

AUDIT COMMITTEE

AGENDA

7.30pm

Thursday,
28 July 2005

Havering Town Hall
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (3)

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

Residents' Group (2)

Gillian Ford
Barbara Reith

Labour Group (1)

Wilf Mills

For information about the meeting please contact:

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

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

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

2. MOBILE COMMUNICATIONS DEVICES

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

3. CONDUCT AT THE MEETING

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

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

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

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

AGENDA ITEMS**1. CHAIRMAN'S ANNOUNCEMENTS**

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

2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS (if any) - receive.**3. DECLARATION OF INTERESTS**

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

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 9 June 2005 and to authorise the Chairman to sign them.

5. STATEMENT OF ACCOUNTS 2004/2005 – *Report attached, Appendix to follow***6. STATEMENT ON INTERNAL CONTROL 2004/2005 - *Attached*****7. 2004/2005 INTERNAL AUDIT ANNUAL REPORT - *Attached*****8. 2003/2004 REPORT OF GRANT CLAIMS AND RETURNS - *Attached*****9. URGENT BUSINESS**

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specified in the

Audit Committee, 28 July 2005

minutes, that the item should be considered at the meeting as a matter of urgency.

Stephen Evans
Chief Executive

- 3.2 The Accounts and Audit Regulations 2003 require that the Chairman presiding at the meeting receiving the Statement of Accounts should sign and date the statement.
- 3.3 Copies of the published Statement will be distributed as normal and it will be published on the Council's website.
- 3.4 The Statement of Accounts is a public document and every year, as part of the annual audit, local government electors for the borough are given a period of four weeks to inspect the Council's accounts and supporting records. The dates for inspection are advertised in the local press.
- 3.5 Members of the Committee have previously been briefed on the Statement of Accounts, its purpose and the key issues arising. The key issues are also set out in Appendix B for information.
- 3.6 Members of the Committee are aware that the Council is required to prepare its Statement of Accounts earlier than in previous years with the date moving by a further month next year i.e 30 June 2006 for the 2005/06 Accounts. These changed deadlines have been and will continue to be stretching. However officers have and will continue to review processes in order to achieve these timescales. As is the norm; a post completion review will take place to assist in this and finance officers along with the Strategic Management Team will make any necessary changes. The Council has put in place arrangements to meet the requirements of the Whole of Government Accounts process which aims to amalgamate the accounts of all public bodies.

4.0 Financial Implications and risks:

None arising from this report.

5.0 Legal Implications and risks:

It is a requirement of the 2003 Regulations that the Statement of Accounts is signed off by the Chairman of the committee that considers them, as well as by the Director of Finance & Planning as the officer responsible for their production. They must be considered and signed off by the 31st July 2005. Failure to do so is a breach of statutory duty.

6.0 Human Resources Implications and risks:

None arising from this report.

7.0 Equalities and Social Inclusion implications:

None arising from this report.

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Havering Town Hall, Romford

9th June 2005 (7.30pm – 8.50pm)

Present:

Conservative Group Councillors Graham Price (in the Chair), Eddie Cahill and Frederick Thompson

Residents' Group Councillor Gillian Ford

Labour Group Councillor Wilf Mills

Councillor Steven Kelly was in attendance

An apology for the absence was received from Councillor Daryl Williams

No member declared an interest in any matter under consideration

All decisions were made with no member voting against

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

1. MINUTES

The minutes of the meeting held 26 April 2005 were agreed as a correct record and signed by the Chairman.

2. MEMBERSHIP

The appointment of Cllr Graham Price and Eddie Cahill and Chairman and Vice Chairman respectively was noted.

3. AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2005/06

A report informing the Committee of the audit work that the Audit Commission proposed to undertake during 2005/06 was presented to the Committee.

Officers from the Audit Commission commented that of significance was the new Code of Audit Practice which came into effect in April 2005. Further details of the new Code were set out in the report as an appendix for Members information.

Audit fees had been reduced following better Comprehensive Performance Assessment [CPA] scoring, as there was less inspection work. This it was noted was a direct result of the CPA score improving. Audit Commission officers reminded the Committee that a new round of CPA was coming out and would be published in December.

Following discussion, Members wanted to know why the inspection activity was geared to focus on environment or culture. The District Auditor responded that the Audit Commission had no preference on which area should be reviewed and the Chief Executive and Chief Finance Officer had selected culture as they felt this would best support the Council's improvement agenda.

Regarding grant claims, it was noted that the issue of the Audit Commission's final 2002/03 report was dependant on the Council handing in all required information on time. Claims were not received on time from the Council resulting in delays in producing the final report. The 2003/04 report was on the agenda for this Audit Committee.

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

4. AUDIT COMMISSION PROGRESS REPORT JUNE 2005

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

Members were advised by Officers from the Audit Commission that the following reports had been finalised since the last Audit Committee:

- Customer access to services follow up
- 2003/04 grant claims report
- 2005/06 Audit and Inspection Plan

Customer access to services – the Audit Commission noted that the report produced was a positive one and that they were encouraged by the emphasis that had been given to implementing the recommendations from the previous inspection.

One of the major recommendations was for the Council to ensure the achievement and ongoing monitoring of top quartile performance for improving access to public buildings to meet the Disability Discrimination Act [DDA] deadlines.

Regarding grant claims, it was noted that the Audit Commission's final report for 03-04 was dependent on agreement with officers on the final version of the report, which had not been produced in sufficient time to enable a response to be made. Production of the report was reliant on the Council submitting grant claims and in providing all the required information on time. Although there had been a significant improvement from the previous year, responses had still not been received in time from the Council hence the delay in producing the final report. Officers commented that the next Audit Committee would receive the full report.

Officers responded that they had taken on board all the recommendations of the Audit Commission and quality control checks were now in place. Some delayed claims were on the part of claim compilers who did not provide adequate information and forms, which therefore needed to be returned to them. It was also noted that the Services target for grant claims was 100% of claim forms to be completed on time. Officers noted that the process was now more robust to avoid future delays.

In response to a question from Members, it was noted that financially, the Council had not incurred any penalty in terms of losing grants, but the hidden costs could be measured in terms of officer time and the audit fee.

Members wanted clarifications as to the effect of change of staff, Officers responded that there were situations where staff dealing with grant claims had moved on before the completion of the grant. However, proper handovers was now compulsory, lessons had been learnt and the issues of continuity had also been thoroughly addressed.

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

5. 2003/04 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

A report setting out the Authority's position regarding the latest version of the 2003/2004 audit report of grant claims and returns and the corresponding action plan recommendations was presented to the Committee.

Following discussion, Members:

- **noted** the Audit commission's progress report on 2003/2004 grant claims containing the summary and action plan recommendations,
- **agreed** to receive the full 2003/2004 report when finalised, together with the Authority's action plan/progress report.

6. INTERNAL AUDIT PROGRESS REPORT 1 APRIL 2005 – 30 APRIL 2005

A report advising the Committee of audit issues from internal audit activities for the period 1 April 2005 to 30 April 2005 was circulated to Members. The report also included management summaries from internal audit work.

A number of significant issues were raised.

Home Care Providers

It was reported that a pro-active audit into Home Care Providers was done, but it had not been possible to get all the Care Notes for nine clients.

Members commented that they were not happy that the review had not checked that the Purchasing and Commissioning Unit were checking invoices to ensure that they were correct as they felt this was significant and the system needed to be re-visited by a more adequate means.

They further noted that there needed to be some form of check in place to know if the required service was being delivered. Members commented that the report seemed to be shallow for an area that had a number of issues needing resolving. Lastly, stated that all outstanding money owed to the Council needed to be received from debtors.

Right to buy applications

Officers suggested that there were significant successes in right to buy applications. Fraudulent cases were detected and there was close working between staff in Housing Services and Internal Auditors.

Novell Netware

Regarding the above, Members asked why recommendations had not been implemented, it was explained that this was because the upgrade of servers to Netware version 6 had not been completed due to constant change, however good progress was being made.

Members commented that the present position of recommendations needed more detail. Further it could be worthwhile to include in the report the degree of partially implemented recommendations.

Telephone abuse

Members asserted that the statement in the report, that audit was unable to confirm whether calls to mobile phones were business related was not satisfactory as there needed to be a way of differentiating business calls and personal calls.

Housing rents collection and arrears

Members wanted to know why Property Services did not maintain an independent record of Council properties. Officers responded that there was no statutory requirement to have records, it was good practice and they had noted concerns of Members.

During discussion on this issue, it was noted that audit plans were done quarterly and it was the Council's prerogative to decide on what they involved internal audit in. A common measure was to do a risk assessment and internal audit were invited to all high risk areas identified. Officers commented that not all issues were referred to Internal Audit for instance the change of contract of agency workers. Members felt that procurement issues needed to be run through internal audit. Officers responded that each Service Manager was given an opportunity to be involved in the audit process.

Members commented that information needed to be collected corporately especially in terms of council property. The internal auditor agreed to investigate into this and report back to the Committee.

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

7. CLIENT AUDIT MANAGER'S REPORT 1 APRIL 2005 – 30 APRIL 2005

The Client Audit Manager presented to the Committee an update. It was noted that it was a short report because it only covered the month of April.

Officers advised the Committee that worthy of note was an option of setting up an audit consortium and procure in partnership with other public authorities. It was a relatively new initiative and the joint arrangement was still being looked at. It was noted that a meeting would be holding shortly and following the meeting there should be clearer indications as to the way it would be moved forward.

The target date for contracts to be signed was April 2006. Following discussion, Members suggested that legal advise be sought externally as the in-house legal team seemed to be working at full capacity. The Client Audit Manager responded that a project team was in place and a legal Services was represented.

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

8. EXCLUSION OF THE PUBLIC

Resolved that the public should be excluded from the remainder of the meeting on the ground that it was likely that, in view of the nature of the

business to be transacted, if members of the public were present there would be disclosure to them of exempt information within the meaning of paragraph 9 of Schedule 12A to the Local Government Act 1972 and it was not in the public interest to publish the information.

9. ABUSE OF MOBILE PHONE BY MEMBER

The Chairman, informed the Committee that he had concerns about a mobile phone bill of a Member. In particular an alleged quotation from a letter sent by a named officer to the Member agreeing that only 50% of the outstanding sum should be refunded by the Member.

The Chairman informed the Committee that he had requested a full report from the S151 officer and depending on what the information emerged, he would take it forward with possibly the Monitoring Officer and the S151 Officer.

Some Members suggested that another way forward could be for there to be a cross party investigation once Chairman had received the requested information.



MEETING	DATE	ITEM
AUDIT COMMITTEE	28 July 2005	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Statement of Accounts 2004/5

SUMMARY

- 1.1 Under the code of accounting practice, the Statement of Accounts has to be presented to the Council's relevant committee by the 31st July 2005.
- 1.2 The Statement of Accounts to follow is presented at this stage subject to audit.
- 1.3 The key issues are set in Appendix B for information. If this is not appended it will be circulated separately.

RECOMMENDATIONS

That the Committee:

- 2.1 Consider the Statement of Accounts
- 2.2 Note the key issues set out in Appendix B
- 2.3 Receive and approve the Statement of Accounts
- 2.4 Note the work taking place to continue to meet the requirements of the Whole of Government Accounts process
- 2.5 That the Chairman signs and dates the Statement of Accounts as required by the Accounts and Audit regulations

REPORT DETAIL

- 3.1 The Statement of Accounts for 2004/05 is to follow and is at present subject to audit by the Audit Commission. When the audit is completed the final printed Statement of Accounts will be sent to every Member of the Council.

- 3.2 The Accounts and Audit Regulations 2003 require that the Chairman presiding at the meeting receiving the Statement of Accounts should sign and date the statement.
- 3.3 Copies of the published Statement will be distributed as normal and it will be published on the Council's website.
- 3.4 The Statement of Accounts is a public document and every year, as part of the annual audit, local government electors for the borough are given a period of four weeks to inspect the Council's accounts and supporting records. The dates for inspection are advertised in the local press.
- 3.5 Members of the Committee have previously been briefed on the Statement of Accounts, its purpose and the key issues arising. The key issues are also set out in Appendix B for information.
- 3.6 Members of the Committee are aware that the Council is required to prepare its Statement of Accounts earlier than in previous years with the date moving by a further month next year i.e 30 June 2006 for the 2005/06 Accounts. These changed deadlines have been and will continue to be stretching. However officers have and will continue to review processes in order to achieve these timescales. As is the norm; a post completion review will take place to assist in this and finance officers along with the Strategic Management Team will make any necessary changes. The Council has put in place arrangements to meet the requirements of the Whole of Government Accounts process which aims to amalgamate the accounts of all public bodies.

4.0 Financial Implications and risks:

None arising from this report.

5.0 Legal Implications and risks:

It is a requirement of the 2003 Regulations that the Statement of Accounts is signed off by the Chairman of the committee that considers them, as well as by the Director of Finance & Planning as the officer responsible for their production. They must be considered and signed off by the 31st July 2005. Failure to do so is a breach of statutory duty.

6.0 Human Resources Implications and risks:

None arising from this report.

7.0 Equalities and Social Inclusion implications:

None arising from this report.

Staff Contact:	Corrinne Hollingsworth
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STEPHEN EVANS
Chief Executive

Background Papers List

Working papers held within the Finance Sections.



MEETING	DATE	ITEM
AUDIT COMMITTEE	28 July 2005	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: Statement on Internal Control 2004/5

SUMMARY

The Statement on Internal Control for 2004/5 is attached as Appendix 1.

RECOMMENDATIONS

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

Subject to there being no amendments, to approve the contents of the Statement.

REPORT DETAIL

1. The Accounts and Audit Regulations 2003 require the Council to review at least annually the effectiveness of its system of internal control and to include a statement on internal control with its statement of accounts. This duty has been delegated to this committee.
2. The document sets out the control environment, the effectiveness of the control environment and details any significant control issues.

3. The Chartered Institute of Public Finance and Accountancy has produced guidance on how the statement should be prepared and its contents. The Council has prepared the statement in accordance with this guidance. This has amongst other things included reviewing each Service and Directorate statement of internal Control; the Governance self assessment also reviewed by Governance Committee and the Internal Audit Annual Report which is elsewhere on the agenda.
4. The Committee has throughout the year been reviewing various aspects of the Council's internal financial controls. In considering the Statement proposed it should be mindful of the contents of the reports received during the year and the briefings provided on the purpose of such documents.

Financial Implications and risks:

None arising from this report.

Legal Implications and risks:

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

Human Resources Implications and risks:

None arising from this report.

Equalities and Social Inclusion implications:

None arising from this report.

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STEPHEN EVANS
Chief Executive

Background Papers List

The Statement on Internal Control "A Rough Guide for Practitioners" (CIPFA Financial Advisory Panel publication).

The Statement On Internal Control In Local Government "Meeting the requirements of the Accounts an Audit Regulations 2003". (CIPFA publication).

Corporate Governance in Local Government “A keystone for Community Governance. (CIPFA, SOLACE publication).

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

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

The system of internal control has been in place at the Council for the year ended 31st March 2005 and up to the date of approval of the annual accounts.

The Internal Control Environment

Establishing and monitoring the achievement of the authority's objectives.

The Corporate Development Plan 2004/05 – 2006/07 sets out the Council's three corporate priorities that support the Community Strategy (the long term strategy for improving the quality of life in Havering) and reflect the Council's role as community leader. These objectives are the result of a wide-ranging consultation programme over many years and reflect the concerns and aspiration of residents, businesses and community groups. A hierarchy of more detailed objectives link statutory plans and other Council plans. Priorities for improvements are pursued on a three year rolling programme and include reviews and actions to progress the corporate objectives, and any outstanding actions from previous reviews. Progress in implementing improvement plans and outcomes achieved are also included within the Council's Corporate Development Plan.

Policy and decision-making

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The full Council of fifty four elected members determines the budget and policy framework. The Executive, responsible for most member-level decisions, comprises the Leader and Cabinet Members who oversee specific areas of Council business. Prior notice of matters for Executive decisions is published within the Forward Plan. Matters outside of the budget and policy framework are referred to the full Council for decision. Service Overview and Scrutiny Committees assist in policy development and consider Executive decisions. Some regulatory functions remain the responsibility of the Council rather than the Executive and most of these are delegated to a small number of regulatory committees. All meetings are open to the public but a small number of confidential matters are considered in private. Council officers provide appropriate advice at the points of consideration and decision, and report to members on progress and the outcome of decisions taken.

Compliance with established policies, procedures, laws and regulations

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

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

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

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

Chief Officers are responsible for risk management within their directorates and services, with advice and instructions from corporate officers. The Council's Risk Management Strategy sets out the approach and risk registers exist at both Corporate and Service level to identify the principal risks to the achievement of the Council's objectives. These registers set out the actions being taken to mitigate and control the risks and are formally reviewed every six months. Chief Officers annually certify their own Statement of Internal Control. Risk awareness is continually developed through everyday practices and project management. Each Directorate is represented on the Corporate Risk Management Group and representatives ensure appropriate risk awareness by staff whilst Internal Audit helps embed risk management by cyclical audits and other risk management initiatives.

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

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

Financial management

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

- scrutiny committees;
- comprehensive corporate accounts and corporate budgeting systems;
- budget strategies and an annual budget approved by the Council;
- medium-term financial plans and scenarios;
- targets set to measure financial and other performance;
- formal project management disciplines, as appropriate;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly-defined capital expenditure guidelines;
- treasury controls via the key recommendations in CIPFA's Treasury Management Code of Practice;

- Internal Audit.

Performance management

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

Monthly monitoring systems operate within services. The Chief Executive reports regularly to all Members on progress against policy items, key issue and performance indicators. Performance Management has been strengthened by services being subject to review by a Commissioner Board, consisting of the Cabinet and other Group Leaders and the annual planning process includes a review via Star Chambers. Overview and Scrutiny Committees regularly consider performance issues.

Review of effectiveness

The Council has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review is facilitated by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment and also by input from the external auditors and other review agencies and inspectorates.

Internal Audit follows the Code of Practice issued by CIPFA and adopt recommended practices promoted by the Institute of Internal Auditors and other relevant bodies.

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

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

The Council's external auditors carry out their own review of the Council's finances and related controls and make recommendations where appropriate. The external auditors also review the work of internal audit with particular regard to audit planning and independence in reporting.

The Council is also subject to various Inspection regimes:

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

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

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

- Local Management Information Systems
- Overview and Scrutiny arrangements
- Best Value Performance Plan
- Performance Indicator Information
- Residents/Staff survey
- Analysis of awards/accreditations

Significant Internal Control Issues/Matters for Future Action

Last year we identified a number of improvements required and the progress achieved is set out below. Some of the improvements continue and where this is the case, these are referred to in the next section.

Improvement Required	Action Taken
Improve project and contract management to assist the Council in delivering its objectives	<ul style="list-style-type: none">• Project management and contract management capacity increased• Project management standards embedded resulting in improved project delivery.• Post project assessment of outcomes against objectives system in place.

Strengthen controls in some IT systems	<ul style="list-style-type: none"> • Audit recommendations in relation to IT systems and practices have been implemented.
Further integrate service and financial planning	<ul style="list-style-type: none"> • The 2005/06 service planning process was integrated with the Medium Term Financial Strategy and this process continues.
Identify the issues which resulted in adverse variation in the 2003/04 outturn and take remedial action	<ul style="list-style-type: none"> • Individual reports were prepared and reviewed • Special monitoring arrangements were put in place and where necessary continue • Additional resources provided in the 2005/06 budget process for Social Services.
Embed a culture of fraud and corruption reporting and identification	<ul style="list-style-type: none"> • Briefings and training have taken place and continue • Increased awareness and publicity is in place and continues

The following have been identified in this review:-

No	Significant Issue	Action
1	Continue to improve the recovery of debt.	<ul style="list-style-type: none"> • Continue to focus on reducing arrears and recovering debt promptly • Corporate debt management standards are set and a corporate policy is in development. • Regular monitoring of debt is taking place at the highest level in the authority.
2	Succession and continuity plans	<ul style="list-style-type: none"> • Service Business Continuity Plans are in place throughout the calendar year • Continue to work on ensuring up to date documented procedures are in place.

3	There is a need to implement the consultation strategy developed by Communications, to establish clear channels of communication with all sections of the community / other stakeholders and to put in place proper monitoring and reviewing processes to ensure that the strategy operates effectively.	<ul style="list-style-type: none"> • Implement the consultation strategy developed by Communications. • Ensure that the consultation strategy contains effective monitoring and reviewing procedures
4	Whilst monitoring systems exist at a service level for all complaints and corporately for certain complaints, these need to be pulled together to form a single monitoring system.	<ul style="list-style-type: none"> • Implement a single corporate system for monitoring complaints.
5	There is a need to address the underlying difficulties in balancing the Social Services budget.	<ul style="list-style-type: none"> • Continue with special monitoring • Progress actions identified to reduce overspends • Assess the position for 2006/07 budget process
6	Improve performance on specific grant returns	<ul style="list-style-type: none"> • Awareness training • Clear responsibilities • Monitoring and reporting arrangements

These actions will be monitored and will further strengthen the Council's overall system of internal control and will be reported upon in the 2005/2006 statement.

Rita Greenwood
Executive Director
Finance and Planning
 July 2005

Stephen Evans
Chief Executive
 July 2005

Councillor Michael White
Leader of the Council
 July 2005



MEETING	DATE	ITEM
AUDIT COMMITTEE	28 July 2005	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2004/5 INTERNAL AUDIT ANNUAL REPORT

SUMMARY

The Internal Audit Annual Report for 2004/5 prepared by pps-Acit, the Council's provider of internal audit services is attached as Appendix A.

RECOMMENDATIONS

To note the contents of the Internal Audit Annual Report.

REPORT DETAIL

1. The Internal Audit Annual Report for 2004/5 is prepared by pps-Acit, the Council's provider of internal audit services and is attached as Appendix A.
2. The report contains the "overall assurance opinion" provided by pps-Acit, a summary of their work during 2004/5 and details of their qualified opinions.
3. The opinion of pps-Acit will be taken into account in the Statement on Internal Control to be included in the "Statement of Accounts 2004/05". The Audit Committee have been advised of the background to all qualified opinions and of the actions being taken to deal with issues raised by the auditors.

Financial Implications and risks:

None arising directly from this report.

Legal Implications and risks:

None arising directly from this report.

Human Resources Implications and risks:

None arising directly from this report.

Equalities and Social Inclusion implications:

None arising directly from this report.

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STEPHEN EVANS
Chief Executive

Background Papers List

Internal Audit Reports
Internal Audit Database

pps-Acit

INTERNAL AUDIT REPORT

Annual Audit Report

2004/05

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Date:

INTERNAL AUDIT ANNUAL REPORT 2004/05

1. PURPOSE

To provide members and senior managers with a formal opinion as to the adequacy and effectiveness of the Council's internal control environment and to report on the performance of pps Acit Services during the year.

2. BACKGROUND

The Accounts and Audit Regulations 2003 require the Council to review, at least once a year, the effectiveness of its systems of internal control and for the Chief Executive to personally state the adequacy or otherwise of these systems. The Council is required to provide a formal statement on the system of internal control in its annual Statement of Accounts for 2004/05.

In order to fulfil the requirements of the Accounts and Audit Regulations and to provide this statement the Executive Director of Finance & Planning relies on the work and findings of Internal Audit to provide assurance as to the adequacy of the systems currently in place. The report and opinion set out below therefore form an important part of the Council's review of its systems of internal control. This together with assurances provided by management, the external auditors, other review agencies and inspectorates enables the Council to fulfill the requirements to prepare a statement on the system of internal control for 2004/05

3. ANNUAL REPORT AND OPINION

3.1 INTRODUCTION

3.1.1 The role of the internal audit service

The Accounts & Audit Regulations of 2003 require that the authority must 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'. Proper internal audit practices are those contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom-2003. This Code defines Internal Audit as follows:

'Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

Section 9.3 of the Code also states that the Head of Internal Audit's formal annual report to the organisation should:

- a. Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.
- b. Disclose any qualifications to that opinion, together with the reasons for the qualification.
- c. Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies.
- d. Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement of internal control.
- e. Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria.
- f. Comment on compliance with these standards and communicate the results of the Internal audit quality assurance programme.

3.1.2 Scope of Internal Audit work

pps Acit provided the full audit service for the Council, which included systems, contract, computer, pro-active fraud reviews and investigation of suspected fraud or financial impropriety.

The auditors worked to an audit plan, which was completed using a risk analysis which complies with CIPFA standards. The plan took into account the Council's risk registers then in place. The Council now has risk registers for all service areas and the 05/06 and future plans will be prepared in conjunction with these.

For each area examined a risk analysis was prepared identifying the main risks and we then identified and considered the effectiveness of the systems of control in place to address and mitigate these risks.

At the end of each review a report was prepared and recommendations agreed with management. Copies of the management summaries of these reports were submitted to the Audit Committee.

3.1.3 Factors affecting the extent of the internal audit work

During this year it was possible to commence audits at a far earlier date than last year and resources had been allocated to ensure that as many audits as possible were completed to at least draft stage by the end of the year. As can be seen later in the report 94% of the plan had either been completed or draft reports had been submitted for comment. By the 31st March.

3.2 THE STATEMENT OF ASSURANCE

3.2.1 Introduction

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

- a) all audits undertaken during 2004/05
- b) the results of follow-up action taken in respect of audits from previous years
- c) whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk
- d) the effects of any material changes in the Council's objectives or systems
- e) matters arising from previous reports to the Council
- f) whether or not any limitations have been placed on the scope of internal audit.
- g) whether or not there have been any resource constraints that may impinge on internal audit's ability to meet the full needs of the Council and
- h) what proportion of the Council's audit needs have been covered to date.

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

3.2.2 Operational Assurance

pps Acit examined systems operating to achieve objectives set by management and agreed as part of the annual audit plan.

Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment. The control environment comprises the Authority's policies, procedures and operations in place to:

- a) establish and monitor the achievement of the Authority's objectives;
- b) identify, assess and manage the risks to achieving the Authority's objectives;

- c) facilitate policy and decision making;
- d) ensure the economical, effective and efficient use of resources;
- e) ensure compliance with established policies, procedures, laws and regulations;
- f) safeguard the Authority's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- g) ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes. It encompasses elements of corporate governance and risk management.

3.2.3 Overall adequacy and effectiveness of the internal control environment

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

From the audits covered there were no common themes that would constantly need to be reported upon.

The only issues that appeared in more than one audit referred to the need to monitor the workflow and performance of staff and contractors (refers to the audits of Crime & Disorder Reduction CCTV, Domestic Refuse, Trade Refuse and A1306,) and the need to improve procedures to ensure that when income is received it is checked as being banked and then paid in to the correct financial code (refers to the audits of Domestic Refuse, Trade Refuse and Youth Service).

3.2.4 Work that supports the opinion

Of the 108 audits which were planned to be completed during the year 91 (84%) had been completed to final report stage and 11 (10%) had been completed to consultation draft report stage by the 31st March.

At the time of producing this report 107 of the reports were at final stage. The one remaining report is expected to be cleared before the end of July

Of these, 100 were giving an opinion on the effectiveness of the internal control environment. The remaining reports were addressing specific issues and did not require an opinion statement

Of these, 85 (79%) received unqualified reports and the remaining 22 (21%) were all qualified, as weaknesses within the internal control systems were identified. In the previous year 31% of the reports were qualified.

Appendix A details the qualified audit opinions and it can be seen that there were diverse reasons for expressing our concerns, the majority of which were specific to the area of review.

Details of all reports relating to completed audits have been presented to the Audit Committee throughout the year which have included the opinion statements. Members have commented upon and have questioned officers about these reports.

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

- Risk registers have been completed for all service areas
- The Council's Anti Fraud and Corruption Strategy and Confidential Reporting policy became embedded within the authority with publicity campaigns and training for both Councillors and staff
- The Council now have good procedures to record and track all recommendations made in both internal and external audit reports to ensure that they are implemented by due dates. All cases where a recommendation has not been implemented by a due date are reported to the Audit Committee so that appropriate action may be taken.
- Risk management is a high priority for the Authority with a Risk Management Group established which meets at regular intervals

It should be noted that we have not carried out any formal audit review of the risk management process or risk registers. An audit of this area will be undertaken in the 05/06 financial year.

4. SUMMARY OF INTERNAL AUDIT WORK DURING THE YEAR

4.1 Management Summary

This has been the third year of an original three year contract and pps Acit has carried out both systems work, in accordance with the original audit plan, and investigations into suspected financial and operational irregularities. A further year's extension has been awarded for 2005/06.

There has been an Interim Client Manager Internal Audit working for the Authority during this year and we have noted that there has been a very good working relationship between both parties with improvements to the way that we have been required to work being introduced. In particular the new agreed protocols and a revised reporting format came into effect in February of this year.

A permanent postholder was appointed from the 1st March 2005 and the good working relationship has continued.

We have found that there is improved co-operation within the Directorates' during the audits and in responding to reports but we have found that in some departments staff are not responding by due dates as they feel there are other pressures upon their time. There is a need to ensure that staff within the authority understand and accept the purpose of the audit and the need to assist and respond to the requirements of the audit in a timely manner.

To assist in this process the strategic audit plan is sent to Directorates for discussion and agreement and they are advised at the commencement of the year when that year's audits are planned to commence. Any requests for adjustments to the programme are accommodated wherever possible.

The Audit Committee has received regular reports throughout the year on the completed audits and of the 107 final reports completed where opinion statements were required 22 were given qualified audit opinions. Further information about these has been given above and has been included in Appendix A.

A total of 273 days were spent on fraud investigations. 64 cases were completed during the year and there were 21 that were continuing at the 31st March. Again further details of this work are set out in Section 4.3 below.

During the financial year pps Acit undertook 15 pro-active audits, . Details of these are set out in Section 4.4 below.

4.2. Assessment of the Third Year's Service

Audit procedures had been changed during the last financial year and again they were revised during this year with the introduction of a new Audit protocol and new reporting format. Regular meetings between pps Acit Directors and the Executive Director of Finance & Planning continued to take place and this has ensured that the contract operates in the manner expected and that any concerns are addressed.

There had also been a very good working relationship with the Interim Client Manager Internal Audit and this is continuing with the permanent appointment. There has been a feeling on both sides that a good partnership arrangement should be in place and these have ensured that the Authority received the best possible audit service within the budgetary constraints placed upon it.

The original plan allowed for 1300 days but this reduced to 1255 at the year-end. The table below sets out the original position and the outturn.

	Systems	Computer	Pro-active	Fraud	Total
Original days	740	150	93	317	1300
Year end	706	150	136.5	262.5	1255

It was anticipated that there would be 108 audits undertaken during the year apart from fraud investigations. As is the normal situation during any financial year changes were made as the year progressed but the final position was that 108 audits were carried out albeit that there was an overall change in both the nature of the audits and time allocations.

The table set out below shows the allocation of the original audits and the actual position at the year end:

	Systems	Computer	Pro-active	Totals
Original position	72	23	13	108
Outturn position	71	22	15	108

During the year investigations by pps Acit resulted in savings of £358,730 to the Council. We have also attached at Appendix C a table showing the:

- Actual savings
- Monies that management could also recover
- Brief details of the investigation
- Cost of the audit
- Management action

4.3 Fraud Work

There was an increase in the time spent on fraud work compared to the previous year and it is anticipated to rise still further next year as the fraud reporting policies and procedures become further embedded throughout the Authority. Since the fraud awareness reporting policy was advertised there have been 18 cases reported under the Fraud "Hotline". Appendix B gives further details of these cases

During the year a total of 64 investigations were carried out and at the year end 21 investigations were still in progress. The National Fraud Initiative review for 2002/03 was also completed in January 2005. As part of this review 9 suspected fraudulent claims were investigated with a confirmed value of overpayments of £24,477.

As in the previous year a number of investigations have led to either the resignation, discipline, dismissal or prosecution of staff. The following table shows details of these cases and the outcome of other successful investigations.

Case Description	Outcome
NFI: Individuals were found to be claiming Housing benefit but not declaring; <ul style="list-style-type: none"> • 2 cases related to persons their earnings whilst employed by NHS Trusts, • 1 person was identified as 	Housing benefit prosecution. Overpayments reclaimed. Pension payments ceased.

<p>being in receipt of a student loan and</p> <ul style="list-style-type: none"> • 2 individuals were also claiming local government pensions. <p>Additionally pensions were being paid to deceased claimants/former employees.</p>	
<p>Member of staff in Computer Services received payments by informing a contractor of quotes for the supply of computer equipment thus enabling the contractor to undercut other suppliers. The difference between what the contractor would normally have charged and what he was able to charge was shared between both parties.</p>	<p>The member of staff received a 15 month jail sentence. The Managing Director received 12 months and two of his staff each received 200 hours community service.</p>
<p>There have been 9 cases investigated of suspected misuse and abuse of desktops or laptops by staff.</p>	<p>Investigations resulted in 2 dismissals, 2 cases of disciplinary action and 5 where there was insufficient evidence to proceed.</p>
<p>Overpayment of salary to a member of staff amounting to £10,564</p>	<p>Level of overpayment agreed and repayment requested.</p>
<p>Two members of staff who were reported working whilst registered sick were investigated.</p>	<p>One member of staff resigned following the issue of the audit report whilst the other is subject to appropriate management action</p>
<p>Five applications for the Right to Buy of Council properties investigated.</p>	<p>The audit investigations produced evidence that enabled Housing Services to refuse two applications. Discounts saved amounted to £76,000.</p>
<p>Two suspected sub lettings of Council flats.</p>	<p>Following interviews one tenant returned keys for one property and this has now been re let. There was insufficient evidence regarding the other case but Housing Services will be reviewing the position.</p>

Other reviews and special investigations that took place included the following:

4.3.1 An investigation was undertaken to review whether the delays in the agreeing of an insurance claim relating to a fire at Broadford School were justifiable. The review found that there were valid reasons for the delay but that procedures and systems could be improved to ensure that future claims could be processed more effectively.

4.3.2 Concerns were raised that the Authority was paying in advance for central heating equipment in order to use existing funds in a financial year. The investigation revealed that stock was being purchased and put into "bond" for later use but the systems of control were very poor and it could not be established what stock was actually being held. It was also found that the authority was being charged more than once for the same installation. Systems of control were improved, overpayments of £3409 were identified and the auditor prevented a duplicate payment of £17175 being made.

4.3.3 An investigation was undertaken into the financial affairs of an Asylum Seeker and it was found that he was in paid employment which was in breach of his Asylum status. Repayment of £3,562 overpayment requested by management.

4.3.4 We were asked to investigate why a number of Housing Benefit cheques were still being held by the Council's Administration Section. The investigation found that they were in fact Salaries cheques. The payees were contacted and cheques processed. Departments have being reminded that they must ensure that bank details are obtained when a person is employed so that all payments are made via BACS improved control procedures.

4.3.5 Internal Audit was asked to investigate the total amount of monies stolen resulting from a theft from a private security courier vehicle employed by the Council. The audit revealed that the total monies stolen amounted to £74,000 enabling the Council to instigate an insurance claim for £46,000 for the cash loss and request replacement cheques.

4.3.6 An investigation was carried out into the misuse of 0900 numbers on Council external telephones but there was insufficient evidence to identify the member of staff responsible for using these numbers. Controls were put in place by management to "block" these numbers so that they could not be used.

4.3.7 An investigation was undertaken of the theft of monies at the Fairkytes Centre. The person suspected was an Agency worker and was removed from the premises and subjected to Police interview.

4.4 Pro Active Audits

During the year the 15 Pro-active Fraud reviews were carried out and at the time of producing this report 14 had been completed to final report stage and one had been continued into the 05/06 financial year.

4.4.1 Abuse of telephone lines both land and mobile

The purpose of this review was to check a sample of employees using council phones to ensure that land lines and mobiles were being used correctly and reimbursements were being made for private calls

From the examinations undertaken it would appear that:

- Mobile telephone accounts are being conducted in accordance with laid down procedures and protocols;
- Landline telephone calls are being conducted in accordance with laid down procedures and protocols. However, audit was unable to confirm whether calls to mobile phones are business related.
- From the sums of money being received for the reimbursement of private calls it would appear that not all staff are paying for these calls.

4.4.2 New Employees including references

The purpose of this review was to ensure that correct procedures were in place when employing staff.

A sample of twenty (20) employees from differing directorates was examined to ensure that:

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

From the examinations undertaken it would appear that:

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

4.4.3 Honoraria and other payments to staff

The purpose of this review was to ensure that correct payments were being made and copies of the Honorarium and Temporary Promotion HED Registers for the month ending

29 February 2004 were obtained from Salaries and Wages. A sample of fifteen (15) honorarium and five (5) temporary promotion payments was obtained.

The review found that all twenty (20) payments appeared to be legitimate and in accordance with the "Employees Asked to Undertake Additional Responsibilities Policy and Procedure" document.

All payments have been reviewed on a regular basis.

4.4.4 Exemptions to Contract Terms

The purpose of this review was to ensure that:

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

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

4.4.5 Travel/ Subsistence & Car Allowances

The purpose of the audit was to check a sample of claim forms to ensure that claims:

- Are legitimate;
- Have been completed on the correct claim form;
- Have been certified by an authorised signatory;
- Are supported by receipts and vouchers; and
- Are relevant to the Council's requirements.

All forty (40) claims appeared to be legitimate and in general had been completed in accordance with the Financial Framework.

4.4.6 Invoice Payments

The purpose of the audit was to check a sample of invoice payments to ensure that all payments were legitimate and had been made in accordance with the Financial Framework.

Based upon the sample that was tested it appeared that payments were for a valid Council need and all were purchased from what would seem to be a legitimate enterprise.

4.4.7 Checking of write offs within the Housing Directorate

The purpose of the audits was to take a sample of rent accounts which have been written off and to ensure that proper procedures have been followed

The audit found that the arrears had been written off correctly but that procedures, such as the clearing of former tenants' arrears and chasing of outstanding debts , need to be improved

4.4.8 Home care providers

The purpose of the audit was to take a sample of Home Care providers invoices and check that the services had been provided.

From the examinations undertaken it would appear that clients are receiving care in accordance with that agreed. However, there are instances where the agreed care was for half an hour or hour but only twenty to twenty five minutes and forty to fifty minutes care was given. In the majority of cases the Council was being charged as per the Service Agreement and not for the hours actually worked.

It is understood that the Purchasing and Reviewing Manager is already addressing this matter.

4.4.9 Sickness

The purpose of the audit was to check a sample of sickness records to ensure that Sickness Certificates are being obtained where applicable and Sickness Procedures are being followed.

The review found that in the sample tested the Council's policies on the treatment of absence were not always being followed.

4.4.10 Test checking of debts which are still in arrears

The purpose of the audit was to check a sample of arrears cases to ensure that action is taken promptly to recover outstanding arrears and they are pursued in accordance with agreed procedures.

Delays in the various stages of recovery were found in the accounts examined. Delays were evident in obtaining responses from the originating departments and following up the lack of response

4.4.11 Journal Transfers

The purpose of the audit was to check a sample of journal transfers to ensure that:

- they are appropriate and relevant;
- there is supporting documentation showing which codes are being debited and credited and the reason for the transfer; and
- the documentation is referenced with the FIS journal date, the amount of the transfer and the name of the person doing the journal.

All were found to be appropriate and relevant and included adequate narrative

4.4.12 Asylum Seekers Accommodation Check

Concerns have been expressed nationally that property Letting Agents continue to charge Local Authorities for providing accommodation although the Asylum Seekers have left the accommodation. The purpose of the audit was to test check a sample of invoices to ensure that the Asylum Seeker was resident at the address being charged for.

The audit investigation identified 4 cases where further visits should be made by the Asylum Seekers unit. Following these revisits 2 occupancies were cancelled. It has been recommended that unannounced visits at the properties should be carried out half yearly by management to confirm continued occupancy.

4.4.13 Residence parking disc payments

The purpose of the audit was to check to ensure that:

- The Parking Section are accounting for all parking discs;
- Parking discs are accounted for in the retail outlets;
- The control and issuing of parking discs is in accordance with agreed procedures;
- Payments from outlets are received on a regular basis; and
- All income is accounted for

From the examinations undertaken it would appear that the issuing and recording of Car Parking Discs and the collection and recording of income is well managed.

4.4.14 Invoice Payments: Capital & Repairs

The purpose of the audit was to check the processing of a sample of invoices and architects certificate payments to ensure they were legitimate and had been processed in accordance with the Financial Framework.

All items tested would appear to have been for a valid Council need and all payments were made to what would seem to be a legitimate enterprise.

5. Compliance with the CIPFA Code of Practice for Internal Audit in Local Government

The work of pps Acit is undertaken in a manner which ensures that it complies with the CIPFA Code of Practice for Internal audit in Local Government -2003.

6. Quality Assurance

ppsAcit and the authority have worked together to produce Audit protocols and procedures for working which give a high degree of assurance of the quality of the audit work.

Satisfaction Questionnaires are sent to auditees on the conclusion of every audit which seeks their comments on the quality of the service provided. The completed questionnaires show that there is a high degree of satisfaction with the quality of the audit service.

APPENDIX A

Qualified audit opinions

Summary of Qualified Opinions

Audit name and opinion
1. Tendering Processes
The lack of separation of duties and the weak controls surrounding the return and storage of the tenders could lead to tenders being tampered with without anyone being aware of the abuse. [Note there was no evidence to indicate that this is occurring]. Evaluation procedures are also weak in that the records retained do not allow officers to support their actions should they be challenged by the tenderer. Due to the above the audit report is therefore qualified.
2. Pupil Services
Based on the findings of the audit review we would need to give a qualified opinion due to the following issues: the lack of standardised and up to date files on attendance related cases, lack of emphasis being placed on employers to ensure that the welfare of the child is protected and monitored and the areas of bullying and truancy are not being fully enforced and monitored due to factors outside the control of Pupil Services.
3. Freedom Passes & Taxi cards
A qualified opinion is given based on the following: <ul style="list-style-type: none"> - Application forms and documents to support the applications are not always retained. - There is no list of signatories from within Social Services of officers who are permitted to certify applications for disabled persons. - There are inadequate controls over stocks of freedom passes and computer records are not always accurate and complete. There is not always a record of why a Taxicard application has been approved
4. Crime & Disorder Reduction CCTV
Based on the findings of the audit review we would need to give a qualified opinion as there is a need to implement both the new procedures manual and common code of practice to ensure standardised working practices. This covers both staff and partners in the use of CCTV. The absence of any management monitoring of staff does not provide adequate supervision to ensure that the CCTV control room is manned at all times and that staff are on duty at the specified times.
5. Domestic Refuse
Based on the findings of the audit review we give a qualified opinion. The lack of control over the bankings means that the service cannot ensure that income has been collected, banked and coded correctly. There are many failures in the lack of monitoring of

Audit name and opinion
both the contractor and the authority . However if the section was fully resourced it would result in an effective monitoring function to ensure the contractor is performing to a high standard. The implementation of the recommendations made below will also assist in improving the collection and disposal processes.
6. Trade Refuse
Based on the findings of the audit review we give a qualified opinion. The lack of control over the bankings means that the service cannot ensure that income has been collected, banked and coded correctly . There is an absence of monitoring in terms of the contractor operational requirements that leads to poor performance. The absence of indicators measuring performance does not assist in this process. The implementation of the recommendations made below will also assist in improving the recovery process.
7. A1306
This project has been very poorly managed and controlled by Mouchel Parkman. The lack of supporting information and the numerous breaches of the Council's rules and procedures indicate this lack of control and therefore this report is qualified.
8. Computer Housing Rent System
We can give a qualified audit opinion. Some of the weaknesses highlighted in this report need to be addressed corporately, such as Disaster Recovery, improvements to the machine room and Data Protection. Those weaknesses that are specific to the application, such as the inadequate reporting facility and the lack of reconciliation between DSO Servitor are being actively resolved by Housing management.
9. Consultants Fees
There is a general lack of control within the Council over the level of competition undertaken when appointing consultants; the preparation of a brief that details the services required; and written contracts with the consultants engaged by the Council. As a result, fee invoices cannot be checked in accordance with the Council's rules and procedures. Therefore, due to the above the audit report is qualified.
10. Right to Buy
A qualified opinion is given based on the following: <ul style="list-style-type: none"> - Controls are not in place to ensure that the progress of the investigation and whereabouts of the file can be monitored. - A checklist is not in place to ensure that all appropriate checks have been undertaken on suspicious right to buy applications.

Audit name and opinion
- Documentary evidence is not retained on file to evidence that action was taken to ensure that the rent account was not in arrears at the time of the completion.
11. Youth Services
A qualified opinion is given based on the lack of controls in place for the recording of income collected through to banking and expenditure.
12. Child Protection
Based on the findings of the audit review we would need to give a qualified opinion as improvements are required in the quality of records maintained by case workers, in the structure and organisation of the quality improvement process and in the management of the disclosure of information.
13. Highways
Based on the findings of the audit review we would need to give a qualified opinion due to the following issues: <ul style="list-style-type: none"> • The lack of cost benefit analysis for establishing charges levied, • Lack of a strategy for the spending of capital monies in street lighting, The lack of initiatives to reduce insurance claims over footway trips etc
14. Business Continuity
Based on the findings of the audit review we would need to give a qualified opinion as improvements are required in the structure, organisation and operation of the Business Continuity System.
15. Debtors
Based on the findings of the audit review we would need to give a qualified opinion as income remains uncollected and some debt management processes are inefficient and uneconomical. From the discussions held and the examinations undertaken some progress has been made in the implementation of recommendations made in January 2004. Of the seven recommendations made, only two have been fully implemented, two have been partially implemented and three have not been actioned
16. On Street parking (Permits & Discs)
Based on the findings of the audit review we would need to give a qualified opinion due to the following issues: <ul style="list-style-type: none"> • The lack of monitoring over the operations within PASC for the sale of permits, • No recent documentation seen for the purchasing of permits
17. Variations

Audit name and opinion
A qualified audit opinion can be given as Audit is not satisfied that there is sufficient control by management or officers over the control and monitoring of changes on the projects that are being undertaken.
18. Parking Enforcement
Based on the findings of the audit review we would need to give a qualified opinion due to the following issues: <ul style="list-style-type: none"> • the lack of a responsive service to enforce the borough, • the lack of monitoring over allocated duties, • the unavailability for PA's to know whether a vehicle is subject to a number of unpaid parking tickets, • Incomplete analysis over cancellations.
19. Housing Rents
A qualified audit opinion is given, because audit was unable to obtain assurances that amendments to the Housing Management System (Anite) database had been reviewed for accuracy and completeness by a Senior Finance Officer.
20. Quality and contract management for the care of the elderly
A qualified audit opinion is given as this is a developing system and a number of recommendations have had to be made to improve the service. Internal Audit is satisfied that measures are being taken to develop a strong control environment
21. Monitoring and Co-ordination of Voluntary Sector and carer services
A qualified audit opinion is given as this is a developing system and although Audit is satisfied that measures are being taken to develop a strong control environment, an adequately robust environment is not yet in place.
22. Partnership Arrangements
Based on the findings of the audit review our opinion is heavily qualified in that the service provided has been poor. The poor and weak management of the partner at all levels has resulted in a lack of clarity over the roles of officers, poor service provided by the partner to clients and a general lack of control in managing the partner.
Further, it is considered that there has not been the willingness by either party to ensure that the partnership works, instead it is more of a contractual arrangement for the provision of technical staff to supplement the work of the section. The decision by other departments to use other consultants further indicates that the service has been poor.
It is considered that before a decision is made to extend the partnership or to re-tender the service (contract due to finish in

Audit name and opinion

December 2006) that procedures for monitoring performance, progress and budgets need to be introduced. It may therefore be beneficial to keep the existing partner until such procedures have been introduced and are found to be operating effectively.
--

APPENDIX B

Cases referred to the Authority by the “Fraud Hotline”

REF NO.	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION
1	Concern re claiming of Job Seekers Allowance	No investigation required
2	Complaint re Mobile Mechanics	No investigation required
3	Issue and control of parking tickets	Issue will be investigated carrying out a proactive audit - <i>Management aware of duplication of ticket numbers due to malfunction of machines. Case closed</i>
4	Report of robbery	<i>Investigation identified a total loss of £73,870. Arrangements are being made for the cash sum of £46k to be claimed from the Contractor. Case closed</i>
5	Allegation of corruption/deception car parking	ICMIA has requested that ppsAcit interview Person A to confirm the allegations he is making as the original e mail to the CEX was not specific. <i>Interview identified two areas of concern and investigations are to take place. Investigation still in progress</i>
6	Query re abuse of electricity supply	No investigation required
7	Abuse of 090 telephone numbers.	ICMIA has requested that ppsAcit conduct investigation. ICT have been requested to provide detailed information of calls and to log this type of call in "real time" in order that person making calls can be interviewed immediately. <i>No evidence of continued use of 090 numbers. Case closed</i>
8	Possible HB fraud and illegal occupation of council property	ICMIA has requested that HB Fraud be informed of possible HB fraud and that Housing Services informed of illegal occupation. No further internal audit involvement
9	Staff working whilst off sick	A member of catering staff handed in her notice on Friday 26/11. She sent in a private medical certificate for a period of one week from Monday 29/11. One of the Care Catering managers has seen her working in the Victoria Wine off licence in Collier Row whilst certified sick. CMIA has advised manager to contact HR and proceed as advised. No further internal audit involvement
10	Possible HB fraud	Case forwarded to HB Fraud for investigation. No further internal audit involvement
11	Possible Council Tax Fraud	Case forwarded to , Principal Collection Officer for investigation. No further internal audit involvement

REF NO.	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION
12	Possible Council Tax Fraud	Alleged splitting of property into flats but Council Tax only being charged on one property. Also claim of two other properties being split in the same manner. Details forward to Council Tax Enforcement. No further internal audit involvement
13	Allegations re Transport Management	A number of allegations concerning the management of the Transport arrangements and decisions made by the TCCU Manager. <i>Allegation of non-accounting of H Bus monies unproven following investigation. Case closed</i>
14	Possible HB Fraud by Agency member of staff.	An Agency member of staff has been employed within the Systems and Support Section is alleged to be currently in receipt of HB from 14/2/5. Case closed
15	Theft of cash	An Agency member of staff has been stealing sums of money over a period of 4 months. Lack of cash reconciliation resulted in late identification of thefts. <i>Matter being dealt with by Police but lack of evidence for the total £777.50 may result in no prosecution. Case closed</i>
16	Allegation of hospitality been given to Agency staff	It is alleged an Agency member of staff has received a full expenses paid trip to Moscow or Prague in Dec 04 or Jan 05. <i>Member of agency interviewed. Allegation unfounded. Case closed</i>
17	Allegation re purchase, disposal and leasing of equipment	Concerns have been expressed that there may have been fraud involved in the purchase, disposal and leasing of machinery by ITS. Investigation continuing
18	Allegation of breaches of planning and payments to Officers	Allegations were expressed that planning permission had been granted to Firm A and payments to Officers made. Investigation continuing

APPENDIX C

FINANCIAL SAVINGS

Project Code	Details	Actual Savings £	Management to recover	Details	Cost of audit	Management Action
T327	Highways employees *	56,948		Following the audit investigation and subsequent the Highways gang was not replaced. Highways Section estimated the savings based on wages and vehicle costs.	1,821	DD&R
T341	CLARG overpayments shifts *	2,087		This sum is an overpayment of shift allowance to one employee who was not eligible to receive a shift allowance because of this pattern of work.	1,539	N
T368	Sub letting of tenancy *	2,636		The tenancy notification had not been received. Consequently the Council were able to recover £2,636.24 (prior to any discount deductions) revenue from non-secure six monthly tenancy contracts.	1,915	N
T372	Community Care Line *	96,000		Following the completion of the audit Careline monthly charges had reduced by approximately £8k because charges were being based on actual times and not rota times and minimum calls reduced from 1 hour to 1/2 hour.	9,958	N
T429	NFI Person A	11,118	11,118	Working since 02/04/01 but not notified LBH and received benefit of £57.24 and CTB £14.03 = £71.27 Period - 156 weeks @ 71.27 (min)	51	P
T445	NFI Person B	7,282	7,282	Working since 20/05/02 but not notified LBH and received benefit of £61.41 and CTB £11.41 = £72.82 Period - 100 weeks @ 72.82 (min)	37	P

Project Code	Details	Actual Savings £	Management to recover	Details	Cost of audit	Management Action
T462	Person C RTB*	7,800		Right to Buy cancelled following investigation therefore saving of £38k on RTB and loss of rent = £50 per week x 156 weeks (3 years)	318	N
T8baae	Person D RTB*	7,800		Right to Buy cancelled following investigation therefore saving of £22k on RTB and loss of rent = £50 per week x 156 weeks (3 years)	882	N
T8baao	In the "Bag Scheme" – Cleanaway	Not known	Not known	Agreement reached with Cleanaway taking account of monies due to Cleanaway. Method of calculation of recycled sacks and payment revised.	5,684	N
T8babr	Asylum Seeker	3,562	3,562	Asylum Seeker reported to be working whilst receiving benefits. Allegation proved and therefore calculation of overpayment.	556	N
T8bacg	Property A – RTB	46,877	n/a	Right to Buy cancelled following investigation therefore saving of £38k on RTB and loss of rent = £56.91 per week x 156 weeks (3 years)	547	N
T8bach	Cheque fraud – Person E	251	n/a	NW Bank confirm cheques cashed with Halifax, When notified claimant did not follow up initial claim.	76	N
T8caag	Company A - Bonded stock	20584	3409	As part of the review regarding bonded stock Audit identified a duplicate payment for installation of boilers was identified. Although payment had been certified the payment was stopped prior to authorisation. Also double payments were identified for installing the stock	4,523	N

Project Code	Details	Actual Savings £	Management to recover	Details	Cost of audit	Management Action
T8caan	Cheque fraud – Person F	528	n/a	It was confirmed that the cheques had been cashed. The Landlord has admitted that this was the case but was trying to establish if Person F had received the cheques but not paid his rent	251	N
T8caak	Property B - RTB	45,807	n/a	Right to Buy cancelled following investigation therefore saving of £38k on RTB and loss of rent = £50.05 per week x 156 weeks (3 years)	160	N
T8caau	Stolen cash bags	46,000	46,000	It was established that 15 bags had been stolen and therefore credits totalling £73,869.98 had not been credited to the Council. It was establish £46k was cash & remainder cheques which have been cancelled and payment requested.	441	N
T8daal	Tender awards	1,250	1,250	Overpayment for work not completed.	304	N
	TOTALS	£358,730				

***Bought forward from previous year**

Key tp management action

D = Disciplined, DD = Dismissed, F = Final Warning, N = No further action, P = Prosecution, C = Cautioned & R = Resigned.



MEETING	DATE	ITEM
AUDIT COMMITTEE	28 July 2005	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2003/2004 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

SUMMARY

This report updates the Committee of the Authority's position regarding the final version of the 2003/2004 audit report of grant claims and returns and the Action Plan.

RECOMMENDATIONS

To note the agreed final version of the 2003/2004 audit report of grant claims and returns (Appendix 1)

To note the progress/action against the 2003/2004 action plan (Appendix 2)

To note the progress/action against the action plan to address 2003/2004 qualification issues (Appendix 3)

To note joint discussions on the way forward between officers and the Audit Commission.

REPORT DETAIL

The draft revised version of the report was included within the Audit Commission's progress report which was reported to this committee in June 2005. This only contained the summary and the recommendations. Officers also reported that the report had not yet been considered and finalised by officers. Further amendments were necessary to the report and the agreed full version is attached at Appendix 1.

The Authority felt that the earlier versions of the report did not reflect the true position and did not demonstrate that improvements had been made. Consequently officers requested changes to the report which contributed to the delay in agreeing a final version.

The 2003/2004 Action Plan/Recommendations is attached at Appendix 2 and contains a number of recommendations repeated from the 2002/2003 report. Although the report and action plan had not been formally agreed the action plan is being implemented and includes progress/action to date.

The 2003/2004 Action Plan also includes a requirement to have in place an additional action plan to address the 2003/2004 qualification issues. This Action Plan is attached at Appendix 3 and includes qualification issues identified during the 2003/04 audit process to date. Again although the action plan had not been formally agreed qualification issues are being addressed and the action plan also includes progress/action to date.

It should be noted that the Audit Commission's report is based on exception reporting of the Authority's performance and does not acknowledge their own. Officers feel that the Audit Commission has contributed to some areas which has resulted in the level of improvement not being as significant as is felt achievable and this is referred to in the summary outline of performance below:

Overall summary of performance compared to 2002/2003

There was an overall improvement in the submission of 2003/2004 claims for audit. In 2003/2004 25 claims (76%) were submitted by the due date compared to only 7 claims (15%) in 2002/2003. The total number of grants requiring audit certification reduced to 33 in 2003/2004 compared to 46 in 2002/2003, this was mainly due to grant funders reducing the number of grants that were ring-fenced, therefore reducing the need for audit certification.

To date, although there are still 7 claims awaiting completion of audit, the number of amended claims reduced to 10 (30%) in 2003/2004 compared to 21 (46%) in 2002/2003 and the number of qualified claims reduced to 11 (33%) in 2003/04 compared to 21 (46%) in 2002/2003.

Summary

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

Amended claims	10	30	21	46
Claims not amended	5	15	4	8
Qualified claims	11	34	21	46
Claims awaiting certification	7	21	n/a	n/a
Total Claims	33	100	46	100

Certified by deadline	9	27	11	24
Uncertified by deadline (includes the 7 awaiting certification)	24	73	35	76
Total claims	33	100	46	100

Although 76% of claims were submitted by the due date in 2003/2004, 73% did not meet the audit certification deadline, compared with 76% in 2002/2003 that had only 15% of claims submitted by the due date. The Authority believes that not all of the delays that contributed to late audit certification were of our making and that this is a two way problem that needs to be addressed by the Authority and the Audit Commission. Officers have already discussed the way forward at some length with the Audit Commission.

Overall, in Summary, the Authority needs to improve its performance in the following areas:-

- Submit adequate grant claim working papers for Audit by the due date
- Work jointly with the Audit Commission to ensure that audit queries are issued and responded to in a timely manner to ensure that late audit certification is improved.
- Address issues that may lead to an amendment or qualification.

Financial Implications and risks:

None arising directly from this report.

Legal Implications and risks:

None arising directly from this report.

Human Resources Implications and risks:

None arising directly from this report.

Equalities and Social Inclusion implications:

None arising directly from this report.

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STEPHEN EVANS
Chief Executive

Background Papers List

Audit Commission's 2003/2004 Audit report of grant claims & returns

Audit Commission report 'Progress Report: May 2005'

Audit of grant claims and returns

London Borough of Havering

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- Main conclusions
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- The way forward

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Detailed Report

- Regeneration and partnership
- Education
- Finance and planning
- Customer Access and Culture
- Housing
- Social services
- Recommendations

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Appendices

- Appendix 1 – Action plan

Reference:	London Borough of Havering HA025
Date:	July 2005

Introduction

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

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments. To date the Council claimed about £120m of government grant income in 2003/04.

Background

The Audit Commission introduced a modernised approach to the certification of grants and returns in 2003/04. This is in line with our commitment to reduce the burden of regulation on Councils. Certification arrangements will now be proportionate to the value of the claim or return and the level of risk associated with the control environment in which the claim or return is compiled. Where the Council can demonstrate that an effective control environment is in place, there is now potential for a significant reduction in the level of certification work performed and, therefore, the grants audit fee. The new arrangements applied to all claims in 2003/04 except those for which transitional arrangements were set out in the individual Certification Instructions.

The key features of the arrangements are as follows:

- For claims and returns below a de minimis (currently set by the Audit Commission as £50,000), the Commission will not make certification arrangements.
- For claims and returns between the de minimis and a threshold (currently set by the Audit Commission as £100,000), auditors will undertake limited tests to agree form entries to underlying records, but will not undertake any testing of eligibility of expenditure.
- For claims and returns over the threshold (>£100,000), auditors will assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, auditors will undertake limited tests to agree form entries to underlying records but will not undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, auditors will undertake all the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim.

For 2003/04, we were expected to certify 40 claims and returns (48 in 2002/03), five of which were returned to the grants coordinator because they were below the de minimis level. The audits of the two asylum seekers claims have been withdrawn from the 2002/03 and the 2003/04 certification process by the Home office. Certification arrangements for these claims are expected to resume from 2004/05. Therefore certification arrangements were then only required for 33 claims (46 in 2002/03).

To date we have received 32 claims requiring certification with one claim still outstanding. Of the claims received, six remain uncertified.

Audit approach

In agreement with the grant paying bodies, the Audit Commission issues Certification Instructions (CI's) to all appointed auditors, setting out the required audit approach to each claim or return.

Once received, the CI's are also made available to the grants coordinator to ensure grant compilers are made aware of the audit process.

We then carry out a risk assessment for each claim or return, complete the appropriate tests and conclude on our findings.

Where we find that a claim or return deviates from the CI requirements, we attempt to resolve the issues identified. This is usually achieved either by obtaining further information or agreeing amendments to the figures in the claim with officers. Where such issues cannot be resolved, we would issue a qualification letter setting out the facts to the grant paying body.

Main conclusions

Our main audit findings are summarised below under the following headings:

- Timeliness of submission and certification
- Quality of working papers
- Performance by service area

Timeliness of submission and certification

The Council's performance improved significantly in 2003/04, with 76% of the claims (25 out of 33) submitted by the deadline, compared with 15% (7 out of 46) in 2002/03. The above statistics exclude the one week leeway allowed for late claims in 2002/03 and the asylum seeker claims which were removed from the certification process in 2002/03 and 2003/04.

The LSC Funding of Further Education in LEA Institutions (EDU23), due for submission to audit on 3 November 2004, is still outstanding.

Even though 76% of grants were submitted to audit by the deadline, 73% remained uncertified by the audit certification deadline (summarised in exhibit 1 below). Some delays resulted from inadequate working papers being initially submitted. In order to resolve and minimise issues leading to qualifications, information was provided at a later stage. Examples of claims where such delays occurred are: Children and Adolescence Mental Health (HC20); Children's Fund (EYC06); Improving Information Grant (SOC08) and the Students Supplementary (EDU07) grants. Whilst this demonstrates a positive and enthusiastic approach, it is important that the Council also endeavours to ensure the timely certification of claims.

Late certification of claims may result in grant paying bodies withholding payments due to the Council which may ultimately have a negative effect on cashflow.

Exhibit 1 below summarises the number of grants received and certified by the deadline.

EXHIBIT 1: NUMBER OF CLAIMS SUBMITTED FOR AUDIT AND CERTIFIED BY THE REQUIRED DATES

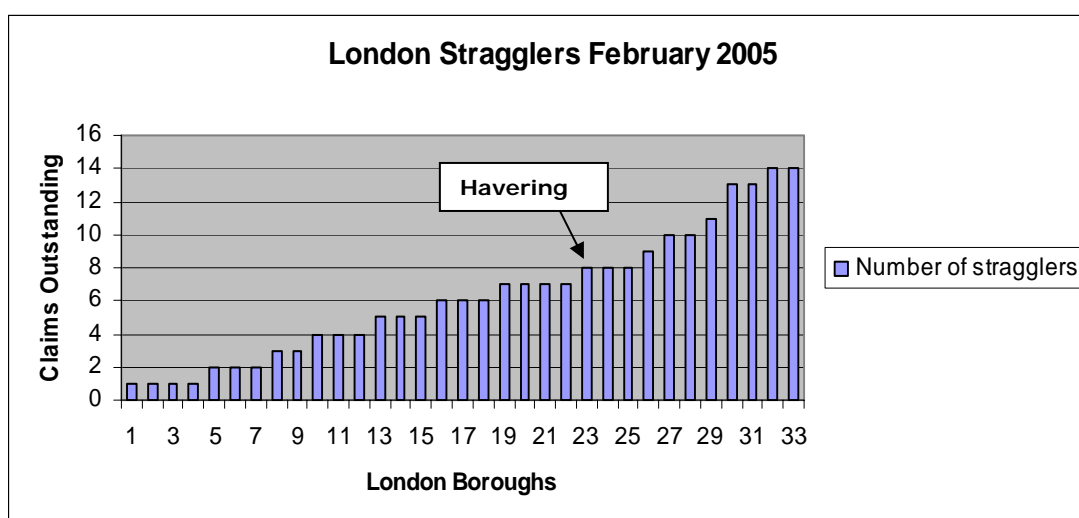
Timeliness of submission and certification

Criteria	Received by deadline		Certified by deadline	
	Number	Percentage	Number	Percentage
Summary 2003/04				
Received/certified by deadline	25	76	9	27
Received late /certified late	8	24	24	73
Total	33	100	33	100
Summary 2002/03				
Received/certified by deadline	7	15	11	24
Received late /certified late	39	85	35	76
Total	46	100	46	100

The Audit Commission monitors the certification of claims and, for claims which have not been certified by the deadline, a stragglers schedule is produced.

Exhibit 2 shows the number of 2003/04 claims awaiting certification (stragglers) as at February 2005. The graph indicates that Havering has improved when compared with 2002/03 (from rank 28 to 23), although still performing poorly when compared with most other London Boroughs. This is mainly due to a combination of late submissions (24%) and delays in clearing audit queries, causing significant delays to the audit of some claims (details given in sections one to six).

EXHIBIT 2: COMPARATIVE NUMBER OF STRAGGLERS IN LONDON BOROUGHS



Quality of working papers

The quality of working papers provided for audit in 2003/04 showed only a very slight improvement over the previous years. Generally, working papers provided were below the standards stated in the grants protocol and, therefore, those required for audit certification. The grant claim checklist, which should accompany all claims submitted, sets out the minimum supporting working paper requirements for each claim. Any additional working paper requirements for individual claims are normally detailed in the relevant Certification Instruction, circulated to the Council prior to the audit.

The weaknesses identified, as discussed in sections one to six of the detailed report, are summarised below:

- claims compiled on an incorrect form;
- incomplete documentation, for example ledger prints, asset registers and departmental correspondence omitted from files;
- lack of audit trail for entries on the claim;
- inadequate cross referencing between claim form, lead schedule and working papers;
- lack of analytical review and explanations for significant variances;
- incorrect arithmetic on claim forms; and
- lack of adequate support for the basis of apportionments included in the claim.

The Council's quality control process, whereby working paper files are reviewed by the grants coordinator before they are submitted to audit, was fully operational this year. Working paper files were returned to officers by the grants co-ordinator if they did not contain key information. This reduced the burden on audit although four of the 33 claims (3xRG31 claims and SOC06) were still returned to the grants coordinator by audit due to insufficient working papers.

Performance by Service area

A summary of performance by Service area is shown in Exhibit 3 and further details are contained in the detailed report. Given the noticeable commitment to improvement across the service areas, we are confident that (for 2004/05) the Council can overcome the weaknesses identified.

EXHIBIT 3: SUMMARY OF PERFORMANCE BY SERVICE AREA

Criteria Service	Total no of claims	Late claims	Amended claims	Qualified claims	Claims in progress or not yet started or not yet received
Summary 2003/04					
Regeneration and Partnership	4	3	3	1	0
Education	10	4	1	2	4
Finance and Planning	3	0	2	3	0
Customer Access and culture	1	0	0	0	1
Housing	4	0	3	3	0
Social Services	11	1	1	2	2
Total for each criteria	33	8	10	11	7
Summary 2002/03					
Regeneration and Partnership	5	4	3	1	0
Education	15	13	7	8	0
Finance and Planning	3	3	2	2	0
Housing	5	2	3	2	0
Social Services	17	16	5	8	0
Environment	1	1	1	0	0
Total for each criteria	46	39	21	21	0

Previous year recommendations

Last year's report was only recently finalised. The Authority felt that the original version of the report did not contain enough detail to form a view on the progress made since the previous year. Therefore, delays occurred whilst the report was revised to address the Authority's concerns. Consequently most of the 2002/03 recommendations have yet to be implemented. These recommendations have been repeated where necessary. The Council should continue to implement the recommendations raised in last year's report in conjunction with new recommendations made this year.

The way forward

Detailed findings are set out in the detailed report (sections one to six). Section seven summarises the general recommendations that would enhance the Council's control environment and forms the basis of the action plan at Appendix 1. This will be used to monitor progress in future years.

In preparation for the 2004/05 grants audit, we will review arrangements at the corporate, directorate and individual grants level to reassess the degree of assurance available from the Council's control environment.

Problems encountered during 2003/04 indicate that the Council's control environment for the preparation of claims and returns requires improvement. We will work with the Council to establish an improvement cycle in areas where weaknesses are identified and we will continue to contribute to grants training workshops organised by the Council.

The role of the grants coordinator has had a significant impact on the grants certification process. We will continue to work with the new grants coordinator over the next year to maximise the potential savings from the new arrangement.

Status of our reports to the Council

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

Regeneration and partnership

Audit findings

EXHIBIT 4: REGENERATION AND PARTNERSHIP

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	5	100	4	100
Late claims	4	80	3	75
Amended claims	3	60	3	75
Qualified claims	1	20	1	25
Claims in progress	0	0	0	0

1. Regeneration was responsible for four claims (five in 2002/03). Three claims were received late and amended and one claim was qualified.
2. The late submission of the three Single Programme Statements of grant expenditure (RG31) was mainly as a result of late information received from the grant paying body.
3. None of the files submitted to audit contained an Analytical Review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.
4. The control environment within which regeneration claims are prepared needs to be improved as 3 of the 4 claims required amendments. We encountered substantial problems when auditing the three Single Programme Statement of grant expenditure (RG31) claims. These are detailed in exhibit 5 below.

EXHIBIT 5: REGENERATION AND PARTNERSHIP

Reference	Title	£	Comments
RG01E	Single Regeneration Budget	549,664	<p>Claim received and certified on time.</p> <p>Various minor amendments were made to the schedules supporting the claim, although none affected the amount claimed.</p> <p>No AR on file.</p>
RG31 (3 claims)	Single Programme 2003/04 Statement of Grant Expenditure.	43,952 37,206 32,045	<p>Even though individual expenditure on the claim was below the threshold, claims were audited in full because the claims relate to projects covering more than 3 years.</p> <p>All 3 claims were received 8 weeks late, and returned because of inadequate working papers.</p> <p>The working papers provided for audit were inconsistent with the entries on the claim.</p> <p>Although grant expenditure on this claim was low, protracted problems were experienced due to the quality of working papers received and slow responses to queries.</p> <p>1st claim amended by £2,175 to show the amount due to the Council.</p> <p>2nd claim amended by £2,794 to show the amount owed by the Council to the grant paying body.</p> <p>3rd claim qualified because the amount of grant allocation on the claim did not agree to the allocation letter from the department. Amended to reflect the amount owed to the Council.</p> <p>AR not prepared.</p>

Education

Audit findings

EXHIBIT 6: EDUCATION

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	15	100	10	100
Late claims	14	93	4	40
Amended claims	7	47	1	10
Qualified claims	8	53	2	20
Claims in progress/not yet received	0	0	4	40

5. Education was responsible for 10 claims, of which four were late (including one claim not yet received) and one was amended. Two claims have been qualified and certification of two claims has been delayed due to slow responses to audit queries.
6. Despite the four claims not yet received or still in progress, there has been a significant improvement in education with the number of late claims, amendments and qualifications having been reduced substantially compared with 2002/03.
7. The Adult and Community Learning (EDU02) claim was received on 03/05/05 and arrangements are currently being made to start the audit. The LSC Funding of Further Education in LEA Institutions (EDU23) claim has not yet been submitted for audit.
8. The Childcare Grant (EYC02) claim was received on time, but is still awaiting certification. Inadequate working papers and frequent changes in the responsible officer have delayed the audit of this claim.
9. Only one file submitted for audit (EDU02) contained an analytical review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.
10. Whilst some problems were noted as stated above, we are pleased to acknowledge that one officer within this service area (responsible for the two EDU 29 claims) provided adequate working papers for audit purposes. It is important to share this good practice amongst other officers within the Council.

EXHIBIT 7: EDUCATION

Reference	Title	Amount Claimed	Comments
EDU02	Adult and Community Learning	447,864	Claim should have been completed by 3/11/2004 but was not received until 03/05/2005. Audit arrangements are currently in progress.
EDU07	Students Supplementary Grants	171,725	Claim received on time. However, due to audit pressures, the claim was not started until the 1 st week of January 2005. Further delay occurred due to a slow response to a query on the treatment of overpayments included in the claim. Responsible officers insisted on obtaining guidance on this issue from the department to avoid qualification after the draft qualification letter had been issued. Amended by £80 due to misclassification of travel grant No AR on file.
EDU23	LSC Funding of Further Education in LEA Institutions	O/S	Claim should have been completed by 3/11/2004 but has not yet been received.
EDU25	New Opportunities Fund: ICT Training	56,996	Final 02/03 claim - extension given for accounting for expenditure by the department. Received 9 weeks late and certified 8 days late due to slow responses to audit queries. Qualification issued because eligibility of staff expenditure could not be supported and ICT1 forms were missing. No AR on file.
EDU29 (2 claims)	Special Grants for Teachers Pay	2,393,178 919,285	Claims received and certified on time. No amendments or qualifications. No AR's on file.
EDU33	Education Special Grants	5,319,000	Claim received on time and certified on time. No amendments or qualifications. No AR on file.
EYC02	Childcare Grant	942,623	Claim received on time but awaiting certification. Certification of the audit has been delayed cause of slow responses to audit queries. The Council has been unable to provide adequate supporting working papers. To date responsible officers have changed three times and as a result some continuity issues were experienced. No AR on file.
EYC06	Children's Fund	154,865	Received four weeks late and no analytical review on file. Audit of this claim was delayed due to slow responses to audit queries. Certification was further delayed because responsible officers insisted on obtaining more evidence from the

			department to resolve a query on the percentage of management expenses included in the claim as this was not in accordance with the CI.
EYC08	Sure Start	748,252	<p>Received on time but certified late due to delays experienced in obtaining adequate supporting working papers. Qualified for the issues below:</p> <ul style="list-style-type: none"> • Incorrect entries on the claim form, of which the Authority were aware but unable to amend once the form had been submitted; • Revenue expenditure incorrectly capitalised; • Inadequate support for under and overspends to the sure start budget agreed with the department. <p>We note that the qualification was not agreed by the officer responsible.</p> <p>No AR on file.</p>



Finance and planning

Audit findings

EXHIBIT 8: FINANCE AND PLANNING

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	3	100	3	100
Late claims	3	100	0	40
Amended claims	2	67	2	67
Qualified claims	2	67	3	100
Claims in progress/not yet received	0	0	0	0

11. Finance and Planning was responsible for three claims. All claims were received on time, but two claims were amended and all three were qualified.
12. We note the significant improvement in providing the electronic data for the selection of detailed testing samples for the Housing and Council Tax Benefits (BEN01) claim. However, a number of issues arose during the audit which are summarised in exhibit 9 below.
13. The Council has yet to resolve the issues reported in the previous year on the Non Domestic Rates (LA01) claim. The key issue is that not all valuation officer directives received during the year are being processed prior to compiling the claim. Furthermore, problems encountered with some accounts during the transfer of data from Logos to Academy remain unresolved.
14. Only one file (BEN01) contained an analytical review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.

EXHIBIT 9: FINANCE AND PLANNING

Reference	Title	£	Comments
BEN01	Housing and Council Tax Benefits	27,767,241	<p>Received and certified on time.</p> <p>Claim qualified for the following reasons:</p> <ul style="list-style-type: none"> • Incorrect classification of a case as backdating; and • Incorrect classification of two overpayments supporting weekly incorrect benefit as eligible overpayment. <p>A number of additional issues were experienced with the audit as follows:</p> <ul style="list-style-type: none"> • Claim submitted without an original Chief Finance Officer signature; • Delays in providing working papers to support the Housing Benefit reconciliations between the general ledger, academy system modules and the housing rents system. • Incomplete entries and transposition errors; • Verification framework compliance status of the Council was incorrectly stated; • Incorrect treatment of uncashed cheques; • Incorrect classification of lone parent run ons; <p>Total amendments amounted to £153,613.</p>
LA01	Non Domestic Rates	49,932,972	<p>Claim received on time but certified 4 days late due to delay in providing supporting working papers. The claim was qualified for the following reasons:</p> <ul style="list-style-type: none"> • Lack of adequate documentation to support the authorisation of discretionary relief; • Non clearance of accounts outstanding when data was transferred from Logos to the Academy system; and • Valuation Office directives not processed by the 31 March 2004. <p>No AR on file.</p>
PEN05	Teachers Pensions Contributions	12,474,781	<p>Claim received on time. Qualification letter issued because notional pay instead of actual pay had been used to make employer contributions to the teachers pensions agency for members of staff on maternity leave. Claim was amended because entries for Total Contributions Paid (columns 5 i– iii) were omitted from the claim.</p> <p>No AR on file.</p>

Customer Access and Culture

Audit findings

EXHIBIT 10: CUSTOMER ACCESS AND CULTURE

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	N/A	N/A	1	100
Late claims	N/A	N/A	0	0
Amended claims	N/A	N/A	0	0
Qualified claims	N/A	N/A	0	0
Claims in progress/not yet received	N/A	N/A	1	100

15. Customer Access and Culture was responsible for only one claim which should incorporate the 2002/03 and the 2003/04 grant expenditure. Initial submission of this claim had to be withdrawn by the Council as the 2002/03 expenditure was omitted. The claim has now been resubmitted and certification arrangements are in progress.
16. The file submitted to audit did not contain an analytical review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.
17. We encountered significant issues with the audit of the 2003/04 part of the claim. These are listed below, although some of them have been resolved.

EXHIBIT 11: CUSTOMER ACCESS AND CULTURE

Reference	Title	£	Comments
LA15	Implementin g E- Government	400,000	<p>Claim received on time but not yet certified. The following problems were encountered auditing the 2003/04 part of the claim:</p> <ul style="list-style-type: none"> • Information provided to support grant allocation figure did not agree to the claim (due to 2002/03 entries erroneously omitted). • Inadequate explanation for basis of apportionment. <p>More information has now been provided for the 2003/04 element of the claim. Additionally, the claim was resubmitted on 25/04/05 to incorporate the 02/03 entries. We have completed the field work on this audit and are in the process of drawing the audit to a close.</p> <p>No AR on file.</p>

Housing

Audit findings

EXHIBIT 12: HOUSING CLAIMS

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	5	100	4	100
Late claims	2	40	0	0
Amended claims	3	60	3	75
Qualified claims	2	40	3	75
Claims in progress/not yet received	0	0	0	100

18. Housing was responsible for the submission of four claims. All claims were received on time, although two claims were amended and three claims were qualified.
19. There were considerable problems with the Housing Subsidy Advance Base Data return (HOU02). Although received on time, the return was certified 10 days late as a result of problems with the ODPM database (Logasnet). At the time of certification, the Council was unable to provide adequate responses to audit queries and some of the supporting working papers requested were still outstanding. These are detailed in exhibit 13 below. Further information was requested by the ODPM which resulted in additional work by the Council. Most of the issues outstanding were then resolved with the exception of inadequate working papers for the split between small and large terrace houses. The ODPM then advised that no further audit work should be performed and that they would draw their own conclusions on this matter.
20. None of the files submitted to audit contained an analytical review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.

EXHIBIT 13: HOUSING CLAIMS

Reference	Title	£	Comments
CIV03	Civil Defence	77,685	Claim received and certified on time. Below the threshold. No amendment or qualification. No AR on file.

Reference	Title	£	Comments
CIV04	Neighbourhood Wardens	234,002	<p>Received on time but certified late. Lack of adequate supporting working papers and slow responses to audit queries delayed this claim. The following problems resulted in the claim being qualified.</p> <ul style="list-style-type: none"> • Insufficient analysis of expenditure, preventing us from performing work to establish any significant under or over spends. • Insufficient analysis of expenditure preventing us from establishing whether there were any virements of 10% or more requiring the Department's written approval. <p>Amendments were required to ensure the claim was compiled in accordance with the grant instructions. However, these did not affect the amount of grant claimed from the department.</p> <p>No AR on file.</p>
HOU01	Housing Subsidy	12,182,964	<p>Claim received and certified on time. Amendments were required to correct the claim form, increasing the amount claimed for the HRA element by £78,558. Qualification issued because of inadequate supporting working papers and incorrect classification of backdating.</p> <p>The inability to separately identify service charges for the year was also a qualification issue although officers responsible did not agree with this.</p> <p>No AR on file.</p>

Reference	Title	£	Comments
HOU02	Housing Subsidy Base Data Return	N/A	<p>Received on time but certified 10 days late due to problems with the ODPM data base. The claim was qualified because of the following:</p> <ul style="list-style-type: none"> • Incomplete information used to determine the split between small and large terrace houses • Lack of evidence for construction dates for hostels • Unexplained difference (of more than 5%) between the ODPM determination and the Council's calculation for average weekly formula rent • Inability to provide a detailed breakdown for service charges included in the claim. <p>There were also rounding errors on the claim which had to be amended.</p> <p>As subsequently requested by the Department, the Council carried out additional work, resolving the above issues with one exception. Additional information could not be provided to support the split between terrace houses. The ODPM has decided to draw its own conclusions on what effect this would have on the claim.</p> <p>No AR on file.</p>

Social services

Audit findings

EXHIBIT 14: SOCIAL SERVICES

Criteria	2002/03		2003/04	
	Number	Percentage	Number	Percentage
Number of claims	19	100	11	100
Late claims	16	84	1	7
Amended claims	5	26	1	7
Qualified claims	8	42	2	15
Claims in progress/not yet received	0	0	2	15

21. Social Services were initially responsible for the submission of 13 claims. However, the requirement for the audit of the Asylum Seekers claims for 2002/03 and 2003/04 was withdrawn across the country by the Home Office, with certification arrangements being reintroduced for the coming year (2004/05). Therefore, only 11 claims were expected for submission to audit in respect of 2003/04.
22. We noted a significant improvement in the timeliness of submission of claims and a reduction in the number of amended and qualified claims. To date one claim has been amended, two have been qualified and two claims are in progress.
23. Even though 10 (91%) of the claims were received on time, significant delays occurred in certifying 8 (73%) of the claims because of the quality of working papers provided to audit. A summary of these issues has been provided in exhibit 15 below.
24. Two claims and returns are still awaiting certification as a result of inadequate working papers and slow responses to audit queries.
25. A significant proportion (76%) of the Deferred Payments (SOC06) grant had to be repaid because insufficient eligible expenditure had been incurred. We noted that 54 customers who were eligible for grant were contacted in October 2003 (seven months into the scheme) but only five replied. The late stage at which the customers were contacted may not have left enough time for eligible applicants to make a claim.
26. None of the files submitted to audit contained an analytical review (AR) comparing year on year expenditure and income and providing appropriate explanations for significant variances.

EXHIBIT 15: SOCIAL SERVICES

Reference	Title	£	Comments
CIV05	Youth Justice	171,560	Received and certified on time. No qualifications or amendments. No AR on file.
HC07	Carers Grant	447,483	Received on time, but still awaiting certification. Delay in certifying this claim has occurred for the following reasons: <ul style="list-style-type: none"> Initially the Council could not split an amount of £99,000 between the relevant services. This was resolved by moving the whole amount into one of the cells on the claim. This resulted in the entry on that particular cell being 16% more than that allowed by the department for that cell. The Claim was recalled by the Council after the adjustment made above due to classification errors found in some cells during the audit. A new claim was resubmitted. Detailed testing of this claim identified further classification errors which officers are now reviewing. These issues could lead to a qualification if not resolved. No AR on file.
HC08	Mental Health Grant	539,777	Claim received on time but certified late. Delays occurred in trying to agree working papers to the ledger. No AR on file.
HC19	Access and System Capacity Grant	774,000	Claim received on time but certified late. Delays occurred as a result of slow responses from officers in providing adequate supporting working papers. Significant problems were encountered in agreeing the claim to the ledger. No AR on file.
HC20	Children and Adolescent Mental Health Grant	164,099	Claim received on time but certified late. Significant delays arose because of a slow response from the officer responsible in agreeing the factual contents of the qualification letter. The claim was qualified because the Council did not have in place an approved Local Delivery Plan to support the eligibility of expenditure incurred. No AR on file.
PEN01	Pensions Pre 74 Staff	53,800	Claim is below the threshold and was received on time. No amendments or qualification. There was no AR on file.

Reference	Title	£	Comments
SOC06	Deferred Payments	67,668	<p>Claim received on time but returned because of inadequate working papers. Although the amount claimed was below the threshold, the amount received on this claim was £239K.</p> <p>The Council had to repay £181K back to the department because insufficient eligible expenditure had been incurred.</p> <p>We noted that the responsible officer only contacted eligible customers in October 2003 (7 months into the financial year) and received a low response.</p> <p>Certification was delayed because of problems encountered in agreeing the claim to the ledger and slow responses to audit queries.</p> <p>Claim was amended by £9,533 to remove ineligible expenditure.</p> <p>No AR on file.</p>
SOC08	Improving Information Management	121,000	<p>Received 11 weeks late and certified late. Inadequate supporting working papers delayed the certification of this claim.</p> <p>Although resulting in further delays to certification, following the draft qualification letter being issued, officers delivered the supporting working papers required to avoid qualification.</p> <p>Claim was initially submitted on the wrong form.</p> <p>No AR on file.</p>
SOC12	Personal Social Services Fund	434,339	<p>Received on time, but awaiting certification. Delays have occurred because the officer responsible has been unable to provide adequate working papers to show that grant expenditure is in line with the conditions of the grant.</p> <p>No AR on file.</p>
SOC13	Teenage Pregnancy Initiative	68,600	<p>Claim received and certified on time. Below the threshold. No amendments or qualifications.</p> <p>No AR on file.</p>
SOC31	Quality Protects	1,280,000	<p>Claim received on time but certified late. Delay occurred as a result of slow responses from the officer responsible.</p> <p>The claim was qualified as adequate evidence could not be provided to show that a part of the claim has been spent on increased provision of services in line with the CI.</p> <p>Claim was amended to ensure the amount claimed was not more than the allocation</p>

			received in line with the CI. This has no overall effect on entitlement. No AR on file.
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Recommendations

General recommendations have been made below which should be considered and built into the Council's control environment.

Recommendations	
General	
R1	Ensure claims are submitted by the audit deadline.
R2	Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes and that the latest copies of correspondence between the grant paying body and the Council are included in the working paper file.
R3	Ensure senior officer review of files prior to submission to audit is robust to ensure completeness, accuracy and compliance with grant instructions.
R4	Ensure the checklist accompanying claims submitted to audit is properly completed including specific references to working papers provided as N/A where the requirement does not apply to that claim.
R5	Ensure an analytical review is included in the working paper file, comparing both year on year expenditure and income and budgeted to actual figures. All analytical reviews should include appropriate explanations for significant variances.
R6	Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported.
R7	To enable certification by the audit deadline, ensure officers are aware of the need to provide full responses to audit queries on a timely basis.
R8	Ensure an adequate audit trail is prepared and maintained, thus facilitating the audit process and enabling a smooth hand over where claim compilers change during the audit year.
R9	Take appropriate action to ensure all officers have a clear understanding of capital and revenue expenditure classifications.
R10	Produce an action plan to address all qualification and other issues identified in Sections one to six of this detailed report.

Audit of grant claims and returns

London Borough of Havering 2003/04

ACTION PLAN

Reference:	Havering 2003/04 - Final
Date:	July 2005

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1 Ensure claims are submitted by the audit deadline.	3	Heads of Service/Finance Manager	Yes	<p>Grant co-ordinator to distribute schedule of all claims due to EDs, HOS and Finance Managers by 30 April.</p> <p>Incorporate claims schedule as part of year end account closure plan.</p> <p>All claims to be submitted to Financial Services one month in advance of deadline set by grant body.</p> <p>Reminders are sent to claim compilers 1 month before Financial Services deadline. Non compliance will trigger escalation process to HoS.</p>	On going
R2 Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes, and that the latest copies of correspondence between the grant paying body and the Council are included in the working paper file.	3	Heads of Service/Finance Manager/Grants Co-ordinator	Yes	<p>Grant management protocol in place available on the intranet.</p> <p>Training provided to all staff (finance and non-finance) involved in grant management. Refresher courses to be arranged.</p> <p>In addition to workshops a standard training course for grant management to be developed.</p> <p>Working paper checklist to be re-issued together with guidance on what is adequate documentation. To be developed jointly with Grants Co-ordinator and Audit.</p> <p>Grant Co-ordinator to distribute copies of certification instructions which are sent used by audit for testing when available.</p>	On going

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R3 Ensure senior officer review of files prior to submission to audit is robust to ensure completeness, accuracy and compliance with grant instructions.	3	Heads of Service/Finance Manager/Grants Co-ordinator	Yes	Finance Managers to review all files against checklist. Grant Coordinator to ensure that checklist, indicating review, has been signed by Finance Managers prior to submitting claims for signature.	On going
R4 Ensure the checklist accompanying claims submitted to audit is properly completed including specific references to working papers provided and N/A where the requirement does not apply to that claim.	2	Grants Co-ordinator	Yes	Training provided to all staff on working paper requirements. Refresher course to be arranged. Grant co-ordinator to carry out final review before submitting file for signature by HoFS. Working paper checklist to be re-issued together with guidance on what is adequate documentation. To be developed jointly with Grants Co-ordinator and Audit.	On going
R5 Ensure an analytical review is included in the working paper file, comparing both year on year expenditure and income and budgeted to actual figures. All analytical reviews should include appropriate explanations for significant variances.	3	Heads of Service/Finance Manager/Grants Co-ordinator	Yes	Compliance will not apply to all claims as value of grants will vary from year to year, dependant on available resources from the grant body. Finance Managers to ensure that staff complete files in accordance with protocol and checklist. Grant co-ordinator to ensure that section is completed prior to submitting claims for signature.	On going

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R6 Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported.	3	Heads of Service/Finance Manager	Yes	ED/HoS to provide finance staff with reasons for apportionment. Staff to keep detailed records of time spent on grant activities where applicable.	On going
R7 To enable certification by the audit deadline, ensure officers are aware of the need to provide full responses to audit queries on a timely basis.	2	Heads of Service/Finance Manager	Yes	Write to all staff dealing with grants reminding them of the importance of dealing promptly with requests. Where possible all audit queries to be put in writing and copied to the Grants Co-ordinator. Grants Co-ordinator to introduce a procedure for monitoring responses to queries to ensure responses are dealt with in a timely manner. Grant Co-ordinator and Audit to discuss setting a timescale for responses.	On going
R8 Ensure an adequate audit trail is prepared and maintained, thus facilitating the audit process and enabling a smooth hand over where claim compilers change during the audit year.	3	Heads of Service/Finance Manager	Yes	HoS and Finance Managers to ensure that adequate arrangements are in place.	On going
R9 Take appropriate action to ensure all officers have a clear understanding of capital and revenue expenditure classifications.	2	Heads of Service/Finance Manager/Grants Co-ordinator	Yes	Definition of Revenue and Capital expenditure is currently published and available on the intranet from the Financial Framework (Sections A and B).	On going

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R10 Produce an action plan to address all qualification and other issues identified in Sections one to six of this detailed report.	3	Heads of Service/Finance Manager/Grants Co-ordinator	Yes	Action Plan for addressing current qualification issues from 2003/04 has been developed and will be monitored by Grants Co-ordinator and reported to Project board.	On going

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

APPENDIX 3

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	EDUCATION				
EYC08	Sure Start	07-Jan-05	1. Incorrect entries on the claim form. The entries on form F20F for projects 4 & 5 did not agree to authority's record. Claim was electronic submission and can only be submitted once. Sure Start unit unable to provide method of re-submission.	Draft claim form to be agreed by Finance prior to any electronic submission	The SSLP met with colleagues from Education Finance to discuss Qtr 1 claim - will ensure that further quarterly meetings are arranged.
			2. Revenue expenditure incorrectly capitalised. Sample of 4 items of capital expenditure was tested. 2 items showed that expenditure of a revenue nature had been capitalised.	No further action. In the general action plan we will aim to develop an accountancy procedure to assist distinguishing between Revenue and Capital grants and the treatment thereof.	Finance Manager did not agree this qualification issue
			3. The Authority's spend varied from budget in a number of areas. Authority unable to provide evidence that under/over spends had been approved in compliance with the Sure Start guidance.	All variations are agreed in writing with grant funder.	The SSLP have been working closely with Education Finance, the DfES SSU Finance Team and the SSLP Management Executive Board to ensure that any variances in budget are agreed and signed-off.
EYC06	Children's Fund	DRAFT (not yet agreed)	1. Authority included expenditure that related to grant in 2002/03, however expenditure has been found to be in line with grant conditions	No further action	02/03 expenditure was included in 03/04, no option to claim in 02/03.
			2. Management costs should not account for more than 12.5% of total grant for 2003/04. However Authority were allowed to spend more than 12.5% limit on the understanding that management costs would average out at below 12.5%, over the three years of the plan		This issue is currently in dispute with the Audit Commission.

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	FINANCE & PLANNING				
BEN01	Housing & Council Tax	28-Feb-05	<p>DWP has settled the claim but requires assurances that the following qualifications will not occur in the future:</p>		
			1.Backdated Council Tax Benefit	All backdated claims are now checked by a Principal Officer in addition to current procedures	Procedures in place & incorporated into 2004/05 Action Plan
			2. Weekly incorrect Benefit	Overpayment team now developed to enable spot-checking of Weekly Incorrect Benefit	Procedures to be developed by Benefits Manager

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
LA01	National non- domestic rate Return	02-Nov-04	<p>1. Valuation Office directions received between 31 Jan and 31 March were not taken into account by the 31 March 2004</p>	<p>To process the 45 outstanding amendments received between 31.02.04 - 31.03.04</p>	<p>All amendments now actioned. However NNDR guidance notes issued by ODPM on the completion of the return confirms <i>'authorities must take account of all information received on or before the 31 January and must also take account of information after that date if it is practicable for them to do so'</i>. Between 1 Feb and 31 Mar authorities have a major issue to address by the need to create their new year annual billing routines and perhaps this is recognised by the facility to restrict updates unless it was reasonably practical to do so. In our case billing software was received from Academy at end of January and installed in the test environment to create test billing files. This was a major task and required annual billing and test billing to be reconciled. It was not practical to create new property files in a live environment which would clash with the test data.</p>
			<p>2. Authorisation of discretionary relief :</p>		

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
LA01 (cont'd)			Council supported the award of discretionary relief with authorisation schedules prior to the financial year of the claim.	A review of all discretionary relief was carried out in January "005. It is proposed to carry out a review annually	The discretionary relief awarded to customers was actioned on a case by case basis with each application authorised by the designated signatory as provided by delegated powers. The application included details of the current year charge for reference only (to estimate the effects on budgets) but the application provided for an open ended award from a date specified.
			Discretionary relief was granted to an organisation in error.	Account corrected March05	Account in question was 1st referred to Academy in Dec 03. Due to the impending annual billing and subsequent release relating to billing this query was given a lower priority than it would have had at other times of the year.
			3. Conversion issues on some accounts when data was transferred from Logos to the Academy system	Issue referred to IT support section and Academy to be resolved.	All accounts now corrected (March 05)
PEN05	Teacher's pensions	07-Sep-04	Incorrect entries on form. Contributions deducted from members of staff on maternity leave, whereby notional pay had been used instead of actual pay.	A monthly reconciliation is carried out to ensure that contributions match reckonable pay	Auditors were advised that the description of the qualification was wrong as it was not members contributions that was incorrect it was the employer's. There were no incorrect entries on the form - the total had not been completed.

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

APPENDIX 3

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	HOUSING				
HOU01	Housing subsidies & grants	17-Dec-04	1. Backdated rent rebates. Insufficient evidence to support the cases as backdating cases. 2. Average weekly rent & service charge. The authority has not unpooled service charges in 2003/04. The Authority believes that this treatment is correct as it classes these eligible service charge as rent and does not agree with interpretation of paragraphs 94-95 of the CI.	All backdated claims are now checked by a Principal Officer in addition to current procedures The Authority has unpooled some caretaking costs in 2004/05 and has unpooled other items such as grounds maintenance, estate cleaning and door entry systems in 2005/06	Procedures in place & incorporated into 2004/05 Action Plan The Authority did not agree to this qualification. Although The ODPM are encouraging authorities to unpool, they are not under any statutory obligation to do so.
HOU02	HRA subsidy 2004-05 (Base Data)	14-Dec-04	A number of qualifications were rectified by the authority but in particular the ODPM has raised concerns that the following is not repeated: 1.Distinguish between 'small' pre 1945 terrace houses from 'large' pre 1945 terrace houses 2.Distinguish between 'small' 1945 -1964 terrace houses from 'large' 1945 - 1964 terrace houses N.B As a result the ODPM has pre-set the 2005/06 allowance for maintenance and major repairs at £25 per dwelling below what this sum would otherwise have been.		
	SOCIAL SERVICES				
HC20	Children & Adolescent Mental Health Services	09-May-05	The Authority did not have in place an approved Local Delivery Plan to support the eligibility of expenditure.	Local development plan to be drafted and agreed by all parties. Documentation for authority to make payments to Nelmht to be ascertained	Local Development plan in draft stage and will be ready for signing in August 2005.

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

APPENDIX 3

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
SOC31	Quality Protects	17-May-05	Authority is unable to provide evidence that the QP Disabled children and their families allocation has been spent on increased provision of family support services	The main QP grant has now been mainstreamed. Other element pf QP grant needs to show in detail the expenditure the expenditure profile for the additional (increase) in the grant. This should equate to expansion or increase in service provision.	Linkage to service expansion to be done.
REGENERATION & PARTNERSHIP					
RG31	LDA Single programme: Elm Park & Collier Row		The amount of grant offered was split between capital/revenue. Expenditure did not match the split and the authority had no supporting evidence to prove this was agreed.	No further action proposed	The project was inherited by the current manager who has ensured subsequent funding notifications have been received.
Claims awaiting audit - possible qualification ?					
EDU02	Adult & Community Learning				
EYC02	Childcare Grant				
LA15	Implementing Electronic Government Statements				

Responsibility
Relevant Head of Service/Finance Manager
Relevant Head of Service/Finance Manager
Relevant Head of Service/Finance Manager
Relevant Head of Service/Finance Manager
Relevant Head of Service/Finance Manager

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DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

APPENDIX 3

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	EDUCATION				
EYC08	Sure Start	07-Jan-05	1. Incorrect entries on the claim form. The entries on form F20F for projects 4 & 5 did not agree to authority's record. Claim was electronic submission and can only be submitted once. Sure Start unit unable to provide method of re-submission.	Draft claim form to be agreed by Finance prior to any electronic submission	The SSLP met with colleagues from Education Finance to discuss Qtr 1 claim - will ensure that further quarterly meetings are arranged.
			2. Revenue expenditure incorrectly capitalised. Sample of 4 items of capital expenditure was tested. 2 items showed that expenditure of a revenue nature had been capitalised.	No further action. In the general action plan we will aim to develop an accountancy procedure to assist distinguishing between Revenue and Capital grants and the treatment thereof.	Finance Manager did not agree this qualification issue
			3. The Authority's spend varied from budget in a number of areas. Authority unable to provide evidence that under/over spends had been approved in compliance with the Sure Start guidance.	All variations are agreed in writing with grant funder.	The SSLP have been working closely with Education Finance, the DfES SSU Finance Team and the SSLP Management Executive Board to ensure that any variances in budget are agreed and signed-off.
EYC06	Children's Fund	DRAFT (not yet agreed)	1. Authority included expenditure that related to grant in 2002/03, however expenditure has been found to be in line with grant conditions	No further action	02/03 expenditure was included in 03/04, no option to claim in 02/03.
			2. Management costs should not account for more than 12.5% of total grant for 2003/04. However Authority were allowed to spend more than 12.5% limit on the understanding that management costs would average out at below 12.5%, over the three years of the plan		This issue is currently in dispute with the Audit Commission.

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	FINANCE & PLANNING				
BEN01	Housing & Council Tax	28-Feb-05	<p>DWP has settled the claim but requires assurances that the following qualifications will not occur in the future:</p>		
			1.Backdated Council Tax Benefit	All backdated claims are now checked by a Principal Officer in addition to current procedures	Procedures in place & incorporated into 2004/05 Action Plan
			2. Weekly incorrect Benefit	Overpayment team now developed to enable spot-checking of Weekly Incorrect Benefit	Procedures to be developed by Benefits Manager

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
LA01	National non- domestic rate Return	02-Nov-04	<p>1. Valuation Office directions received between 31 Jan and 31 March were not taken into account by the 31 March 2004</p> <p>2. Authorisation of discretionary relief :</p>	To process the 45 outstanding amendments received between 31.02.04 - 31.03.04	<p>All amendments now actioned. However NNDR guidance notes issued by ODPM on the completion of the return confirms <i>'authorities must take account of all information received on or before the 31 January and must also take account of information after that date if it is practicable for them to do so'</i>. Between 1 Feb and 31 Mar authorities have a major issue to address by the need to create their new year annual billing routines and perhaps this is recognised by the facility to restrict updates unless it was reasonably practical to do so. In our case billing software was received from Academy at end of January and installed in the test environment to create test billing files. This was a major task and required annual billing and test billing to be reconciled. It was not practical to create new property files in a live environment which would clash with the test data.</p>

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
LA01 (cont'd)			Council supported the award of discretionary relief with authorisation schedules prior to the financial year of the claim.	A review of all discretionary relief was carried out in January "005. It is proposed to carry out a review annually	The discretionary relief awarded to customers was actioned on a case by case basis with each application authorised by the designated signatory as provided by delegated powers. The application included details of the current year charge for reference only (to estimate the effects on budgets) but the application provided for an open ended award from a date specified.
			Discretionary relief was granted to an organisation in error.	Account corrected March05	Account in question was 1st referred to Academy in Dec 03. Due to the impending annual billing and subsequent release relating to billing this query was given a lower priority than it would have had at other times of the year.
			3. Conversion issues on some accounts when data was transferred from Logos to the Academy system	Issue referred to IT support section and Academy to be resolved.	All accounts now corrected (March 05)
PEN05	Teacher's pensions	07-Sep-04	Incorrect entries on form. Contributions deducted from members of staff on maternity leave, whereby notional pay had been used instead of actual pay.	A monthly reconciliation is carried out to ensure that contributions match reckonable pay	Auditors were advised that the description of the qualification was wrong as it was not members contributions that was incorrect it was the employer's. There were no incorrect entries on the form - the total had not been completed.

DRAFT 2004/05 ACTION PLAN TO ADDRESS 2003/2004 QUALIFICATION ISSUES

APPENDIX 3

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
	HOUSING				
HOU01	Housing subsidies & grants	17-Dec-04	1. Backdated rent rebates. Insufficient evidence to support the cases as backdating cases. 2. Average weekly rent & service charge. The authority has not unpooled service charges in 2003/04. The Authority believes that this treatment is correct as it classes these eligible service charge as rent and does not agree with interpretation of paragraphs 94-95 of the CI.	All backdated claims are now checked by a Principal Officer in addition to current procedures The Authority has unpooled some caretaking costs in 2004/05 and has unpooled other items such as grounds maintenance, estate cleaning and door entry systems in 2005/06	Procedures in place & incorporated into 2004/05 Action Plan The Authority did not agree to this qualification. Although The ODPM are encouraging authorities to unpool, they are not under any statutory obligation to do so.
HOU02	HRA subsidy 2004-05 (Base Data)	14-Dec-04	A number of qualifications were rectified by the authority but in particular the ODPM has raised concerns that the following is not repeated: 1.Distinguish between 'small' pre 1945 terrace houses from 'large' pre 1945 terrace houses 2.Distinguish between 'small' 1945 -1964 terrace houses from 'large' 1945 - 1964 terrace houses N.B As a result the ODPM has pre-set the 2005/06 allowance for maintenance and major repairs at £25 per dwelling below what this sum would otherwise have been.	 Work is under way in obtaining the information to distinguish between small and large pre 1945 terraced houses Work is under way in obtaining the information to distinguish between small and large 1945-1964 terraced houses	 Information will be on the Housing Data Base by the middle of July in time to prepare the 2006/07 base data return. Information will be on the Housing Data Base by the middle of July in time to prepare the 2006/07 base data return.
	SOCIAL SERVICES				
HC20	Children & Adolescent Mental Health Services	09-May-05	The Authority did not have in place an approved Local Delivery Plan to support the eligibility of expenditure.	Local development plan to be drafted and agreed by all parties. Documentation for authority to make payments to Nelmht to be ascertained	Local Development plan in draft stage and will be ready for signing in August 2005.

Grant Instruction Number	Grant description	Qualification Date	Qualification Description/Issue	Action	Comments/Progress
SOC31	Quality Protects	17-May-05	Authority is unable to provide evidence that the QP Disabled children and their families allocation has been spent on increased provision of family support services	The main QP grant has now been mainstreamed. Other element pf QP grant needs to show in detail the expenditure the expenditure profile for the additional (increase) in the grant. This should equate to expansion or increase in service provision.	Linkage to service expansion to be done.
REGENERATION & PARTNERSHIP					
RG31	LDA Single programme: Elm Park & Collier Row		The amount of grant offered was split between capital/revenue. Expenditure did not match the split and the authority had no supporting evidence to prove this was agreed.	No further action proposed	The project was inherited by the current manager who has ensured subsequent funding notifications have been received.
Claims awaiting audit - possible qualification ?					
EDU02	Adult & Community Learning				
EYC02	Childcare Grant				
LA15	Implementing Electronic Government Statements				

Responsibility
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AUDIT COMMITTEE

SUPPLEMENTARY

AGENDA

7.30pm	Thursday, 28 July 2005	Havering Town Hall Main Road, Romford
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5. **STATEMENT OF ACCOUNTS 2004/2005** – Appendices A and B attached, appendix C to follow

For information about the meeting please contact:

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