incurred by the Council.
- Projects do not have a project sponsor within the client department or a specific Project Manager leading to confusion over the roles of officers on the scheme.

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 Although there is some procedural guidance, there is a lack of an overall set of procedure notes within Streetcare for officers to follow when monitoring contracts. This is resulting in there being no consistency in the way in which officers monitor the different services. It is accepted that there will be differences in the way in which services are to be monitored but there can be

items such as reconciliations, monitoring meetings which could be consistent across all of the services.

- 1.4.2 It is also noted that risk assessments although carried out, are not being costed. This prevents the Council from being able to make additional financial provision on the high risk schemes where it is more likely the project will go over budget due to some of the risks being realised. This would remove the need of officers having to seek approval for additional funds.

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

- 1.5.1 It was noted that there were some weaknesses within Technical Services that need to be addressed to improve control over the management of the projects. The monthly project monitoring sheets used by Technical Services need to be produced in order that the details can feed into the summary progress reports for the different clients. Also the procedure manual used by Technical Services needs to be held electronically so that any amendments can be updated and readily circulated to all staff.

- 1.5.2 There was a concern that project files for schemes managed by the Technical Services partner were not being made available to Internal Audit within a reasonable time scale due to them being held at different locations. As the Technical Services Partnership contract is about to be retendered there is a need to specify that the project files are to be made available within a given time scale and at a location within easy access of the Town Hall.

1.6 Summary of recommendation(s)

- 1.6.1 The report contains two Medium risk and three low risk recommendations.

1.7 Audit Opinion

- 1.7.1 As there were no significant issues identified and the recommendations are to further enhance control an unqualified opinion can be given.

1. Management Summary

1.1 Introduction

1.1.1 In 2004, a formal and extensive Business Impact Analysis (BIA) was performed, which identified the Business Continuity requirements for Council's Services. This led to a Business Case, presented to Cabinet, which recommended taking forward several initiatives, principally:

- Developing and maintaining an internal power supply for the IT Data Centre;
- Locating part of the ICT Data Centre with another Authority;
- Developing formal Disaster Recovery plans, based upon the results of the BIA; and
- Improving the internal operational skills and formal control processes.

These were based upon the continued use of the existing Data Centre as the primary facility. Further examination identified that the facility is not fit for purpose either structurally or environmentally and therefore limited work was undertaken to rectify current poor physical and environmental controls.

1.1.2 A new Enterprise Programme has recently commenced which will determine the way forward in providing a robust data centre facility which will be supported by associated disaster recovery arrangements for Authority systems.

1.1.3 A comprehensive exercise to create a Corporate Business Continuity Strategy which would form the basis of a Corporate Business Continuity Plan has been underway. The principle being that the Corporate Plan will be supported by detailed Business Continuity Plans for each Council Service. The results of this planning will provide the basis for determining the required ICT support for Council services in a disaster situation.

1.1.4 However, currently the Council does not have any practical arrangements to restore and maintain services, following a disaster situation affecting the current Data Centre. This is also exacerbated as back up copies are currently located onsite next to the computer room.

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 systems have not been identified;
- Business systems and IT support have not been prioritised, leading to unnecessary delay in recovering business-critical systems;

- Critical recovery times have not been established, leading to inadequate / untimely recovery of business-critical systems;
- There is no Business Continuity Strategy or adequate Business Continuity Operational Plan;
- Expected Third-Party arrangements are not provided as expected / required;
- There are no agreed escalation and invocation procedures, leading to delays in implementing IT Business Continuity arrangements and recovery of business operations;
- There are unnecessary delays in recovery, due to unavailability of the Business Continuity Plan;
- There are unnecessary / additional costs, due to absence of adequate insurance cover; and
- Business operations are unable to continue, due to full IT support not being available.

1.2.2 Critical business systems cannot be restored and operational within required timeframe.

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 draft Project Initiation Document (PID) for the Data Centre and Disaster Recovery Project does not currently include target timescales for the completion of the project.

1.4.2 The Data Centre & Disaster Recovery Programme scope currently does not include cases where data is stored locally on non-network devices e.g., laptops or stand alone PCs.

1.4.3 The current development of Business Continuity Plans assumes that appropriate IT resources will be unavailable, however there has been no gap analysis performed of provision against business expectations.

1.4.4 Updates to the current ICT infrastructure configuration may not be included in the Data Centre & Disaster Recovery Programme to ensure changes have been appropriately communicated.

1.4.5 A target date for the completion of Service Business Continuity Plans has not been formally specified and their timely delivery actively monitored.

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

1.5.1 There are no recommendations in this area.

1.6 Summary of recommendation(s)

1.6.1 This report contains no high, five medium and 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.

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

- A formal completion date should be identified for the completion of the Data Centre and Disaster Recovery Programme.
- The processes for the recovery of systems not connected to the network and for the recovery of data on local devices should be documented.
- Disaster Recovery arrangements should reflect requirements identified in the individual service Business Continuity plans.
- Updates to the Havering IT infrastructure should require sign off to ensure changes do not impact Business Continuity requirements.
- A date should be specified for the completion of service Business Continuity plans.

1. Management Summary

1.1 Introduction

- 1.1.1 The use of the internet is also a growing tool in the business community for research, marketing and communication. As with e-mail this privilege can be subject to abuse, and if unchecked can result in a loss of productivity and the introduction of threats through viruses to the Authority's systems and reputation.
- 1.1.2 Along with the use of e-mail and internet, come the associated issues with connecting the Council to hardware and systems outside the Council's control. If unprotected these can introduce a number of vulnerabilities to the Council's network, including viruses, Trojans, Worms and Spyware.
- 1.1.3 Users of the internet within the Council are bound by the Council's Use of Internet policy and browsing is provided through the use of Microsoft Internet Explorer.
- 1.1.4 The Council Web site allows the public to make online payments, carry out online enquiries such as planning application searches as well as helping to communicate decisions and canvas opinion. The controlled use of Internet resources by the desktop users for the research of current work issues and events help assist in the delivery and ongoing improvement in Council services. However it is important that an appropriate control framework is established and applied to the use of Internet resources, as web site availability or inadequate protection of credit card details could cause reputational damage and any weakness in desktop security could cause desktop data integrity and confidentiality to be compromised.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- Internet Security Policy and Compliance Arrangements;
 - Firewall management and administration;
 - Local Internet Security Controls (browser and patch management);
 - Web Site Management and Controls.

1.3 Critical Issues that require immediate Management attention

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

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

- 1.4.1 There is a need to establish and apply an appropriate change control system for firewall rule changes, as while a process exists and is applied there is no

effective management trail to show who initiated , evaluated and authorised each change.

1.4.2 A formal cost benefit evaluation should be carried out on the use of a network monitoring security tool to help identify where inadequately secured Internet Connected Havering PCs and laptops.

1.4.3 An appropriate standard for browser settings with a view to securing internet access to help minimise the cause of potential spyware risks should be identified.

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

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

1.6 Summary of recommendation(s)

1.6.1 The report contains no high priority recommendations, three medium priority recommendations and no 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.

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

- Firewall Change control processes are formalised and documented;
- A network monitoring tool is investigated to identify if there are any unsecured internet connections; and
- A standard for browser settings should be evaluated and universally applied.

1. Management Summary

1.1 Introduction

- 1.1.1 The 2006/2007 Internal Audit Plan includes an internal audit of IT Security arrangements within the London Borough of Havering
- 1.1.2 This audit specifically focuses on IT Security and in particular policy content and the adequacy and compliance to the IT Security Policy and external legislation and standards. We are raising two recommendations in this report and it should be noted that there is currently an Enterprise Programme initiative underway, consisting of several specific IT Projects that individually and collectively, seek to address all proposed recommendations raised in this report.
- 1.1.3 However as project work is still very much in progress and implementation dates have not yet been agreed, proposed recommendations are valid for the interim period until all projects have been successfully completed and all objectives have been met.
- 1.1.4 In September 2006, following several IT audits and internal reviews, the Council initiated the Enterprise Programme with the aim to address known IT and business related risks, issues and the implementation of audit recommendations.
- 1.1.5 The Enterprise Programme specifically aims “to improve the delivery and reliability of ICT Services for the London Borough of Havering, by implementing a managed High Availability, Resilient and Scaleable infrastructure that reduces the total cost of ownership and mitigates risk.”
- 1.1.6 The audit scope included Disaster Recovery. However, in light of the above initiatives and the fact that a lack of Disaster Recovery has been raised in recent audits and ICT Management and Senior Management are aware of this weakness, it has not been raised as a recommendation in this report.

1.2. Key Risk Areas reviewed

- 1.2.1 The audit reviewed the following key risk areas:

- IT Security Policy including:
 - IT Security Officer responsibilities;
 - ISO17799:2005 Compliance (to be renamed to ISO 27001:2005);
 - Use of and guardianship of Remote Use Devices;
 - IT Asset Registration;
 - Formally documented and maintained IT Security Policy and its content;
 - User awareness and training;
 - Disaster Recovery;
 - Risk Assessment;
 - Health and Safety assurance;

- Legal Counsel review;
 - HR Internal Policy;
 - Cross referencing to processes and procedures; and
 - Non Disclosure Agreement and Intellectual Property Rights.
- IT Security Policy compliance including:
 - Adding, amending and removing user accounts;
 - Security of applications;
 - Control over PC modems;
 - Security Filtering;
 - User Awareness and Training; and
 - Data Sharing Protocols.

1.3 Critical issues that require immediate management attention

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

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

1.4.1 The Business Systems Policy v 0.10 Draft dated 1 January 2007, should be updated to ensure that it complies with all relevant internal and external legislation, processes, procedures and Policies. In addition, the existing IT Security Policy dated 15 September 1998, should be updated in the interim period, together with the Information Security document published on the LBH intranet that makes reference to out of date legislation.

1.4.2 Havering has not identified the minimum standard security parameters to be used on all systems and applications and that the configuration of each system is not noted and kept up to date.

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, Two Medium risk recommendations and no low risk recommendations.

1.7 Audit Opinion

1.7.1 As Management are aware of all issues and several initiatives are underway to resolve them, an unqualified opinion can be given. However, to improve the control environment, management need to ensure:

- That the Business Systems Policy v0.10 is updated.
- Havering identifies the minimum standard security parameters to be used on all systems and applications and that the configuration of each system is noted and kept up to date.

1. Management Summary

1.1 Introduction

- 1.1.1 The 2006/2007 Internal Audit plan includes a review of IT Procurement within day to day operations and how major systems are procured.
- 1.1.2 Desktop PCs, laptop computers and other peripheral devices within the London Borough of Havering (LBH) are purchased through a preferred supplier. Both desktop PCs and laptops must meet minimum specifications which are reflected through the standard options available to users.
- 1.1.3 The main asset inventory database system for the tracking and management of PCs, laptops and other peripheral IT equipment is Track-IT and the accounting system for IT assets, is part of the Oracle e-Business Suite.
- 1.1.4 The current Track-IT system 6.01 was installed at London Borough of Havering over five years ago and does not offer the latest functionality available including software licensing management. However, it is planned to upgrade the current Track-IT system to the latest version Track-IT 7.0 in July 2007.
- 1.1.5 The Council requires that all major procurement projects follow a standard project management methodology and as a result PRINCE 2 has been adopted. Project managers with PRINCE 2 qualifications are available to assist in the management of relevant projects.

1.2 Key Risk Areas reviewed

- 1.2.1 The audit reviewed the following key risk areas:
- Lack of agreed standards and a purchasing policy may cause the selection of incompatible systems or systems lacking future upgrade paths leading to organisational objectives not being met.
 - Lack of formal procedures for receipt of equipment, tagging and security etching and recording may lead to loss or theft.
 - Lack of early servicing and maintenance contracts may lead to non function of the system through essential upgrades not being implemented and non resolution of system problems.
 - Lack of adequate licensing for software and registration of purchased software may lead to breach of licensing agreements and unauthorised software residing on the Council's systems.
 - Lack of adequate business case may lead to systems which do not comply with the overall Council's strategy.

- Inadequate selection procedure resulting in inappropriate providers being chosen.
- Inadequate project plan may lead to failure of identifying functional requirements and failure to meet project deadlines and milestones.
- Failure to adequately plan the implementation process.
- Failure to adequately test the system and train users causing errors and delay.
- Lack of progress monitoring may lead to disruption of the system causing delays and overspend.
- The lack of a post implementation review would lead to failure of justification of the project implementation and its related costs.

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 Procurement officers currently perform both the purchasing and receipt of IT Equipment. Segregation of duties would help ensure that only authorised purchases are made and that all equipment is adequately accounted for.

1.4.2 Council IT equipment, including desktops, monitors, laptops and printers are currently not insured against any peril other than fire. This is a positive decision by the Council due to the costs of effecting such insurance cover

1.4.3 Not all IT equipment is being asset marked. Exclusions include monitors and printers. Asset marking of valuable and highly desirable IT equipment would help ensure that all equipment can be identified, accounted for and act as a deterrent against theft.

1.4.4 There is currently no list maintained of authorised signatories with sample signatures who have the appropriate level of authority to make an IT purchase request. An authorised signatory list with sample signatures would help ensure that IT purchase requests have been authorised and are genuine.

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, three Medium risk recommendations and no low risk recommendations.
- 1.6.2 Additional weaknesses were identified in the areas of IT Asset Register, Software Licensing Register, IT equipment replacement policy and a manual audit of IT equipment. However these issues have been raised in the PC Controls and Software Licensing audits performed recently and reference should be made to those reports for detailed findings and 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.
- 1.7.2 To improve the control environment, management need to ensure that:
- Purchasing duties are segregated between making payments and the receipting of goods.
 - The Council defines what categories of equipment to asset mark. Categories could be defined by value but should include as a minimum, desktop base units, laptops, monitors, printers, scanners, projectors and servers.
 - An authorised signatory list is maintained of all managers who have the delegated authority to make IT purchase requests; additionally specimen signatures should be maintained. Alternatively, emailed approvals directly from an authorised manager may be substituted for the signed purchase request.

1. Management Summary

1.1 Introduction

- 1.1.1 The 2006/2007 Internal Audit plan includes a review of Departmental PC Controls within the Council.
- 1.1.2 Desktop PCs are in use across the Council and are required for performing Council business. The council has deployed a Citrix Thin Client environment for the delivery of Council applications across the network.
- 1.1.3 The main asset inventory database system for the tracking and management of PCs, laptops and other peripheral IT equipment is Track-IT and the accounting system for IT assets, is part of the Oracle E-Business Suite.
- 1.1.4 The current Track-IT system 6.01 was installed at London Borough of Havering over five years ago and does not offer the latest functionality available including software licensing management. However, it is planned to upgrade the current Track-IT system to the latest version Track-IT 7.0 in July 2007.
- 1.1.5 During the course of the audit we undertook a walk around to review the PC environment in the Public Advisory Service Centre and Social Services work areas.
- 1.1.6 It was advised during the course of the audit that the review of the asset database in conjunction with a manual audit of all assets owned, will not be undertaken until Track-IT has been upgraded.

1.2. Key Risk Areas reviewed

- 1.2.1 The audit reviewed the following key risk areas:
- Virus Protection and Detection Software has not been installed and the Authority does not have defence against virus attack;
 - Use of Screensavers is not enforced;
 - Inventory Recording is not performed;
 - Health and Safety considerations for the use of IT have not been carried out;
 - The physical position for PC equipment have not been sited away from risk areas;
 - A Replacement Policy has not been defined;
 - Purchasing arrangements are not in place;
 - Installation procedures are not in place for the establishment of new equipment;
 - Users are not trained on how to use the system.

1.3 Critical issues that require immediate management attention

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

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

- 1.4.1 The asset register is not up to date and includes details of equipment that have been sold or disposed and no manual audit is performed to confirm the accuracy of the register.
- 1.4.2 A standard screensaver is not installed as part of the normal build on any Havering PC or laptop. Use of a standard screensaver would help ensure that only relevant staff have access to view sensitive data on individual departmental PC screens.
- 1.4.3 There is no contract in place for Portable Appliance Testing within Havering. Of the equipment reviewed in several locations at Havering offices it was noted that the last PAT test undertaken was October 2005.
- 1.4.4 Standard build procedures that include specific "lock down" criteria to help ensure systems and data security are not always utilised.
- 1.4.5 There is currently no replacement policy included within the IT Strategy and the replacement of IT equipment is not defined.

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.

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 and the items requiring attention were only to improve the level of management information and existing controls an unqualified opinion can be given.
- 1.7.2 To improve the control environment, management need to ensure that:
- A review of the Asset Register should be undertaken to confirm the current status of IT equipment.
 - A standard screensaver should be installed on all PCs and laptops. This should also include updating the "new build procedures" to ensure that all new PCs and laptops have the screensaver installed automatically. The option for the user to change the screensaver should be removed.
 - A Portable Appliance Test should be completed on all Council electrical equipment on an annual basis.
 - All PCs and laptops should be subject to the departmental installation procedures and other relevant Havering policies e.g. Internet Usage Policy. This should include any rebuild or restored PCs and laptops.
 - A formal policy for the replacement of PCs and departmental IT equipment should be documented and included in the Councils IT Strategy.

SECTION 2 – 2007/2008 AUDIT PROGRAMME 1st April – 29th June 2007

SCHEDULE 4:

2007/2008 Audits Completed To Draft Report Stage - 1st April – 29th June 2007

Report	Draft Issued	Head of Service	Group Director
Virus Protection	18/05/07	Business Systems	Finance & Commercial

SECTION 3 – Statement on Internal Control - Schedule 5 - Action Plan – as at 31st August 2007

Significant Issue and action already taken.	Actions (planned) <i>Deadline March 2008.</i>	Responsibility	Progress
<p>1) 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>Head of Land & Property Services</p> <p>Head of Business Systems</p>	<ul style="list-style-type: none"> • All Council Business Continuity (BC) work now in accordance with BS25999 (BC Standard Guidance). • Emergency Planning (EP) & BC Policies reviewed and rewritten. • EP & BC Procedures Manual written. • Corporate BC Plan reviewed and rewritten. • Major Emergency Plan (MEP) reviewed. • Access Database designed and constructed to undertake full review of Business Impact Analysis at Section and Service Level. • Database used to review DR resource requirements (including people [type and skill set], ICT, equipment etc). • Training to 2nd/3rd Tier Managers throughout each service to a) educate re: BC b) to devolve responsibility for BC to Section management and c) to complete data input into database. • Instructions Manual for use of database in place • Survey of Suppliers' BC Practises and resilience preparation undertaken via web survey (run by Procurement). • Homes in Havering (HiH) (key partner) also employing database to deliver robust BC Planning. • All Policies, Procedures, Instruction manuals etc on Intranet. • Internet site (public facing) reviewed and redeveloped. • ICT to receive output from database to develop DR plan. • ICT running 3 projects to provide server and data resilience.

Significant Issue and action already taken.	Actions (planned) <i>Deadline March 2008.</i>	Responsibility	Progress
<p>2) 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>Head of Customer Services</p>	<ul style="list-style-type: none"> • Report considered by cabinet on 1 August 2007. • Further report to be presented by December 2007.

Significant Issue and action already taken.	Actions (planned) <i>Deadline March 2008.</i>	Responsibility	Progress
<p>3) 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>Group Director Sustainable Communities</p> <p>Group Director Finance & Commercial</p>	<ul style="list-style-type: none"> • Additional Senior Management support introduced June 2007. • Overall improvement plan in place by interim management support. • Formal report for Corporate Management Team and Audit Committee pending review by interim management support. • Business Management post now covered and working well along with additional H/R support. • Accountability and delegation levels being reviewed amended and enforced. • A number of reviews commenced including income, staffing, contracts and overall strategy. • Automation of Homecare system being taken forward. • Dialogue established with the PCT to implement new protocols and resolve issues. • Performance management system being devised for implementation throughout.

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p>4) 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>ACE Strategy & Communications</p>	<ul style="list-style-type: none"> • A national management trainee has been working with Heads of Service to develop our approach to partnerships. A partnership toolkit has been agreed and is available on a dedicated intranet area together with a database of partnerships. This was reported fully to the Audit Commission as part of the recent Use of Resources (UoR) self assessment.

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p>5) 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>Head of Housing and Health</p>	<ul style="list-style-type: none"> • The strong links can be evidenced by the minutes of frequent meetings between the Head of Housing and the C/Ex of HiH and the HiH Executive Departmental Management Team (EDMT). Also frequent meetings occur between staff within the Council's Financial Services and the Company Secretary of HiH. The minutes show the range of issues discussed, clear decisions with Action Leader and the fact that progress is made on these issues. • Every month HiH performance staff provide the Performance Manager within the Housing Service a Performance Indicator Management Information (PIMI) or Performance Indicator and Management Information Booklet. The Housing Performance Manager audits the results and will query any result that is not consistent. The PIMI is then referred to a Performance Board made up of the Housing Needs & Strategy Manager, Housing Performance Manager, HiH Chief Executive and HiH EDTM. The results and joint action are then reported to the Lead Member and Chair of the Board at the end of the meeting. Evidence for this is the PIMI and minutes. • Council staff and Councillors have been very involved in supporting the ALMO for the Inspection through the Paths to Excellence Meetings. These were all minuted and clearly show how involved senior Council staff were and still are.

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p>6) 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. 	<p>Head of Financial Services</p>	<ul style="list-style-type: none"> • A report was submitted to CMT March 2007. CMT agreed a number of actions to address the control weaknesses identified in the audit report. • Guidance was issued by the Group Director Finance & Commercial in March 2007. • A consultants' checklist has been designed to enable managers to record the reasons why they are making an appointment, and to provide guidance on the nature of such appointments. • The Financial Framework has been updated. • A shared area has been established and a template created for managers to record consultant appointments. • The annual financial review of consultant spend is currently being compiled and this will be considered in due course by Strategic Procurement Steering Group (SPSG).

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p>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.</p>	<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. 	<p>ACE Strategy & Communications</p>	<ul style="list-style-type: none"> • Aug' '08 Data strategy was reviewed and revised accordingly in consultation from internal audit (I think that Barry has been doing the consultation). • Management arrangements for Data Quality KLOEs have been newly updated Aug' '08. • Monthly updates and discussions on data quality are channelled through the performance management group.
<p>8) The transport operation is also an area for focus going forward.</p>	<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. 	<p>Head of Housing and Health</p> <p>Group Director Finance and Commercial</p>	<ul style="list-style-type: none"> • Regular budget monitoring of revenue spend that is minuted. Also reviewing the 2006-2007 out-turn to analyse lessons to be learned in relation to causes of over-spend. • There is a comprehensive review of costs and recharges to move to a clear basis for charging in a transparent and controllable way for clients. Will consider bench-marking but already have independent evidence that Transport Service is cost effective. • Review of service started with Lead Members, Client Departments and in light of Depot Re-Provision.

SECTION 4 – FRAUD

SCHEDULE 6 - FRAUD HOTLINE REPORTS 07/08

REF NO.	CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION	FILE REF
005/06	Anonymous	Letter stating that the Council should review the financial accounting at a named Residential Home.	Internal Audit arranged to visit and carryout spot checks of cash balances from various sources. Manager resigned. <i>Investigation has established that Approx £20k has been misappropriated. Manager as appeared at Magistrates Court and pleaded guilty and will be sentenced at Crown Court in September.</i>	T8haav
008/06	Member of Staff	The allegation is based on information that Caretakers were getting paid for hours not worked and that management were aware of this and have taken no action.	Preliminary investigation to be carried out where member of staff will be interviewed and records of attendance reviewed etc. <i>Audit Cancelled, No response from External Clients.</i>	T8iaaa
013/06	Anonymous	Allegations of underpayment of rent.	Allegations to be investigated. <i>Cooperation to be sought from Met Police Intellienge Unit before investigation commence.</i>	T81aao
015/06	Member of Public	Representative from company director claimed the Council may not have been following procurement Council had not followed the procurement process for the appointment of trainers.	Allegations to be investigated. <i>Final report issued recommendations. Main recommendations re contracts over £5,000 and quotations re continuous working.</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	Allegations to be investigated. <i>Investigations in progress.</i>	T8iaar

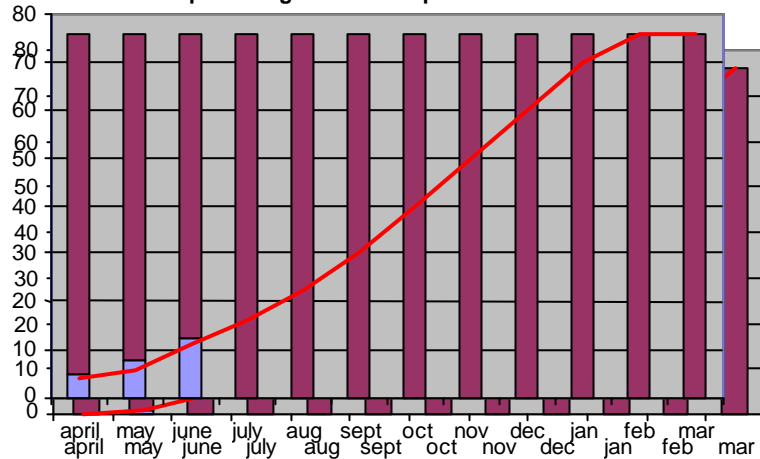
REF NO.	CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION	FILE REF
019/06	Anonymous	Caller concerned over the costs for a training weekend for Education staff.	Allegations to be investigated. <i>Investigation and Case Review Sheet Completed. Cost of the conferences is recharged to the schools confirmed procurement rules followed correctly.</i>	T8jaad
001/07	Anonymous	Non Payment of Council Tax	Matter forwarded onto Council Tax Section for Investigation	Hotline
002/07	Member of Public	The caller stated that flag stones taken up by Main Road had been purchased by a member of the public and were being stored on purchasers property. The caller was concerned that the flag stones were property of the Council and that they should not be sold on by the Contractor	Allegations to be investigated. <i>Matters discussed with Streetcare Co-ordinator – Highways, who informed the Auditor that the renewal of flagstones is part of a programmed renewal. The paving slabs become the property of the Contractor and they decide how they dispose of the slabs.</i>	T8jaas
003/07	Anonymous	Council property possibly being used for business	Matter to be forwarded onto NNDR Section for Investigation. <i>Matter Investigated. Property is in use as a Live/Work assessment and meet the criteria for a composite Property. Rating Valuation to be reassessed WEF 01/04/07</i>	Hotline
004/07	Anonymous	Non Payment of Council Tax	Matter forwarded onto Council Tax Section for Investigation	Hotline
005/07	Member of Public	Caller concerned that a Council employee had divulged his name to the person he had whistleblown on.	Allegations to be investigated. <i>Investigations in progress.</i>	Hotline

SECTION 5 – PERFORMANCE INFORMATION

KPI 01

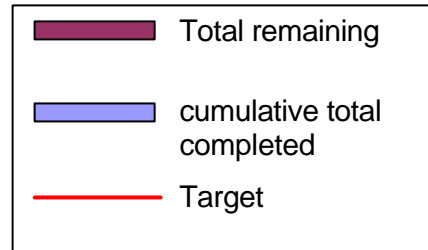
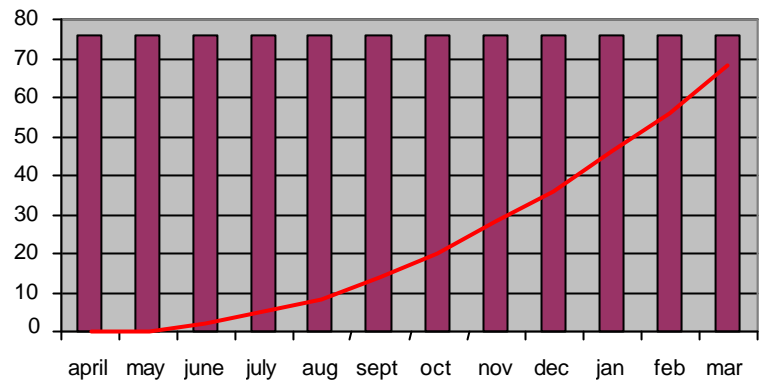
KPI 02

Number of reviews completed to draft stage as a percentage of the total planned reviews - cumulative



KPI 03

Number of audit reviews completed as a percentage of annual total - cumulative



Audit briefs produced for the first quarter were above the target set – cumulatively 12 were produced for a target of 11. Audits that were carried forward from 2006-07 provided more work than anticipated and the lack of replacements for staff leavers also prevented any draft/final reports being issued.

Section 6 - SUMMARY OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

Schedule 7 - Categorisation of recommendations and totals by year.

High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

Only the totals in bold have changed since the last table was compiled:

		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	18	121	69	208
	External	13	7	2	22

SCHEDULE 8 - Internal Audit Outstanding Recommendations – 2003/2004

Review in 2003/4	HoS Responsible	Outstanding			Position as at end JUN 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Final Accounts	Streetcare		1		1		
Community Care Packages	Adult Social Services		1		1		
Homecare	Adult Social Services		1		1		
Community Care Placements	Adult Social Services	1	1		2		
Total		1	4	0			

SCHEDULE 9 - Internal Audit Outstanding Recommendations – 2004/2005

Review in 2004/05	HoS Responsible	Outstanding			Position as at end JUN 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Crime & Disorder Reduction CCTV	Legal And Democratic Services		2		2		
Landscape Works A1306	Technical Services	1			1		
Partnership Arrangements	Technical Services	1	1		2		
Total		2	3	0			

SCHEDULE 10 - Internal Audit Outstanding Recommendations – 2005/2006

Review in 2005/6	HoS Responsible	Outstanding			Position as at end JUN 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Approved Lists & Contracts Register	Financial Services		1		1		
Prov of Services Learning Disabilities	Adult Social Services		1		1		
Parking Tickets Issue and Processing	Technical Services		1	1	2		
Stock & Plant Pro-Active	Housing And Health		1		1		
Personnel	Human Resources		1		1		
Housing Grants & Allowances (Redecoration Vouchers)	Housing And Health		1		1		
Agencies Pro-Active	Financial Services	1			1		
Consultants	Human Resources		1		1		
Health & Safety	Technical Services		2		2		
Provision of Residential Placements and Home Care for the Elderly	Adult Social Services		2	1	3		
Insurance and Performance Bonds	Financial Services		2	1	3		
Repairs and Maintenance Contracts	Technical Services - 1 High & 1 Low, In Progress. 1 Low, Not Started	1		2	2	1	
Purchasing Services for those with mental health problems	Adult Social Services		1	1	2		
E Commerce	Customer Services		3		3		
New Employees Pro-active	Human Resources		1		1		
Total		2	18	6			

SCHEDULE 11 - Internal Audit Outstanding Recommendations – 2006/2007

Review in 2006/07	HoS Responsible	Outstanding			Position as at end JUN 07		
		High	Medium	Low	In Progress	Not Started	Status Unknown
Certificate Payments	Technical Services		2		2		
Tender Review of ICS and ISA Systems	Financial Services		1		1		
Commissioning of Transport Services within Childrens' Services	Housing And Health Childrens Social Services		2		2		
Income Controls Planning	Development & Strategic Planning	1			1		
Income Controls Facilities	Streetcare	1			1		
Commissioning of Works Havering Technical Partnership	Technical Services		3		3		
Management of Car Parks and Meters	Technical Services		3		3		
Central Library	Customer Services			1		1	
Cheque Control	Land And Property Services		1		1		
Constitution	Legal And Democratic Services			1	1		
PTCS Recharges	Technical Services		1	1	2		
Capital Monitoring	Financial Services		1	1	2		
Special Education Needs	Pupil And Student Services			1			1
Corporate Health & Safety Controls	Land And Property Services		5				5
Council Tax	Exchequer Services		1		1		
Repairs and Maintenance Contracts	Technical Services	1		1	2		
NNDR	Customer Services		1				1
Software Licence	Business Systems		2	1	3		
Post Completion Project Assessment	Technical Services			6			6
Payroll	Exchequer Services		1		1		
Providing Services for the Physically Disabled	Adult Social Services /Human Resources. Adult Social Services	1	1		2		
A1306 Phase II Works	Technical Services		4	1			5
Total		4	29	14			

SCHEUDLE 12 – High Priority Outstanding External Audit Recommendations – 2006/2007

HIGH PRIORITY RECOMMENDATIONS				
Reports	Recommendations	HoS Responsible	Current Position	Classification
<p>Grant Report 2005/2006 (audit of grant claims)</p> <p>(Report issued 06/07)</p>	<p>R6 As per the DCLG's requirements, measure the complete internal area and not just the foot print of buildings when analysing all dwellings.</p>	<p>Financial Services/ Housing And Health</p>	<p>Note: This grant claim was qualified on 2004/05. This is a repeated recommendation. The Head of Service informed the DCLG in letter 24 Nov 06 as to why the measurements were taken as a footprint. This issue has been resolved for 2005/06. HOS will speak with the DCLG re 2006/07.</p>	<p>In Progress</p>
<p>Grant Report 2005/2006 (audit of grant claims)</p> <p>(Report issued 06/07)</p>	<p>R7 Put in place arrangements to ensure that adequate supporting working papers are retained for properties classified as void.</p>	<p>Housing And Health and Financial Services</p>	<p>Homes in Havering retain supporting working papers that are required for inclusion as audit evidence. Officers will ensure that arrangements are in place to provide the supporting working papers for properties classified as void for the 2006/07 audit by informing HIH that once audit process has begun, sample evidence will be requested and should be easily accessible so that the grant protocol deadlines can be met.</p>	<p>In Progress</p>
<p>Grant Report 2005/2006 (audit of grant claims)</p> <p>(Report issued 06/07)</p>	<p>R16 Review the Academy reporting tool to ensure that it reports backdates and extended payments net of overpayments.</p>	<p>Exchequer Services</p>	<p>This recommendation is in the process of being resolved by Academy and officers are monitoring its progress. In Progress - With Academy</p>	<p>In Progress</p>
<p>Grant Report 2005/2006 (audit of grant claims)</p> <p>(Report issued 06/07)</p>	<p>R22 Put in place adequate arrangements to ensure that only eligible expenditure is included in the claim.</p>	<p>Pupil and Student Services</p>	<p>Officers agreed that this would be addressed by meetings with project leaders being held and monitoring by the individual finance officers. A programme highlighting the importance of controlled financial environments has also been put into place.</p>	<p>In Progress</p>

SCHEDULE 13 – Medium Priority Outstanding External Audit Recommendations – 2005/2006, 2006/2007

MEDIUM PRIORITY RECOMMENDATIONS				
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.	Land And Property Services	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
Grant Report 2005/2006 (audit of grant claims) (Report issued 06/07)	R5 Ensure that all apportionments included in the claim is based on reasonable judgements.	Housing And Health and Financial Services	Officers will ensure that all apportionments included in the claim are based on reasonable judgements.	In Progress

(There are no outstanding Low priority recommendations)

SECTION 7 - Benefits Comparative Information

SCHEDULE 14 - Benefit Investigations - 1 April 2006 to 30 June 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 for the final quarter of 2006/07, which is the latest available data.

	2007/8 Target	Achieved YTD	National Average	All London Average	Outer London Average
Official Cautions administered	27	12	7.86	13.09	14.84
Administrative Penalties administered	27	7	4.69	7.34	11.11
Administrative Penalties value	Not set	£12,193.20	No figures available	No figures available	No figures available
Summonses Issued	24	9	No figures available	No figures available	No figures available
Prosecutions (convictions)	24	8	3.68	4.58	4.68
Prosecution Costs	Not set	£10,979.16	No figures available	No figures available	No figures available
Prosecution Costs Awarded	Not set	£2,050.00	No figures available	No figures available	No figures available

Current performance is exceeding year to date targets in all areas and represents a significant improvement on the previous year.

SCHEDULE 15 - BVPI 76 - Security

BVPI	Description	Annual Target	Outturn	National Average	All London average	Outer London average
76b	Number of investigators employed, per 1,000 caseload	0.35	0.34	0.25	0.23	0.27
76c	Number of investigations, per 1,000 caseload	34	8.60	8.53	5.33	7.08
76d	Number of prosecutions and sanctions, per 1,000 caseload	4.3	1.24	1.25	1.09	1.40

The outturn figures for BVPI 76c and 76d are cumulative and indicate the targets will be exceeded by the end of the year.



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: REVIEW OF SCHOOLS INTERNAL AUDIT: ACADEMIC YEAR 2006/07

SUMMARY

To report to the Committee on the findings from internal audits carried out in Havering's schools during academic year 2006/07.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

1. Audit Arrangements

Academic year 2006/07 was the third year of the revised internal audit arrangements in schools. These include a robust, risk based triennial audit by auditors appointed through competitive tender (currently Deloitte and Touche) and an annual health check audit provided as part of Children's Services School Funding and Assurance section.

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

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
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Substantial Assurance	While there is a basically sound system, there are weaknesses which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and /or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

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

Priority One:	Major issues for the attention of senior management
Priority Two:	Recommendations for local management action
Priority Three:	Minor Matters

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

2 Findings

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

83 of the 86 Havering schools received an internal audit during the academic year, three having had their audit postponed until early autumn 2007 due to unavoidable pressures within the individual schools. Two schools have draft reports yet to be finalised and these are not therefore included in the table shown below.

The table below summarises the audit opinion for the 81 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
2006/07	0	76	5	0	81
2005/06	2	74	7	0	83
2004/05	8	72	4	0	84
2003/04	4	78	1	0	83

In the previous academic year (2005/06) seven schools were given limited assurance. In the 2006/07 there were five schools.

Audit testing has also taken into account the need to prepare schools for the future requirement to comply with the new Financial Management Standard in Schools (see section 4 below).

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

No school was considered to have weaknesses that resulted in No Assurance.

Summary of recommendations

	No of recommendations	Av per school	Max no per school	Priority 1 recommendations
2006/07	667	8	16	187 (28%)
2005/06	891	11	24	180(20%)
2004/05	557	7	19	27 (5%)
2003/04	289	3.5	12	19 (7%)

Appendix 2 summarises some of the findings resulting in priority 1 recommendations.

Appendix 3 provides details of high priority recommendations and findings.

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

- Organisation and Accountability
 - Incomplete minutes and records of Governing Body and Sub-Committees
 - Difficulty in recruiting school governors.
 - Failures to have an up to date school finance policy or approved delegation limits
 - Incomplete registers of financial interests
- Internal Financial Control
 - Incomplete Inventory Lists
 - No disposal Policy
 - Inadequacy of Security Marking of Assets
 - Lack of annual inventory checks
 - Incomplete records of loaned equipment
- Budgets
 - Budgets not updated in SIMS (accounting system)
 - Budget Virements and adjustments not approved within delegation authorities
- Purchasing
 - Copy orders not properly marked as “copy”
 - Delivery notes not signed to confirm delivery of goods or services
- Personnel
 - Cancellation and control of timesheets
- Income
 - Identification of income streams other than LA funding
 - Updated Charging policy within the school

- Banking Arrangements/Cheque Book Scheme.
Confirmation of regular and frequent banking arrangements
- Petty Cash
Timely reconciliations, cancellation of receipts after payment of expense has been made.
- Recommendations from previous audits
Recommendations made in previous audits have not been followed up and implemented. In particular, recommendations on inventory control have not been complied with and Finance Policy in draft format.

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

3. Progress made in implementing recommendations

A table has been prepared which shows the progress made in 2006-2007 with the audit recommendations from the previous financial year. (Appendix 4).

4 Financial Management Standard in Schools

The DCSF has introduced a national Financial Management Standard in Schools (FMSiS) which, put simply, is a statement of what a school that is well managed financially will look like.

Good practice in a school, which meets the Standard, can be analysed under five headings as follows:

- Leadership and Governance
- People Management
- Policy and Strategy
- Partnerships and Resources
- Processes

Compliance with the Standard will reassure parents, governors, head teachers, local authorities and OfSTED that steps are in place to ensure sound financial management. The process is also intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. Schools should be able to manage their resources more efficiently, leading to an increase in value for money.

Originally established as a guide to Best Practice, the Standard became compulsory for Secondary Schools in 2006/2007, and is compulsory for Primary and Special Schools over the next three years.

All secondary Schools were required to undertake a self assessment of their financial management which was then externally assessed by Deloitte & Touche prior to March 2007. All 18 secondary schools were judged to have met the Standard. LA Chief Finance
Report to Audit Committee -

Officers were required to sign an assurance statement identifying the number of schools which have complied with the standard and the number which have not. A copy of Havering's statement is attached at Appendix 5.

Secondary schools received a separate report detailing recommendations in relation to the financial management standard. A summary of those recommendations are as follows:

Leadership and Governance	RECOMMENDATION
<p>The staff and governors have a shared understanding of their own financial management roles, responsibilities and accountabilities and those of others.</p>	<p>It is recommended that the Governing Body implements a formal Governors induction pack that sets out expected competencies and the roles and responsibilities of governors</p>
People management	
<p>The staff with financial management responsibilities include individuals who are organised in a way that enables them to provide a strategic view, ensure accountability requirements, facilitate the effective operation of the financial process.</p>	<p>Our assessment showed that reliance is primarily placed upon the skills of the Bursar. However, it was noted that the skills of finance support staff are being developed. It is recommended that management continue to ensure that finance support staff are sufficiently trained to support the financial operations of the school in the unexpected absence of the bursar.</p>
Policy & Strategy	
<p>The school has an annual budget that "is realistic and affordable in relation to available resources and cash flows, is approved by governors on a timely basis" reflects the School Development Plan, is consistent with any longer term financial plans (including recovery of deficits or saving up for future developments).</p>	<p>The School Improvement Plan should be sufficiently aligned to the school budget and should contain details of financial resources assigned to meet targets. The School Improvement Plan should be formally ratified by the Governing Body and clearly minuted within the minutes of the relevant meeting.</p>
Partnerships & Resources	
<p>The LA and the school have agreed their respective financial management roles and responsibilities</p>	<p>There were no recommendations in these areas.</p>
Processes	
<p>The financial management information provided to governors and staff meets their needs and the school has up-to-date, documented and approved financial procedures and there is effective financial control</p>	<p>There were no recommendations in these areas but issues in this area were covered in the audit report and not FMSiS.</p>

FINANCIAL IMPLICATIONS AND RISKS

Costs

	£
Annual cost of the Triennial Audit currently delivered by Deloitte and Touche	38,510
Annual Health checks including review, supervision and contract monitoring	54,265
Total	92,775

Funded By

	£
School Audit Budget (E523)	38,510
Proportion of School Financial Support Budget (E293)	54,265
Total	92,775

The entire internal audit process is risk based and the arrangements in place ensure that schools have adequate internal controls in place to mitigate the risks.

Compliance with the Financial Management Standard is a school responsibility and as such the cost is met from schools' delegated budgets. Primary and secondary schools have been advised to budget for £500 in the 2007/08 financial year to meet the costs of the external assessment.

The audit recommendations largely appear to present no financial implications. However, where there are costs associated with meeting the recommendations it is anticipated that these will be met through current resources and the current SLA agreement with schools.

HUMAN RESOURCES IMPLICATIONS AND RISKS

None arising directly from this report.

LEGAL IMPLICATIONS AND RISKS

None arising directly from this report.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

None arising directly from this report.

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CHERYL COPPELL
Chief Executive

Audit Committee, 27 September 2007

Background Papers:
School Internal Audit reports

APPENDIX 1

AUDIT FINDINGS

1. Submission of Reports

83 of the 86 Havering schools received an internal audit during the academic year, three having had their audit postponed until early autumn 2007 due to unavoidable pressures within the individual schools. Two school draft reports have yet to be issued.

2. Audit Opinion and level of Assurance given

The table below summarises the audit opinion passed for the 81 schools reviewed.

Audit Opinion	Full Assurance	Substantial Assurance	Limited Assurance	No Assurance	Total schools
Number of Schools	0	76	5	0	81

3. Audit Recommendations

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

Priority of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Priority 1	178	6	3	187	10
Priority 2	324	96	23	443	14
Priority 3	17	18	2	37	6
Total Recommendations	519	120	28	667	
Average Recommendations per school	9	7	14		

Area of Recommendation	Primary Schools	Secondary Schools	Special Schools	Totals	Max no. per school
Organisation & Accountability	149	51	7	207	7
Compliance with previous audit	125	17	15	157	6
Budget	75	7	1	83	3
Purchasing	42	6	1	49	4
Personnel	7	8	1	16	2
Income	50	8	1	59	3
Banking / Petty Cash	20	5		25	2
Others	51	18	2	71	3
Totals	519	120	28	667	

4. Common Recommendations and Related Risks

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

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

<p>recommendations</p> <p>Recommendations not fully implemented include : -</p> <p>Finance Policy in draft format</p> <p>Scheme of Delegation not up to date</p> <p>Asset Register incomplete</p> <p>Asset Register not presented to governors</p> <p>School Fund account not independently audited</p>	<p>Risk of poor governance in the school which may result in misappropriation of school funds and assets</p>
<p>Budgets</p> <p>Budget Virements or adjustments not reported to Finance Committee or Governing Body</p> <p>Budget held on SIMS not reconciled to original approved budget</p> <p>Lack of evidence of regular budget monitoring</p> <p>Financial benchmarking not undertaken/or presented to governors</p>	<p>Risk of inappropriate transfer of funds to cover overspends</p> <p>Risk of errors in budget monitoring and decision making</p> <p>Risk of variance to budget not being detected in a timely manner and corrective action taken</p> <p>Risk of not maximising financial data available to monitor/improve financial performance</p>
<p>Purchasing</p> <p>Lack of segregation of duties in ordering and receiving goods (particularly in small schools)</p> <p>Lack of evidence of best value being obtained for public funds.</p> <p>Lack of clear approval in the minutes of the Finance Committee of expenditure above the delegated limit.</p>	<p>Risk of potential misuse of funds</p> <p>Risk of inappropriate contractors being appointed and the school not obtaining VFM</p> <p>Risk of management acting outside delegated authority.</p>

<p>Personnel</p> <p>Personnel records inadequately maintained</p> <p>Pay Policy not up to-date</p> <p>No evidence of Head Teacher's management performance documented</p>	<p>Risk of salary budget not matching grade and years of service not known</p> <p>Risk of non-compliance with best practice</p> <p>Implications for budget and focus on key target issues not raised</p>
<p>Income</p> <p>School's charging policy not reviewed or updated</p> <p>Lack of daily income register & audit trail</p> <p>Invoices raised not authorised and no debtors control.</p>	<p>Risk of loss of income if charging policy is not up to date</p> <p>Risk of missing potential profits in lettings of school facilities</p> <p>Risk of incomplete record of income</p> <p>Loss of income to the school and incorrect invoices being raised</p>
<p>Banking & Petty Cash</p> <p>Bank mandate not up to date</p> <p>Payments not signed as paid or not signed by recipient</p> <p>Reconciliation of Petty Cash not carried out regularly</p>	<p>Risk that payments may be authorised by an officer who is not a member of the school</p> <p>Risk of dispute of payment and could lead to financial loss</p> <p>Risk of potential over /under payments not being identified</p>
<p>Others</p> <p>Lack of Gift & Hospitality Register</p> <p>Not investing surplus funds</p> <p>Back-up tapes not held in fire-proof location</p>	<p>Risk that staff could be accused of being influenced by supplier</p> <p>School not maximising interest receivable</p> <p>Risk of loss of data</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS AND FINDINGS

The following table summarises audit recommendations that were deemed to require senior management action in ensuring compliance.

Recommendations/ Findings	Type of School	Level of Assurance within school(s) where recommendation was made	Auditor
No evidence of regular budget monitoring throughout year. Lack of consistency in security marked of assets.	Primary/Secondary	Substantial	Deloitte & Touche
Scheme of Delegation/Finance Policy available but no clear approval of the review.	Primary	Substantial	Deloitte & Touche Internal audit.
Lack of link between the SDP and the schools annual budget. Pecuniary interest register incomplete Notification of budget virements not minuted. Access user rights on SIMS not up-to-date	Primary/Secondary	Substantial	Deloitte & Touche Internal audit
Lack of up-to-date Pay Policy. No evidence of performance management of Head Teacher within minutes of the Governing Body. Asset control for non IT equipment	Primary/Secondary	Substantial	Deloitte & Touche
Lack of independent review of School Fund Account. Audit of private school fund not carried out/or not in timely manner.	Primary/Secondary	Substantial	Deloitte & Touche
Several previous audit recommendations not fully implemented. Committee minutes not detailed/signed. No evidence of regular budget monitoring – unclear approval of expenditure. Pecuniary interests forms not completed. No up-to-date charging policy.	Primary	Limited	Internal audit

PROGRESS MADE IN IMPLEMENTING RECOMMENDATIONS

The table below shows the number of recommendations following audit visits during 2005/2006 and details the progress made by school in implementing them. This was measured when schools were revisited for the 2006/2007 audit.

85% of the recommendations made had been either fully or partly implemented. 95.5% of secondary school recommendations had either been fully or partly implemented.

The 26 Priority One recommendations not implemented mainly related to issues which had not been addressed the previous year. These were originally lower level recommendations which are automatically re-assigned Priority One because of their non-implementation.

As outlined elsewhere in the report there has been a significant drop in the total number of recommendations made in 2006-2007.

Priority One recommendations partly implemented generally related to the revision of the Schools Finance Policy and the inventory of equipment which can be a lengthy process but had not yet reached completion.

Priority:	Recommendations made				Fully implemented					Partly implemented					Not implemented				
	1	2	3	Total	1	2	3	Total	%	1	2	3	Total	%	1	2	3	Total	%
Primary Schools	102	475	36	613	49	275	26	350	57	33	114	5	152	25	18	74	4	96	16
Secondary Schools	62	168	17	247	50	153	16	219	89	4	13	0	17	7	6	5	0	11	4
Special Schools	8	12	1	21	2	4	1	7	33	3	3		6	29	2	3		5	24
All Schools	172	655	54	881	101	432	43	576	65	40	130	5	175	20	26	82	4	112	15



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	9

SUBJECT: Data Quality Review 2006/2007

Data Quality Review

London Borough of Havering

Audit 2006/2007

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.

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Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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Background

- 1 Public services need reliable, accurate and timely information with which to manage services, inform users and account for performance. Service providers make many, often complex, decisions about their priorities and the use of resources. Service users and members of the public more widely, need accessible information to make informed decisions. Regulators and government departments need information to satisfy their responsibilities for making judgements about performance and governance.
- 2 Much time and money is spent on the activities and systems involved in collecting and analysing the data which underlies performance information, yet there remains a prevailing lack of confidence in much of this data. As increasing reliance is placed on this information in performance management and assessment regimes, the need for reliable data has become more critical.
- 3 Good quality data is the essential ingredient for reliable performance and financial information to support decision making. The data used to report on performance must be fit for purpose, and represent an organisation's activity in an accurate and timely manner. At the same time there must be a balance between the use and importance of the information, and the cost of collecting the required data to the necessary level of accuracy.
- 4 Public bodies can improve the quality of their data by identifying the performance information that is important to them and their stakeholders, and securing the quality of the data to support these information needs. This is more likely if the performance information is routinely used for the day to day planning and management of services, and the people who collect the data understand its importance.

Scope and Objectives

- 5 The Audit Commission has developed a three-stage approach to the review of data quality, comprising the following.

Stage 1	<p>Management arrangements</p> <p>A review to determine whether proper corporate management arrangements for data quality are in place and whether these are being applied consistently in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the audited body's arrangements to secure value for money (the VFM Conclusion.)</p>
Stage 2	<p>Completeness check</p> <p>An arithmetic check of calculations for BVPIs, and selection of a sample for testing based on risk assessment. The sample has been drawn from three key service areas: culture, environment and housing.</p>
Stage 3	<p>Data quality spot checks</p> <p>In-depth review of a sample of PIs (from a list of specified BVPIs and non-BVPIs) to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information.</p>

Conclusions

- 6 The Council's management arrangements for data quality meet minimum requirements. Governance and leadership arrangements are in place and the Council has successfully raised the profile of data quality in recent years. However, policies, systems and processes are not always formalised and applied consistently. Current data quality arrangements focus on reported best value performance indicators. A broader approach to data quality, strengthening management arrangements for all key performance information, would improve performance reporting and provide more robust information for decision making.
- 7 Our review and spot checks of eight specified PIs found that:
- one PI had been fairly stated;
 - three PIs required material amendment;
 - one PI required a minor amendment; and
 - reservations were recorded for three PIs.

Management arrangements (Stage 1)

- 8 Overall the Council's management arrangements for data quality meet minimum requirements.

Governance and leadership

Has the body put in place arrangements at a senior level to secure the quality of data used to manage and report on performance?

- 9 The Council has defined responsibility for data quality at the executive level. However, at the head of service level it is less explicit and responsibility for data quality is not usually included as one of the Generic Accountabilities within job descriptions.
- 10 The Council demonstrates a clear commitment to data quality for Best Value Performance Indicators (BVPIs) and has successfully raised the profile of data quality in this respect. However, the issue of data quality does not feature prominently within the Council's broader performance management framework. Historically, improvements in data quality have largely been reactive, following matters arising from external audits.
- 11 There is a clear commitment to reduce the number of performance indicators that receive qualifications and the need to strengthen quality assurance arrangements is stated in the Corporate Plan. However, there is no formal data quality strategy that sets out data quality objectives and the actions required to achieve improvements. Monitoring and review arrangements for data quality exist and are strong in some service areas but should be more clearly structured and broader in their coverage. These arrangements should cover all key performance information.

Recommendation
<i>R1 The Council's approach to data quality should cover all key performance information reported and used by the Council to inform decision making.</i>

Policies

Has the organisation defined its expectations and requirements in relation to data quality?

- 12 The Council has a corporate data quality process in place, designed primarily to meet external audit requirements. This process is driven by the corporate performance team and performance management group. Data quality does not explicitly form part of the performance management group's terms of reference, but is implicit within its broader performance management role.

- 13 Operational procedures and guidance are strong in some service areas, but could be improved in others. The extent to which such procedures are followed across the Council is also mixed. The Council has no data quality policy. The production and consistent application of such a corporate policy could strengthen, clarify and improve the consistency of data quality arrangements.

Recommendation

R2 Corporate management arrangements for data quality should be strengthened to raise standards across the Council as a whole. This could be achieved through the adoption and consistent implementation of a corporate data quality strategy and policy.

Systems and processes

Are there effective systems and processes in place to secure the quality of data?

- 14 The Council's systems for data collection, recording, analysis and reporting vary in quality. For specific issues relating to individual systems covered by our detailed testing, refer Stage 3 in this report. A number of the information systems are well documented, have strong controls and robust quality assurance arrangements. Spreadsheet based information systems are widely used and the inherent risks in recording and analysis associated with such systems are not always adequately addressed. Management controls for externally published performance information have been strengthened in recent years, with managers authorising the Best Value Performance Indicators before their publication in the Best Value Performance Plan.
- 15 Business continuity arrangements for 2005/06 in respect of performance management information should be strengthened by the recently produced Corporate Business Continuity Strategy. Arrangements for ensuring the quality of performance data and information received from third parties still need to be improved. The data sharing protocol for Havering Partnership could be strengthened to cover performance information more explicitly.

Recommendations

R3 The Council should ensure all information systems are clearly documented and that robust quality assurance arrangements exist for all key performance information.

R4 The Data Sharing Protocol for Havering Partnership should be strengthened and expanded to cover performance information explicitly.

People and skills

Does the organisation have the resources in place to secure data quality?

- 16 Awareness of data quality responsibilities within the Council is generally strong. The profile of data quality at the operational level has grown, in part through the role of the Performance Management Group. However, the strength of the role of members of this group in championing data quality issues, varies significantly between service departments. Some consider data quality as an integral part of their role, while others place greater emphasis on performance management activities.
- 17 The Council provided corporate data quality training to appropriate staff in 2002. From this point, data quality arrangements have been devolved. The Council has undertaken no assessment of data quality skills across the organisation, which would enable it to determine potential gaps in skills. An assessment should be undertaken and broad data quality training provided to appropriate staff. Responsibilities for data quality could be more clearly defined in job descriptions.

Recommendations	
R5	<i>Staff roles and responsibilities for data quality should be defined explicitly.</i>
R6	<i>Data quality skills should be evaluated and training provided to meet any shortfall.</i>

Data use

Are there effective arrangements and controls in place for the use of data by the organisation?

- 18 The Council's use of data in performance management has improved in recent years. The role of both the Project Board and Commissioner Board provide a valuable check on the performance information produced by services that come under their scrutiny. They are also a driver of improvement in service delivery. Performance targets and information now form a core part of service plans. However, the quality assurance arrangements for data reporting vary across service areas, with controls for external reporting in Housing, for example, being weaker. Quality assurance arrangements for performance information reported to those charged with governance in the Performance Pack are generally strong, although this is mostly dependent on the strength of the arrangements in a given service area or functional department. For example, improvements have been made in the quality of reported HR performance information because of a specific focus on improving data quality in this area.
- 19 The quality of external data returns submitted to central government departments and other bodies is also variable. Senior approval and authorisation of data submitted in such returns does not always occur. However, for BVPIs, approval is always obtained and controls on reporting these performance indicators are generally strong.

Recommendation
<i>R7 Senior approval and authorisation should be obtained for all performance data submitted to central government departments and other external bodies.</i>

Completeness Check (Stage 2)

- 20 The sample checks to be performed at Stage 2 were determined by an analytical review completed by the Audit Commission PI Team. Those indicators that varied year on year by more than a pre-determined limit and those that were outliers when compared to similar authorities were identified for follow-up and verification. Those PIs produced by London Borough of Havering and identified by the Audit Commission for investigation by the local audit team are listed in Appendix 1. Completeness and arithmetic checks on these PIs were all satisfactory. However, this element of the audit found that information for BVPIs was more readily available and the responses to queries more timely, than was the case for non-BVPIs.

Review of performance indicators (Stage 3)

- 21 Following our assessment at Stage 1 and consideration of the results of Stage 2, we determined that a sample of eight PIs from the specified list of nineteen would be selected for detailed testing. Of the eight PIs reviewed, three received a reserved opinion, three received an unreserved opinion after material amendment, one received an unreserved opinion after a minor amendment, and one received an unreserved opinion with no amendment required. The eight PIs reviewed were all non-BVPIs. The PIs spot checked were as follows.

Culture

- Stock turn - book issues per 1,000 population/books per 1,000 population (IPF.)
- Stock level per 1,000 population (IPF.)
- Cost per library visit (IPF.)

Housing

- Average re-let times (HIP BPSA.)
- Percentage of planned to responsive repairs (HIP BPSA.)
- Service users who have moved on in a planned way from temporary living arrangements (KPI 2) .
- Percentage of total private sector homes vacant for more than six months (HIP HSSA.)
- Repeat homelessness (HIP HSSA.)

Summary of review findings - Culture PIs

22 One of the Culture PIs reviewed was found to be fairly stated. Two Culture PIs were reserved.

23 Cost per library visit (IPF)

- This PI was fairly stated but the following points are noted.
 - The PI requires a sample survey for a representative week to be undertaken, with the result being extrapolated to produce a figure for the whole year. Four of the Council's libraries were closed for refurbishment for part of the 2005/06 financial year. The Council made no adjustment to its 'number of library visits' figure (as reported to IPF) to reflect the likely impact of these closures. A non-material amendment was proposed by the Audit Commission, but the adjustment was declined by the Council.

Recommendation
<i>R8 The Council should adjust its reported library visits figure to reasonably reflect the impact of closures.</i>

24 Stock turn - book issues per 1,000 population/books per 1,000 population (IPF) and Stock level per 1,000 population (IPF)

- Both PIs were given a reserved opinion because there was insufficient assurance on the accuracy of the stock level. The following points should be noted.
 - The Council did not retain complete data of the stock held as at 31 March 2006 to support the reported stock figure. A figure from the library management system as at 4 April (a reasonable approximation for the 31 March position) was used for the IPF return, but the nearest date where a complete stock listing (ie an audit trail) was available was 28 April 2006.
 - The Council is not maintaining records of the items deleted from its system, including the reason for deletion; a record of whether an item is being deleted because it is lost/stolen, or because it is of insufficient quality to lend, would be useful for both management and audit purposes.
 - The Council had not undertaken a stock survey to verify the accuracy of the stock figure reported by its system. The non-moving stock 'weeding' process undertaken in 2005/06 indicated that a significant number of books recorded as held were actually missing. Using a weeding process based on reports of stock that has not been issued for at least three years creates a time lag that does not give assurance on the current stock figure. Furthermore, extended sample testing indicated two cases out of 20 where books had not been issued since 2001 and had not yet been weeded.

- The Council's current library management system contains a large number of items which have been migrated from the old library management system. Testing indicated that in many instances, the information recorded on the new system for migrated data items is not adequate to trace the book.

Recommendations

R9 Figures reported in the IPF return should be based on the 31 March position, and should be supported by a full audit trail.

R10 The Council should undertake appropriate stock taking activities to ensure the 31 March 2007 stock figure is robust and can be supported with an audit trail.

Summary of review findings - Housing PIs

- 25** One Housing PI was reserved. Four Housing PIs were assessed as fairly stated after amendments were agreed. Three of these amendments were material.
- 26** **Service users who have moved on in a planned way from temporary living arrangements (KPI 2)**
- This PI was reserved for the following reasons.
 - The Council did not have adequate arrangements in place to collect the required performance data from Havering Hostel. The data the Council submitted to DCLG in respect of this provider was not supported by prime documents (ie returns from the provider.)
 - There were no quality arrangements in place to give the Council assurance that the information they have received from the other providers is correct.

Recommendation

R11 The Council should introduce arrangements to ensure that the data is collected, recorded and reported in line with the required definition and to give assurance on the quality of data received from all providers.

Average re-let times (HIP BPSA)

- This PI was found to be fairly stated after material amendment. The PI submitted for audit was 42 days. The amended PI was 57 days. The following findings should be noted.
 - The original HIP figures submitted by the Council for this PI were for a different indicator (BV212 figure was submitted: HIP guidance stated that BV68 guidance should be followed.)
 - The Council was unable to produce prime documents on a timely basis to support the figure reported.

Recommendations
<i>R12 Management arrangements should be strengthened to ensure that the correct PI definition is followed.</i>
<i>R13 Prime documents to support key performance indicators should be retained and be accessible to auditors and management on a timely basis.</i>

27 Percentage of total private sector homes vacant for more than six months (HIP HSSA)

- This PI was assessed as fairly stated after material amendment. The original PI submitted for audit was 0.97 per cent. The amended PI was 1.29 per cent. The following findings should be noted:
 - A large number of staff were involved in resolving the audit queries that arose from this PI. Obtaining responses to queries, especially in respect of the management arrangements and the system for collecting this PI, was therefore time consuming and indicated that responsibilities had not been clearly defined.
 - The figure initially reported by the Council did not include all the relevant classes of private sector homes vacant for more than six months as required by the DCLG guidance.
 - Testing revealed a number of cases where homes reported as vacant for more than six months as at 1 April were subsequently found to have been occupied as at 1 April.

Recommendations
<i>R14 Responsibilities for the production and the data quality of this PI should be defined clearly.</i>
<i>R15 The Council should ensure appropriate parameters are set to collect the PI in accordance with the definition.</i>
<i>R16 The Council should strengthen data quality arrangements for determining the vacancy of private sector homes. This may involve cross checking records against other relevant data already held by the Council (eg the electoral register), and undertaking status review procedures (eg issuing letters to registered owners for a property) on a systematic basis.</i>

28 Percentage of planned to responsive repairs (HIP BPSA)

- This PI was assessed as fairly stated after material amendment. The original PI submitted for audit was 57 per cent planned and 43 per cent responsive. The amended PI was 43 per cent planned and 57 per cent responsive. The following findings should be noted.
 - The Housing Investment Programme (HIP) figure reported by the Council included capital expenditure. The performance indicator relates only to revenue expenditure. This demonstrates a significant weakness in data quality management arrangements.
 - The Council has a number of contracts which, in part, form the basis of differentiating works that are planned from those that are responsive. At the time of audit, at least one contract was unavailable for inspection (in respect of 'surtees'.)
 - The Council indicated that it undertakes standard maintenance work on all properties that become void (as required) and by virtue of the process being as standard; these works are classified as 'planned' repairs. The classification of such expenditure as 'planned' is acceptable; however, there was no formal documentation of this operational procedure to demonstrate clearly the repairs are completed as standard.

Recommendations

<i>R17 Management arrangements for data quality should ensure the reported PI is in line with the required definition.</i>
--

<i>R18 Unexpected deviations in performance should be investigated and assurance gained that such variances are real changes in performance. Ownership and responsibility for the reported information should be clearly assigned.</i>
--

<i>R19 The Council should ensure that valid and up to date contracts are held with external providers.</i>
--

<i>R20 Management arrangements should clearly demonstrate how planned and responsive repairs have been differentiated.</i>
--

29 Repeat Homelessness (HIP HSSA)

- This PI was found to be fairly stated. A non-material amendment was made to the original submission. The following matter should be noted.
 - The single case reported by the Council as a repeat homelessness case was found not to be a case of repeat homelessness. This indicates a weakness in the data quality arrangements in respect of this PI, especially given the small size of the data population.

Recommendation

<i>R21 Management arrangements for data quality should ensure the reported PI is in line with the required definition.</i>
--

Appendix 1 – List of specified PIs

BVPIs

Environment

- Planning speed (BV109.)
- Speed in fixing street lights (BV215.)
- Percentage of pedestrian crossings with facilities for disabled people (BV165.)
- *Bus patronage (BV102) - Produced by Transport for London*
- Recycling performance (BV82a.)
- Composting performance (BV82b.)

Housing

(Applicable for both DMS and LSVT unless otherwise stated.)

- Proportion of non decent homes (BV184a.) DMS only.
- Average time in temporary accommodation: time in B&B (BV183a.)
- Average time in temporary accommodation: hostels (BV183b.)

Non-BVPIs

Culture

- Assessment of users 16 and over of their library service (PLSS7.)
- Stock turn – book issues per 1,000 population/books per 1,000 population (IPF.)
- Stock level per 1,000 population (IPF.)
- Cost per library visit (IPF.)

Housing

(Applicable for both DMS and LSVT unless otherwise stated.)

- Average re-let times (HIP BPSA.) DMS only.
- Percentage of planned to responsive repairs (HIP BPSA.) DMS only.
- Service users who have moved on in a planned way from temporary living arrangements (KPI2.)
- Percentage of total private sector homes vacant for more than six months (HIP HSSA.)
- Repeat homelessness (HIP HSSA.)
- Private sector unfit properties made fit (HIP HSSA.)

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	
Improving Data Quality:							
Corporate Management Arrangements							
6	R1	The Council's approach to data quality should cover all key performance information reported and used by the Council to inform decision making.	3	B Howlett and Directorate representatives.	Agreed	Will be communicated via Performance Management Group and included in data quality strategy.	June 2007
7	R2	Corporate management arrangements for data quality should be strengthened to raise standards across the Council as a whole. This could be achieved through the adoption and consistent implementation of a corporate data quality strategy and policy.	3	R Partridge, B Howlett and Directorate representatives.	Agreed	Strategy drafted and distributed in time for Audit.	June 2007
7	R3	The Council should ensure all information systems are clearly documented and that robust quality assurance arrangements exist for all key performance information.	3	B Howlett and Directorate representatives.	Agreed	Will be communicated via Performance Management Group and included in data quality strategy.	June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Improving Data Quality:						
Corporate Management Arrangements						
7	R4 The Data Sharing Protocol for Havering Partnership should be strengthened and expanded to cover performance information explicitly.	3		Agreed	Delivery structure for LAA in place. Revised protocol to be taken to Programme Board June 2007.	July 2007
8	R5 Staff roles and responsibilities for data quality should be defined explicitly.	2	B Howlett and Directorate representatives	Agreed	Definition of role of PI staff to be looked at again at Performance Management Group.	September 2007
8	R6 Data quality skills should be evaluated and training provided to meet any shortfall.	2	B Howlett and Directorate representatives	Agreed	Approach to be agreed by Performance Management Group; in-house training to be provided where possible.	Ongoing
9	R7 Senior approval and authorisation should be obtained for all performance data submitted to central government departments and other external bodies.	3	B Howlett, R Partridge and Directorate representatives	Agreed	To be included in the Data Quality strategy.	July 2007
Culture: Libraries PIs						
10	R8 The Council should adjust its reported library visits figure to reasonably reflect the impact of closures. (Re: Cost per Library Visit.)	3	A Rennie	Agreed for major closures	Different methodology now being employed for major closures.	Completed and ongoing
11	R9 Figures reported in the IPF return should be based on the 31 March position, and should be supported by a full audit trail. (Re: Stock level and turn.)	3	A Rennie	Agreed	Worked with LMS supplier to audit information.	June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R10 The Council should undertake appropriate stock taking activities to ensure the 31 March 2007 stock figure is robust and can be supported with an audit trail. (Re: Stock level and turn.)	3	A Rennie	Agreed	February 2007 stocktake undertaken and documentation kept for audit.	Completed
Housing PIs						
11	R11 The Council should introduce arrangements to ensure that the data is collected, recorded and reported in line with the required definition and to give assurance on the quality of data received from all providers. (Service users moved on in a planned way: KPI2.)	3	R Partridge	Agreed	No longer CPA sensitive PI; now included in Service wide process.	Completed
12/13	R12 and R17 and R21 Management arrangements should be strengthened to ensure that the correct PI definition is followed. (Re: Average re-let times, Planned to response repairs, Repeat homelessness.)	3	J Capprice	Agreed	Old definition redundant. Now following guidance against BV212.	Completed
12	R13 Prime documents to support key performance indicators should be retained and be accessible to auditors and management on a timely basis. (Re: Average re-let times) .	3	J Capprice	Agreed		30 June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Housing PIs						
12	R14 Responsibilities for the production and the data quality of this PI should be defined clearly. (Re: Percentage of total private sector homes vacant for more than six months.)	3	R Partridge and S Reed	Agreed	Housing and Environmental Health together with Finance and Commercial Service Areas have agreed split of responsibilities, PI will be signed off by both relevant Heads of Service.	30 June 2007
12	R15 The Council should ensure appropriate parameters are set to collect the PI in accordance with the definition. (Re: Percentage of total private sector homes vacant for more than six months.)	3	R Partridge	Agreed	See previous action point.	30 June 2007
12	R16 The Council should strengthen data quality arrangements for determining the vacancy of private sector homes. This may involve cross checking records against other relevant data already held by the Council (eg the electoral register), and undertaking status review procedures (eg issuing letters to registered owners for a property) on a systematic basis. (Re: Percentage of total private sector homes vacant for more than six months.)	3	S Reed	Agreed	Audit trails and audit testing in place within Finance and Commercial Service Area.	30 June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Housing PIs						
13	R18 Unexpected deviations in performance should be investigated and assurance gained that such variances are real changes in performance. Ownership and responsibility for the reported information should be clearly assigned. (Re: Planned to responsive repairs.)	3	J Capprice	Agreed	Requirement for audit trail in process.	30 June 2007
13	R19 The Council should ensure that valid and up to date contracts are held with external providers. (Re: Planned to responsive repairs.)	3	J Capprice	Agreed	In hand through partnership arrangements with Morrisons.	30 June 2007
13	R20 Management arrangements should clearly demonstrate how planned and responsive repairs have been differentiated. (Re: Planned to responsive repairs.)	3	J Capprice	Agreed	In place through the work of Homes in Havering Performance Team and as part of the internal audit process.	30 June 2007

AUDIT COMMITTEE

SUPPLEMENTARY

AGENDA

7.30pm	<p><u>PLEASE NOTE</u> <u>CORRECT DAY OF</u> <u>MEETING</u></p> <p>Thursday, 27 September 2007</p>	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

9. DATA QUALITY REVIEW 2006/2007 – Cover report attached

10. AUDIT & INSPECTION ANNUAL LETTER 2004/2005 & 2005/2006 – Report Attached

For information about the meeting please contact:

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MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	9

REPORT OF THE CHIEF EXECUTIVE

**SUBJECT: DATA QUALITY REVIEW, LONDON BOROUGH OF HAVERING,
2006/2007**

SUMMARY

The Audit Commission have carried out a review of the data the Council publishes – performance indicators and statistical information sent in ‘returns’ to Government Departments.

Whereas much of the Council’s data is robust (for example, the annual performance plan in recent years has received a favourable auditor’s opinion), there is work to do to make all of the performance information published of a consistent standard.

RECOMMENDATION

That the committee notes the contents of the action plan and the progress made to date.

REPORT DETAIL

1. The Audit Commission have carried out a review of the data the Council publishes – performance indicators and statistical information sent in ‘returns’ to Government Departments.
2. The review was seeking to determine whether proper corporate management arrangements for data quality are in place and whether these are being applied consistently in practice.

3. There were also several tests applied to a sample of the performance indicators the Council publishes. The full report is attached as Appendix 1.
4. The auditor's report includes an action plan which the Council is asked to agree and allocate responsibilities to. Key steps include agreeing a Data Quality Strategy, documenting the relevant systems and addressing where appropriate the training needs of the staff involved with the systems. There is also a recommendation that the Council's protocols for data sharing be expanded to include the Havering Strategic Partnership.
5. The overall conclusion by the auditor was:

“The Council's management arrangements for data quality meet minimum requirements. Governance and leadership arrangements are in place and the Council has successfully raised the profile of data quality in recent years. However, policies, systems and processes are not always formalised and applied consistently. Current data quality arrangements focus on reported best value performance indicators. A broader approach to data quality, strengthening management arrangements for all key performance information, would improve performance reporting and provide more robust information for decision making.”
6. The auditor several times mentions “key” performance information. This essentially means all CPA sensitive performance information – best value PIs as laid down by the Audit Commission in agreement with Central Government bodies, as well as those PIs submitted to various databases, such as the HSSA and BPSA for Housing PIs, CIPFA for Library based information, Department of Transport for Road Traffic Data, and the Department of Trade for Trading Standards information.
7. In short, there are two types of statutory PIs that are CPA sensitive. The Best Value PIs, where we have generally robust arrangements in place, and the ones used in the returns mentioned in paragraph 2.2, where our arrangements are not always as robust.
8. A number of the actions described in the Action Plan have now been carried out. These include;
 - 8.1 The production and distribution of a Data Quality Strategy (R1 and R2)
 - 8.2 Reinforcing messages via the Performance Management Group about the consistency of key performance information, now being tested by the current Audit Commission of the BVPIs and their follow up review of Data Quality. (R3)
 - 8.3 The Data Sharing protocol for the Havering Partnership has been strengthened and expanded to cover performance information explicitly (R4)
 - 8.4 Staff roles for Data Quality are included where appropriate in Job Descriptions and in annual appraisals. (R5 and R6)
 - 8.5 Senior approval and authorisation is needed for the publication of all key performance information (R7)
 - 8.6 The Libraries BVPIs referred to in the report have all been reviewed by the Internal Audit Team (R8 – R11, not including R10)
 - 8.7 The Housing BVPIs referred to have all been reviewed by the new Performance Manager in the Housing Service and the new Performance Manager for Homes In Havering (R12, 13, 14, 15, 16, 17, 18, 19, 20, 21 & 22)

9. In addition to this work on the Data Quality Action Plan, Internal Audit has recently concluded its own review of the Council's Performance Management system, and has not identified any immediate or significant risks.

Financial Implications and risks:

The remaining recommendations will be implemented through the reprioritisation of existing resources.

Legal Implications and risks:

None

Human Resources Implications and risks:

None

Equalities and Social Inclusion implications:

None

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CHERYL COPPELL
Chief Executive

Background Papers List

None

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Improving Data Quality: Corporate Management Arrangements					
R1 The Council's approach to data quality should cover all key performance information reported and used by the Council to inform decision making.	3	B Howlett & Directorate representatives	agreed	Communicated via Performance Management Group and included in Data Quality Strategy	June 2007
R2 Corporate management arrangements for data quality should be strengthened to raise standards across the Council as a whole. This could be achieved through the adoption and consistent implementation of a corporate data quality strategy and policy.	3	R Partridge, B Howlett & Directorate Reps.	agreed	Strategy drafted and distributed in time for Audit	June 2007
R3 The Council should ensure all information systems are clearly documented and that robust quality assurance arrangements exist for all key performance information.	3	B Howlett & Directorate Reps	agreed	Will be communicated via Performance Management Group and included in Data Quality Strategy	June 2007
R4 The Data Sharing Protocol for Havering Partnership should be strengthened and expanded to cover performance information explicitly.	3	S Ullah	agreed	Delivery structure for LAA in place. Revised protocol to be taken to Programme Board June 2007.	July 2007.
R5 Staff roles and responsibilities for data quality should be defined explicitly.	2	B Howlett & Directorate Reps	agreed	Definition of role of PI staff to be looked at again at Performance Management Group.	September 2007
R6 Data quality skills should be evaluated and training provided to meet any shortfall.	2	B Howlett & Directorate reps.	agreed	Approach to be agreed by Performance Management Group; in – house training to be provided where possible.	Ongoing
R7 Senior approval and authorisation should be obtained for all performance data submitted to central government	3	B Howlett, R Partridge and Directorate Reps.	agreed	To be included in the Data Quality strategy	July 2007

departments and other external bodies.					
Culture: Libraries PIs					
R8 The Council should adjust its reported library visits figure to reasonably reflect the impact of closures. (Re: Cost per Library Visit)	3	A Rennie	Agreed for major closures	Different methodology now being employed for major closures.	Completed & on-going
R9 Figures reported in the IPF return should be based on the 31st March position, and should be supported by a full audit trail. (Re: Stock level and turn)	3	A Rennie	Agreed	Worked with LMS supplier to audit information	June 2007
R10 Records of deletions should be maintained, including the reason for deleting the items. (Re: Stock level and turn)		A Rennie	Not agreed	Deletions take item from the system therefore not able to implement. List of items deleted as a result of the Feb 07 stock take kept for audit.	
R11 The Council should undertake appropriate stock taking activities to ensure the 31st March 2007 stock figure is robust and can be supported with an audit trail. (Re: Stock level and turn)	3	A Rennie	Agreed		Completed
Housing PIs					
R12 The Council should introduce arrangements to ensure that the data is collected, recorded and reported in line with the required definition and to give assurance on the quality of data received from all providers. (Service users moved on in a planned way: KPI2)	3	R Partridge	Agreed	No longer CPA sensitive PI; now included in Service wide process.	Completed
R13 & R18 & R22 Management arrangements should be strengthened to ensure that the correct PI definition is followed. (Re: Average re-let times, Planned to response repairs, Repeat homelessness)	3	J Caprice	Agreed	Old definition redundant. Now following guidance against BV212	Completed

R14 Prime documents to support key performance indicators should be retained and be accessible to auditors and management on a timely basis. (Re: Average re-let times)	3	J Caprice	Agreed		30 June 2007.
R15 Responsibilities for the production and the data quality of this PI should be defined clearly. (Re: Percentage of total private sector homes vacant for more than 6 months)	3	R Partridge & S Reed	Agreed	Housing & Environmental Health together with Finance and Commercial Service Areas have agreed split of responsibilities, PI will be signed off by both relevant Heads of Service	30 June 2007.
R16 The Council should ensure appropriate parameters are set to collect the PI in accordance with the definition. (Re: Percentage of total private sector homes vacant for more than 6 months)	3	R Partridge	Agreed	See previous action point	30 June 2007.
R17 The Council should strengthen data quality arrangements for determining the vacancy of private sector homes. This may involve cross checking records against other relevant data already held by the Council (e.g. the electoral register), and undertaking status review procedures (e.g. issuing letters to registered owners for a property) on a systematic basis. (Re: Percentage of total private sector homes vacant for more than 6 months)	3	S Reed	Agreed	Audit trails and audit testing in place within Finance and Commercial Service Area	30 June 2007
R19 Unexpected deviations in performance should be investigated and assurance gained that such variances are real changes in performance. Ownership and responsibility for the reported information should be clearly assigned. (Re: Planned to responsive	3	J Caprice	Agreed	Requirement for audit trail in process	30 June 2007

Audit Committee, 27 September 2007

repairs)					
R20 The Council should ensure that valid and up to date contracts are held with external providers. (Re: Planned to responsive repairs)	3	J Caprice	Agreed	In hand through partnership arrangements with Morrisons.	30 June 2007
R21 Management arrangements should clearly demonstrate how planned and responsive repairs have been differentiated. (Re: Planned to responsive repairs)	3	J Caprice	Agreed	In place through the work of Homes in Havering Performance Team and as part of the internal audit process	30 June 2007



MEETING	DATE	ITEM
AUDIT COMMITTEE	27 September 2007	10

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT AND INSPECTION ANNUAL LETTERS 2004/05 AND 2005/06

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. It recommends that the Committee agrees that the Plan has been completed and need not be reported to the Committee any further.

The 2005/06 Audit and Inspection Annual Letter was considered by Cabinet on 18 April 2007 and shared with members. The letter recommends actions to be taken.

This report will also be presented to the Corporate Overview and Scrutiny Committee.

RECOMMENDATION

That the Committee note the contents of the 2004 / 05 Action Plan and the progress made to date.

That the Committee agrees that the 2004 / 05 Action Plan has been completed and need not be reported to the Audit Committee again.

That the Committee notes the contents of the 2005/06 Annual letter.

REPORT DETAIL

1.1 The Audit Commission's Annual Audit and Inspection Letter 2005 / 06 (attached as Appendix 2) summarises the significant issues that have arisen from audits and inspections in the last year. It includes information on the recent Comprehensive Performance Assessment (CPA).

1.2 The Letter is positive in tone and its headline main messages are:

- "The Council has progressed to a three star authority under the CPA framework and is improving well;
- We issued an unqualified opinion on the Council's 2005/06 accounts and an unqualified value for money conclusion; and,
- Improvements in service areas and the corporate centre have been recognised in recent inspection and review scores."

1.3 The report notes that:

"The Audit Commission's overall judgement is that Havering Council is improving well and we have classified Havering Council as three star in its current level of performance under the Comprehensive Performance Assessment.

Havering has a track record of service improvement and is making effective contributions to wider community outcomes. It has prioritised work in previously poorly performing services such as planning, housing and adult social services. All have shown improvements although the improvement in adult social services has been slower than that of other councils. The quality of children's social care services is improving well and excellent performance in education has been maintained."

1.4 It identifies action that needs to be taken by the Council:

- Implement appropriate actions to address the improvement areas highlighted in the corporate assessment;
- ensure there are appropriate systems and processes in place to generate robust information for all performance indicators; and,
- review adult social services to identify and address the barriers to securing improvements at a faster rate.

1.5 To take these forward;

- The improvement agenda from the 2006 Corporate Assessment is known, and CMT are working on an Action Plan
- The Audit Commission Action Plan in respect of Data Quality (see item 10 on this agenda) is being implemented
- The action plan in response to the recent CCSCI inspection is being implemented, and addresses the key issues in Adult Social Services.

Financial Implications and risks:

The Annual Letter has significant implications for the continuing improvement of the Council's financial processes. A number of recommendations are ongoing and these continue the strong theme of continuous improvement contained in the previous Annual Letter and delivered through the Use of Resources Action Plan – a position statement on which is Appendix 3.

There should be no additional costs incurred as a result of the recommendations, which may however result in the reprioritisation of work.

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.

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CHERYL COPPELL
Chief Executive

Background Papers List

Report to Audit Committee 4 April 2006.

APPENDIX 1 - 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	
<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

Annual Audit and Inspection Letter

London Borough of Havering

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

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

Status of our reports

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

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

Reports prepared by appointed auditors are:

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

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Our overall summary

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

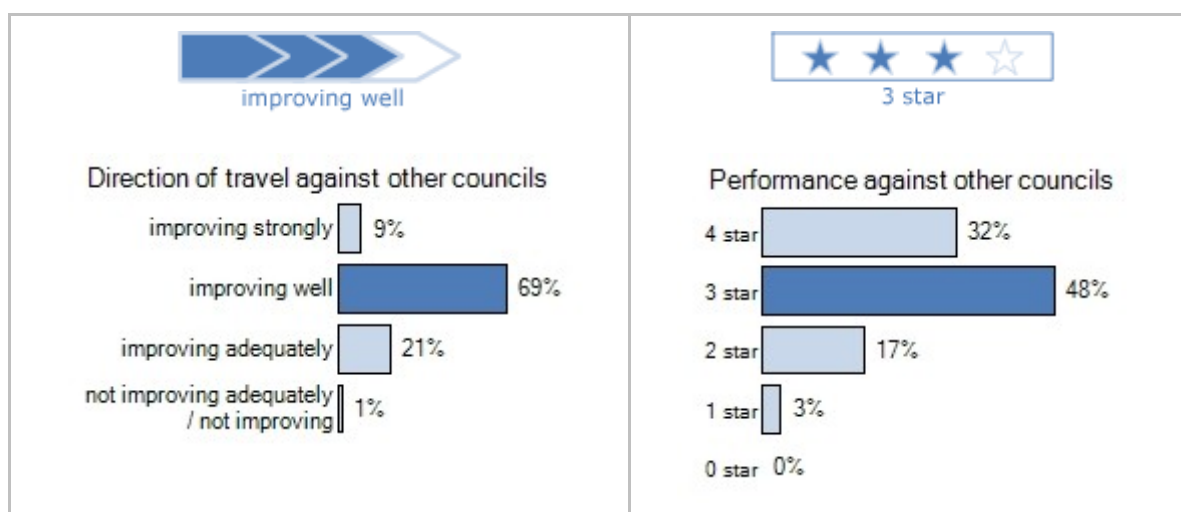
Action needed by the Council

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

How is Havering Council performing?

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

Table 1



Source: Audit Commission

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

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

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

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

(Note: 1=lowest, 4=highest)

The improvement since last year - our Direction of Travel report

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

Corporate Assessment

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

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

Service inspections

Supporting people

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

Other Inspectorates and Regulators

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

Benefit Fraud Inspectorate (BFI)

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

Ofsted/Commission for Social Care Inspection (CSCI)

Education and children's social care services

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

Adult social care services

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

Financial management and value for money

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

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

Table 3

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

(Note: 1=lowest, 4=highest)

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

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

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

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

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

Conclusion

- 29 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet and Audit Committee meetings on 18 April 2007 and 24 April 2007 respectively.
- 30 The Council has taken a positive and constructive approach to our audit and inspection and I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.
- 31 An update on the fees charged for audit and inspection work is provided at Appendix 1.

Availability of this letter

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

Jon Hayes

Relationship Manager and District Auditor

Appendix 1 – Fee information

Table 4

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

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

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

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

Appendix 3 - USE OF RESOURCES ACTION PLAN 2007

POSITION STATEMENT 31 MARCH 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1	Ensure that the quality of working papers is of a consistently good standard for all aspects of the accounts and that they include robust analytical review on the key statements.		HoFS / FSM	Yes	Has been incorporated within planning for closedown of accounts 06/07.	June 07
R2	Demonstrate that the Council has considered and met the needs of stakeholders when producing the summary accounts and when determining whether to produce an annual report.		GDF&C / ACE S&C	Yes	We are continuing to use existing means for consulting stakeholders including the use of the web site, the HSP and staff groups. SMT will be considering the demand for an annual report, in addition to the Corporate Plan and the BVPP.	June 07
R3	Ensure that the summary statements and annual report (or other documents) are available in different formats to facilitate accessibility.		HoFS / FSM	Yes	Already in hand, contact has been made with other London boroughs to ensure a consistent approach is adopted.	July 07
R4	Ensure that sensitivity analysis is performed on larger, volatile items of expenditure and incorporated into the MTFS and supporting service plans.		HoFS / ACE S&C	Yes	Using a risk-based approach, sensitivity analysis will be incorporated into the MTFS as a concept and then applied to higher risk budgets. The outcome will be reflected in MTFS reports to Members.	July 07
R5	Incorporate explicitly the financial projections for key partnerships in the MTFS.		HoFS / ACE S&C	Yes	This will be incorporated within the partnership toolkit currently being developed and the approach to the MTFS 08-11	July 07
R6	Communicate clearly the relationship between non-financial data, (eg activity levels) and financial data as part of routine budget monitoring.		HoFS / ACE S&C	Yes	Activity drivers will form part of the key indicators reported to Members and SMT. Identification of activity data will be a feature of budget monitoring planning for 07-08. This will in turn be reflected in budget monitoring arrangements generally.	June 07
R7	Embed the use of performance information and benchmarking to identify and deliver		GDF&C	Yes	A database is being implemented in order to be able to provide performance and	July 07

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	improvements to property management.				benchmarking information.	
R8	Monitor the implementation of the debt management policy.		GDF&C	Yes	This is being undertaken by the DM Board.	Ongoing
R9	Report clearly the impact of key financial health indicators to Members.		SMT	Yes	A set of "key financial health indicators has been agreed by SMT and subsequently Lead Member and these are now being regularly reported to Project Board and then Members	June 07
R10	Prepare and implement the partnerships toolkit to support the development of risk management and governance arrangements within all partnerships.		ACE S&C	Yes	Work in progress to produce a toolkit to provide best practice guidance in partnership working including: <ul style="list-style-type: none"> • Promotion of effective partnership working • a quick health check of partnerships • how to identify improvement areas • how to promote more effective and efficient joint working • Building assessments of partnerships into service planning. 	April '07 (toolkit) Aug. '07 (implement)
R11	Continue to review the Constitution and Framework Rules to ensure that they are appropriate and ensure that procedure notes are also subject to periodic review.		GDF&C / ACE L&D	Yes	This is in place. The constitution is kept under continual review.	Ongoing
R12	Finalise and test the business continuity plans.		GD F&C	Yes	The corporate BC plan is in place but will be a dynamic document. Plans for an overall test will be put in place however issues arise which test this is any case. Service BC plans are being finalised and will be tested via auditing and as issues arise.	Dec 07
R13	Ensure that arrangements are in place for monitoring internal audit's compliance with professional standards and the delivery of the internal audit annual plan.		GDF&C / HoFS	Yes	Monitoring will be achieved through monitoring compliance with relevant regulations and codes of practice. A voluntary scheme of review with neighbouring boroughs is currently being put in place	June 07
R14	Ensure the arrangements in place at the Council to prevent and detect fraud are		GDF&C / HoFS	Yes	A strategy is being devised around the NFI and this will inform the approach to fraud	June 07

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	consistently applied at all sites.				identification.	
R15	Investigate and address the barriers that are currently inhibiting the Council achieving central government targets for recycling.		GDPR		<ul style="list-style-type: none"> Greenwaste scheme extended to whole of borough. Expand the number of mini recycling centres and promote their use to increase capture of glass. Work with ELWA and Shanks to maximise potential of RRC and Bio MRF facilities. Consider waste minimisation initiatives to encourage recycling and reduce household waste. 	<p>March/April 07</p> <p>November 06/ongoing</p> <p>April 07</p> <p>Sept. 07</p>
R16	Continue to work on user focus issues.		ACE S&C		<p>Positive report received through user focus inspection and corporate assessment.</p> <p>Overview & Scrutiny sub group on the corporate reporting of complaints set up; visits to Barking & Dagenham and Thurrock arranged to enable the determination of which corporate models will be looked at.</p> <p>Consultation and Community involvement website established.</p> <p>Standard demographics questions for use in surveys agreed by the corporate equalities group and next to be agreed by partner organisations.</p> <p>Data gathered on community languages used in Havering. Report on proposals being prepared for corporate equalities group.</p>	<p>April 2007</p> <p>From April 07</p> <p>July 2007</p>

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					Consultation strategy agreed and being implemented and reviewed.	Ongoing
R17	Ensure that equality assessments are completed for all Council services.		ACE HR	Yes	Guidance has been given for each equality strand to date and monitoring of completion of assessments takes place through Equality Lead Officers Group.	Ongoing
R18	Ensure private sector options are considered in all future major procurements.		SMT	Yes	Guidance within the Procurement Framework and Contract Procedure Rules will be reinforced with service managers.	June 07

AUDIT COMMITTEE

SUPPLEMENTARY

AGENDA

7.30pm

Thursday,
27 September 2007

Havering Town Hall
Main Road, Romford

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. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT – Report Attached

For information about the meeting please contact:

Taiwo Adeoye (01708) 433079

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



Annual Governance Report

Date

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Annual Governance Report

London Borough of Havering

Audit 2006/07

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Jon Hayes

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Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case, the Audit Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged with Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit Committee on 27 September 2007. Members are invited to:
 - consider the matters raised in the report before the financial statements are approved;
 - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
 - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to you on 29 June 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

Key messages

- 6 As at the date of this report, 24 September 2007, our work on the financial statements is substantially complete although there are outstanding issues to be resolved. In particular, our work on fixed assets, the Housing Revenue Account and the Pension Fund account has yet to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them at the Audit Committee on 27 September. We propose issuing an unqualified audit opinion on 28 September 2007 (a draft report is attached at Appendix 4).
- 7 Subject to the completion of the outstanding issues referred to above, in our view, the financial statements of the Authority and the Pension Fund present fairly the financial transactions in the year and the respective financial positions as at 31 March 2007.
- 8 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 9 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the use of resources on 28 September 2007 (a draft report is attached at Appendix 4).

DRAFT

Audit status

- 10 At the date of issue of this report, 24 September 2007, our detailed audit is substantially complete although there is still some work outstanding in relation to fixed assets, the Housing Revenue Account and the Pension Fund account. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them at the Audit Committee on 27 September.
- 11 The Authority has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation.

DRAFT

Accounts and Statement on Internal Control

- 12 At the date of issue of this report, 24 September 2007, our detailed audit is substantially complete although there is still some work outstanding in relation to fixed assets, the Housing Revenue Account and the Pension Fund account.
- 13 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 14 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 15 The proposed letter of representation, which we have discussed with the Group Director, Finance and Commercial, is attached at Appendix 5.

Unadjusted misstatements

- 16 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. A summary of unadjusted misstatements is attached at Appendix 6 for the information of Members.
- 17 We invite you to consider whether the financial statements should be amended for the unadjusted misstatement identified at Appendix 6. Should you choose not to amend the financial statements, in accordance with ISA (UK&I) 260 we request that you extend the representation letter to explain why. We ask that the letter specifically details the misstatement.

Adjustments to the financial statements

- 18 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. There are no such adjustments to report to Members.
- 19 Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them at the Audit Committee on 27 September 2007.

Accounting practices

- 20 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on issues affecting the Authority.
- 21 Repairs and maintenance charges are incurred by both the Housing Revenue Account (HRA) and Housing Services in the General Fund. The expenditure for this work is apportioned between the two accounts on an historical basis according to the number of properties within each account. However, this basis does not take account of the large number of disposals of HRA properties over recent years. The impact of not updating the basis of apportionment is to overstate the charge to the HRA by £173,000 and understate the charge to the General Fund by the same amount. While £173,000 is not material, it is deemed non-trivial to the HRA and over time the impact could become material.

Recommendations

R1 Review annually the basis of all apportionments between the Housing Revenue account and Housing Services General Fund to ensure they reflect fairly the costs incurred by each service area.

Systems of internal control

- 22 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 23 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 24 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

Use of resources

Work performed

- 25** The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
 - data quality work; and
 - the best value performance plan.
- 26** Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7. While our work has not identified any significant weaknesses that would result in a qualification of individual criteria, we have identified areas where arrangements could be strengthened and these are set out below.

Data quality

- 27** Our 2005/06 spot check of eight published performance indicators found that only one had been fairly stated. Our audit for that year also identified scope to improve the arrangements for ensuring the robustness of performance information across the Council. While some progress has been made in 2006/07, the Council only recently launched its Data Quality Strategy and more still needs to be done to ensure the quality of all performance data and not just that subject to external audit.

Recommendation

R2 Support the implementation of the Data Quality Strategy by providing training and underpinning guidance notes. Ensure that the Strategy focuses on all performance data and not just that which is subject to external audit.

Use of resources assessment

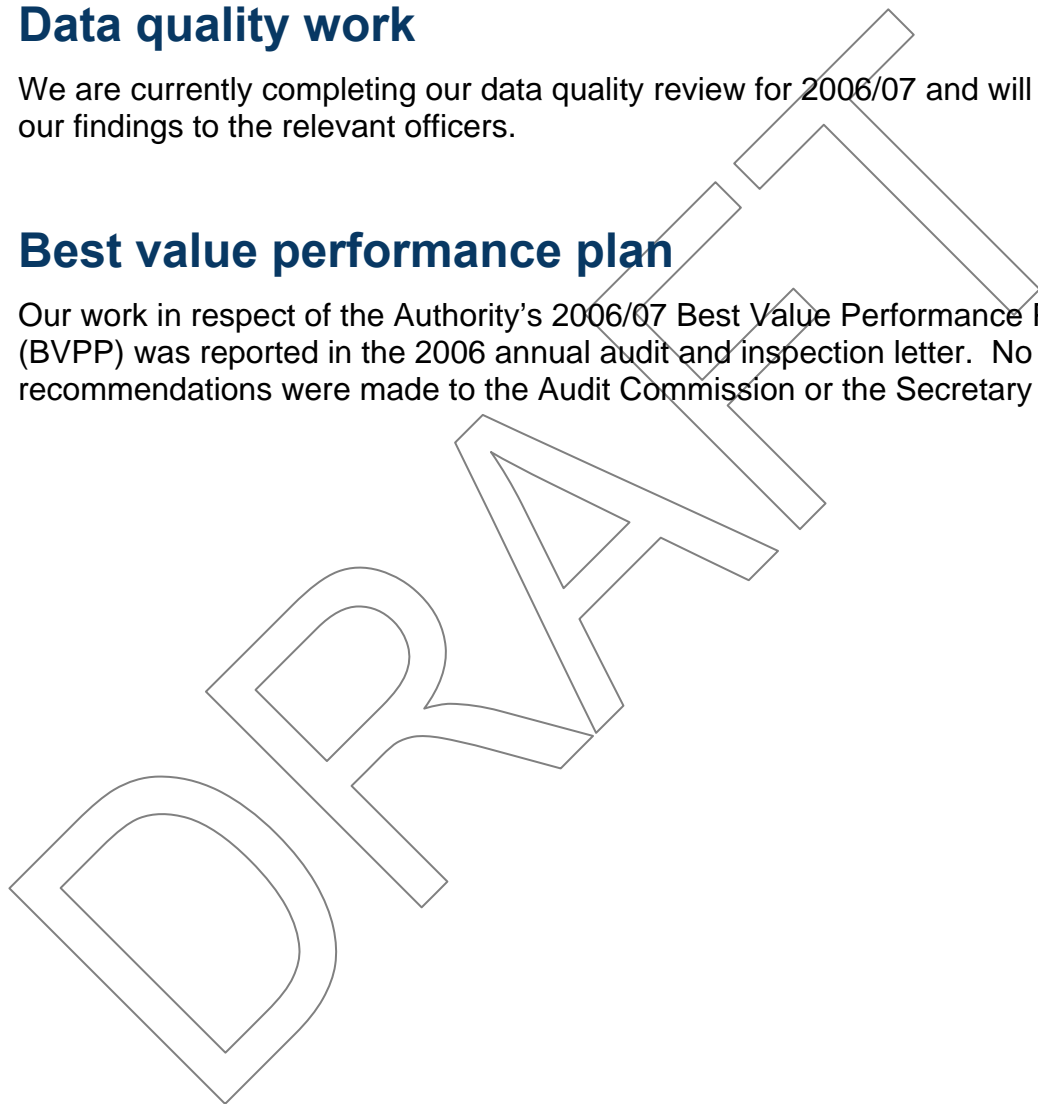
- 28 We are currently completing our work on the 2007 use of resources assessment which covers the arrangements in place up to 31 March 2007. Matters arising from this assessment will be presented in a separate report to officers. From the work undertaken to date, there are no issues to bring to the attention of those charged with governance.

Data quality work

- 29 We are currently completing our data quality review for 2006/07 and will report our findings to the relevant officers.

Best value performance plan

- 30 Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.



Audit fee update

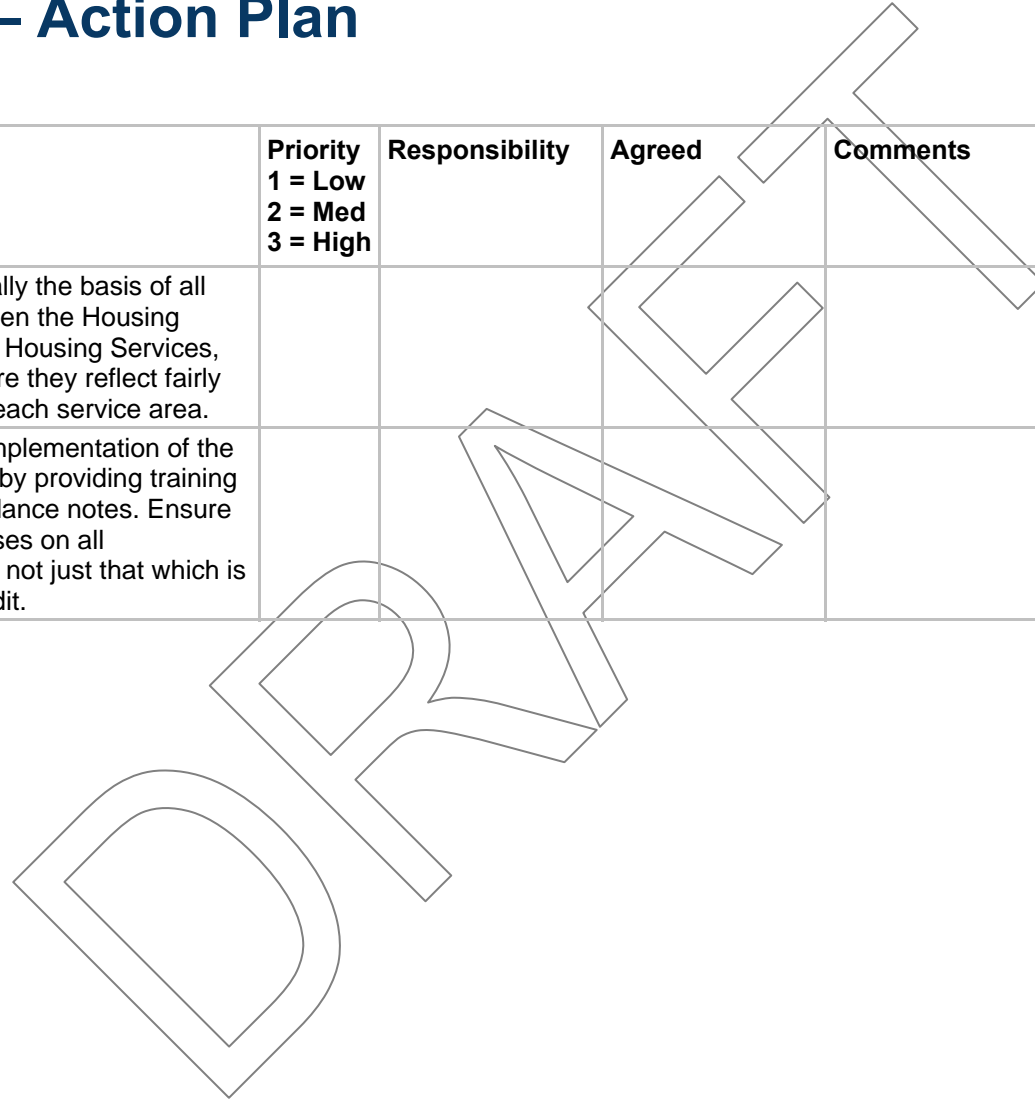
- 31 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	Plan 2006/07	Actual 2006/07
Financial statements and Statement on Internal Control	£241,000	£241,000
Use of Resources	£101,000	£101,000
Total Audit Fees	£342,000	£342,000
Whole of Government Accounts	£4,000	£4,000
NFI	£1,250	£1,250
Grants certification work (see para 32)	£143,000	£120,000

- 32 We estimate a decrease against the planned grant certification fee due to the reduction in claims and returns requiring external audit certification.
- 33 The outturn on inspection fees will be reported in the annual audit and inspection letter.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Review annually the basis of all apportionments between the Housing Revenue account and Housing Services, General Fund to ensure they reflect fairly the costs incurred by each service area.					
9	R2 Support the implementation of the Data Quality Strategy by providing training and underpinning guidance notes. Ensure that the Strategy focuses on all performance data and not just that which is subject to external audit.					



Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
 - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

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Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	April 2006	April 2006	Authority
BVPP report 2006/07	December 2006	December 2006	Authority
Grant report	March 2007	March 2007	Management
Data quality report 2006/07	February 2007	June 2007	Management
Opinion audit plan	July 2007	July 2007	Management
Setting High Ethical Standards	July 2007	August 2007	Management
Annual governance report	September 2007	September 2007	Audit Committee
Opinion on financial statements	September 2007	September 2007	Authority
Use of resources conclusion	September 2007	September 2007	Authority
Final accounts memorandum	October 2007		Management
Annual audit letter	February 2008		Authority

Appendix 4 – Proposed auditor's report

Independent auditor's report to the Members of London Borough of Havering

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of London Borough of Havering and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement in General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts, and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to London Borough of Havering in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Group Director Finance and Commercial and auditor

The Group Director Finance and Commercial's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Authority and its income and expenditure for the year; and

- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Treasury Management and Prudential Code Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- 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 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended; and

- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Jon Hayes
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London, SW1P 4HQ

28 September 2007

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Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, the London Borough of Havering made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 20 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jon Hayes
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London, SW1P 4HQ

28 September 2007

Appendix 5 – Management representation letter

Jon Hayes, District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London, SW1P 4HQ

London Borough of Havering - Audit for the year ended 31 March 2007

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other *[insert relevant details e.g.; directors, officials, officers]* of the London Borough of Havering and its Group, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly the financial position of the Authority, its Group and the Pension Fund, and for making accurate representations to you.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Specific representations

I confirm that I believe that the effect of the uncorrected misstatement listed in the attached schedule is not material to the financial statements, either individually or in aggregate. This misstatement has been discussed with those charged with governance within the London Borough of Havering and the reasons for not correcting this item is as follows;

reason 1 etc

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the London Borough of Havering, its Group and the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Cabinet meetings, have been made available to you.

London Borough of Havering

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the London Borough of Havering, its Group and the Pension Fund.

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Assets

The following have been properly recorded and when appropriate adequately disclosed in the financial statements:

- Losses arising from sale & purchase commitments
- Agreements & options to buy back assets previously sold
- Assets pledged as collateral.

Irregularities involving Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

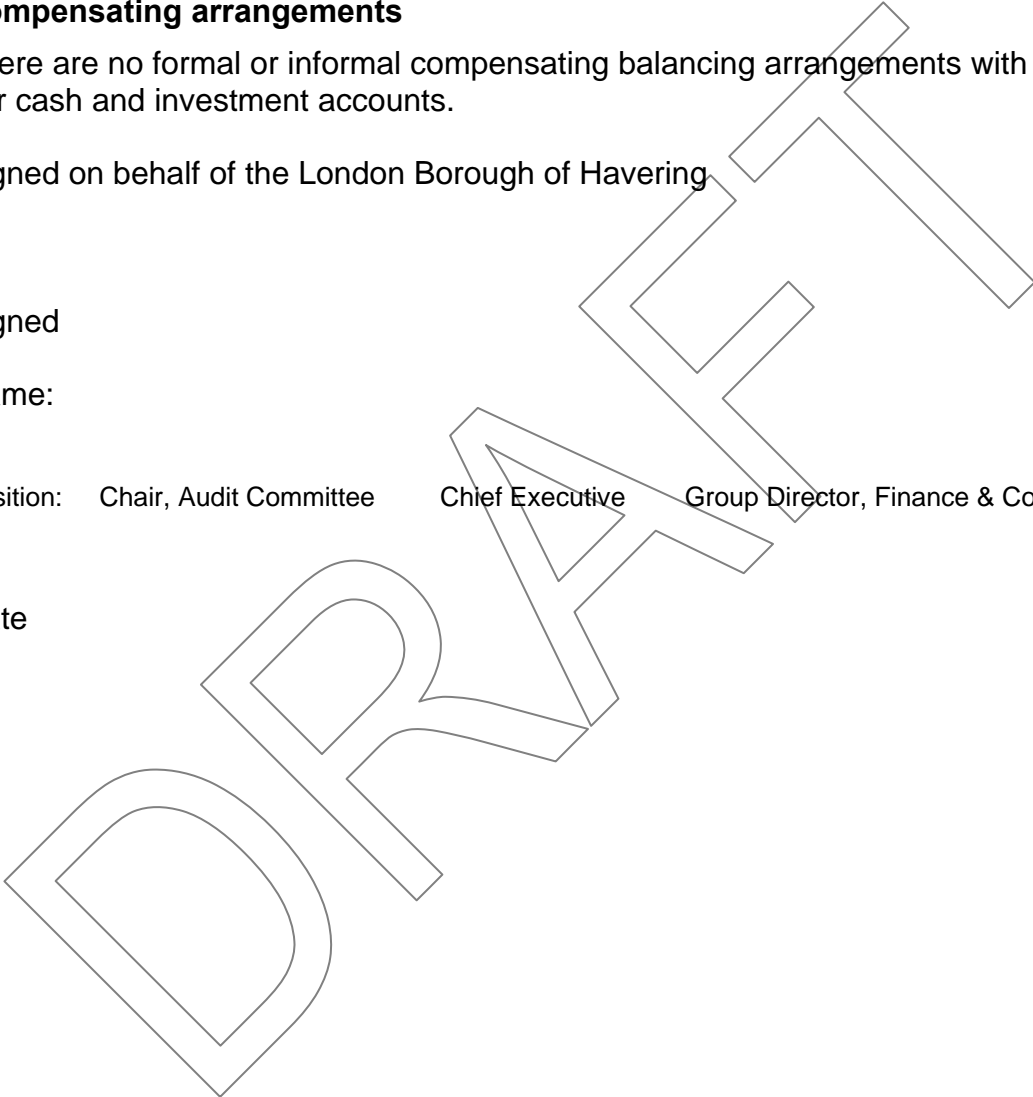
Signed on behalf of the London Borough of Havering

Signed

Name:

Position: Chair, Audit Committee Chief Executive Group Director, Finance & Commercial

Date



Appendix 6 – Summary of unadjusted misstatements

We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. At this time, there are no unadjusted misstatements to report.

Unadjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Apportionment of Repairs and Maintenance Charges	Revised apportionment of repairs and maintenance charges from the HRA to the General Fund to reflect fairly the costs incurred by each Fund.	Housing General Fund £173	HRA Repairs and Maintenance £173		
Net Effect		Increase General Fund deficit £173	Increase HRA Surplus £173		

Appendix 7 – Value for money conclusion

- 3 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 4 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	Criteria met
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	Criteria met
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	Criteria met
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	Criteria met
5	The body has put in place arrangements to maintain a sound system of	4.2	Criteria met

	internal control.		
6	The body has put in place arrangements to manage its significant business risks.	4.1	Criteria met
7	The body has put in place arrangements to manage and improve value for money.	5.2	Criteria met
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	Criteria met
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	Criteria met
10	The body has put in place arrangements for managing performance against budgets.	2.2	Criteria met
11	The body has put in place arrangements for the management of its asset base.	2.3	Criteria met
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	Criteria met