

AUDIT COMMITTEE

AGENDA

7.30pm

Tuesday,
4 April 2006

Havering Town Hall
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Independent Member

Graham Price (Chairman)

Conservative Group

Eddie Cahill (Vice Chairman)
Roger Ramsey

Residents' Group

Gillian Ford
Malvin Brown

Labour Group

Wilf Mills

NB: Councillor Price remains Chairman of the Committee even though he is now an Independent Councillor

For information about the meeting please contact:

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

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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

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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 February 2006 and to authorise the Chairman to sign them.

5 AUDIT COMMISSION PROGRESS REPORT APRIL 2006 – Report attached.**6 AUDIT COMMISSION GRANTS REPORT MARCH 2006 – Report attached.****7 AUDIT COMMISSION AUDIT AND INSPECTION ANNUAL LETTER 2005 – Report attached.****8 REPORT OF GRANT CLAIMS AND RETURNS 2004/5– Report attached.****9 AUDIT AND INSPECTION ANNUAL LETTER 2004 – Report attached.****10 AUDIT AND INSPECTION ANNUAL LETTER 2005 – Report attached**

Audit Committee, 4 April 2006

- 11 **BVPP/BVPI 2004/05 PERFORMANCE INDICATORS** – Report attached
- 12 **INTERNAL AUDIT PROGRESS REPORT 1 JANUARY 2006 – 28 FEBRUARY 2006** – Report attached
- 13 **CLIENT AUDIT MANAGER’S 1 JANUARY 2006 – 28 FEBRUARY 2006 -**
Report attached
- 14 **ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE -** Report attached
- 15 **WHISTLEBLOWING REPORT** – Report attached
- 16 **URGENT BUSINESS**

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

Stephen Evans
Chief Executive

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
9 February 2006 (7.30pm – 8.35pm)**

Present:

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

Residents' Group Councillor Barbara Reith

Labour Group Councillor Wilf Mills

Apologies for absence were received from Councillors Malvin Brown, Gillian Ford and Roger Ramsey

+Substitute Members: Councillor Frederick Thompson (for Roger Ramsey) and Barbara Reith (for Gillian Ford)

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.

37. MINUTES

The minutes of the meeting held 8 December 2005 were agreed as a correct record and signed by the Chairman.

38. AUDIT COMMISSION PROGRESS REPORT FEBRUARY 2006

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

It was noted that the report was discussed at the Council meeting held 8 February 2006. Furthermore that a full report of the position on the audit of the 2004/05 grant claims would be presented at the next meeting of the Committee.

Members **noted** the content of the Audit Commission progress report.

39. INTERNAL AUDIT PROGRESS REPORT 1 NOVEMBER 2005 – 31 DECEMBER 2005

A report advising the Committee of audit issues from internal audit activities for the period 1 November 2005 to 31 December 2005 was presented.

Officers commented on the Climate Change Levy report in schedule 2d, it was noted that officers were investigating how the Council could be exempted from paying the levy.

With regards to Petty cash handling, Officers reported that there would be dedicated training for all Officers handling petty cash to enhance the controls in place and the number of petty cash holders had been determined.

It was reported that good progress had been made on most of the reports relating to follow up audits, with all recommendations being implemented or near implementation.

Members asked questions of Officers,

- Regarding the fraud hotline, Officers responded that they had not received any malicious calls. However, some of the calls could not be proven. Also that they were checking to assess via benchmarking if more should be coming in than were actually coming in. Officers explained that they were taking steps to illuminate on the meaning of fraud and corruption so that both staff and residents were aware of what could be categorised as fraud and corruption.
- With regards to Housing Benefit, Officers explained that the Police were not involved in taking Housing Benefit cases to court in Havering but this was not the case in some Councils like Redbridge. Furthermore that different options were being explored on how to involve the Police.
- It was noted that payments in respect of Freedom of Information (FOI) applications were consistently applied.
- Officers confirmed that with regards to Schedule 2c, the management summary from Streetcare, all key risk areas identified were being attended to by Management.
- On Schedule 2f - Housing Services, it was noted that there were approximately 300 void properties.
- Regarding sickness absence procedures identified in Schedule 2i, it was confirmed by Officers that Management were addressing the findings and taking matters forward. Furthermore that the quality of reviews done were being checked and management teams were getting relevant details and information from Human Resources. Also, that in most Services, sickness absence trends were now declining compared to two years ago.

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

40. CLIENT MANAGER'S REPORT 1 NOVEMBER 2005– 31 DECEMBER 2005

A report containing information on;

- Internal Audit Key Performance Indicators
- Comparative analysis of Internal Audit plan
- Statement of Internal Control Action plan
- Budget Analysis
- Benefits Investigation
- Forward plan

was presented to the Committee.

Officers remarked that an analysis of the Key Performance Indicators (KPI's) suggested an improvement in the percentage of completed total audit days. At the end of December 2005, 44% of the plan had been completed, 6% at draft or formal report stage, and 30% had received audit briefs.

Officers further commented that there were delays in carrying out computer audits , but an external provider had been called in to carry these out. Also, that some Audits could not commence until March to satisfy Audit Commission requirements, hence, such audits would run into the next financial year. Officers concluded on this point that they were not doing as well as this time last year due to the computer system audits that had not been completed.

Officers stated that the Statement of Internal Control (SIC) recommendations were being addressed.

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

41. INTERNAL AUDIT STRATEGY AND PLAN 2006/2007

A report showing the risk based Internal Audit Plan for 2006/2007 and putting the Strategy into action by showing how the plan would be delivered and resourced was presented to the Committee.

Officers explained that the original three-year strategic plan was presented to and approved by the Audit Committee on 26 January 2005. The compilation of the plan was based on the Council's risk registers, core system audits and areas of the Councils activities where it was felt there were possible financial risks which were subject to audit. The draft plan had subsequently been discussed with Group Directors and Heads of Service and a small number of changes had been made to it, which were set out in the report.

In response to a question, it was noted that in relation to the requirements of the CPA, there was sufficient audit time to carry out reviews to determine whether there were robust systems in place.

It was further noted that outsourced/agency staff would be appointed to supplement the in-house resources, in order that the requirements of the plan be met and performance next year should also be better.

Following a discussion, Members **approved** the 2006/07 Internal Audit Strategy and Plan.

42. UPDATE ON PPS-ACIT

Officers gave an update on the pps-Acit (previous internal audit providers) situation. It was noted that negotiations through Legal Service were still on-going. Furthermore that all staff transferred back to the Council were now receiving more development training compared to when they were with the private company.

In response to a question, it was noted that spending would be kept within budget and that the Investment Committee were being appraised of this situation.

43. CIPFAs NEW GUIDELINES

The Group Director Finance and Commercial informed the Committee that CIPFA had published new guidelines pertaining to the code and conduct of Audit Committees. A report was to go to the Governance Committee on this and circulated to Audit Committee members.

Members suggested that time permitting, Audit Committee members should comment on the report before it was sent to the Governance Committee.

44. LICENSING ISSUES

A briefing note that Members had requested was circulated and would be sent to those Members of the Committee not present. Members were advised to pass comments to the Group Director, Public Realm.

Audit Summary Report

April 2006



Progress Report

London Borough of Havering Council

Audit 2005-2006

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

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

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

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

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

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.

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Introduction

- 1 The purpose of this report is to update the April 2006 Audit Committee on work completed since the last Audit Committee of 9th February 2006 and the work to be completed during the rest of the year.
- 2 This report includes:
 - details of those reports issued since the last progress report
 - a summary of progress in delivering the plan in Appendix 1 (excluding completed items that have already been reported to the Audit Committee in previous progress reports)
 - summary reports and action plans for those reports finalised since the last audit committee (Appendices 2 to 5).

Finalised reports

- 3 The following work has been finalised since the last Audit Committee:
 - Audit of financial statements 2004/05
 - Best value performance indicators
 - Civil contingencies act review
 - Baseline IT risk assessment
 - 2004/05 grant claims report.
- 4 Our Annual Audit and Inspection Letter was agreed with officers in January 2006 but was not presented to Cabinet until 15th February. It was therefore not reported to the February Audit Committee but is included as a separate item on this agenda.
- 5 The 2004/05 grant claims audit report was agreed with officers in March 2006 and is also included as a separate item on this agenda and is therefore not included in Appendix 2.

Appendix 1 – Progress in delivering the 2004/05 and 2005/06 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
2004/05 A&I Plan					
<i>Planning and reporting</i>					
Annual Audit Letter 2004/05	CE & GDF&C	October 2005	December 2005	January 2006	Discussed with the CE, ACES&C and GDF&C on 19 January 2006. Final version issued on 24 January and presented to Cabinet on 15 February.
<i>Accounts</i>					
Audit of financial statements 2004/05	GDF&C	July 2005	December 2005 (Report)	March 2006	Draft report issued to officers on 16 November. Revised report reflecting officers' comments issued on 23 December. Draft action plan completed 30 January. Revised action plan reflecting auditors' comments received 3 February. Final report agreed with GDF&C on 15 March and issued 20 March.
<i>Performance work</i>					
ICT review (baseline IT risk assessment)	GDPR	July 2005	October 2005	December 2005	Key issues discussed and agreed at meeting on 23 August and draft report sent on 6 September 2005. Comments received on 22 September

6 April Progress Report | Appendix 1 – Progress in delivering the 2004/05 and 2005/06 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
					and discussed with officers. Amended version issued on 18 October. Response received from officers in December and final report issued 23 December. The summary report was omitted from the previous progress report.
<i>Grant claims</i>					
2004/05 grant claims audit	GDF&C	January 2006	February 2006	March 2006	Draft report issued to officers on 1 February. Officers' response to report received on 23 February. Revised report reflecting officers' comments issued on 13 March. Completed action plan received 21 March and final report issued.
2005/06 A&I Plan					
<i>Planning and reporting</i>					
Annual Letter 2005/06	CE & GDF&C	September 2006	December 2006		Dates may be subject to change.
<i>Accounts</i>					
Audit of financial statements 2005/06	GDF&C	June 2006	September 2006 (Opinion and SAS 610 report) November 2006		

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
			(Report)		
<i>Performance indicators/plan audit</i>					
BVPI audit	ACES&C	September 2005	December 2005	March 2006	Draft issued to officers in November. Meeting to discuss comments held in January 2006 and amended report issued to officers on 2 February. Completed action plan and agreement to amended report received in February.
<i>Performance work</i>					
Partnerships review report	ACES&C	April 2006 (estimate)	TBA		Initial set up meeting held in February and further meetings to be scheduled to refine and agree the scope
Human resource and recruitment and retention follow-up	ACEHR	May 2006 (estimate)	TBA		Set up to be arranged
Performance management follow-up	ACES&C	April 2006	TBA		Set up meeting held in February. Action plan follow up only
Project management follow-up	ACES&C	May/June 2006	TBA		Set up meeting held in February. Action plan follow up only
Customer access and user focus follow-up report	GDPR	May/June 2006	TBA		Set up meeting with ACES&C held in February. Action plan follow up only

8 April Progress Report | Appendix 1 – Progress in delivering the 2004/05 and 2005/06 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
Civil contingencies act review (assessment of arrangements to comply with new legislation)	ACE&DS	July 2005	October 2005	February 2006	Work set up in August and work completed during August and September. Draft report issued 21 October and discussed at meeting on 7 November. Officers response and completed action plan received 10 February (was to be provided by 9 December).
<i>Inspections</i>					
Culture	GDPR	June/July 2006	TBA		On site date now delayed to June/July.

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
ACE&DS	Assistant Chief Executive Legal and Democratic Services
ACEHR	Assistant Chief Executive Human Resources
GDF&C	Group Director Finance and Commercial
GDCS	Group Director Children's Services
GDSS	Group Director Sustainable Communities
GDPR	Group Director Public Realm

Appendix 2 - 2004/05 Final Accounts Memorandum

Introduction

- 6 The Audit Commission Act 1998 requires external auditors of local government bodies to give an opinion on their financial statements, including:
 - whether the financial statements present fairly the financial position of the audited body and its income and expenditure for the year in question; and
 - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
- 7 The purpose of this report is to facilitate further improvements to the accounts closedown and audit processes in future years through review of the 2004/05 final accounts audit.
- 8 The audit of the 2004/05 London Borough of Havering's accounts is now complete. We issued an unqualified opinion on 28 October 2005.

Audit approach

- 9 The main objectives of the audit of the financial statements are to assess whether they:
 - are free from material misstatement;
 - comply with statutory and other requirements applicable to the accounts; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 10 These objectives are met through:
 - the agreement of balances to the main accounting system;
 - analytical review of balances;
 - substantive testing, where necessary;
 - the identification and discussion of potential errors and omissions with officers; and
 - ensuring compliance with CIPFA's Local Authority Statement of Recommended Practice (the SoRP).
- 11 We tailored our audit approach by incorporating our findings from our review of the Council's core processes and relevant work completed during our interim audit. This comprised a review of the following:
 - closedown procedures;
 - main accounting system; and

- budgetary control.
- 12 Although areas for improvement were identified, our work provided sufficient assurance that controls were in place and operating effectively to facilitate the timely and accurate production of the financial statements.

Main conclusions

- 13 The audit of the accounts has been completed and an unqualified opinion was issued on 28 October 2005. Working papers submitted were of a better standard than in previous years and responses to audit queries were provided on a timely basis. Improvements could however still be made in a number of areas, most notably in undertaking analytical review and ensuring compliance with new accounting requirements. A material amendment was required to the accounts in relation to capitalisation of intangibles but this did not impact on the general fund balance.

Appendix 2 - Final Accounts Memorandum - Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Accounts and working paper submission						
6	R1 The recommendations and actions in the final accounts closedown de-brief carried out by the Head of Financial services should be implemented to ensure the closedown process for the coming year is sufficiently robust to meet the new whole of government accounts requirements.	3	HoFS	Yes	Recommendations from audit debrief have been documented and reflected in the preparation of the draft closure programme. The draft programme integrates the WGA process into the closure timetable.	31 December 2005
7	R2 Working paper files that support the accounts should be made available to audit at the time the accounts are approved. Where possible the Council should aim to deliver some areas before the statutory deadline to help achieve the earlier audit deadline.	3	HoFS	Yes	Agreed - Any changes to delivery dates will be discussed and agreed with audit so that audit staff can be made available at appropriate stages.	30 June 2006 or earlier when possible.

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R3 All files submitted to audit should include thorough and evidenced analytical review, in line with that carried out on the CRA this year.	3	HoFS	Yes	Agreed, closure procedures will require such a review to be undertaken.	30 June 2006
8	R4 Officers should ensure that checklists distributed as part of working paper requirements are completed, cross referenced to supporting evidence, and included in working paper files.	3	HoFS	Yes	Agreed with audit that previous year checklists to be used. Once available, where changes are made to current year checklists, audit should bring these to the Council's attention as soon as possible.	30 June 2006
Audit process						
9	R5 The revenues and benefits section should be encouraged to respond to audit queries within the agreed two day turn around period and to take greater ownership of queries raised.	2	HoFS	Yes	Agreed.	30 June 2006 and ongoing throughout the audit.

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Foreword						
9	R6 The foreword to the accounts should focus more on the accounts and financial performance.	2	GDF&C	Yes	Auditors to provide details of best practice.	30 June 2006
Statement on internal control						
10	R7 The Council should ensure that the Internal Audit work plan includes and delivers a review of all fundamental accounting systems, including the main accounting system, to ensure management have assurance that the systems of internal control have been effective.	3	CMIA	Yes	Included in 2005/06 audit plan and 2006/07 draft audit plan.	30 January 2006
10	R8 External audit should not be identified as a source of assurance for management on the systems of internal control within the SIC.	2	GDF&C	No	The SIC will be reviewed for 2005/06 taking account of the 2005 SORP and recommended practice. However, we believe that there are inconsistencies of interpretation by the Audit Commission when comparing the SICs of similar	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					organisations and are discussing this further with the Audit Commission and colleagues from other boroughs.	
10	R9 Management should put in place procedures to assure itself that all significant control issues are identified and included in the SIC.	2	CMIA	Yes	Improvements to be made in business continuity planning and disaster recover which will be reflected in the published SIC.	30 June 2006
Intangible assets and deferred charges						
11	R10 Future expenditure on software and associated costs should be capitalised and amortised over the period for which the Council can expect benefit from the purchases.	3	HoFS	Yes	Agreed.	30 June 2006
11	R11 A system of internal quality assurance should be put in place that focuses on the key changes to the accounting requirements to confirm compliance or otherwise with any new requirements.	3	Hofs	Yes	Internal quality control systems exist. However, matters of interpretation need to be cleared with external auditors much earlier in order to avoid problems during the audit. External auditors need to be available for such discussions.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Creditors						
12	R12 The capital creditors balance should include the full amount payable to suppliers including the VAT payable.	1	HoFS	No	Awaiting recommended guidance from external audit. Treatment to be reviewed for 2005/06.	30 June 2006
FRS 17						
12	R13 The Council should ensure that appropriate checks are carried out on the membership numbers used to calculate FRS 17 costs to ensure the actuary has used data supplied and that the data is still materially valid as at the year-end.	3	HoFS	Yes	To be reviewed as part of 2005/06 closure programme.	30 June 2006
Pension Fund						
13	R14 The change in market value of investments should be supported by a working paper to demonstrate that the figure comprises all increases and decreases in the market value of investments held at any time	2	HoFS	Yes	To review procedures and consider changes in working papers. Audit commission to provide examples of best practice.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	in the year during the year, including profits and losses realised on sales of investments.					
13	R15 The calculation of interest due between the pension fund and general fund should be based on the annual interest rate divided by 12 and applied to the average monthly balance.	3	HoFS	Yes	Agreed.	30 June 2006
Other issues						
	R16 The disclosure of schools LMS balances in the CRA does not comply with SORP. Currently disclosed it is not clear if it is part of the general fund balance as the SORP requires.	1	HoFS	No	Inclusion of Schools balances in General Fund is misleading. Readers of the accounts might believe that the schools balances are available to fund all Council Services. To agree appropriate presentation with auditors prior to 2005/06 closure.	30 June 2006
	R17 In 2005/06 there will be a requirement for Councils to comply fully with group account requirements. In doing so the Council should consider wider	1	HoFS	Yes	Agreed.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	sources of information such as register of interests and joint working arrangements.					
	R18 The insurance reserve has been called upon extensively this year being reduced by 40 per cent. We would urge a review of the reserve to ensure the Council has adequate cover.	1	HoFS	Yes	Agreed, the reserve is under review.	30 June 2006

Appendix 3 - Best Value Performance Indicators

Introduction and background

- 14 The Audit Commission Act 1998 requires all local authorities to collect and publish a range of performance indicators (PIs) on services they deliver. These indicators are included within their best value performance plan (BVPP) which is published annually by 30 June. These indicators are reported to the Audit Commission and published in national comparison tables with a selection of them used to inform the Comprehensive Performance Assessment (CPA).
- 15 Our audit of the best value performance indicators (BVPIs) changed significantly this year. There is no longer a specific Code responsibility in relation to the audit of performance indicators. Under the new arrangements we are required to give an opinion on all the Audit Commission selected mandatory PIs and select other indicators to inform our assessment of the Council's arrangements in place for securing economy efficiency and effectiveness (value for money) in its use of resources.
- 16 As a result of this change our approach focused on gaining assurance on the 12 Audit Commission mandatory PIs (7 BVPIs and 5 other PIs) and 40 other PI's selected on the basis of a risk assessment to inform our use of resources work.
- 17 The Audit Commission set out the requirements for the audit which guided auditors to:
 - assess the extent to which the best value performance plan has been prepared and published in compliance with legislation and statutory guidance;
 - make judgements about the adequacy of systems used to collect and record specified performance information;
 - make judgements about the validity of the 12 selected PIs which are to be used in the CPA assessment;
 - carry out additional risk-based work to help form the conclusion on the Authority's use of resources; and
 - submit the audited indicators including amendments and reservations to the Audit Commission via a web-based database.

Audit approach

- 18 The Audit Commission's new Code of Audit Practice defines auditors' responsibilities. These include being satisfied that audited bodies have proper arrangements in place for securing economy, efficiency and effectiveness. In particular, the Code requires auditors to consider the audited and inspected body's corporate performance management and financial management arrangements.

- 19 The audit methodology was directed by the Audit Commission's Audit Guide for Performance Indicators 2004/05 and Local Government Auditor Briefing 5/2005. The methodology is structured around a staged approach dependent on risk as follows:
- mandatory audit work on the 12 selected PIs; and
 - additional work on a sample of other selected PIs informed by a comprehensive risk assessment.

Factors used to establish risk included the following:

- previous audit findings;
 - significant year-on-year variances;
 - the Authority's quality assurance process;
 - politically sensitive areas;
 - PIs which involved third party input;
 - changed definitions;
 - new PIs; and
 - other relevant audit work during the year.
- 20 Audit work on the 40 additional BVPIs selected for testing assessed the Authority's arrangements for monitoring and reviewing performance, including arrangements to ensure data quality, as well as the robustness of the system to produce the PI.

Main conclusions

- 21 Our main audit findings are summarised below under the following headings:
- submission, reservations and amendments;
 - co-ordination arrangements;
 - Internal Audit; and
 - working papers.

Submission, reservations and amendments

- 22 Overall the Authority's performance improved when compared to the previous year.
- 23 All indicators subject to audit were audited by the Audit Commission deadline of 5 September 2005. At this date, 4 PIs were reserved and 13 amended. However, as a result of further directions from the Audit Commission, the Authority was given the opportunity to submit additional working papers for indicators already submitted and close to completion as at the deadline. This resulted in the number of reservations being reduced to 3 and the number of amendments increasing to 14.

- 24 The change in approach to the auditing of PIs makes it difficult to make comparisons with the previous year. However, to give some indication of performance we have produced some statistics on the level of reservations and amendments compared with the previous year.
- 25 Three indicators were reserved in 2004/05 (6 per cent of PIs audited), of which two were the new non-BVPIs (if these are excluded the level reduces to 2 per cent) and one was a new housing BVPI. This compares with five reservations in 2003/04 (6 per cent of PIs audited), of which three were due to concerns about the data provided by the police and were not selected for testing this year (reducing the level to 4 per cent). The Authority has put adequate systems in place for producing two of the BVPIs qualified in the previous year.
- 26 There was also a significant improvement in the number of PIs amended; 14 in 2004/05 (27 per cent of PIs audited) compared to 38 in the prior year (46 per cent of PIs audited).
- 27 Table 1 below summarises the number of indicators reserved and amended in the current and previous year.

Table 1 Submission, reservations and amendments

Category	2004/05 indicators audited			Reserved		Amended	
	AC *PIs	Other *PIs	Total	No	%	No	%
Corporate health	0	7	7	0	0	1	1
Education	0	5	5	0	0	2	40
Social services	0	9	9	0	0	3	33
Housing	4	6	10	2	20	2	20
Housing/council tax	0	2	2	0	0	1	50
Environment	3	2	4	0	0	2	25
Transport	0	3	3	0	0	0	0
Planning	2	2	4	0	0	2	50
Cultural services	3		3	1		1	33
Community safety and legal	0	3	3	0	0	0	0
Cross-cutting	0	1	1	0	0	0	0
Total	12	40	52	3	6	14	27

**All PIs are recorded as whole PIs regardless of the number of parts.*

Category	2003/04 indicators audited			Reserved		Amended	
	AC *PIs	Other *PIs	Total	No	%	No	%
Corporate health	2	11	13	0	0	6	46
Education	1	15	16	1	6	4	25
Social services	2	11	13	0	0	7	54
Housing	3	4	7	0	0	5	71
Housing/council tax	2	2	4	0	0	2	50
Environment	0	6	6	0	0	4	67
Transport	0	8	8	0	0	2	25
Planning	1	3	4	0	0	4	100
Cultural services	0	3	3	0	0	1	33
Community safety and legal	0	7	7	4	6	2	29
Cross-cutting	0	1	1	0	0	1	100
Total	11	71	82	5	6	38	46

**All PI's are recorded as whole PIs regardless of the number of parts.*

Co-ordination arrangements

- 28** As with previous years, central co-ordination was provided by the Performance Team. The team has continued to provide support to directorate co-ordinators in producing PIs, agreeing a timetable for the production and submission for audit, acting as an intermediary for resolving time consuming issues between audit and officers, and producing PIs themselves in the absence of a responsible officer.
- 29** The arrangements in place this year were not as well co-ordinated as in previous years. This may be due to some extent to the late guidance issued by the Audit Commission on the non-BVPIs for housing and culture. This had a knock on effect on the quality of working papers for these areas and the ability to meet agreed submission deadlines for some of the PIs. However, additional efforts were made by officers and audit staff to ensure the audit deadline was met.
- 30** The Quality Assurance Team (QAT) for finance and planning undertook detailed testing on some time consuming PIs, which reduced the level of detailed work performed by audit as we were able to rely on this work.
- 31** A few instances were noted where directorate co-ordinators had not used up-to-date guidance received from the central team. Consequently, the PI was

calculated using out of date definitions which resulted in recalculation and amendment.

- 32 As part of quality assurance the standard control checklists were used and had been amended to include the PI numbers as recommended last year. However in a number of instances these checklists had not been adequately signed off by the heads of service, directorate and central co-ordinators and the Performance Team, thereby undermining the quality assurance process.

Internal Audit

- 33 This year, as part of efforts for continuous improvement, Internal Audit (IA) reviewed a number of performance indicators selected by the Performance Management Group (PMG) based on a detailed risk assessment for each PI. IA's work was performed prior to the PI submission deadline of 30 June 2005. This therefore allowed sufficient time for IA work to be incorporated into our risk base plan and provided us with assurance on the accuracy of some of the figures included within the BVPP.
- 34 Our review of the work performed by IA found that, in most cases, files contained adequate documentation to support the PI outturns. However, some of the work on the waste PIs had to be re-performed as it was not adequately cross-referenced and consequently difficult to follow.
- 35 In addition, IAs work did not cover the formal documentation of systems and controls in place for producing PIs. As a result, we had to perform additional work to ensure the work performed by IA adequately reflected the actual system in place to produce the PI.

Working papers

- 36 Generally, working papers for most PIs were adequate. Most PIs were submitted with a control checklist, details of calculations, explanations for significant variations, and system reports. However, inadequate working papers were submitted for the new non-BVPIs and, in all cases, additional working papers were requested and responses from officers were slow as working papers had to be compiled.
- 37 A number of PIs were not submitted for audit by the deadline.
- BVPI 66a - the Authority submitted this PI with no working papers on the 15 August 2005. Inadequate working papers were received one week later which further delayed the work on this indicator.
 - The two new housing non-BVPIs were submitted on the 15 August 2005 with no working papers. Their first set of working papers received on 30 August 2005 were inadequate.
 - The three culture non-BVPIs were submitted on the 10 August 2005 with inadequate working papers.

- 38** As a result of late submission and inadequate working papers, audit work on the five non-BVPIs noted above was in progress right up to the audit deadline.

Best value performance plan

- 39** The Authority produced a fully compliant BVPP which was published on its website within the statutory deadlines.

The way forward

- 40** The Authority should continue to focus on improving the quality and supporting documentation for PIs.
- 41** Detailed findings are set out in the attached report (pages 10 to 24). General recommendations are summarised on page 25 and form the basis for the detailed action plan attached.

Appendix 3 - Best Value Performance Indicators - Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R1 Arrangements should be put in place to ensure all PIs are submitted by the deadline agreed with audit, and accompanied by adequate working papers.	3	Service leads PMG Performance Team	Yes	It is not expected that the problems experienced with the 2005 audit, especially with late notification of new PIs for audit, will occur in 2006.	30 June 2006
23	R2 The completion checklist should be signed off by all the PI leads and reviewers as evidence of review.	2	Service leads PMG Heads of service Performance Team	Yes	The expectation is that all reviewers will sign off the checklist. On occasion (for example, after amendment) time pressure may mean that this is not possible. Where agreement to amend is made over the telephone, the Performance Team will sign off the checklist and note the papers accordingly.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R3 The Performance Team should put in place adequate arrangements to ensure all officers receive up-to-date guidance on the calculation of PIs.	3	Performance Team	Yes	Where the Performance Team is made aware of current guidance, the information is circulated via PMG. However, the Audit Commission and ODPM might wish to consider setting up automatic warning messages when new information is available on their websites.	Ongoing process (as and when received)
23	R4 When auditing PIs Internal Audit should formally document and test the systems and controls in place for producing the PIs.	3	PMG Internal Audit Performance Team	Yes	The Performance Team will ensure that the need to carry out system testing as part of the Internal Audit is included in the audit brief. The External Audit Manager will provide the Performance Team with an electronic copy of the current pro-forma so that this can be made available to Internal Audit and PMG. The External Audit Manager will also provide copies of any existing system documentation (where available) in order that this can be updated	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					as part of the audit trail.	
23	R5 A database of amendments should be kept by the Performance Team and PI leads to ensure all amendments made as a result of audit are identified and the correct figures are used in analytical review.	2	Performance Team	Yes	Copies of the template used for the Performance Plan will be distributed to PMG in advance of completion of the PI checklists (which includes the analytical review) in order that the correct base figure(s) can be used.	31 March 2006
23	R6 Where new indicators are identified by the Audit Commission late in the audit process, the Performance Team should review the working papers produced to ensure they are of an appropriate standard before submission to audit.	3	PMG Performance Team	Yes	The Audit Commission have already provided the list of national 'high risk' indicators for audit, so it is not currently envisioned that this will be an issue in 2006. However, the Audit Commission needs to be cognisant of the deadlines for completing data input for non-statutory PIs and the audit timetable.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R7 Arrangements should be put in place to ensure all PIs produced by third parties are calculated in line with the PI definition.	2	Service leads PMG Performance Team	Yes	Particular issues were noted with the road condition surveys, but this is a general comment that the authority cannot 'offload' its responsibilities for compliance with the guidance to third parties. Service leads must require third parties to show compliance with national guidelines and show that they have checked they have been met.	30 June 2006

Appendix 4 - Civil Contingencies Act

Introduction

- 42 The Civil Contingencies Act 2004 is intended to update and standardise civil protection in the United Kingdom. This includes building more resilient communities which are better able to face any potential or actual emergency. The Act provides a statutory framework against which local authorities, and their emergency service partners, can review current performance and identify areas of improvement. It raises the profile and importance of planning for emergencies. It also builds on joint strategic arrangements and adds some new duties. The Act's requirements, due to be enforced in different stages during 2005/06, make it an appropriate time for authorities to assess their current performance.

Background

- 43 As community leaders, local authorities have an important role to play in planning for and responding to emergencies, and in supporting a 'return to normal' in the weeks, months and sometimes years to follow.
- 44 In its advice for the 2005/06 round of audits, the Audit Commission identified emergency planning as a risk issue that should be considered as part of the planning process. We agreed with the London Borough of Havering (the Council) that we would examine its civil contingencies arrangements as part of our external audit plan. During September 2005, we also undertook a risk management review which has been reported separately. Appropriate complementary links between reviews have been incorporated to minimise duplication.

Audit approach

- 45 Our review's scope and audit approach were discussed and agreed with the Council's nominated senior contacts at a set up meeting on 22 August 2005. It was agreed that we would undertake an initial overview to assess the Council's overall arrangements. The Audit Commission has developed a self-assessment tool based on good practice and key risks. The Council completed this as part of our review. Further in-depth probes will be discussed if needed on completion of the overview. These will be considered as part of our 2006/07 risk-based planning discussions.
- 46 Our review considered the role and responsibilities of councillors, managers and staff in the following areas: corporate arrangements; risk assessment; emergency planning; public advice; information sharing; co-operation and joint working; business and service continuity.
- 47 Our audit approach included:

- review of key documentation including the Council's completed self-assessment;
- interviews with councillors and officers with lead responsibilities for emergency planning and civil contingencies;
- meetings with senior representatives from partner agencies, including police, fire and health services; and
- discussions with voluntary and business sector representatives.

Main conclusions

- 48 There is strong support and active commitment from councillors, senior managers and emergency service partners to ensure the Council is compliant with the new statutory requirements. The Council has comprehensively reviewed its arrangements during 2004/05. The Audit Commission's self-assessment confirms satisfactory progress is being made to strengthen the Council's overall approach to civil contingencies.
- 49 The 'gap analysis' arising from the Council's self-assessment identifies priority actions for 2005/06. These include the need to embed a coherent structure for strategic and operational major emergency 'command' levels and to develop a comprehensive response to business contingencies as part of its community leadership responsibilities. The Council also acknowledges the need to revise its communication strategy to incorporate more fully its responsibilities for communicating with the public before, during and after incidents. This requires prompt and clear public advice using a range of channels and accessible formats to meet the needs of diverse communities including the most vulnerable. Initial plans are in place to ensure service continuity, but these need to be further developed as part of ongoing risk assessments and the full implementation of the business continuity strategy.

Priority recommendations

Recommendation
<p><i>R8 Review and test regularly once implemented the revised major emergency 'command' structure for strategic and operational levels to ensure it:</i></p> <ul style="list-style-type: none"> • meets the Council's statutory requirements to respond to emergencies; • supports emergency service partners; and • continues to deliver critical local services.
<p><i>R6 Ensure that lessons learned from a variety of major or serious incidents:</i></p> <ul style="list-style-type: none"> • are routinely incorporated in key action and training plans; and • inform ongoing risk management, service and business continuity planning.

Recommendation

R12 Ensure the initial continuity plans are further developed and tested as part of:

- achieving robust, risk-based continuity arrangements for all Council services, including those contracted out; and
- informing future business impact analysis and strategy.

R13 Agree with business sector representatives, emergency service and voluntary sector partners the most effective strategy and action plan to achieve business continuity, identifying where specific local action is most useful and where wider pan-London information can be used.

The way ahead

- 50 This is a final report issued during February following extended consultation on the draft report made available during October to the Council's senior contacts. It incorporates a completed action plan which aims to complement and supplement the Council's own 'gap analysis' following its completion of the Audit Commission's self-assessment.

Appendix 4 – Civil Contingencies Act Action plan

51 Many of the recommendations made below have initial delivery dates for their action items scheduled. However, longer-term efficiency and effectiveness can only be realised through a cycle of continuous improvement. The Council's emergency planning unit's service plan and key performance indicators now include the recommendations and timelines agreed to here as well as evaluation and assessment plans to eclipse previous performance.

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Corporate arrangements						
7	R1 Review and test regularly once implemented the revised major emergency 'command' structure for strategic and operational levels to ensure it: <ul style="list-style-type: none"> meets the Council's statutory requirements to respond to emergencies; 	3	Emergency Planning and Business Continuity Manager	Yes	Testing will be developed as part of an integrated training programme. The structure of the programme is progressive, with intent to hold one major test exercise every two years supported by desk exercises, face to face workshops and supplementary material. The programme has been initially stalled after the loose identification of appointments only, rather than specific contact with appointment holders. This should be remedied with the integration of a corporate change component to the programme.	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<ul style="list-style-type: none"> • supports emergency service partners; and • continues to deliver critical local services. 				<p>Assessment and evaluation will be phased, integrating formal evaluation of the exercises in survey format and written report with plan matching activities (matching responses to steps in the major emergency management plan). The emergency planning unit (EPU) will maintain and build on active membership of the London Regional Forum (LRF) and Havering Emergency Services Liaison Panel (HESLP), incorporating communication plans and brainstorming then formalising ways to assist each other.</p> <p>An officer was appointed January 2006 to develop and implement a specific internal business continuity plan. This will include the rationalisation of services and personnel in local service delivery during prescribed circumstances (emergency or denial of access/service scenarios) as well as community impact analysis.</p>	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Risk assessment						
8	R2 Ensure that collaborative work on the new community risk register with the North East London Local Resilience Forum (NELLRF) complements the Council's own risk register to minimise duplication and inform agreed priorities for the Borough.	2	Emergency Planning and Business Continuity Manager	Yes	Ensure ongoing compliancy between the NELLRF register and LBH register. The NELLRF register is already in its first publication.	October 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Emergency planning						
9	R3 Consider extending the membership of the Havering Emergency Services Liaison Panel (HESLP) to include business sector representation to strengthen expertise in business continuity.	2	Emergency Planning and Business Continuity Manager	Yes	This has been reviewed and it was agreed that due to the sometimes sensitive nature of the information shared at HESLP and the want to not ostracise any small/medium or large business sector, it is appropriate that we utilise the well-developed Council Town Centre Board, the Chamber of Commerce and other existing council business forums in the first instance rather than appoint a subgroup of HESLP. This will ensure our ability to meet with a strong cross section of the commercial sector and can be carried to a supernumerary meeting of HESLP and business leaders if the situation warrants.	Complete

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R4 Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	2	Emergency Planning and Business Continuity Manager	Yes	<p>This item is being actioned by way of an internal business case on the options available. These include dialogue with the Metropolitan Police for alternative venues. The current emergency control centre (ECC) is located in Mercury House. It is not fit for purpose as it is fully occupied on a day-to-day basis by the emergency management and business continuity team.</p> <p>The business case is to be delivered to the London Borough of Havering (LBH) strategic management team after which member approval will be sought.</p>	June 2006
9	R5 Explore reciprocal agreements with neighbouring LRF authorities to use control centre facilities as a contingency, arranging appropriate familiarisation training for staff.	2	Emergency Planning and Business Continuity Manager	Yes	Connecting with the points above regarding accommodation, the concept of a secondary will be explored to provide back up and call out facilities if required.	December 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Public advice						
10	R6 Ensure that lessons learned from a variety of major or serious incidents: <ul style="list-style-type: none"> • are routinely incorporated in key action and training plans; and • inform ongoing risk management, service and business continuity planning. 	3	Emergency Planning and Business Continuity Manager	Yes	All evaluations from Exercise New Dawn (2005) were integrated into the major emergency management plan. Edition control of LBH policy and regular dialogue with internal risk management, corporate safety and leadership groups then ensures that all lessons realised are integrated into ongoing LBH-wide plans as well as policy updates.	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	<p>R7 Revise and evaluate regularly the Council's communications strategy in the light of statutory public advice requirements using:</p> <ul style="list-style-type: none"> • a range of media channels; and • accessible and multi agency formats to meet diverse needs. 	2	Emergency Planning and Business Continuity Manager and Manager, Communications and Marketing	Yes	<p>Working with the LBH Communications team and a Corporate Communications Strategy, this has already been evident in some avian flu pandemic planning as well as the major emergency plan, which includes a communications strategy.</p> <p>Suggest media and communications training for emergency management staff to be undertaken this financial year to allow effective input into media strategy mapping and the development of marketing material. Conversely, media and communications staff should attend a briefing on the emergency management function and updates on policy. Joint and reciprocal training initiatives are being taken forward.</p>	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R8 Ensure the Council's communications strategy complements those of emergency and LRF partners to minimise risks of duplication or confusing messages.	2	Emergency Planning and Business Continuity Manager	Yes	This integrates into the work being conducted at R1, R2 and R5. Combined Business Continuity Website and corporate image in process of development.	June 2006 and ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Information sharing						
11	R9 Review existing information sharing protocols and consider a revised overall protocol which incorporates key statutory requirements in the Freedom of Information and Civil Contingencies Acts.	2	Emergency Planning and Business Continuity Manager	Yes	<p>This has been reviewed and it has been established that this process may better benefit from a case by case study. Following LBH internal policy, any requests will be forwarded to the LBH legal team for analysis and advice, noting that CRR data may not be LBH's alone and may require some protection through classification or caveat.</p> <p>Historically we have seen a pattern for LBH requiring information in emergency planning and business continuity rather than being formally requested for it. Even in those situations, requests have come through expected liaison panels rather than through formal FOI submissions.</p>	Completed

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Co-operation and joint working						
10	R10 Explore increased opportunities for joint training with all key partners including the voluntary and business sectors.	2	Emergency Planning and Business Continuity Manager	Yes	This will be integrated into action item R1. Any major exercise held will not only need to address internal strategic communications, but external relationships.	Financial year 2006/07
10	R11 Review the experience and expertise of the voluntary sector in key areas of emergency planning support which would improve the Council's capacity to respond to major incidents.	2	Emergency Planning and Business Continuity Manager	Yes	Dialogue and closer partnering with the voluntary sector will be investigated and reviewed over the next nine months. Our focus on this sector will be WRVS, Red Cross and Salvation Army in the first instance, due to previous experience and will expand if necessary. We will also liaise with the Havering Association of Voluntary and Community Organisations (HAVCO).	December 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Business and service continuity						
12	R12 Ensure the initial service continuity plans are further developed and tested as part of: <ul style="list-style-type: none"> • achieving robust, risk-based continuity arrangements for all council services, including those contracted out; and • informing future business impact analysis and strategy. 	3	Emergency Planning and Business Continuity Manager	Yes	The project plan has been developed to allow phased evaluation of the business continuity process. Implementation of automated update reports will further this.	June 2007

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R13 Agree with business sector representatives, in collaboration with emergency service partners, the most effective strategy and action plan to achieve business continuity, identifying where specific local action is most useful and where wider pan-London information can be used.	3	Emergency Planning and Business Continuity Manager	Yes	This is integrated with a larger north east London web activity. Links and resources will be provided electronically for local interest. Paper based information will be made available through a targeted campaign to be developed with the Town Centre Board.	Ongoing

Appendix 5 - Baseline IT Risk Assessment

Introduction

- 52 Best practice in both internal and external audit is to conduct a survey of all the potential areas for audit work and identify the level of risk in each area. Based on this assessment, the auditor should then determine where to focus effort to minimise the level of risk. In the case of the Audit Commission, risk is associated with the objectives which it is required to address under its Code of Audit Practice.

Background

- 53 The IT service at London Borough of Havering (the Council) has been centralised in recent years, with services originally outsourced to Housing, Social Services and Education brought back into the corporate centre. There are no significant outsourced contracts; all services including Operations are run in-house. The dominant software is Oracle databases run on IBM hardware. The main architecture is based on thin client with office software loaded onto servers running in the background.

Audit approach

- 54 The audit included:
- reviewing the information supplied by the Council in the form of a data pack;
 - interviews with the Head of Information Technology, the Programme Manager, the Head of Operations and the Information Governance Officer and others; and
 - a review of documentation supplied by the Council.
- 55 The fieldwork took place during July and August 2005.

Main conclusions

- 56 In general, IT arrangements at the Council work well and measures are in place to minimise risk. The following paragraphs summarise the main issues.
- 57 The Security and Information Governance policies should be brought up-to-date, although we understand the latter is currently under consideration. However, there is not an up to date IT security statement in place to ensure all staff are aware of their responsibilities for maintaining IT security. There are individual policies in place for home working, freedom of information and internet usage but

no overall statement or policy on IT security. A draft Governance statement is being prepared and this could be used to address information security (the areas that such a policy should cover are outlined in paragraph 10 below).

- 58 The security standards in BS7799 are being subscribed to although formal accreditation is not being sought. A gap analysis has been completed by internal audit and once the recommendations of that report have been implemented, including the security policy mentioned above, then the standard will be achievable. The implementation of the BS7799 project is overseen by an information governance committee and a deadline set for completion of this project. The Information governance steering group is accountable to the ICT e-government committee.
- 59 There are no Disaster Recovery (DR) arrangements in place despite the production of a detailed business case for DR in May 2004 which states that there are no guarantees of what data could be recovered in the event of a disaster. In the absence of DR arrangements it is important that the computer centre's back up and recovery procedures operate effectively. IBM management software (Tivoli) is used manage the process whereby data is written to mirrored disks and then backed up with a back up copy maintained off-site. The back up media is validated by Tivoli to ensure that it is fully recoverable.
- 60 Programme management at operational level works well with good control over budgets and resources. An ambitious programme of implementations has been achieved. The ICT Programme Board concentrates on monitoring implementations and does not focus sufficiently on the business process and change issues that result from the introduction of new systems. The increased efficiency of service delivery is a key driver for the introduction of new IT systems. The implementation of e-procurement offers the Council the opportunity for significant Gershon style savings through a streamlining of procurement process and it is important that the ICT programme board leads this process of review.
- 61 This year (2005) is an important year in achieving the ODPM targets for e-government and the latest return indicates that the majority of the Implementing Electronic Government (IEG) targets have been achieved.
- 62 IT has a clear strategic direction and the process of refreshing the Strategic Plan on a six monthly basis works well. The basic IT infrastructure and the standardisation on Oracle systems run on IBM hardware provides consistently and a high level of interoperability. The structure is managed effectively by the Council and there is a stable operations platform. The policy of centralising IT services, developing detailed dialogue with departments to identify priority service outcomes and having no major outsourced contracts works well. The IT department has a sense of identity and direction.
- 63 Partnerships are being developed with other authorities in the North East London region, in particular, it is hoped that partnerships will address the Disaster Recovery issue (see paragraph 4 above). There are proposals for new partnership initiatives in Leisure and Housing benefits and a number of areas are being considered for development. The potential partnership initiatives are positive and will serve to reduce or pool risk.

- 64 The Council is part of the SOCITM benchmarking arrangements. These indicate that cost per user, cost per PC, ratio of staff to users is consistently low at the Council suggesting that IT provides value for money. There is a qualitative survey of user feedback and the Council have indicated that it is their intention to develop user focus as a priority.

The way forward

- The Council should focus on the following to manage IT risk effectively.
- Formally adopt the Information Governance policy and include IT security measures within it.
- Complete BS7799 standard by implementing the Internal Audit recommendations.
- Ensure the Programme Management Board actively manages the change process.
- Implement the north east London partnership approach to disaster recovery.

Appendix 5 – Baseline IT risk assessment Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 The IT security statement should be updated and should address the items identified in paragraph 12 of the report.	3	Paul Golland	Yes	This should be available early in 2006.	31 March 2006
	R2 A disaster recovery plan should be implemented.	3	Paul Golland	Yes	A project manager for this task should be appointed in early 2006 and a full DR rolled (in partnership with other north east London boroughs) out within 18 months.	See comments.
	R3 The ICT programme board should provide more leadership on business process re-engineering.	3	Ray Whitehouse	Yes	The final shape is dependent on extra training, resources and capacity, but the structures are in place to effect this recommendation and the programme board will consider re-engineering.	Present day to 31 March 2006.



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	5

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT APRIL 2006 Report attached.

SUMMARY

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

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

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

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

Staff Contact: Sheree Hamilton
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STEPHEN EVANS
Chief Executive

Background Papers

None



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION GRANTS REPORT 2004/5 Report attached.

SUMMARY

This report covers the audit of grant claims for the financial year 2004/5.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

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

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

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STEPHEN EVANS
Chief Executive

Background Papers

None

Audit Detailed Report

March 2006



Grants Report

London Borough of Havering Council

Audit 2004/2005

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

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

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

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

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

Status of our reports to the Council

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

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

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Summary report

Introduction

- 1 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.
- 2 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments. In relation to 2004/05, the Council has claimed approximately £91 million of government grant income and completed returns to various government departments for approximately £62 million.

Background

- 3 This report covers the audit of grant claims for the financial year 2004/05. Claims and return have been certified in accordance with the Audit Commission's modernised approach to claims.
- 4 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 and testing is applied accordingly.

- 5 For 2004/05, we certified 24 claims and returns (33 in 2003/04).
- 6 In preparation for the 2004/05 grants process, we have participated in two workshops on grant claims to help the Council improve its grant claim processes and the quality of the working papers provided.

Audit approach

- 7 We have certified claims and returns using the Certification Instructions (CIs) issued by the Audit Commission to appointed auditors, which sets out the required audit approach to each claim or return. Once received, these CIs are shared with the Council ahead of the certification deadline.
- 8 In addition we carried out a risk assessment for each claim or return above the Audit Commission threshold (currently £100,000) to determine the level of testing required. Relevant CI tests were then applied to each claim and return based on the result of this assessment and in line with the new modernised approach.
- 9 Where we find that a claim or return deviates from the CI requirements, the Council is given the opportunity to resolve the issues identified. Where this could not be achieved either by obtaining further information or agreeing amendments to the figures in the claim with officers, qualification letters setting out the facts to the grant paying body were issued.

Main conclusions

- 10 Our main audit findings are summarised below under the following headings:
 - timeliness of submission and certification;
 - quality assurance process;
 - quality of working papers;
 - summary of performance by service area; and
 - application of new certification arrangements.

Timeliness of submission and certification

- 11 The Council has slightly improved the timeliness of submission of claims when compared with the previous year. We received 79 per cent (19 of the 24) of claims and returns within the submission deadline, compared with 76 per cent (25 out of 33) in 2003/04.
- 12 The grants co-ordinator kept audit informed of the reasons for the late submission of four of the late five claims. One of the education claims (EDU23) was submitted late as a result of technical problems with the Learning and Skills Council's (LSC) software used to compile the data for the claim.

- 13 The three regeneration claims (RG31) were submitted late due to the time taken by the responsible officers to resolve working paper issues found by the grants co-ordinator prior to submission to audit. Our review of the working paper files and audit of the regeneration claims showed that this was effective. The additional input from the grants co-ordinator resulted in a smoother audit process when compared with the previous year. However, it is important to note that the submission of claims by their respective deadlines contributes significantly to avoiding late certification, which can result in grant paying bodies withholding payments due to the Council.
- 14 There was a significant improvement in the number of claims certified by the deadline when compared with the previous year. Seventy-nine per cent (19 out of 24) of claims were certified by the deadline as compared with 33 per cent (11 out of 33) in the previous year. We are pleased to note that, of the five claims submitted late, only one claim (CFB06) resulted in a late certification. Although this claim was submitted only three days late, slow responses to audit queries created further delays which prevented auditors from certifying the claim on time.
- 15 Table one below summarises the number of claims by service area submitted for audit and certified by the required dates. A revised version of the 2004/05 figures analysed by the new directorates (which took effect from 1 November 2005) is shown at Appendix 1.

Table 1 Timeliness of submission and certification by the required dates

Service	Total no of claims	Received by deadline		Certified by deadline	
		No	%	No	%
Summary 2004/05					
Regeneration and Partnership	3	0	0	3	100
Education	8	7	88	5	63
Environment	1	1	100	1	100
Finance and Planning	3	3	100	2	67
Housing	4	3	75	3	75
Social Services	5	5	100	5	100
Total	24	19	79	19	79
Summary 2003/04					
Regeneration and Partnership	4	1	25	1	75%
Education	10	6	60	3	30%
Finance and Planning	3	3	100	2	67%
Housing	4	4	100	2	50%
Social Services	11	10	91	3	27%
Customer Access and culture	1	1	100	0	0%
Total	33	25	76	11	33%

Quality assurance process

- 16 The main part of the quality assurance process put in place by the Council is the role of the grants co-ordinator, who is responsible for identifying grant claims and returns requiring auditor certification, ensuring that submission deadlines are met and liaising between the claim compilers and audit.
- 17 This year the grants co-ordinator role was strengthened by appointing a permanent member of staff to the role. This has had a positive impact on the grants assurance process resulting in a significant improvement in overall performance as indicated in the statistics above.
- 18 Audit files now go through a rigorous review by the grants co-ordinator to ensure that, as a minimum, documents specified on the grants claim checklist are included in the file.

Quality of working papers

- 19 There was a significant improvement in the quality of working papers provided for audit in 2004/05. Generally, working papers were adequate and met the standards required in the protocol. In most cases, additional working papers were only required for issues that were specific to a particular grant claim and would not, therefore, have been listed on the grants checklist. However, improvements are still required to the preparation of some claims. In particular, EYC02 and EYC08 within the education service and CFB06 within Housing (Children's Services and Sustainable Communities respectively since 1 November 2005 restructure). Working papers provided for these claims were inadequate, sometimes needing to be revisited by officers, whilst responses to queries on these claims were generally slow.
- 20 Working paper issues identified for these claims are detailed in pages 15 and 20 of the detailed report and summarised below:
- incomplete documentation;
 - departmental correspondence omitted from files; and
 - lack of audit trail for entries on the claim.

Summary of performance by Service Area

- 21 A summary of performance by Service Area, highlighting a significant improvement over the previous year, is shown in Table 2 below and further details are contained in the detailed report. A revised version of the 2004/05 figures analysed by the new directorates (which took effect from 1 November 2005) is shown at Appendix 1.

Table 2 Summary of performance by service area

Criteria Service	Total no. of claims	Late claims	Amended claims	Qualified claims	Not certified by deadline
Summary 2004/05					
Regeneration and Partnership	3	3 (100%)	0 (0%)	0 (0%)	0 (0%)
Education	8	1 (13%)	3 (38%)	1 (13%)	3 (38%)
Environment	1	0 (0%)	0 (0%)	0(0%)	0 (0%)
Finance and Planning	3	0 (0%)	1 (33%)	1 (33%)	1 (33%)
Housing	4	1 (25%)	3 (75%)	2 (50%)	1 (25%)
Social Services	5	0 (0%)	1 (20%)	0 (0%)	0 (0%)
Total for each criteria	24	5 (21%)	8 (33%)	4 (17%)	5 (21%)
Summary 2003/04					
Regeneration and Partnership	4	3 (75%)	3 (75%)	1 (25%)	3 (75%)
Education	10	4 (40%)	4 (40%)	5 (50%)	7 (70%)
Finance and Planning	3	0 (0%)	2 (67%)	3 (100%)	1 (33%)
Housing	4	0 (0%)	3 (75%)	3 (75%)	2 (50%)
Social Services	11	1 (9%)	3 (27%)	4 (36%)	8 (73%)
Customer Access and Culture	1	0 (0%)	0 (0%)	0(0%)	1 (100%)
Total for each criteria	33	8 (24%)	15 (45%)	16 (48%)	22 (67%)

Application of the new certification arrangements

- 22 Each year, we assess the control environment for the preparation of claims and returns at the corporate, directorate and individual grants level before undertaking the audit. Three claims (two EDU 29 claims and EDU 33) were identified as having an adequate control environment and two claims (CIV 03 and SOC 31) were assessed as low risk based on the value of the claims (between the de minimis of £50,000 and the threshold of £100,000). Consequently, limited work was undertaken on these claims. A further two claims (two of the three RG31 claims) had values between the de minimis and threshold levels. However, full testing was applied as these claims span over more than one year with the total project value exceeding the threshold. A full audit was performed on the remaining claims.
- 23 The three claims assessed as having an adequate control environment were prepared by the same claim compiler (external funding officer) in the education service area.
- 24 Table 3 below summarises the approach used to audit the claims and returns in line with the modernised audit approach.

Table 3 Summary of audit approach used

Total no of claims	Total no of claims	Limited testing	Full testing
Total no of claims between the de minimis (£50,000) and threshold (100,000)	4	2	2*
No of claims assessed with adequate control environment	3	3	0
No of claims audited applying all certification tests	17	0	17
Total	24	5	19

* Two of the claims were between the de minimis and threshold levels but the total value of each claim over their respective project lives exceeded the threshold so full testing was applied.

Previous recommendations

- 25** In order to focus the delivery of actions to address each recommendation made, this year we have agreed with the Council to make our recommendations specific to individual grant claims and returns. Where recommendations relate to the grants co-ordination process as a whole and not to individual claims and returns, these will continue to be listed as general recommendations.
- 26** Last year, we made ten general recommendations. Of these, three are repeated this year as specific recommendations for at least one claim each. These are as follows.
- 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.
 - R6 - Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported.
- 27** The remaining seven recommendations have either been addressed or were not relevant to the claims and returns completed by the Council in 2004/05 and were not, therefore, repeated this year.
- 28** This change in the way recommendations are made has substantially increased them in number from ten general recommendations in 2003/04 to 21 specific and two general ones this year. However, this revised format will improve accountability for addressing the recommendations and will facilitate the monitoring of the implementation of action plans produced.

The way forward

- 29** Detailed findings are set out in the detailed report (pages 12 to 22). Pages 23 to 25 summarise the general and specific recommendations that, if addressed, would enhance the Council's control environment. These form the basis of the action plan at Appendix 2. This will be used to monitor progress in 2005/06.
- 30** Each year we assess the Council's control environment for the preparation of claims and returns. The development of robust control environments will enable us to reduce the amount of work required to certify claims. We will also work with the Council to establish an improvement cycle for areas where weaknesses are identified.
- 31** We will continue to work with the grants co-ordinator over the next year to ensure continuous improvement in the certification process.

Detailed report

Introduction

- 32 This section of the report assesses the detailed performance by Service area in respect of the 2004/2005 claims and provides a comparison with the previous year.

Regeneration and partnership

Audit findings

Table 4 Overall performance - Regeneration and partnership

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	4	100	3	100
Late claims	3	75	3	100
Amended claims	3	75	0	0
Qualified claims	1	25	0	0

- 33 The service area was responsible for three claims (four in 2003/04). All claims were submitted late, due to time taken by the responsible officers to resolve working paper issues found by the grants co-ordinator prior to submission to audit.
- 34 Although the claims were received late, they were certified on time as no significant issues arose during the audit. The quality of working papers submitted for audit was adequate, and showed improvement compared with the previous year.

Table 5 Summary of issues - Regeneration and partnership

Reference	Title	£	Comments
RG31 (3 claims)	Single Programme 2004/05 Grant Expenditure.	77,322 200,286 90,116	All claims were received late. Although two claims were below the threshold full testing was applied as both claims span over more than one year with the respective total claim values exceeding the threshold.

Education

Audit findings

Table 6 Summary of overall performance - Education

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	10	100	8	100
Late claims	4	40	1	13
Amended claims	4	40	3	38
Qualified claims	5	50	1	13

- 35 Education was responsible for eight claims. One claim was received late, three were amended and one was qualified.
- 36 Although just one claim was qualified, we experienced difficulties in auditing three of the eight education claims as detailed in Table 7 below.

Table 7 Summary of issues - Education

Reference	Title	£	Comments
EDU02	Adult and Community Learning	642,976	Claim was received on time but certified late. Significant delays were experienced in receiving working papers to support the basis of apportionments included in the claim.

Reference	Title	£	Comments
EDU23	LSC Funding of Further Education in LEA Institutions	1,182,675	<p>Claim was received 14 days late due to technical problems with the LSC's software used to compile the data for the claim. The claim was not qualified. However, the following issues were noted:</p> <ul style="list-style-type: none"> the Learning Information Suite (LIS) report produced by the Council using the recommended version of the LIS software and Learning Aims Database (LAD) did not provide the same descriptions as the completed ILR Final claim. While this problem is not the direct responsibility of the Council we are aware that the Council is following up this matter with the LSC; and the Education Provider (Havering Adult College) ran only two of the Computer Assisted Audit Techniques reports available to them. <p>Running the reports could have reduced the audit time required to investigate issues arising. For example the report on duplicate learning aims could have been run and investigated prior to the audit.</p>
EDU29 (2 claims)	Special Grants for Teachers Pay	1,101,675 2,507,527	The control environments for these claims were considered adequate, giving us sufficient assurance to perform only limited testing.
EDU33	Education Special Grants	3,979,517	The control environment for this claim was assessed as adequate, hence limited testing was performed.

Reference	Title	£	Comments
EYC02	Childcare Grant	940,591	<p>The audit of this claim was problematic, as working papers to support the new child care places aspect of the audit were inadequate. We also noted that information downloaded from the OFSTED website had been transferred incorrectly to supporting working papers used to compile the claim.</p> <p>Responses to audit queries were very slow as officers had to recompile working papers.</p> <p>This resulted in the claim being adjusted three times prior to certification, two of which were not agreed with audit and resulted in the third and final amendment. The overall effect on the claim was a reduction of £19,209 to the amount claimed.</p>
EYC06	Children's Fund	507,586	<p>The delivery plan included within the working paper file was out of date which resulted in an amendment to the date on the claim form to ensure compliance with certification instruction requirements.</p>
EYC08	Sure Start Revenue grant Capital grant	765,080 229,730	<p>This was one of the most problematic claims audited this year. The claim was qualified for the following reasons.</p> <ul style="list-style-type: none"> The Council could not provide evidence of having obtained prior written approvals from the central or regional Sure Start Units for expenditure having deviated from the original approved revenue budget. <p>The Council could not provide evidence that permission had been obtained to carry forward an amount of £177,815 from unspent but drawn down capital approvals.</p>

Reference	Title	£	Comments
			<p>We experienced slow responses to queries as responsible officers sought to obtain additional information and approvals from the department during the audit.</p> <p>Furthermore, the claim had to be amended by £154,708 (due to problems experienced with the electronic claim form) to show the actual expenditure incurred and audited.</p>

Environment

Audit findings

Table 8 Summary of overall performance - Environment

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	0	0	1	100
Late claims	0	0	0	0
Amended claims	0	0	0	0
Qualified claims	0	0	0	0

- 37 Environment was responsible for only one claim, which was received and certified on time.
- 38 The claim was below the threshold and no significant issues were noted.

Table 9 Summary of Issues – Environment

Reference	Title	£	Comments
CIV03	Civil Defence	74,328	Claim was below threshold therefore limited testing was applied. No significant issues.

Finance and planning

Audit findings

Table 10 Summary of overall performance - Finance and planning

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	3	100	3	100
Late claims	0	0	0	0
Amended claims	2	67	1	33
Qualified claims	3	100	1	33
Claims in progress	0	0	0	0

- 39 Finance and planning was responsible for three claims. All claims were received on time, of which one was amended and one was qualified.
- 40 Significant problems were experienced with two of the three claims audited. The issues noted are detailed in the table below.

Table 11 Summary of issues - Finance and planning

Reference	Title	£	Comments
BEN01	Housing and Council Tax Benefits	52,017,366	<p>Inadequate working papers were provided to support the reconciliations between the benefits system and the general ledger. Additionally, the working papers to support the Weekly Incorrect Benefits and Sanctions and Prosecutions had to be requested as they were not included in the working paper file.</p> <p>Discrepancies were noted in the Academy data sent to HBOSS and that which was used to compile the claim.</p> <p>Inconsistencies were noted in assessors' responses to queries on overpayments.</p>

Reference	Title	£	Comments
			Total amendments to the value of £154,574 were made to the claim.
LA01	Non Domestic Rates	49,478,378	<p>The claim was received on time but certified four days late due to the following reasons:</p> <ul style="list-style-type: none"> • Initial difficulty in establishing a responsible officer for the claim. • Delay in providing supporting working papers to verify the periods for which premises had been empty. <p>The claim was qualified for the following issues:</p> <ul style="list-style-type: none"> • not all Valuation Officer directives received between 31 January 2005 and 31 March 2005 were processed by the 31 March 2005 (the Council did not agree with this qualification). • Inability to provide supporting evidence for the periods for which four premises (out of 10 selected for testing) had been stated as empty.
PEN05	Teachers Pensions Contributions	12,963,664	No issues were noted.

Housing

Audit findings

Table 12 Summary of overall performance - Housing

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	4	100	4	100
Late claims	0	0	1	25
Amended claims	3	75	3	75
Qualified claims	3	75	2	50

- 41 Housing was responsible for four claims. One claim was received late, three were amended and two were qualified.
- 42 We noted recurring issues from the previous year in the audit of the HOU02 claim regarding the analysis of properties.
- 43 The CFB06 claim was submitted three days late and significant problems were encountered in the audit of the claim.
- 44 An issue was also noted with the Rents system which affected the HOU01 claim. Details of all issues are noted in Table 13 overleaf.

Table 13 Summary of housing issues

Reference	Title	£	Comments
CFB06	Pooling of Housing and Capital receipts	6,326,530	<p>Claim was received three days late due to late identification of the need to audit this claim. Audit certified the claim five days late due to insufficient working papers submitted to audit and slow responses from officers.</p> <p>Below is a list of some of the working papers that were missing from the file:</p> <ul style="list-style-type: none"> • support for the basis of apportionments included in the claim; • listing of dwellings disposed; and • quarterly returns to the ODPM. <p>The support provided for the apportionments resulted in an amendment of £26,760 to the claim form.</p>
HOU01	Housing subsidy	19,288,978	<p>A number of errors were found on the claim during the audit. The overall effect of these adjustments was an increase in the amount payable of £65,961.</p> <p>Qualification issues were as follows.</p> <ul style="list-style-type: none"> • The Council did not comply with the CI requirement to unpool all service charges from the rent figure. The responsible officer does not agree with the CI requirement and is currently liaising with the department to correct this. • The lack of a drill down facility on the Anite system prevented detailed testing of individual rent accounts.
HOU02	Housing Subsidy Base Data Return	N/A	<p>This claim was received on time. The Council did not provide us with the following documents:</p> <ul style="list-style-type: none"> • analytical review of claim cells; • schedules to support property disposals; and • listing of hostels.

Reference	Title	£	Comments
			<p>All of the above working papers were subsequently provided. However, responsible officers were slow to respond to audit queries. For example, explanations for variances on the analytical review were not provided for a further three weeks.</p> <p>The claim was initially certified after audit adjustments were made but was also qualified for the following reasons.</p> <ul style="list-style-type: none"> • Analyses of dwellings – for some properties, footprints of the building were used to estimate measurements as opposed to using direct measurement of internal floor areas. • The wrong methodology was used to account for the impact of reductions in stock numbers. Instead of removing the value of each asset, the average value multiplied by reduced stock numbers was removed. <p>This resulted in a request from the ODPM for additional information. Additional work was performed and further adjustments affecting the valuation of the properties in F001ri and the rent roll were made to the re-certified claim. The effect was an increase of £62,038,833 in total stock value.</p>
HOU21	Disabled facilities grant	360,000	No issues were noted.

Social services

Audit findings

Table 14 Summary of overall performance - Social services

Criteria	2003/04		2004/05	
	Number	Percentage	Number	Percentage
Number of claims	11	100	5	100
Late claims	1	9	0	0
Amended claims	3	27	1	20
Qualified claims	4	36	0	0

- 45 This year the service area experienced a significant reduction in the number of claims for which it was responsible (five compared with 11 in 2003/04).
- 46 One claim was amended as the Council could not provide adequate support for an apportionment which was included in the claim.

Table 15 Summary of issues - Social services

Reference	Title	£	Comments
SOC 08	Improving Information Management	116,784	Issue regarding inadequate support for apportionment included in claim. Resulted in an amendment to the claim of £3,216.
SOC13	Teenage Pregnancy	122,754	No issues noted.
SOC 31 (2 claims)	Adoption support Choice protects	84,000 110,000	Claim below threshold. No issues noted on either claim.
HC08	Mental Health Grant	540,841	No issues noted.

Recommendations

- 47 Detailed below are general and specific recommendations that would further strengthen the Councils control environment. Specific recommendations are made under respective service areas where relevant, with the new directorates from 1 November 2005 shown in brackets.

Table 16 **General and specific recommendations**

General recommendations
<i>R1 The grants co-ordinator should establish a system to identify to audit in advance all claims and returns that require auditing.</i>
<i>R2 Arrangements should be put in place to ensure that amendments to submitted claims and returns are only made after agreement with audit once all audit work has been completed.</i>
Regeneration and Partnership (Sustainable communities) recommendations
Single Programme 2004/05 Grant Expenditure - RG31
<i>R3 Ensure claims are submitted by the Audit deadline.</i>
Education (Children services) recommendations
Childcare grant - EYC02
<i>R4 Arrangements should be put in place to ensure that adequate audit trails are retained to support entries on the claim. Additionally, training should be provided to officers within the childcare section on how to prepare and support entries on grant claims.</i>
Sure start revenue and capital grant - EYC08
<i>R5 Officers should ensure that approval is sought from the department for material variations to previously approved budgets.</i>
Adult and Community Learning - EDU02
<i>R6 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.</i>
LSC Funding of Further Education in LEA Institutions - EDU23
<i>R7 Arrangements should be put in place to run all available Computer Assisted Audit Techniques reports.</i>

Finance and planning (Finance and Commercial) recommendations
<i>Housing and Council tax benefits - BEN01</i>
<i>R8 Adequate working papers should be included in the working paper files to support the reconciliation between the housing benefits system and the ledger.</i>
<i>R9 Arrangements should be put in place for the benefits claim to ensure that all working papers are included in the working paper file to audit. In particular working papers for the Weekly Incorrect Benefits and Sanctions and Prosecutions should be included in the file.</i>
<i>R10 Adequate training should be provided to assessors in the benefits section to ensure consistent decisions are taken in processing overpayments.</i>
<i>R11 Arrangements should be put in place to ensure that accurate data is sent to HBOSS and the same information is then used to compile the claim.</i>
<i>Non Domestic Return - LA01</i>
<i>R12 A responsible officer should be identified before the submission of the claim to audit.</i>
<i>R13 Arrangements should be put in place to ensure, where practical, all Valuation Officer Directives are processed and included in the claim.</i>
<i>R14 Adequate audit trail should be kept to support the periods for which premises had been empty.</i>
Housing (Sustainable communities)
<i>Pooling of Housing and Capital receipts - CFB06</i>
<i>R15 Ensure claim is submitted by the Audit deadline.</i>
<i>R16 Arrangements should be put in place to ensure adequate working papers are provided to support all figures included in the claim.</i>
<i>R17 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.</i>
<i>Housing subsidy - HOU01</i>
<i>R18 The Council should put adequate arrangements in place to separate all service charges from rent figures.</i>
<i>R19 Arrangements should be made with the providers of the Anite system to provide a drill down facility to support the summary reports obtained from the Anite system.</i>
<i>Housing subsidy base data return - HOU02</i>
<i>R20 Arrangements should be put in place to ensure all the fields on the claim are supported by a spreadsheet showing the break down of the figures.</i>

R21 As per the ODPM's requirements, the complete internal area and not just the foot print of buildings should be measured in analysing all dwellings.

R22 The value of each asset disposed of during the year should be removed from the total stock valuation figure.

Social Services (Sustainable communities)

Improving Information Management - SOC08

R23 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.

Appendix 1 – Summary of overall performance in 2004/05 analysed over the new directorates

Table 17 Timeliness of submission and certification by the required dates

Service	Total no of claims	Received by deadline		Certified by deadline	
		No	%	No	%
Finance and Commercial	3	3	100	2	67
Sustainable Communities	12	7	58	10	83
Children services	9	9	100	7	78
Total	24	19	79	19	79

Table 18 Summary of performance by service area

Criteria Service	Total no. of claims	Late claims	Amended claims	Qualified claims	Not certified by deadline
Finance and commercial	3	0 (0%)	1 (33%)	1 (33%)	1 (33%)
Sustainable communities	12	5 (42%)	4 (33%)	2 (17%)	2 (17%)
Children services	9	0 (0%)	3 (33%)	1 (11%)	2 (22%)
Total for each criteria	24	5 (21%)	8 (33%)	4 (17%)	5 (21%)

Appendix 2 – Action plan

(New directorates for the respective service areas are shown in brackets)

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
General recommendations						
	R1 The grants co-ordinator should establish a system to identify all claims that require auditing.	3	Grants Co-ordinator	Yes	A reconciliation to the main list produced by Audit Commission will be produced in May 06. Officers will be requested to review the potential grant claims and a schedule will be drawn up showing those confirmed and those with nil returns.	05/06 Grants Process
	R2 Arrangements should be put in place to ensure that amendments to submitted claims are only made after agreement with audit once all audit work has been completed.	3	Grants Co-ordinator/Finance Managers	Yes	Arrangements will be put in place and instructions will be issued to claim compilers outlining that no amended claims must be submitted to Audit without going through the Grants Co-ordinator first.	05/06 Grants Process
Regeneration and Partnership (Sustainable communities) recommendations						
Single Programme 2004/05 Grant Expenditure - RG31						
	R3 Ensure claims are submitted	3	Head of Service/Finance	Yes	The submission deadline for these claims is 30 April. Officers are	05/06 Grants

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	by the audit deadline.		Manager		working towards this deadline but the grant funder as at the 15 March has not yet issued the final claim form or the grant instructions. Officers also only have only one week to compile data for the claim form as the claims are due to the auditor one week after the final creditors run into the system.	Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Education (Children services) recommendations						
<i>Child care grant - EYC02</i>						
	R4 Arrangements should be put in place to ensure that adequate audit trails are retained to support entries on the claim. Additionally, training should be provided to officers within the childcare section on how to prepare and support entries on grant claims.	3	Head of Service/Finance Manager	Yes	Advice has been provided to officers within the early year's section on the audit process by the Grants Co-ordinator. A new Business and Finance Manager has been appointed within the early years section and will oversee the administrative and finance procedures	05/06 Grants Process
<i>Sure start revenue and capital grant - EYC08</i>						
	R5 Officers should ensure that approval is sought from the department for material variations to previously approved budgets.	3	Head of Service/Surestart Programme Manager/ Finance Manager	Yes	Officers acted within the guidance provided by the 'London Region Sure Start Finance Team' and received confirmation of approvals. However certification instructions published at the end of the financial year, for the audit process, conflicted with the guidance produced at the start of the programme. However, officers within Surestart and Finance are	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					checking quarterly interim claims to ensure prior approval if required is being sought	
<i>Adult and Community Learning - EDU02</i>						
	R6 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.	3	Head of Service/Lifelong Learning Manager/Finance Manager	Yes	Method used for apportionments were updated and recalculated for 2004/05, this was subsequently agreed with the Audit Commission and future apportionments will be fully supported and based on the updated data.	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<i>LSC Funding of Further Education in LEA Institutions - EDU23</i>						
	R7 Arrangements should be put in place to run all available Computer Assisted Audit Techniques reports.	3	Head of Service/Lifelong Learning Manager/Finance Manager	Yes	The Education provider (Havering Adult College) runs all the available 'Computer Assisted Audit Techniques' reports that are appropriate for the Council to undertake their own tests, these are made available to the Audit Commission to select samples for their testing. For 2005/06 the Learning and Skills Council has changed its software and it is believed that these will provide the required reports for audit.	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Finance and planning (Finance and Commercial) recommendations						
<i>Housing and Council tax benefits - BEN01</i>						
	R8 Adequate working papers should be included in the working paper files to support the reconciliation between the housing benefits system and the ledger.	3	Head of Service/Finance Manager	Yes	Officers in Benefits and Finance will ensure that working papers will be included	05/06 Grants Process
	R9 Arrangements should be put in place for the benefits claim to ensure that all working papers are included in the working paper file to audit. In particular working papers for the Weekly Incorrect Benefits and Sanctions and Prosecutions should be included in the file.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all workings are provided but will now be checked with the auditor present at the start of the audit to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R10 Adequate training should be provided to assessors in the benefits section to ensure consistent decisions are taken in processing overpayments.	3	Head of Service/Finance Manager	Yes	Staff are continually updated with briefings and refresher training and this process will continue.	05/06 Grants Process
	R11 Arrangements should be put in place to ensure that accurate data is sent to HBOSS and the same information is then used to compile the claim.	3	Head of Service/Finance Manager	Yes	The reports were run by ICT as requested by audit. However, the information provided did not match the claim. The Benefit Service will ensure that requests for reports run by ICT are checked and cleared by the Benefits service in future.	05/06 Grants Process
<i>Non Domestic Return - LA01</i>						
	R12 A responsible officer should be identified before the submission of the claim to audit.	3	Head of Service/Finance Manager	Yes	Responsible Officer has already been identified	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					(Revenues Manager) and this will be clearly shown on future returns	
	R13 Arrangements should be put in place to ensure, where practical, all Valuation Officer directives are processed and included in the claim.	3	Head of Service/Finance Manager	Yes	ODPM guidance states that information must also be taken into account after the 31 Jan 'if it is reasonably practicable to do so'. Despite our fundamental disagreement with the Audit Commission, the Council are trying for 2005/06 to deal with a proportion of the VO directions after the 31 Jan.	05/06 Grants Process
	R14 Adequate audit trail should be kept to support the periods for which premises had been empty.	3	Head of Service/Finance Manager	Yes	The Council has revised its procedure and is	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>now using the Academy module for empty rate properties. This means that unoccupied properties can be called off by area for inspection. All properties that have been empty for in excess of 90 days are included in this list so that a property should not be long term empty without being inspected on a regular basis</p>	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Housing (Sustainable communities) recommendations						
<i>Pooling of Housing and Capital receipts - CFB06</i>						
	R15 Ensure claim is submitted by the Audit deadline.	3	Head of Service/Finance Manager	Yes	This was a new return for 2004/05 and Officers within Housing Finance were also new in 2004/05. They are now aware of the timescales and procedures	05/06 Grants Process
	R16 Arrangements should be put in place to ensure adequate working papers are provided to support all figures included in the claim.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all working papers are provided but will now be checked with the auditor present at the pre-audit meeting to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R17 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.	3	Head of Service/Finance Manager	Yes	Method used to calculate apportionments will be better supported in the future	05/06 Grants Process
<i>Housing subsidy - HOU01</i>						
	R18 The Council should put adequate arrangements in place to separate all service charges from rent figures.	3	Head of Service/Finance Manager	Yes	The Council does not agree that arrangements are necessary to be put in place as currently Authorities are not under any statutory obligation to separate service charges from rent figures (unpooling). However the Council has written to the ODPM to request that they review the certification instructions (used by auditors to test the claim to reflect	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					that unpooling is not compulsory.	
	R19 Arrangements should be made with the providers of the Anite system to provide a drill down facility to support the summary reports obtained from the Anite system.	3	Head of Service/Finance Manager	Yes	The Council is working with Anite to produce a drill down facility to meet the audit requirements but in view of the fact that this matter was not raised until well into the 2005/06 financial year it may not be possible to have a system in place until 2006/07	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<i>Housing subsidy - HOU02</i>						
	R20 Arrangements should be put in place to ensure all the fields on the claim are supported by a spreadsheet showing the break down of the figures.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all working papers are provided but will now be checked with the auditor present at the pre-audit meeting to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process
	R21 As per the ODPM's requirements, the complete internal area and not just the foot print of buildings should be measured in analysing all dwellings.	3	Head of Service/Finance Manager	Yes	The Council commissioned surveyors to measure all dwellings as a result of an audit recommendation in 2004/05. However although a large number of properties were measured internally	05/06 Grants Process

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					some were measured externally as access could not be made at that time. Some of these properties have now been measured internally and the exercise is continuing.	
	R22 The value of each asset disposed of during the year should be removed from the total stock valuation figure.	3	Head of Service/Finance Manager	Yes	Method of calculation was revised for this return and the new method was subsequently cleared by the Audit Commission. New method will continue to be used for future returns.	05/06 Grants Process
Social Services (Sustainable communities) recommendation						
<i>Improving Information Management - SOC08</i>						
	R23 Arrangements should be put in place to ensure that all apportionments included	3	Head of Service/Finance	Yes	Previous IT apportionments to	05/06 Grants

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	in the claim are fully supported by adequate working papers and are based on reasonable judgements.		Manager		Anite which caused difficulties have been dealt with. All future apportionments and allocations to the grant will be fully documented or agreed as per the signed grant plan.	Process



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL AUDIT AND INSPECTION LETTER 2004/05

SUMMARY

This the Audit and Inspection Annual Letter for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

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

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

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STEPHEN EVANS
Chief Executive

Background Papers

None

Annual Audit and Inspection Letter

January 2006



Annual Audit and Inspection Letter

London Borough of Havering

Audit 2004-2005

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

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

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

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

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

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.

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Key messages

Council performance

- 1 Under the new Comprehensive Performance Assessment (CPA) framework Havering has been assessed as a one-star council that is improving well. Improved service outcomes in areas of corporate priority have been achieved. These address areas of lower public satisfaction, for example in children's social care, housing and the environment. Improvements include better community based services and increased user satisfaction with housing management, street cleaning and waste management. Managerial capacity and systems have been strengthened, leading to an improved focus on performance. Improved cross-party support and governance have assisted this process. Workforce development has been recognised by corporate Investors in People accreditation and has contributed to best quartile performance for sickness absence.
- 2 Havering's overall spend remains low and service costs compare well to similar boroughs. Better external focus has resulted in improved partnership collaboration. Investment has been made in economic regeneration to improve access and quality of services for vulnerable groups. Cross-cutting reviews are showing early signs of better outcomes for 'hard-to-reach' groups and older people. The quality of some service delivery plans need to be improved to focus more clearly on targets and outcomes. Greater synergy is evident in corporate and community planning, for example, the strategic partnership's action plans.
- 3 Significant officer and member time has been invested in further developing and embedding performance management and best value systems, resulting in a positive shift in organisational culture and wider ownership of regular performance reporting and monitoring.

The accounts

- 4 We issued an unqualified audit opinion on your accounts for 2004/05. Arrangements to support the audit have improved, particularly with regard to the timeliness of responses to audit queries and the quality of working papers, although they will need to be further improved to meet the more demanding requirements for 2005/06.

Financial position

- 5 The Council's financial position is generally sound, although expenditure on personal social care services, particularly children and families, present a financial risk. The medium-term financial planning process is well embedded and integrated with the service planning processes, although linkage to activity plans could be clearer in some areas. There is evidence of improved performance in debt collection, although performance for business rates, while much improved, is still below the London average.

Other accounts and governance issues

- 6 Overall corporate governance arrangements are satisfactory and there is a strong risk management culture. The system of internal control is generally sound, but could be strengthened in certain areas, such as internal audit and disaster recovery arrangements.

Action needed by the Council

- 7 Members should:
 - monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care;
 - ensure effective arrangements are in place and monitored, to ensure the 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met;
 - ensure that appropriate management action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed; and
 - continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.

Performance

Under the new Comprehensive Performance Assessment (CPA) framework Havering has been assessed as a one-star council that is improving well. Improved service outcomes in areas of corporate priority have been achieved. These address areas of lower public satisfaction, for example in children's social care, housing and the environment. Improvements include better community based services and increased user satisfaction with housing management, street cleaning and waste management. Managerial capacity and systems have been strengthened, leading to an improved focus on performance. Improved cross-party support and governance have assisted this process. Workforce development has been recognised by corporate Investors in People accreditation and has contributed to best quartile performance for sickness absence.

Havering's overall spend remains low and service costs compare well to similar boroughs. Better external focus has resulted in improved partnership collaboration. Investment has been made in economic regeneration to improve access and quality of services for vulnerable groups. Cross-cutting reviews are showing early signs of better outcomes for 'hard to reach' groups and older people. The quality of some service delivery plans need to be improved to focus more clearly on targets and outcomes. Greater synergy is evident in corporate and community planning, for example, the strategic partnership's action plans.

Significant officer and member time has been invested in further developing and embedding performance management and best value systems, resulting in a positive shift in organisational culture and wider ownership of regular performance reporting and monitoring.

CPA scorecard

- 8 The Council has been assessed as a one-star council that is improving well under the new CPA framework.

- 9 Table 1 below shows the Council's service performances.

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	One star
Current performance	(Score out of 4)
Children and young people	4
Social care (adults)	2
Use of resources	2
Housing	1
Environment	2
Culture	2
Benefits	3
Corporate assessment/capacity to improve (assessed in 2002)	2 out of 4

(Note: 1=lowest, 4=highest)

- 10 The CPA judgements this year have been made using the revised methodology: CPA - the harder test, which places more emphasis on outcomes for local people and value for money. We have also added a new dimension, a Direction of Travel judgement, which measures how well the Council is improving.

Direction of Travel report

- 11 The Council was assessed as improving well in our Direction of Travel assessment. The wording included in the CPA scorecard has been included at the beginning of this section of this letter.

Other performance work

- 12 Our 2005/06 plan contained a number of other performance reviews. The main findings from completed reviews are summarised overleaf.

Performance management follow-up

- 13 The Council has invested significant officer and member time in further developing and embedding its performance management and best value systems since our initial review in 2002. This has resulted in a positive shift in organisational culture and wider ownership of regular performance reporting and monitoring. The Council's commitment to performance management is also evidenced in the good progress made in implementing the agreed action plan.

Customer access to services follow-up

- 14 The Council has demonstrated a clear commitment to implement the key recommendations from our 2003 review of customer access to services. A strategic direction for customer services has been established and is being implemented. Priority is being given to addressing equality and diversity issues with designated 'champions' at member and officer level. The Council has also opened new advice and service centres in Romford and Upminster. Although the collection and monitoring of performance information is improving, a baseline still needs to be established to enable measurement of benefits and monitoring of published customer standards and targets. The Council website has been further developed to improve customer access to services.

Performance information

- 15 The Council published its best value performance plan (BVPP) by the statutory deadline of 30 June. The plan again complied in all significant respects with statutory requirements and was not qualified in respect of the accuracy of performance indicators (PIs).
- 16 The PIs audit resulted in three indicators being reserved. Although this represents a slight increase on the two reservations in the previous year, all of the current year reservations were in relation to new PIs, two of which are not best value PIs and the requirement to audit them was not notified to the Council until a late stage. The performance in terms of the number of amendments has improved significantly with only 14 amended compared to 38 in the prior year; although as fewer PIs were audited this year the number of amendments would be expected to fall to some extent.
- 17 Overall, the Council's performance reporting quality assurance process on the PIs operated effectively, but could be further strengthened.

Other Audit Commission inspections

- 18 A number of inspections have been completed during 2005/06. The key messages from these inspections are highlighted below.

Housing management

- 19 The housing management inspection undertaken in January 2005 and reported in June 2005, assessed the Council as providing a 'fair' one-star service that has promising prospects for improvement.
- 20 The inspection noted a number of strengths and evidence of improvements that are bringing benefits to service users and improving satisfaction with overall service provision. There were examples of value for money in the services being delivered, with increases in the collection rate for lease holder service charges and improved performance in relation to day-to-day repairs. Management capacity and performance information systems have been strengthened and improvement plans are being consolidated into a single service plan. The Council is also learning from external challenge and has received accreditation from GoL for its housing strategy and HRA business plan.
- 21 There were areas that require further action including ensuring all offices comply with the requirements of the Disability Discrimination Act 1995, providing greater clarity in response to domestic violence and racial harassment and better information on welfare benefits. Inconsistencies in the provision of caretaking and grounds maintenance were identified along with a lack of a proactive approach for dealing with anti-social behaviour. There were also inconsistencies in the treatment of waiting list and transfer list applicants, and visiting new tenants, as well as weaknesses in the tenant participation structures.
- 22 The service was judged to have promising prospects for improvement, however there were still areas that the Council must concentrate upon in order to progress. These include delivering improvement plans in a timely manner and ensuring that there are positive outcomes from the benchmarking exercises being undertaken. Some staffing issues also needed to be addressed, for example the use of temporary staff was high. In addition, the Council needed to ensure that the staff appraisal system within housing is consistent and includes SMART targets.

Supporting People

- 23 Our Supporting People inspection, undertaken in February 2005 and reported in May 2005, assessed the Council as providing a 'poor', no-star service that had uncertain prospects for improvement.

- 24 Overall, there had been very limited outcomes for service users resulting from the introduction of the Supporting People programme, and the Council had not used the programme to improve the type or range of services for people with housing related support needs. Weaknesses included limited engagement with service users, particularly harder to reach groups, and partners including the local strategic partnership. Poor customer care, access to services and information were also identified along with a very low level of understanding of and provision for the needs of black and minority ethnic communities. In addition, there had been a significant number of weaknesses in governance arrangements and resourcing and a lack of effective management and monitoring arrangements.
- 25 The inspection also found areas where progress was being made, particularly in addressing some of the governance and resourcing weaknesses.
- 26 We judged that the Supporting People programme had uncertain prospects for improvement. The Council's corporate track record of improvement gives some encouragement as does its recognition of its own weaknesses in its delivery of the programme. The Council has agreed an improvement plan that addresses many of the key weaknesses in the current delivery of the programme.

Working with other inspectorates and regulators

- 27 An important aspect of the role of the relationship manager is to work with other inspectorates and regulators who also review and report on the Council's performance. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 28 We share information and seek to provide 'joined up' regulation to the Council. During the last year, the Council has received the following assessments from other inspectorates.

Benefits Fraud Inspectorate (BFI)

- 29 The BFI agreed with the Council's self-assessed score of 3 (out of 4) against Performance Standards, which equates to 'good' performance. They highlighted a number of positive aspects of performance including speed of processing new claims which, at 32 days, exceeded the Standard of 36 days and payment of claims, where performance also exceeded the standard. Areas for improvement were also noted, including the need for the Council to gain assurance that it was measuring all aspects of performance accurately.

Ofsted/Commission for Social Care Inspection Annual Performance Assessments for education and social care services

Education and children's social care services

- 30** Ofsted/CSCI scored the Council as 4 (out of 4) and noted good evidence of partnership working and strong outcomes across the range of education and social care services including:
- well-established programmes for healthy schools, drugs, sex and relationships education in schools, and the successful promotion of health for looked after children;
 - robust safeguarding arrangements for children and good stability of placements for children and young people provided through fostering services;
 - little permanent exclusion from schools and good standards achieved, including for looked after children where performance compares well to similar London boroughs; and
 - good transition plans and systems for supporting looked-after children with progression levels to post-16 education and training above average.
- 31** They also commended the Council for its monitoring and self-assessment arrangements and highlighted its rapid response to inspection findings in social care. Areas for improvement include the need to strengthen resources for the Child and Adolescent Mental Health Service (CAMHS) and to expand foster care which effectively meets the needs of black and minority ethnic children. It was also noted that the number of looked after children and children on the child protection register remains high highlighting a need to develop a wider range of preventative services. In addition, although services for looked after children are good, more remains to be done in developing the voice of these children and young people.

Adult social care services

- 32** The CSCI's annual performance review scored the Council as 2 (out of 4) and noted some improvements in service outcomes with the balance of care beginning to shift towards the promotion of independent living for older people. As the Council with the highest percentage of elderly residents, this is a key strategic development that will need to be sustained. Progress includes:
- reduced hospital discharge delays, improving assessment services and the launch of a resource centre for people with disabilities; and
 - effective partnerships and services to support independence in mental health services as well as the active involvement of service users in service improvements and progress in increasing the use of advocacy services.

33 The CSCI also notes that the pace of progress to promote independence has been slow, partly due to a low historical base line, and it is behind that of other similar councils. Areas for improvement include:

- performance on direct payment which is poor;
- the level of service users who receive reviews;
- monitoring of performance information;
- management of costs, for example in residential and intensive care, which are significantly higher than similar councils; and
- recording of ethnicity.

Accounts and governance

We issued an unqualified audit opinion on your accounts for 2004/05. Arrangements to support the audit have improved, particularly with regard to the timeliness of responses to audit queries and the quality of working papers, although they will need to be further improved to meet the more demanding requirements for 2005/06.

The Council's financial position is generally sound, although expenditure on personal social care services, particularly children and families, present a financial risk. The medium-term financial planning process is well-embedded and integrated with the service planning processes, although linkage to activity plans could be clearer in some areas. There is evidence of improved performance in debt collection, although performance for business rates, while much improved, is still below the London average.

Overall corporate governance arrangements are satisfactory and there is a strong risk management culture. The system of internal control is generally sound, but could be strengthened in certain areas, such as internal audit and disaster recovery arrangements.

Audit of 2004/05 accounts

- 34 We gave an unqualified opinion on the Council's accounts on 28 October 2005.
- 35 A material amendment was required to the accounts in relation to the capitalisation of intangible assets but this did not impact on the Council's general fund balance. There were no other significant adjustments.

Report to those with responsibility for governance in the Council

- 36 We are required by professional standards to report to those charged with governance (in this case to the Audit Committee) certain matters before we give an opinion on the financial statements.
- 37 We reported our draft opinion to the Audit Committee on 26 October 2005. We identified the need for improved timeliness of working papers in order to comply with the tighter deadline for the accounts for 2005/06.

Matters arising from the final accounts audit

- 38 In last year's Annual Audit and Inspection Letter we emphasised that timeliness in producing the accounts will become increasingly important over the next few years, as the deadline for completion of the accounts is brought forward in line with the Government's requirements. Improvements were noted this year, particularly in relation to the timeliness of responses to audit queries and the quality of working papers, although there were still delays in supplying working papers in some areas. In order to ensure that the earlier accounts deadline and more demanding requirements are achieved in 2005/06 further improvements will be required, for example:
- undertaking analytical review on key areas of the accounts; and
 - completing disclosure checklists prior to the audit.

Financial standing

Financial planning and reporting

- 39 The Council's medium-term financial planning is well-embedded and linked to the service planning process, and incorporates robust challenge through the star chamber process. Links to activity plans in some areas are less clear and need to be further developed. Financial and non-financial information is reported to, and used by, members and officers on a regular basis. However, costs are not consistently linked to operational activity and the use of operational activity indicators that are lead indicators of spend is not fully developed across all areas of the Council.

General fund spending and balances

- 40 The Council's financial position is generally sound and the level of general fund reserves has continued to increase with an underspend of £291,000 in 2004/05 contributing to a general fund balance of £11.2 million at year-end (excluding schools balances). This is in line with the target level set by the Group Director (Finance and Commercial), although this needs to be supported by a more transparent assessment of risk.
- 41 This improved position is put at risk by overspends in personal social care services. As at November 2005, the Council is projecting a net overspend of £1.5 million (0.6 per cent of total budgeted expenditure), which is in the main due to the projected overspend of £2 million on children's services. The projected position assumes that the £1.3 million contingency remaining from the total contingency of £2.1 million will be used. Action is in hand to manage this overspend.

- 42 Although the overspend in 2004/05 was managed without adverse impact on the service or the Council's overall financial position, it was in excess of the corporate contingency and was met in part from additional interest which resulted from slippage in the capital programme. If the additional interest had not been received and underspends achieved in other areas the Council could have been forced to use reserves to avoid a deficit. Although it is recognised that personal social care is a demand led service and therefore difficult to manage, the continued overspending indicates possible weaknesses in budget setting and financial management within this service area.
- 43 Work is underway to reduce the child placement overspends through the commissioning strategy. The Council is also aiming to maximise contributions from the primary care trust and parents and reduce the number of homecare placements through its fostering strategy.

Housing Revenue Account

- 44 The financial position of the Housing Revenue Account (HRA) has improved with a surplus of £1.5 million being reported for 2004/05, compared with a deficit of £0.7 million the previous year. An underspend of £0.2 million for 2005/06 is being projected as at November 2005. The HRA now has a balance of £2.5 million which should be kept under review to ensure it provides sufficient contingency for unexpected events.

Capital programme

- 45 The Council continues to experience slippage in its capital programme, spending £34 million in 2004/05 compared to a forecast of £47 million. This pattern has continued in 2005/06, with only £15 million of the forecast £41 million non-HRA expenditure, and £6 million of the forecast £11 million HRA expenditure being achieved by the end of November.
- 46 The Council's identified capital needs continue to exceed the resources available. It is therefore important that the Council ensures that robust business cases including fully costed option appraisals and whole life costings are consistently produced for all projects.

Income collection and arrears

- 47 The Council has continued to improve its debt management and reporting arrangements with income collection generally increasing, although performance is still below the London average for business rates:
- council tax collection rates have improved, from 96.4 per cent to 96.8 per cent, compared to the London average of 94.4 per cent;
 - business rates collection, although still below the London average of 98.3 per cent, has improved considerably from 96.2 per cent to 97.5 per cent; this is a positive move towards the achievement of the 100 per cent collection rate target set by the ODPM for business rates; and
 - reported housing rent collection has declined from 99 per cent to 97.3 per cent (although this is due to an error in the method of calculation in 2003/04 which resulted in performance being overstated, restated performance for 2003/04 is 96.25 per cent).
- 48 The Council has expanded its income collection monitoring arrangements to include monitoring against targets for all key services such as council tax, business rates and rents. Monitoring also covers areas such as parking, sundry debtors and miscellaneous social services but targets have not yet been set for all of these areas. The Council does not currently produce monitoring information to evaluate the effectiveness of all recovery actions and the associated costs or the cost of not recovering debt promptly. The Council needs to continue to improve income collection performance, taking into account the costs of various collection methods.

Pensions fund deficit

- 49 The value of the Pension Fund's assets appreciated by 9.8 per cent during the year, from £251 million as at 1 April 2004 to £275 million as at 31 March 2005. This represented an under-performance against the WM benchmark of 11.6 per cent. Under-performance over a number of years, coupled with the desire to achieve a more balanced investment portfolio, resulted in the pension fund asset management being restructured in January 2005 from a single fund manager to five.
- 50 During the year, the Actuarial Valuation was undertaken by the Scheme's Actuary, Hewitt, Bacon and Woodrow. The valuation (as at March 2004) showed that, since the valuation in March 2001, the funding level has fallen to 65 per cent which corresponds to a past service deficit of £140.9 million. In order to meet the future benefit liabilities, the Council has been advised by the actuary to increase the employers' contribution rates over the next two years from the current contribution rate of 19.1 per cent to 20.3 per cent and 21.5 per cent respectively.
- 51 Provision for the anticipated increase in contributions was included within corporate growth pressures in the 2005 to 2008 medium-term financial strategy (MTFS) compiled in December 2004.

Systems of internal financial control

- 52 The Council's systems of internal control are generally sound, although there are some weaknesses in Internal Audit, disaster recovery arrangements and documentation of procedure notes for business critical systems. The Council needs to ensure that its internal control framework remains robust during the interim arrangements for the provision of internal audit following the termination of the contract with the previous provider in October 2005.
- 53 Risk managements arrangements are robust and there is a strong risk management culture which is becoming integrated in day-to-day operations.

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

- 54 There has been considerable work over the last year to promote an anti-fraud and corruption culture both within the Council and amongst its stakeholders. Codes of conduct for staff and members are in place and have been signed up to. Staff registers of interest are maintained in most directorates, although they were only introduced partway through 2005 in one directorate. The Council has a whistle blowing policy and this needs to be communicated to those parties contracting with the Council and contract and agency staff.

Legality of transactions

- 55 We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions.
- 56 The Council's response to the requirements of the Civil Contingencies Act has been positive and there is strong support and active commitment from members, senior managers and emergency service partners to ensure that the Council is compliant with the new statutory requirements. The Council comprehensively reviewed its arrangements for complying with the Civil Contingencies Act during 2004/05 and identified priority actions for 2005/06, which are in the process of being implemented.

Use of resources judgements

- 57 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Council. It looks at how financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. For single tier and county councils, the use of resources assessment forms part of the CPA framework.
- 58 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in five areas.

Table 2

Element	Assessment
	(Score out of 4)
Financial reporting	2
Financial management	2
Financial standing	2
Internal control	2
Value for money	3
Overall	2 out of 4

(Note: 1=lowest, 4=highest)

- 59 In reaching these judgements, we have drawn on the above work and supplemented this with a review against specified key lines of enquiry.
- 60 The most significant areas where further development is needed include further strengthening the accounts closedown processes, clarifying the links between the MTFS, other strategies, budgets and activity plans, and setting and monitoring targets for income collection and recovery of arrears for all areas of debt, based on an age profile. In addition, consideration needs to be given to ensuring financial and performance information is more fully integrated and that outcomes from the new challenge fora (the star chambers and commissioner boards) explicitly confirm value for money improvements as part of achieving stronger monitoring and scrutiny.

Other work

Grant claims

- 61 In accordance with strategic regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of claims, as is evident by the reduction in the number of claims audited this year to 25 compared with 33 in 2003/04.
- 62 The Council's arrangements for managing and quality assuring grant claims submitted for audit have improved over the last year. We have worked closely with the Council's grants co-ordinator to introduce joint protocols which have also enhanced the quality assurance process. Particular improvements include:
- timeliness of submission; six claims (24 per cent) were submitted late compared with eight (24 per cent) in 2003/04; and
 - quality of claims and accompanying working papers; the number of amended claims has reduced to eight (32 per cent) from 10 (31 per cent) in 2003/04, and the number of qualification letters has fallen to four (17 per cent) from 11 (33 per cent).
- 63 With only two claims not yet certified, this year's performance clearly demonstrates that the Council has developed a more robust grants control environment which should, in turn, enable us to reduce our levels of testing next year. The Council should now build on these improvements, sharing areas of good practice across all departments and strengthening any weaker areas identified. We will continue to work with the grants co-ordinator and responsible officers to facilitate such further improvements.

National Fraud Initiative

- 64 In 2004/05, the local authority took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
- 65 The Council made a slow start in investigating the Audit Commission NFI data matching results, due to other investigation commitments. However, the latest return submitted by the Council in September 2005, shows total savings to date resulting from the 2004/05 NFI exercise of £14,000. There are also a number of ongoing investigations which could generate further savings, as well as a number of areas have not yet been investigated, such as illegal use of blue badge parking permits and review of duplicate payments made to trade creditors.

Looking forwards

Future audit and inspection work

- 66 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.
- 67 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 68 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 69 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with the Audit Committee in June 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

Closing remarks

- 70 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet on 15 February 2006 and Audit Committee on 4 April 2006.
- 71 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Jon Hayes
District Auditor/Relationship Manager
January 2006

Appendix 1 – Background to this letter

The purpose of this letter

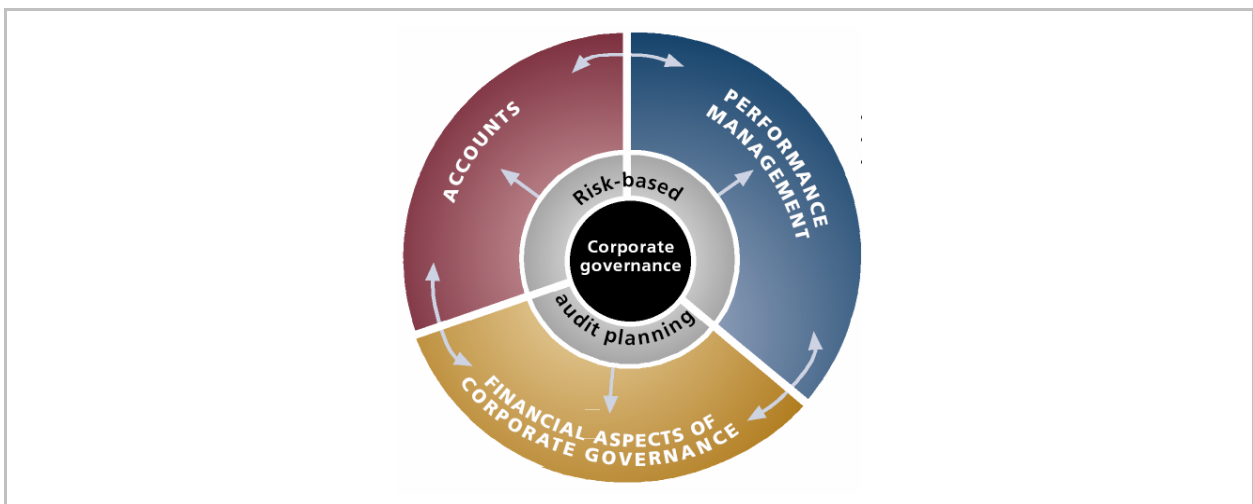
- 1 This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor. The Letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

Figure 1 Code of Audit Practice

Code of practice responsibilities



- 7 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

Accounts

- Opinion.

Financial aspects of corporate governance

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

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Appendix 2 – Audit reports issued

Table 3

Report title	Date issued
Audit and Inspection Plan (2004/05)	June 2004
Audit and Inspection Plan (2005/06)	March 2005
Audit of Financial Statements (2003/04)	March 2005
Audit of Financial Statements (2004/05)	December 2005 (est)
Report on the 2004/05 Financial Statements to Those Charged with Governance (SAS 610)	October 2005
Audit of Grant Claims (2003/04)	July 2005
Audit of BVPIs (2003/04)	February 2005
Audit of BVPIs (2004/05)	January 2006 (est)
Customer Access Follow-up	May 2005
Risk Management Follow-up	October 2005
Civil Contingencies Act	December 2005 (est)
Baseline IT Review	December 2005
Supporting People Inspection	June 2005
Housing Management Inspection	June 2005
Use of Resources Assessment	November 2005
Direction of Travel Judgement	November 2005
CPA Scorecard	December 2005

Appendix 3 – Audit fee

Table 4 Audit fee update

Audit area	Plan 2004/05 (£)	Actual 2004/05 (£)
Accounts	87,000	87,000
Governance and use of resources	129,000	129,000
Performance	88,000	88,000
Inspection	131,000	131,000
Total Code of Audit Practice fee	435,000	435,000

Inspection fee update

- 8 The full year inspection fee is £131,000. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06.



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: 2004/2005 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

SUMMARY

This report updates the Committee of the position regarding the final version of the 2004/2005 audit report of grant claims and returns and subsequent Action Plan for the 2005/2006 grants process.

A copy of the final report can be found elsewhere within this agenda – Item 5 - Audit Commission report 'Progress Report: March 06'.

The 2005/2006 Action Plan can be found at Appendix 1.

RECOMMENDATIONS

To note the improvements made.
To note the 2005/06 Action Plan. (Appendix 1)

REPORT DETAIL

Overall summary of 2004/2005 grant claims compared to 2003/2004

1. Performance

There was an overall improvement in the submission and certification of 2004/2005 claims for audit.

The total number of grants requiring audit certification reduced to 24 for 2004/2005 compared to 33 for 2003/2004, this was mainly due to the grant paying bodies reducing the number of grants that were ring-fenced, therefore reducing the need for audit certification.

19 claims (79%) for 2004/2005 were submitted to audit by the due date compared to 25 claims (76%) for 2003/2004.

All 24 claims due for 2004/05 have now been certified compared to 7 claims that were still awaiting completion of audit when the audit report was produced last year.

The number of amended claims reduced to 8 (33%) for 2004/2005 compared to 15 (45%) for 2003/2004.

The number of qualified claims reduced to 4 (17%) for 2004/2005 compared with 16 (48%) for 2003/2004.

The number of claims not certified by the certification deadline reduced to 5 (21%) for 2004/2005 compared with 22 (67%) for 2003/2004.

Summary

	2004/2005		2003/2004	
	No.	%	No.	%
Submitted by due date	19	79	25	76
Submitted late	5	21	8	24
Total claims	24	100	33	100

Amended claims	8	33	15	45
Claims not amended	16	67	18	55
Total claims	24	100	33	100

Qualified claims	4	17	16	48
Unqualified claims	20	83	17	52
Total claims	24	100	33	100

Certified by deadline	19	79	11	33
Uncertified by deadline	5	21	22	67
Total claims	24	100	33	100

2. Recommendations

The 2005/2006 Recommendations/Action Plan is attached at Appendix 1 and contains a number of issues identified during the 2004/2005 audit process for implementation during the 2005/2006 grant process.

The number of recommendations to address for 2005/06 has increased from the number of recommendations required for 2004/05, but it should be noted that this is not a reflection of the Council's performance but because previous recommendations were General to all service areas and the new set of recommendations are mainly Service/Claims specific. This has resulted in some recommendations being repeated more than once and are shown against each applicable claim within the Service areas to which they apply. This change has been made to ensure greater ownership of the individual recommendations in the action plan.

3. Audit Fees

It is anticipated that there will be a reduction in audit fees for the 2004/2005 claims compared to 2003/2004. The audit fees for 2003/2004 were £243,000. As at the end of February audit fees for 2004/05 are £195,000 with the bulk of the charges for grant claims having already been paid.

It is envisaged that audit fees would expect to be reduced in the medium to longer term to reflect the improved control environment i.e. Once claims are consistently submitted that meet the required standard the amount of testing will be reduced and subsequently audit fees will reduce.

Financial Implications and risks:

For 2004/2005 specific grant claims provided £91M in funding for the Council and poor performance in submitting claims puts the Council's Comprehensive Performance Assessment (CPA) and income at risk.

Qualified claims may lead to the Council having to repay grant income and delays leading to late certification of claims can result in the suspension of grant income.

Information in respect of fees is set out above.

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

2005/2006 Recommendations/Action Plan

Audit Commission report 'Progress Report: March 2006'

2005/2006 RECOMMENDATIONS/ACTION PLAN

Action Plan (new directorates for the respective service areas are shown in brackets)

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	General recommendations					
	R1 The grants coordinator should establish a system to identify all claims that require auditing.	3	Grants Co-ordinator	Yes	A reconciliation to the main list produced by Audit Commission will be produced in May 06. Officers will be requested to review the potential grant claims and a schedule will be drawn up showing those confirmed and those with nil returns.	05/06 Grants Process
	R2 Arrangements should be put in place to ensure that amendments to submitted claims are only made after agreement with audit once all audit work has been	3	Grants Co-ordinator/Finance Managers	Yes	Arrangements will be put in place and instructions will be issued to claim	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	completed.				compilers outlining that no amended claims must be submitted to Audit without going through the Grants Co-ordinator first.	
Regeneration and Partnership (Sustainable communities) recommendations						
Single Programme 2004/05 Grant Expenditure - RG31						
	R3 Ensure claims are submitted by the Audit deadline.	3	Head of Service/Finance Manager	Yes	The submission deadline for these claims is 30 April. Officers are working towards this deadline but the grant funder as at the 15 March has not yet issued the final claim form or the grant instructions. Officers also only have only one week to compile data for the	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					claim form as the claims are due to the auditor one week after the final creditors run into the system.	
Education (Children services) recommendations						
Child care grant - EYC02						
	R4 Arrangements should be put in place to ensure that adequate audit trails are retained to support entries on the claim. Additionally, training should be provided to officers within the childcare section on how to prepare and support entries on grant claims.	3	Head of Service/Finance Manager	Yes	Advice has been provided to officers within the early year's section on the audit process by the Grants Co-ordinator. A new Business and Finance Manger has been appointed within the early years section and will oversee the administrative and finance procedures	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<i>Sure start revenue and capital grant - EYC08</i>						
	R5 Officers should ensure that approval is sought from the department for material variations to previously approved budgets.	3	Head of Service/Surestart Programme Manager/ Finance Manager	Yes	Officers acted within the guidance provided by the 'London Region Sure Start Finance Team' and received confirmation of approvals. However certification instructions published at the end of the financial year, for the audit process, conflicted with the guidance produced at the start of the programme. However, officers within Surestart and Finance are checking quarterly interim claims to	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					ensure prior approval if required is being sought	
Education (Sustainable Communities) recommendations						
Adult and Community Learning - EDU02						
	R6 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.	3	Head of Service/Lifelong Learning Manager/Finance Manager	Yes	Method used for apportionments were updated and recalculated for 2004/05, this was subsequently agreed with the Audit Commission and future apportionments will be fully supported and based on the updated data.	05/06 Grants Process
LSC Funding of Further Education in LEA Institutions - EDU23						
	R7 Arrangements should be put in place to run all available Computer Assisted Audit Techniques reports.	3	Head of Service/Lifelong Learning Manager/Finance	Yes	The Education provider (Havering Adult College) runs all the available	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
			Manager		‘Computer Assisted Audit Techniques’ reports that are appropriate for the Council to undertake their own tests, these are made available to the Audit Commission to select samples for their testing. For 2005/06 the Learning and Skills Council has changed its software and it is believed that these will provide the required reports for audit.	
	Finance and Planning (Finance and Commercial) recommendations					
	<i>Housing and Council tax benefits - BEN01</i>					

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R8 Adequate working papers should be included in the working paper files to support the reconciliation between the housing benefits system and the ledger.	3	Head of Service/Finance Manager	Yes	Officers in Benefits and Finance will ensure that working papers will be included	05/06 Grants Process
	R9 Arrangements should be put in place for the benefits claim to ensure that all working papers are included in the working paper file to audit. In particular working papers for the Weekly Incorrect Benefits and Sanctions and Prosecutions should be included in the file.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all workings are provided but will now be checked with the auditor present at the start of the audit to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process
	R10 Adequate training should be provided to assessors in the benefits section to ensure consistent decisions are taken in processing overpayments.	3	Head of Service/Finance Manager	Yes	Staff are continually updated with briefings and refresher training and this process will continue.	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R11 Arrangements should be put in place to ensure that accurate data is sent to HBOSS and the same information is then used to compile the claim.	3	Head of Service/Finance Manager	Yes	The reports were run by ICT as requested by audit. However, the information provided did not match the claim. The Benefit Service will ensure that requests for reports run by ICT are checked and cleared by the Benefits service in future.	05/06 Grants Process
<i>Non Domestic Rates Return - LA01</i>						
	R12 A responsible officer should be identified before the submission of the claim to audit.	3	Head of Service/Finance Manager	Yes	Responsible Officer has already been identified (Revenues Manager) and this will be clearly shown on future returns	05/06 Grants Process
	R13 Arrangements should be put in place to	3	Head of	Yes	ODPM guidance	05/06

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	ensure, where practical, all Valuation Officer (VO) Directives are processed and included in the claim.		Service/Finance Manager		states that information must also be taken into account after the 31 Jan 'if it is reasonably practicable to do so'. Despite our fundamental disagreement with the Audit Commission, the Council are trying for 2005/06 to deal with a proportion of the VO directions after the 31 Jan.	Grants Process
	R14 Adequate audit trail should be kept to support the periods for which premises had been empty.	3	Head of Service/Finance Manager	Yes	The Council has revised its procedure and is now using the Academy module for empty rate properties. This means that	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					unoccupied properties can be called off by area for inspection. All properties that have been empty for in excess of 90 days are included in this list so that a property should not be long term empty without being inspected on a regular basis	
Housing (Sustainable communities) recommendations						
<i>Pooling of Housing and Capital receipts - CFB06</i>						
	R15 Ensure claim is submitted by the Audit deadline.	3	Head of Service/Finance Manager	Yes	This was a new return for 2004/05 and Officers within Housing Finance were also new in 2004/05. They are now aware of the timescales and	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					procedures	
	R16 Arrangements should be put in place to ensure adequate working papers are provided to support all figures included in the claim.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all working papers are provided but will now be checked with the auditor present at the pre-audit meeting to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process
	R17 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.	3	Head of Service/Finance Manager	Yes	Method used to calculate apportionments will be better supported in the future	05/06 Grants Process
	<i>Housing subsidy - HOU01</i>					
	R18 The Council should put adequate arrangements in place to separate all service charges from rent figures.	3	Head of Service/Finance Manager	Yes	The Council does not agree that arrangements are	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>necessary to be put in place as currently Authorities are not under any statutory obligation to separate service charges from rent figures (unpooling). However the Council has written to the ODPM to request that they review the certification instructions (used by auditors to test the claim to reflect that unpooling is not compulsory.</p>	
	<p>R19 Arrangements should be made with the providers of the Anite system to provide a drill down facility to support the summary reports obtained from the Anite system.</p>	<p>3</p>	<p>Head of Service/Finance Manager</p>	<p>Yes</p>	<p>The Council is working with Anite to produce a drill down facility to meet the audit requirements but in</p>	<p>05/06 Grants Process</p>

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					view of the fact that this matter was not raised until well into the 2005/06 financial year it may not be possible to have a system in place until 2006/07	
<i>Housing subsidy Base Data 2006-07- HOU02</i>						
	R20 Arrangements should be put in place to ensure all the fields on the claim are supported by a spreadsheet showing the break down of the figures.	3	Head of Service/Finance Manager	Yes	Arrangements are already in place to ensure that all working papers are provided but will now be checked with the auditor present at the pre-audit meeting to avoid any misunderstanding of which documents are not in the file.	05/06 Grants Process
	R21 As per the ODPM's requirements, the complete internal area and not just the	3	Head of Service/Finance	Yes	The Council commissioned	

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	foot print of buildings should be measured in analysing all dwellings.		Manager		surveyors to measure all dwellings as a result of an audit recommendation in 2004/05. However although a large number of properties were measured internally some were measured externally as access could not be made at that time. Some of these properties have now been measured internally and the exercise is continuing.	
	R22 The value of each asset disposed of during the year should be removed from the total stock valuation figure.	3	Head of Service/Finance Manager	Yes	Method of calculation was revised for this return and the new method was	05/06 Grants Process

APPENDIX 1

2005/2006 RECOMMENDATIONS/ACTION PLAN

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					subsequently cleared by the Audit Commission. New method will continue to be used for future returns.	
Social Services (Sustainable communities) recommendation						
Improving Information Management - SOC08						
	R23 Arrangements should be put in place to ensure that all apportionments included in the claim are fully supported by adequate working papers and are based on reasonable judgements.	3	Head of Service/Finance Manager	Yes	Previous IT apportionments to Anite which caused difficulties have been dealt with. All future apportionments and allocations to the grant will be fully documented or agreed as per the signed grant plan.	05/06 Grants Process

2005/2006 RECOMMENDATIONS/ACTION PLAN



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	9

REPORT OF THE CHIEF EXECUTIVE

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

SUMMARY

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

RECOMMENDATION

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

REPORT DETAIL

1. The 2003/04 Audit & Inspection Annual Letter prepared by the Audit Commission was considered by this committee at the meeting held on 26 April 2005. An action plan was agreed at that time and updated for committee consideration at subsequent meetings. It has now been further updated to report progress on achieving the recommendations contained within the Annual Letter.
2. Members are asked to note the progress against actions.

Financial Implications

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

Legal Implications

None

Human Resources Implications

None

Reasons for the decision

To note progress on the issues contained within the Action Plan.

Alternative Options Considered

None available

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STEPHEN EVANS
Chief Executive

Background Papers

None

Annual Audit Letter 2004 - Action Plan – as at March 2006

APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
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Actions are described as either:

Completed

On- going

Behind schedule

Council Performance

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

Members should satisfy themselves that the arrangements for producing and supporting the statement of accounts are strengthened for future years. e.g.: a) Improve closedown arrangements further. b) Ensure accounts and good quality working papers are produced in line with the earlier approval and audit deadlines for the next two years	2	Cabinet Group Director Finance & Commercial	Yes	Post closedown debrief 04-05action plan produced and incorporated in closedown plan for 05-06. Timetables in place for 05-06. Monthly reports being submitted to Project Board	On-going Mike Stringer
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Annual Audit Letter 2004 - Action Plan – as at March 2006

APPENDIX A

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

Members should ensure that management action is taken to address budget setting and the continued overspends in social services	1	Cabinet Lead Members SMT Group Director Childrens Services and Group Director Sustainable Communities Group Director Finance & Commercial / Lead Member	Yes	Cabinet and relevant portfolio holder's work with Executive Directors to ensure reductions in overspend and that savings plans are delivered. There are ongoing meetings in place between Lead Members and relevant Group Directors to review the position in Children and adult Social Services and to review and improve financial management. Specific actions have been taken and others will follow as necessary. Savings are monitored as part of the 2005-06 budget monitoring process along with key areas. This is now a standard element of the monthly performance pack. Information on arrears and income collection levels is also included with regular reports to Members. Arrears and income collection levels are being reported in the Monthly Performance pack. A revenue longstop process has now been introduced to backstop the monitoring process.	On-going Mike Stringer
Members should continue to monitor the financial position of the Housing Revenue Account (HRA).		Lead Member/ Group Director Sustainable Communities Group Director	Yes	A robust action plan was put in place immediately after the issues in the HRA for 2003-04 were identified and steps were taken to rectify the position in 2004-05. These steps were successful. Reports are submitted to Project Board as part of the monthly monitoring cycle and these in turn feature in reports to	Completed Mike Stringer / B. Kendler

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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
		Fin. & Commercial		Members. No unexpected variances occurred during 2004-05.	
Members should ensure that appropriate levels of working balances and reserves are maintained in line with the responsible Finance Officer's recommendations.		Cabinet Lead Members SMT Group Director Finance & Commercial	Yes	The MTFS will as it is rolled forward aim to continue to move resources to priorities; ensuring a balanced budget and maintaining financial stability e.g. robust reviews, risk assessments and adequacy of reserves. The principles of the 05-06 strategy required directorates to operate within their financial means. The budget also considered the adequacy of the reserves and contingency sum and the risks be faced.	On-going Mike Stringer
Address the following weaknesses in debt recovery: <ul style="list-style-type: none"> • Delays in the various stages of recovery • Lack of cross-referencing of different debts related to the same individual • Lack of timely write off 		Group Director Fin. & Commercial / Lead Member	Yes	These have addressed within the corporate system. However, there are IT system issues in respect of the ability to cross-reference, which are being resolved. Monitoring of these weaknesses in local income systems is continuing and action has become more focussed in recent months. Debt write-offs are now processed in a much more timely manner	On-going Jeff Potter

Systems of internal financial control

<i>Internal Audit.</i> Areas for improvement include: <ul style="list-style-type: none"> • Cross-referencing of working papers • Completion of audit pro-formas • Systems documentation 		Exec. Director Fin. & Commercial / Lead Member	Yes	Internal Audit papers are cross-referenced. System documentation is undertaken for all reviews.	Completed Mike Stringer
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Annual Audit Letter 2004 - Action Plan – as at March 2006

APPENDIX A

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

Risk Management

<p>Further improve and cascade risk management mechanisms in specific services to all levels. E.g.</p> <ul style="list-style-type: none"> Progress plans to work more closely with ALARM and other networks, especially on benchmarking 		<p>Cabinet</p> <p>SMT</p> <p>Heads of Service</p> <p>CMIA</p>	Yes	<p>Now Full ALARM members via the Health and Safety Officer. Officers have been consistently attending ALARM meetings during 2005/6.</p> <p>Havering took part in a survey conducted by the London Borough of Hackney. This provided information regarding the organisation structure and other arrangements for risk management in each London authority which was published in February 2006.</p> <p>Havering took part in a Risk Workshop organised by the Better Governance Forum and hosted by Government Connect. They were trying to provide 65 authorities with a secure infrastructure through which to authenticate their customers and offer a greater range of online services.</p> <p>The Authority is a Member of the CIPFA Better Governance Forum and staff have been attending training courses provided by them during 2005/6. This provides the opportunity to informally network too.</p>	<p>Completed</p> <p>Sheree Hamilton</p>
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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
				Havering is actively engaged with Zurich Municipal, who sends a representative to bi-monthly meetings.	
Circulating good practice examples of well-constructed risk registers and 'risk paragraphs' from Cabinet reports to guide officers.	2	Group Director Fin. & Commercial / Lead Member	Yes	Examples of well constructed risk registers and risk paragraphs were issued following the March 2005 review of risk registers. Guidance has been issued for the March 2006 preparation of risk registers, which are discussed as part of the normal business of the RMG. Risk registers are also subject to a 6 monthly review by Heads of Services and by the CMIA. Information and updates obtained from training courses are reported to the RMG.	Completed Sheree Hamilton
Progressing proposed work on defining and providing guidance to managers on reputation risk.	2	ACE – Strat & Comm / Lead Member	Yes	In 2004/5 a draft paper was prepared for Risk Management Group and SMT. Another draft report was presented to the RMG in August 2005. A questionnaire has been completed and interviews have been held to identify our reputation risks in relation to the budget, performance management and communications. Work has also begun on the production of an action plan. When the new risk management website is set up the contact officer for questions and queries will be published.	On-going Jonathan Owen
Improving compliance in incident reporting.	2	Head of Facilities Management/ Lead Member	Yes	A new incident & accident reporting form has been Introduced across the Council. Additionally a centralised accident / incident database is now active which includes the reports from all directorates including schools and education. Both the report and the database are now available online on the H&S intranet site. Monthly updates are provided to the Strategic Health & Safety Group and all directorate performance groups with an annual report on incidents and accidents to SMT.	Completed Ray Stephenson
Developing guidance and training on	2	ACE – Legal &	Yes	Paper in course of preparation for SMT	On-going

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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
Human Rights Act.		Demo Services/ Lead Member			Chris Dooley
Developing guidance and training on changes to the law of corporate manslaughter.	3	ACE – Legal & Democratic Services/ Lead Member	Yes	The council is awaiting legislation to be finalised. Guidance and training will be developed.	On-going Chris Dooley

CPA Improvement Report

Ensure better use of performance targets to focus scarce resources and to demonstrate improvements in services.	1	ACE Strategy & Comm / Lead Member	Yes	This is now reflected in the overall MTFS approach.	On-going Mike Stringer/ Jonathan Owen
<ul style="list-style-type: none"> Ensure council-wide application of the agreed project management methodology (PRINCE2), is consistently applied. Improve project management across the Council. e.g. PRINCE 2 	2	Group Director – Finance & Commercial/Lea d Member	Yes	<p>Project Management training continues to be made available to the organisation. As at February 2006 15 staff have achieved accreditation in PRINCE 2. Further training in this area will be provided in partnership with LB Barking & Dagenham and Redbridge.</p> <p>The existing Project Management toolkit is available to staff via the intranet. Work is ongoing to make this method more intuitive. This will improve adoption across the range of corporate and departmental projects. This work will reflect best practice from the OPDM capacity building initiative and the Pan London Programme Managers' Forum.</p>	Completed Ray Whitehouse

User Focus arrangements

Ensure wider involvement of all Councillors to build on developing	3	ACE – Legal	Yes	Area Committees – Council have adopted proposals emerging from the review and new arrangements,	On-going
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Annual Audit Letter 2004 - Action Plan – as at March 2006

APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
community initiatives of Cabinet and 'Champion' Members				including allocated funding for community initiatives, have been agreed for implementation as from the new Council in May. Overview & Scrutiny – debate continues with the administration as to a range of possible structural changes. Champions – proposals for more closely aligning the work of champions to the work of the cabinet member continues. Cabinet initiatives – a member development programme continues.	Philip Heady
Formal evaluation of user focus related initiatives to ensure they include wider involvement and feedback mechanisms. <ul style="list-style-type: none"> • More work is needed to further engage and involve residents. 	2	ACE – Strat & Comm / Lead Member	Yes	Review undertaken and being considered by Customer Service Board 3/06. Monthly satisfaction report goes to Project Board quarterly. Consultation site on website implemented. Consultation & stakeholder databases purchased, to be operational 3/06. Getting Involved pages also implemented, which give access for public participation, to work with and influence the Council's services. Intranet site being developed, to include schedule of hard to reach groups, older person's database, and link to resources such as electoral register, SNAP and so on. Methodology for corporate monitoring of complaints developed and to be considered by customer complaints board 3/06.	Completed Jonathan Owen
Collation of good practice from recently introduced initiatives to feed systematically into the final consultation strategy and	2	ACE – Strat & Comm / Lead Member	Yes	Consultation pages and getting involved pages on the internet are now a focal point on all consultations. Revised strategy agreed by Cabinet autumn 05; recommendations from Community themed BVRs	Completed Jonathan Owen

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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
'community themed' BVRs				included. Communications champions conduit for collating good practice. Examples of good practice to be included on Intranet site.	
Further development of the current performance packs to include user satisfaction, Best Value and quality of life indicators, beyond the current emphasis on waiting times and complaints.	2	ACE – Strat & Comm / Lead Member	Yes	User satisfaction, Best Value and quality of life indicators reported to project board and addressed within commissioner board. Further on-going work necessary. Monthly satisfaction report going to Project Board.	Completed Jonathan Owen
Review of partnership consultation and engagement mechanisms to facilitate more joined up approaches.	2	ACE – Strat & Comm / Lead Member	Yes	Consultation web pages include consultation carried out by partners. Consultation & stakeholder databases will take this further. Key partners met with to discuss joint consultation activity. Once fully operational, further approaches to all partners will be made to develop this further and to encourage joint planning.	On-going Jonathan Owen

E-Government Follow Up

Ensure that as part of the intranet re-development, information on services and standards are widely available across all council departments and for all staff.	2	ACE – Strat. & Comm / Lead Member	Yes	A new Content Management System is now live. The project to redevelop the Intranet has been started by the EGTS web Team. As part of the new Intranet development, internal services will be responsible for publishing their own content.	On-going Jonathan Owen
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Procurement follow-up

Further develop procurement in the council e.g. Mouchel/Parkman		Cabinet Lead Member SMT Heads of	Yes	The Council has approved a Procurement Strategy and an Alternative Service Delivery Strategy. The Strategic Procurement Steering Group has the responsibility for overseeing procurement within the Council and receives reports on a range of strategic issues. Training in contract monitoring has been provided to relevant officers and Head of Service packs now include	Completed Mike Stringer
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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
		Service		information on contracts. The Council is actively working with other authorities in North East London and has submitted a successful bid to the London Centre of Excellence for a procurement-based project on agency staff. SPSG actively pursues ASD approaches. Services are also required to identify potential and actual ASD approaches as part of their MTFs submissions	
Develop a commissioning strategy and robust contracting arrangements for procuring domiciliary care.		Group Director – Sus Comms /Lead Member	Yes	Arrangements are in place to deliver.	Completed Bob Page

Performance Information

Continue to focus on improving the quality of BVPI's supporting documentation.	1	ACE – Stra. & Comm	Yes	The external audit was completed on 5 September and all submissions were accompanied by a properly completed cover sheet.	Completed Jonathan Owen
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Planning inspection

Improve on the range and nature of information on planning policies, processes and requirement available to the public	2	Head of Service/Planning	Yes	The Service has already prepared a comprehensive action plan to cover the Audit Commission report recommendations. This action plan has been agreed by Regulatory Services in December 04 and by O&S (Environmt.) in January 05. The Action Plan is available and is monitored by the Regulatory Service Committee.	On- going Mike Day
Introduce a customer charter and clearly set out what service standards stakeholders can expect across the whole planning service and what outcomes are sought.		Head of Service/Planning	Yes	Significant improvements have been made to the level of information on the planning web site. This now fully meets the Governments Pendleton criteria including accepting planning applications on line as well as showing application plans and decisions. A Service Charter has been agreed by Regulatory Services Committee in August 2004 on and an Enforcement Policy has been agreed by the Lead Member in April	

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APPENDIX A

Recommendation	Priority 1: Low 2: Medium 3: High	Responsibility	Agreed	Comments	Date
More detailed guidance on section 106 requirements is required and develop an enforcement policy		Head of Service/Planning	Yes		

Human Resources Inspection

Further develop Human Resources into being more strategic in outlook.	3	Assistant Chief Executive (Human Resources)	Yes	The HR service has been restructured to provide a more strategic focus. HR teams relocated to one central location into new teams at the beginning of February 2005. The Business Model continues to be developed and we have to carry out some business process re-engineering with a view to speeding up some of our key processes, including recruitment and sickness absence. Further re-alignment of HR took place as a consequence of the Senior Management Restructure. Full work plans are now in place to make progress in modernisation our HR policies. The H R Business Partner role continues to be developed with partners now clear on their strategic projects.	On-going David Ede
Continue to improve employee relations	3	Assistant Chief Executive (Human Resources)	Yes	Discussions continue to take place with trade union colleagues to ensure that employee relations issues are raised and resolved. We are reviewing and improving our ER framework and continue to build strong and beneficial relations with the TUS.	On-going David Ede

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APPENDIX A

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

<ul style="list-style-type: none"> • Improve performance information available to enable constructive challenge to weak areas of performance for senior management and Members. • More involvement of resident in the development of capital and planned works programmes and establishing their priorities • Improve dissemination of information on these programmes • Ensure better monitoring of the delivery of capital programmes and improve the ratio of planned to responsive works (44:56) • Reduce the cost of voids 		Exec. Director – Housing & Regen. / Lead Member	Yes	<p>A comprehensive Action Plan is in place to deliver both the recommendations of the Audit Letter and the follow-up inspection. This is being monitored.</p> <p>This inspection was replaced by the Audit Commission inspection of the Housing Landlord Service in January/February 2005. The report was published in June 2005 and dealt with repairs under the heading “Value for Money”.</p> <p>The Inspectors made three recommendations about repairs which will be picked up as part of our Service Plan monitoring and implementation of all other recommendations relating to this latest inspection.</p> <p>Therefore the repairs & maintenance inspection of October 2003 should now be regarded as complete and merged with the Landlord Services Inspection of June 2005.</p>	<p>Completed</p> <p>Barry Kendler</p>
<p>Improve service reliability i.e.</p> <ul style="list-style-type: none"> • high levels of delay • works not done right first time • embed appointment system 		Exec Director/Housing & Regeneration		See above.	<p>Completed</p> <p>Barry Kendler</p>

Annual Audit Letter 2004 - Action Plan – as at March 2006

APPENDIX A

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

<p><i>Grant Claims</i> Continue to improve on the %age of grant claims submitted for audit on time.</p>		<p>Lead Member for Finance</p> <p>Group Director Finance & Commercial Heads of Service</p>	<p>Yes</p>	<p>The grants post has been established on a permanent basis and an appointment was made some time ago. The previous post holder led the development of a grants protocol and provided training to a number of staff, and has continued to improve year on year performance. Annual review of effectiveness is reported to Audit Committee.</p> <p>Performance is being monitored through the Member Pack, as part of financial standards, and is also now reported to Project Board on a monthly basis. An action plan has been implemented. Training has been provided to a range of staff and officers involved in the grants process are contributing to the development of the action plan.</p>	<p>On-going</p> <p>Mike Stringer</p>
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MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	10

REPORT OF THE CHIEF EXECUTIVE

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

SUMMARY

The 2004/05 Audit & Inspection Annual Letter was considered by Cabinet on 15 February 2006. All Members have previously received a copy of the Annual Letter as a report to Cabinet committee.

The Letter specifically recommends action by Members. To help members an Action Plan has been prepared to report progress on actions contained within the Annual Letter and this is attached at Appendix A.

The Annual Letter and Action Plan are to be considered by the Corporate Overview & Scrutiny Committee on 13 April 2006

RECOMMENDATION

- That the committee note the actions needed to be taken by Members
- That the committee agree the Action Plan arising from the 2004/05 Audit & Inspection Annual Letter.

REPORT DETAIL

1. The 2004/05 Audit & Inspection Annual Letter prepared by the Audit Commission was considered by Cabinet on 15 February 2006.
2. The Letter is positive in tone and its headline key messages are:

“Under the new Comprehensive Performance Assessment (CPA) framework Havering has been assessed as a one-star council that is improving well. Improved service outcomes in areas of corporate

priority have been achieved. These address areas of lower public satisfaction, for example in children's social care, housing and the environment. Improvements include better community based services and increased user satisfaction with housing management, street cleaning and waste management. Managerial capacity and systems have been strengthened, leading to an improved focus on performance. Improved cross-party support and governance have assisted this process. Workforce development has been recognised by corporate Investors in People accreditation and has contributed to best quartile performance for sickness.

Havering's overall spend remains low and service costs compare well to similar boroughs. Better external focus has resulted in improved partnership collaboration. Investment has been made in economic regeneration to improve access and quality of services for vulnerable groups. Cross-cutting reviews are showing early signs of better outcomes for 'hard-to-reach' groups and older people. The quality of some service delivery plans need to be improved to focus more clearly on targets and outcomes. Greater synergy is evident in corporate and community planning, for example, the strategic partnership's action plans.

Significant officer and member time has been invested in further developing and embedding performance management and best value systems, resulting in a positive shift in organisational culture and wider ownership of regular reporting and monitoring."

3. Cabinet noted the recommendations set out in the report which have now been incorporated in an Action Plan (Appendix A) to be agreed by the Audit Committee and the Corporate Overview & Scrutiny Committee.

The Letter set out specific actions for Members:

- Monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care;
- Ensure effective arrangements are in place and monitored, to ensure the 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met;
- Ensure that appropriate action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed; and
- Continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.

4. The Annual Letter will be presented together with the Action Plan to Corporate Overview & Scrutiny committee (13 April 2005).
5. Audit Committee who will receive regular reports and will monitor progress on the Action Plan.
6. The Council is under an obligation to publish the Annual Letter as regulations require consideration and publication and it is also good practice to publish the Council's response. This will be achieved via:
 - the previous report to Cabinet Committee.
 - the report and appendices being considered as part of the Corporate Overview and Scrutiny committee agenda
 - including the information on the website
 - placing copies of the information in the public offices of the Council

Financial Implications

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

Legal Implications

None

Human Resources Implications

None

Reasons for the decision

To receive the Annual Letter

Alternative Options Considered

None available

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STEPHEN EVANS
Chief Executive

Background Papers

None

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN

Recommendation & Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress & Next Steps	Timescale
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Actions needed by members are as follows:

- Recommendation 1: Monitor closely the programmes for securing further improvements in the weaker performing service areas such as housing and adult social care*
- Recommendation 2: Ensure effective arrangements are in place and monitored, to ensure to 2005/06 earlier accounts deadline is achieved and that the internal timetable for the production of accounts and working papers is met.*
- Recommendation 3: Ensure that appropriate management action is taken to ensure that the personal social care budget is set at an appropriate level and that spending is tightly managed.*
- Recommendation 4: Continue to monitor arrangements to improve income collection performance, taking into account the costs of collection.*

The delivery of these recommendations will be monitored through regular reports to Audit committee on the delivery of the following action plan.

Housing Management				
• Ensure all offices comply with the requirements of DDA		B. Kandler	Office Accommodation Strategy due in May 2006	May '06
• Provide greater clarity in response to domestic violence, and racial harassment.		B. Kandler	Review of ASB Policy under-way. Staff have been trained.	In progress
• Address inconsistencies in the provision of caretaking and grounds maintenance		B. Kandler	Caretaking Review agreed by Cabinet in September 2006. Service Changes pending.	Sept. '06
• Improve tenant participation structures		B. Kandler	Restructure of Tenant Participation agreed in December 2005 by Cabinet. Current structure to be replaced in June 2006.	June '06
• Reduce the number of temporary staff usage.		B. Kandler	Progressing.	On-going
Supporting People				
• Improve engagement with service users		B. Kandler	Preparing for re-inspection in June 2006	June '06
• Improve customer care, access to services and information		B. Kandler	Preparing for re-inspection in June 2006	June '06
• Improve the level of understanding of and provision for the needs of BMEs		B. Kandler	Preparing for re-inspection in June 2006	June '06
• Improve management and monitoring arrangements		B. Kandler	Preparing for re-inspection in June 2006	June '06

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN

Recommendation & Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress & Next Steps	Timescale
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Adult Social Care				
<ul style="list-style-type: none"> Improve performance on direct payment 		P. Brennan	Now over 100 people receiving Direct Payments which is above Key Threshold indicators	On-going
<ul style="list-style-type: none"> Improve the number of service users who receive care reviews 		P. Brennan	Improvements in numbers of people receiving reviews are being achieved	On-going
<ul style="list-style-type: none"> Monitor performance information 		P. Brennan	Performance information is monitored monthly. Now an integrated Management Structure has been achieved, action as result of monitoring is more robust. A mistake was made in the submission to CSCI of high level performance information which has skewed one indicator. Systems are now in place to prevent such a problem recurring.	Achieved
<ul style="list-style-type: none"> Ensure better budget setting and financial management in care provision 		P. Brennan	The costs of care are under robust review with plans to adopt a more systematic monitoring approach in high cost services.	On-going
<ul style="list-style-type: none"> Improve recording of ethnicity 		P. Brennan	Management action improving the situation.	On-going

Accounts & Governance				
<ul style="list-style-type: none"> Strengthen internal audit and disaster recovery arrangements 		R.G/ M. Stringer	Internal Audit strategy and plan 06-07 agreed by Audit Committee. International Auditing Standards being reviewed and implemented. Report being prepared on CIPFA compliance. Business Continuity Group is in place and project plan developed to deliver an approach to internal disaster recovery including IT. Major Emergency Plan reviewed and in place.	On-going
<ul style="list-style-type: none"> Ensure further strengthening of the accounts closedown processes. 		M. Stringer	Post closedown debrief 04-05action plan produced and incorporated in closedown plan for 05-06. Timetables in place for 05-06. Monthly reports being submitted to Project Board	On-going
Use of Resources / Financial Standing				
<ul style="list-style-type: none"> Ensure financial and performance information is more fully integrated. 		R. Greenwood J. Owen	Budget analysis being undertaken to assess key areas of spend and review against performance information. Reviewing local budget books to assess performance / activity information.	On-going

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN

Recommendation & Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress & Next Steps	Timescale
<ul style="list-style-type: none"> Ensure that appropriate management action is taken to manage personal social care budget and spending 		R. Jenkins	Budget analysis undertaken on a regular basis; monthly budget monitoring meetings with managers, weekly meetings with Finance, plus detailed action plan with timescales and actions identified, monthly meetings with members.	continuous
<ul style="list-style-type: none"> Ensure Star Chamber & Commissioner Board explicitly confirm value for money improvements as part of achieving stronger monitoring and scrutiny. 		R. Greenwood J. Owen	This is will be addressed as part of the corporate vfm strategy being formulated.	April '06
<ul style="list-style-type: none"> Assist service areas to identify cost drivers and monitor them. 		M. Stringer / J. Owen	MTFS 07-08 planning underway. CPA action plan being refreshed to ensure clearer links between service plans and MTFS.	June '06
Customer Access to Services				
<ul style="list-style-type: none"> Establish baseline data to enable measurement of benefits and monitoring of published customer standards and targets. 		D. Champion	Customer standards and targets reviewed by customer services standard board; report produced and considered by SMT proposing quarterly cycle of monitoring performance against standards	On-going
Performance Information				
<ul style="list-style-type: none"> Further strengthen the Council's performance reporting quality assurance process. 		J. Owen	Steps will be taken to implement the individual audit recommendations within the BVPI audit report, especially those covering the production of out-turn figures and the sign-off requirement by senior managers.	On-going

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN

Recommendation & Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress & Next Steps	Timescale
Education and Children Social Services				
<ul style="list-style-type: none"> Develop a wider range of preventative services to reduce the number of looked after children and children on the child protection list. 		R. Jenkins S. Allen	<p>Part of CSCI Action Plan and ECM actions (eg development of schools; Children's Centres; CWD Review; Early Support. Multi-agency working through development of 6 localities based around groups of schools is a key theme in Havering's Strategy for Implementing the Children Act 2004.</p> <p>Locality working involving all local agencies is developing and this has a focus upon early intervention and prevention to reduce the Numbers of LAC and those at risk. There are 2 pilot schemes operating to promote multi-agency working and early intervention. These will be subject to review and evaluation in the summer.</p>	Ongoing
<ul style="list-style-type: none"> Develop more opportunities to ensure the 'voice' of children and young people develop 		R. Jenkins S. Allen	<p>Progressing through consultation of CYPP; development of Childrens Trusts and Young Peoples Participation Board.</p> <p>Involvement of young people forms part of Havering's Strategy for Implementing the Children act 2004. It is part of the strategic implementation plan.</p> <p>Draft Strategy has been produced and is presently subject to consultation with young people.</p> <p>Views of young people (via feedback from school councils) on the statutory Children and Young People's Plan were received and analysed to inform priorities and action. This was also presented to the stakeholders' conference in February 2006.</p> <p>Havering's Youth Council voluntary group has been meeting with councillors and presented a business case to members seeking support and resources. This work is supported by the Youth Support Service.</p> <p>Havering's Children's Trust arrangements include a Young People's Board to inform its work and developments.</p>	(Oct 06)

ANNUAL AUDIT & INSPECTION LETTER 2004/05 ACTION PLAN

Recommendation & Key Tasks	Priority 1 = Low 2 = Med 3 = High	Lead Officer	Comments; including progress & Next Steps	Timescale
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Capital Programme				
<ul style="list-style-type: none"> Ensure that robust business cases including fully costed option appraisals and whole life costings are consistently produced in all projects 		R. Greenwood	Overall project management arrangement being looked at and this will look to incorporate whole life costing. The Procurement Framework and Strategy is being refreshed to reflect whole life costings considerations.	August '06
<ul style="list-style-type: none"> Produce monitoring information to evaluate the effectiveness of all recovery actions and the associated costs 		J. Potter	Monitoring information is in place and recovery strategies being reviewed.	On-going
<ul style="list-style-type: none"> Continue to improve income collection performance, taking into account the costs of various collection methods 		J. Potter	Targets being set for all areas and collection initiatives under constant review.	On-going

Audit Detailed Report

March 2006



Best Value Performance Indicators

London Borough of Havering

Audit 2005-2006

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

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

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

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

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Summary report

Introduction and background

- 1 The Audit Commission Act 1998 requires all local authorities to collect and publish a range of performance indicators (PIs) on services they deliver. These indicators are included within their best value performance plan (BVPP) which is published annually by 30 June. These indicators are reported to the Audit Commission and published in national comparison tables with a selection of them used to inform the Comprehensive Performance Assessment (CPA).
- 2 Our audit of the best value performance indicators (BVPIs) changed significantly this year. There is no longer a specific Code responsibility in relation to the audit of performance indicators. Under the new arrangements we are required to give an opinion on all the Audit Commission selected mandatory PIs and select other indicators to inform our assessment of the Council's arrangements in place for securing economy efficiency and effectiveness (value for money) in its use of resources.
- 3 As a result of this change our approach focused on gaining assurance on the 12 Audit Commission mandatory PIs (7 BVPIs and 5 other PIs) and 40 other PI's selected on the basis of a risk assessment to inform our use of resources work.
- 4 The Audit Commission set out the requirements for the audit which guided auditors to:
 - assess the extent to which the best value performance plan has been prepared and published in compliance with legislation and statutory guidance;
 - make judgements about the adequacy of systems used to collect and record specified performance information;
 - make judgements about the validity of the 12 selected PIs which are to be used in the CPA assessment;
 - carry out additional risk-based work to help form the conclusion on the Authority's use of resources; and
 - submit the audited indicators including amendments and reservations to the Audit Commission via a web-based database.

Audit approach

- 5 The Audit Commission's new Code of Audit Practice defines auditors' responsibilities. These include being satisfied that audited bodies have proper arrangements in place for securing economy, efficiency and effectiveness. In particular, the Code requires auditors to consider the audited and inspected body's corporate performance management and financial management arrangements.

- 6 The audit methodology was directed by the Audit Commission's Audit Guide for Performance Indicators 2004/05 and Local Government Auditor Briefing 5/2005. The methodology is structured around a staged approach dependent on risk as follows:
- mandatory audit work on the 12 selected PIs; and
 - additional work on a sample of other selected PIs informed by a comprehensive risk assessment.

Factors used to establish risk included the following:

- previous audit findings;
 - significant year-on-year variances;
 - the Authority's quality assurance process;
 - politically sensitive areas;
 - PIs which involved third party input;
 - changed definitions;
 - new PIs; and
 - other relevant audit work during the year.
- 7 Audit work on the 40 additional BVPIs selected for testing assessed the Authority's arrangements for monitoring and reviewing performance, including arrangements to ensure data quality, as well as the robustness of the system to produce the PI.

Main conclusions

- 8 Our main audit findings are summarised below under the following headings:
- submission, reservations and amendments;
 - co-ordination arrangements;
 - Internal Audit; and
 - working papers.

Submission, reservations and amendments

- 9 Overall the Authority's performance improved when compared to the previous year.
- 10 All indicators subject to audit were audited by the Audit Commission deadline of 5 September 2005. At this date, 4 PIs were reserved and 13 amended. However, as a result of further directions from the Audit Commission, the Authority was given the opportunity to submit additional working papers for indicators already submitted and close to completion as at the deadline. This resulted in the number of reservations being reduced to 3 and the number of amendments increasing to 14.

- 11 The change in approach to the auditing of PIs makes it difficult to make comparisons with the previous year. However, to give some indication of performance we have produced some statistics on the level of reservations and amendments compared with the previous year.
- 12 Three indicators were reserved in 2004/05 (6 per cent of PIs audited), of which two were the new non-BVPIs (if these are excluded the level reduces to 2 per cent) and one was a new housing BVPI. This compares with five reservations in 2003/04 (6 per cent of PIs audited), of which three were due to concerns about the data provided by the police and were not selected for testing this year (reducing the level to 4 per cent). The Authority has put adequate systems in place for producing two of the BVPIs qualified in the previous year.
- 13 There was also a significant improvement in the number of PIs amended; 14 in 2004/05 (27 per cent of PIs audited) compared to 38 in the prior year (46 per cent of PIs audited).
- 14 Table 1 below summarises the number of indicators reserved and amended in the current and previous year.

Table 1 Submission, reservations and amendments

Category	2004/05 indicators audited			Reserved		Amended	
	AC *PIs	Other *PIs	Total	No	%	No	%
Corporate health	0	7	7	0	0	1	1
Education	0	5	5	0	0	2	40
Social services	0	9	9	0	0	3	33
Housing	4	6	10	2	20	2	20
Housing/council tax	0	2	2	0	0	1	50
Environment	3	2	4	0	0	2	25
Transport	0	3	3	0	0	0	0
Planning	2	2	4	0	0	2	50
Cultural services	3		3	1		1	33
Community safety and legal	0	3	3	0	0	0	0
Cross-cutting	0	1	1	0	0	0	0
Total	12	40	52	3	6	14	27

**All PIs are recorded as whole PIs regardless of the number of parts.*

Category	2003/04 indicators audited			Reserved		Amended	
	AC *PIs	Other *PIs	Total	No	%	No	%
Corporate health	2	11	13	0	0	6	46
Education	1	15	16	1	6	4	25
Social services	2	11	13	0	0	7	54
Housing	3	4	7	0	0	5	71
Housing/council tax	2	2	4	0	0	2	50
Environment	0	6	6	0	0	4	67
Transport	0	8	8	0	0	2	25
Planning	1	3	4	0	0	4	100
Cultural services	0	3	3	0	0	1	33
Community safety and legal	0	7	7	4	6	2	29
Cross-cutting	0	1	1	0	0	1	100
Total	11	71	82	5	6	38	46

**All PIs are recorded as whole PIs regardless of the number of parts.*

Co-ordination arrangements

- 15 As with previous years, central co-ordination was provided by the Performance Team. The team has continued to provide support to directorate co-ordinators in producing PIs, agreeing a timetable for the production and submission for audit, acting as an intermediary for resolving time consuming issues between audit and officers, and producing PIs themselves in the absence of a responsible officer.
- 16 The arrangements in place this year were not as well co-ordinated as in previous years. This may be due to some extent to the late guidance issued by the Audit Commission on the non-BVPIs for housing and culture. This had a knock on effect on the quality of working papers for these areas and the ability to meet agreed submission deadlines for some of the PIs. However, additional efforts were made by officers and audit staff to ensure the audit deadline was met.
- 17 The Quality Assurance Team (QAT) for finance and planning undertook detailed testing on some time consuming PIs, which reduced the level of detailed work performed by audit as we were able to rely on this work.

- 18 A few instances were noted where directorate co-ordinators had not used up-to-date guidance received from the central team. Consequently, the PI was calculated using out of date definitions which resulted in recalculation and amendment.
- 19 As part of quality assurance the standard control checklists were used and had been amended to include the PI numbers as recommended last year. However in a number of instances these checklists had not been adequately signed off by the heads of service, directorate and central co-ordinators and the Performance Team, thereby undermining the quality assurance process.

Internal Audit

- 20 This year, as part of efforts for continuous improvement, Internal Audit (IA) reviewed a number of performance indicators selected by the Performance Management Group (PMG) based on a detailed risk assessment for each PI. IA's work was performed prior to the PI submission deadline of 30 June 2005. This therefore allowed sufficient time for IA work to be incorporated into our risk base plan and provided us with assurance on the accuracy of some of the figures included within the BVPP.
- 21 Our review of the work performed by IA found that, in most cases, files contained adequate documentation to support the PI outturns. However, some of the work on the waste PIs had to be re-performed as it was not adequately cross-referenced and consequently difficult to follow.
- 22 In addition, IAs work did not cover the formal documentation of systems and controls in place for producing PIs. As a result, we had to perform additional work to ensure the work performed by IA adequately reflected the actual system in place to produce the PI.

Working papers

- 23 Generally, working papers for most PIs were adequate. Most PIs were submitted with a control checklist, details of calculations, explanations for significant variations, and system reports. However, inadequate working papers were submitted for the new non-BVPIs and, in all cases, additional working papers were requested and responses from officers were slow as working papers had to be compiled.
- 24 A number of PIs were not submitted for audit by the deadline.
 - BVPI 66a - the Authority submitted this PI with no working papers on the 15 August 2005. Inadequate working papers were received one week later which further delayed the work on this indicator.
 - The two new housing non-BVPIs were submitted on the 15 August 2005 with no working papers. Their first set of working papers received on 30 August 2005 were inadequate.
 - The three culture non-BVPIs were submitted on the 10 August 2005 with inadequate working papers.

- 25 As a result of late submission and inadequate working papers, audit work on the five non-BVPIs noted above was in progress right up to the audit deadline.

Best value performance plan

- 26 The Authority produced a fully compliant BVPP which was published on its website within the statutory deadlines.

The way forward

- 27 The Authority should continue to focus on improving the quality and supporting documentation for PIs.
- 28 Detailed findings are set out in the attached report (pages 10 to 24). General recommendations are summarised on page 25 and form the basis for the detailed action plan at Appendix.

Detailed report

Corporate health

- 29 We reviewed seven corporate health PIs. Most had been tested by the Quality Assurance Team (QAT) or Internal Audit (IA), with the exception of BVPIs 156 and 157. No significant issues were identified as shown below.

Table 2 Corporate health indicators

PI	Description	A	Q	Details
8	The percentage of undisputed invoices paid within 30 days	Yes	No	The PI was initially published as an estimate. Reliance was placed on the work performed by the QAT. This PI was amended by QAT after the publishing deadline but prior to submission to audit to remove double counting errors identified by the QAT.
9	Percentage of council tax collected	No	No	As above.
10	Percentage of NNDR collected that was due for the financial year	No	No	As above.
12	The average working days/shifts lost due to sickness per FTE	No	No	The indicator was audited by IA prior to submission to audit. We were able to place reliance on this work and no significant issues were found.
16a	Percentage of LA employees declaring they are disabled per Disability Discrimination Act	No	No	No issues noted.
16b	Percentage of economically active people in LA area declaring they are disabled	No	No	

PI	Description	A	Q	Details
17a	Percentage of LA employees from minority ethnic communities	No	No	No issues noted.
17b	Percentage of economically active people in LA area from minority ethnic communities	No	No	
157	Percentage of interactions with public capable of electronic service delivery	No	No	No issues noted.

Key: A - Amended, Q - Qualified

Education

- 30 We reviewed five education PIs. Significant issues were noted in the review of BVPI 193a and b as detailed below.
- 31 The Authority has now put appropriate arrangements in place to calculate BVPI 192a which was qualified in prior year because the length of a typical working day for local practitioners could not be determined.

Table 3 Education indicators

PI	Details	A	Q	Details
33	Net youth service expend per head age 13 to19	Yes	No	This is a finance indicator which was originally submitted as an estimate.
48	Percentage of schools subject to special measures	No	No	No issues noted.
159a-c	Percentage of permanently excluded pupils provided with varying hours of tuition	No	No	No issues noted.

PI	Details	A	Q	Details
192a	Average days access to relevant training and development per practitioner delivering foundation stage education	No	No	The significant increase of 59.18 per cent in training days offered was not adequately explained in the working papers submitted for audit.
192b	Average number of non-maintained settings per teacher	No	No	No issues noted.
193a	Schools' budget as a percentage of the funding assessment	Yes	No	The checklist was not signed as evidence of review by the PI lead, Head of Service, Finance Services Manager and the Performance Team.
193b	Increase on previous year schools' budget as a percentage of the increase in the schools' funding assessment.	Yes	No	The analytical review was not based on the final figure for 2003/04, as amended by audit in the prior year. An amendment was required to include the Learning Skills Council's allocations in the PI calculation.

Key: A - Amended, Q - Qualified

Social services

32 We reviewed nine social services PIs. A few issues were noted as shown below.

Table 4 Social services indicators

PI	Description	A	Q	Details
49	Stability of placements of children looked after	No	No	No issues noted.
50	Educational qualifications of children looked after	No	No	No issues noted.
51	Costs of services for children looked after	Yes	No	This is a finance indicator originally submitted as an estimate.

PI	Description	A	Q	Details
52	Cost of intensive social care for adults and older people	Yes	No	As above.
53	Intensive home care per 1,000 population	No	No	No issues noted.
54	Older people 65+ helped to live at home per 1,000 population	Yes	No	The checklist was not signed off by Directorate Co-ordinator and Performance Team. This indicator was amended by the Authority prior to submission to audit.
195	Waiting time for assessment	No	No	The analytical review was not based on the final figure for 2003/04, as amended by audit in the prior year.
196	Waiting time for care packages	No	No	As above.
201	Adults receiving direct payments at 31 March 2005 per 100,000 adult population	No	No	No issues noted.

Key: A - Amended, Q - Qualified

Housing

- 33 We reviewed ten housing PIs. Significant issues were noted in most of the PIs and responses to queries were slow. Overall two PIs were amended and two qualified.

Table 5 Housing PIs

PI	Description	A	Q	Details
62	Unfit private sector dwellings made fit/demolished - direct LA action	No	No	The Authority could not readily provide working papers to show that properties had been made fit during the year, resulting in additional audit time being required. Prior year figure used in the analytical review did not agree to the final figures submitted in the previous year.

PI	Description	A	Q	Details
63	Average SAP energy efficiency rating of LA owned dwellings	No	No	No issues noted.
64	Private sector dwellings reoccupied or demolished from LA action	No	No	Prior year figure used in analytical review calculation did not agree to the final figures submitted in the previous year.
66a	Proportion of rent collected	No	No	<p>The indicator was not submitted to audit until the 15 August (over a month into the audit process and only three weeks before the audit deadline).</p> <p>Initial working papers submitted were inadequate. Our review identified some minor errors which did not have a significant effect on the outturn PI and were therefore not adjusted. In future a detailed review of the figures used in calculating this PI should be undertaken to ensure it is free from error.</p> <p>The prior year figure was amended from 99.05 per cent to 96.25 per cent due to current rent arrears being erroneously excluded from the denominator in the previous year.</p>
183a	Average length of stay in bed and breakfast accommodation	No	No	Our review of IA work found that there was no evidence that IA had considered how the system identifies individuals who are permanently rehoused. As a result we performed additional testing. No issues were noted from this additional work.
183b	Average length of stay in hostel accommodation	Yes	No	The PI was amended by IA because the spreadsheet used to compile the PI was corrupt which resulted in the wrong length of stay being used in the initial calculation.

PI	Description	A	Q	Details
185	Percentage of appointments made and kept for responsive repairs	Yes	No	Reliance was placed on IA work. The PI had to be amended as there was an error in the figure IA had recorded as audited.
202	Number of people sleeping rough on a single night within the LA area	No	No	No issues.
203	Percentage change in average no of families in temporary accommodation	No	Yes	The Authority was unable to provide adequate supporting working papers for this PI.
HIP BPSA Section E3	Average short term void re-let time	No	Yes	This PI was submitted late and had not been reviewed by the Performance Team. Testing of a sample of ten cases found that the Authority had used the wrong start date to calculate the PI. The Authority concluded that it would be time consuming to recalculate the PI and it was therefore qualified. We noted that up-to-date guidance received from the central team had not been used to calculate the PI.
HIP HSSA Section A1 and A6	Private sector homes vacant for more than six months	Yes	No	This PI was submitted late due to late notification by the Audit Commission and had not been reviewed by the Performance Team. There was no explanation for the significant variance of 34 per cent. The information provided to audit was not of an appropriate standard; the initial submission included public sector properties and the denominator did not agree to systems print. We noted that up-to-date guidance received from the central team had not been used to calculate the PI.

PI	Description	A	Q	Details
				As a result of the problems noted above, the PI was recalculated and resubmitted to audit. The QAT reviewed the resubmission to ensure compliance with the AC guidance by selecting a small sample of PIs for testing. Although the level of sampling was small, as it was carried out late in the audit process, we were able to obtain sufficient assurance for this year. However, we would expect a more detailed review of the systems in place for producing this PI in future.

Key: A - Amended, Q - Qualified

Housing/council tax benefit

- 34 We reviewed two PIs which had been sample tested in detail as part of the Authority's quality assurance process. Our review of this work did not identify any significant issues.

Table 6 Housing/council tax PIs

PI	Description	A	Q	Details
76a - d	Number of claimants visited, per 1,000 caseload Number of fraud investigators employed, per 1,000 caseload Number of fraud investigations, per 1,000 caseload Number of prosecutions and sanctions, per 1,000 caseload	Yes	No	Reliance was placed on the work of the QAT. The PI was amended by QAT after publishing but prior to submission due to errors found in the data used to calculate the PI.
78a - b	Average time for processing new claims Average time for processing change of circumstance	No	No	Reliance was placed on the work of the QAT. No issues were noted.

Key: A - Amended, Q - Qualified

Environment

- 35 We reviewed four PIs, two of which had been audited in detail by Internal Audit as part of the quality assurance process. IA work was difficult to follow and testing had to be reperformed in order to gain sufficient assurance.
- 36 Overall no significant issues were identified as shown below.

Table 7 Environment PIs

PI	Description	A	Q	Details
82a-b	Percentage of household waste that is recycled and composted	Yes	No	Detailed review performed by IA. The indicator was amended by IA prior to submission to audit to correct errors in the data used to compile the PI. IA work was not properly referenced and consequently difficult to follow. Testing performed by IA had to be reperformed and the systems in place to produce the PI documented and reviewed in order to conclude on this indicator.
84	Kilograms of household waste collected per head	Yes	No	Issues above apply. Rounding error noted and corrected in the final figure agreed by IA.
86	Cost per household of waste collection	Yes	No	Finance indicator initially submitted as an estimate.
199	The proportion of relevant land having combined deposits of litter and detritus	No	No	No issues noted.

Key: A - Amended, Q - Qualified

Transport

We reviewed three transport PIs. Two of the indicators (BVPI 96 and 97) are contracted out to third parties. However, there are no arrangements in place to ensure that the parameters set and therefore the output generated by these third parties are in line with the PI definition

Table 8 Transport PIs

PI	Description	A	Q	Details
96	Condition of principal roads	No	No	This PI was calculated by Hammersmith and Fulham. However, the Authority had not put in place any quality assurance arrangements to ensure the requirements of the PI guidance are complied with.
97a and b	Condition classified and unclassified non-principal roads	No	No	The definition of the PI states that surveys should be carried out under the UKPMS Rules and Parameters and in accordance with the UKPMS Visual Survey Manual Version 1. The return from Berrets (a consultancy firm contracted to compile the PI) does not specify this and, in the absence of a quality assurance review by the Authority, it is not possible to determine if this approach has been followed.
99	Road safety	No	No	The checklist was not signed by the PI leads as evidence of review.

Key: A - Amended, Q - Qualified

Planning

We reviewed four planning PIs. The indicators had been reviewed and sample tested as part of the Authority's quality assurance process. We were able to place reliance on this work. Overall we amended one PI.

Table 9 Planning PIs

PI	Description	A	Q	Details
109a	60 per cent of major applications determined in 13 weeks	No	No	Reliance was placed on the detailed work performed as part of the Authority's quality assurance process. No issues were noted from our review of this work.
109b	65 per cent of minor applications determined in 8 weeks			
109c	80 per cent of other applications determined in 8 weeks			
200a	Development plan adopted in last five years where end date has not expired.	Yes	No	This PI was amended to No because the Authority had not adopted the development plan as at March 2005.
200b	If 'no' are there proposals on deposit to replace/alter within three-year timetable	No	No	
204	Percentage of appeals against an authority's decision to refuse planning applications.	No	No	The checklist was not signed as being reviewed by the Performance Team.
205	Quality of service checklist	No	No	Reliance was placed on the work of the QAT. The checklist was not signed by either the performance team or the Directorate Co-ordinator.

Key: A - Amended, Q - Qualified

Culture

- 37** All the PIs audited were mandated as high risk by the Audit Commission and were not BVPIs. All PIs were submitted late in the audit process as a result of late notification of audit requirement by the Audit Commission.
- 38** Initial working papers submitted to audit were inadequate and did not provide the necessary audit trail. Additional information was requested during the audit and, in most cases, responses were slow due to that fact that working papers had to be produced to support the PI.

- 39 We initially qualified two culture PIs (PLS 1 and 5). However, subsequent to the initial audit deadline further information was provided which resulted in the qualification on PLS 5 being removed and the PI being amended to reflect the revised audit trail.

Table 10 Culture PIs

PI	Description	A	Q	Details
Stock turnover	Issues per 1,000 population	Yes	No	<p>The Authority introduced a new library system (galaxy) in June 2005. Delays were experience in the audit of this PI because the Authority initially struggled to provide adequate audit trail for the stock figure used in the calculation of the PI.</p> <p>The control checklist was not signed as evidence of review by the PI Lead, Head of Service, Directorate Co-ordinator and Performance Team.</p> <p>The PI had to be amended to correct the stock figure used in the calculation of the PI.</p>
Public service library standards on access	PLSS1 Proportion of household living within specified distance of a static library	Yes	No	<p>The PI was qualified at the first submission of 5 September 2005 as the Authority was unable to provide adequate support for the calculation.</p> <p>Subsequently the PI was recalculated and resubmitted using up-to-date information obtained from the Ordnance Survey (UK government agency) and the reservation removed.</p>

PI	Description	A	Q	Details
Public service library standards on access	PLSS2 - Aggregate schedule of opening hours per 1,000 population	No	No	The control checklist was not signed as evidence of review by the PI Lead, Head of Service, Directorate Co-ordinator and Performance Team. The incorrect population figure was used in the calculation. The PI was not amended as the effect was immaterial.
Public service library standards on access	PLSS 5 Percentage of requests for books met within 7, 15 and 30 days	No	Yes	The control checklist was not signed as evidence of review by the PI Lead, Head of Service, Directorate Co-ordinator and Performance Team. Working papers received from the Authority provided no evidence of how the PI figure was derived.
Public service library standards on access	PLSS 6 Number of Library Visits per 1,000 of population	No	No	The PI was calculated in accordance with CIPFA guidance from a sample of three months visits obtained from all the libraries. However, documentation of the results of the sample period was not retained for some of libraries visited.
Public library service standards on stock	PLSS 9: Annual items added through purchase per 1,000 population	No	No	The control checklist was not signed as evidence of review by the PI Lead, Head of Service, Directorate Co-ordinator and Performance Team.
Public library service standards on stock	PLSS 10: Time taken to replenish the lending stock on open access or available on loan			Delays were experienced in the audit of this PI as a result of issues identified with the stock figure noted above.

Key: A - Amended, Q - Qualified

Community safety

We reviewed two community safety PIs which had been audited by IA as part of the qualify assurance process. However IA work only covered schools and we therefore had to performed additional work on racial incident cases in the borough. No significant issues were noted as shown below.

Table 11 Community safety PIs

PI	Description	A	Q	
174	Racial incidents recorded by the LA per 100,000 population	No	No	Reliance was placed on the work of IA. The control checklist was not signed as evidence of review by the PI Lead, Head of Service, Directorate Co-ordinator and Performance Team.
175	Percentage of racial incidents that resulted in further action	No	No	As above.

Key: A - Amended, Q - Qualified

Community legal service

We reviewed two PIs which had been audited by the Directorate Co-ordinator for housing as part of the qualify assurance process. No significant issues were noted as shown below.

Table 12 Community legal service

PI	Description	A	Q	Details
177	Legal and advice expenditure on quality mark services	No	No	No significant issues were noted.

Key: A - Amended, Q - Qualified

Cross-cutting

We reviewed two PIs which had been audited by the Directorate Co-ordinator for housing as part of the qualify assurance process. No significant issues were noted as shown below.

Table 13 Cross-cutting PIs

PI	Description	A	Q	Details
197	Change in the number of conceptions - females <18 years old (per 1,000 females aged 15 to 17	No	No	No significant issues noted.

Key: A - Amended, Q - Qualified

Recommendations

- 40 Detailed below are general recommendations that would help the Authority to strengthen its arrangements for producing PIs and supporting working papers.

Recommendations
<i>R1 Arrangements should be put in place to ensure all PIs are submitted by the deadline agreed with audit, and accompanied by adequate working papers.</i>
<i>R2 The completion checklist should be signed off by all the PI leads and reviewers as evidence of review.</i>
<i>R3 The Performance Team should put in place adequate arrangements to ensure all officers receive up-to-date guidance on the calculation of PIs.</i>
<i>R4 When auditing PIs Internal Audit should formally document and test the systems and controls in place for producing the PIs.</i>
<i>R5 A database of amendments should be kept by the Performance Team and PI leads to ensure all amendments made as a result of audit are identified and the correct figures are used in analytical review.</i>
<i>R6 Where new indicators are identified by the Audit Commission late in the audit process, the Performance Team should review the working papers produced to ensure they are of an appropriate standard before submission to audit.</i>
<i>R7 Arrangements should be put in place to ensure all PIs produced by third parties are calculated in line with the PI definition.</i>

Appendix 1 – Commission Selected PIs

Service area/PI	Description
Environment	
BV 82a	Recycling performance
BV 82b	Composting performance
BV 109	Planning speed
BV 199	Cleanliness of public spaces
Planning	
BV 109	Planning speed
BV 205	Planning checklist
Housing	
BV 66 (a)	Proportion of rent collected
BV 183	Length of stay in temporary accommodation
HIP BPSA Section E3	Average short term void re-let time
HIP HSSA Section A1 & A6	Private sector homes vacant for more than six months
Culture	
Stock turnover	Stock level and stock issues per 1,000 population
Public library service standards on access	PLSS 1: Proportion of households living within a specified distance of a static library PLSS 2: Aggregate scheduled opening hours per 1,000 population for all libraries PLSS 6: Number of library visits per 1,000 population
Public library service standards on stock	PLSS 5: Percentage of requests for books met within: i) 7 days, ii) 15 days, iii) 30 days PLSS 9: Annual items added through purchase per 1,000 population PLSS 10: Time taken to replenish the lending stock on open access or available on loan

Appendix 2 – Reservations

Indicator	Details	Reservation
HIP BPSA Section E3 -	Average short term void re-let time	The Authority used the wrong definition to compile this PI. The wrong start time was used which resulted in fewer days and better performance than actually achieved, thereby understating the PI. Last years unaudited figure also appeared significantly misstated at 36.65 days.
Public libraries – PLS 5	Service standards on stock	The Authority is unable to provide adequate support for the figures derived from the system used to calculate the PI.
BV 203	Percentage change in average number of families in temporary accommodation	The Authority was unable to provide adequate supporting working papers.

Appendix 3 – Amendments

PI	Original submission	Amended submission	Reason for amendment
Corporate health			
8	85.68	85.01	This indicator was amended to correct errors identified during the quality assurance review.
Education			
33	116.31	131.81	This is a finance indicator originally submitted as an estimate.
193a	106.67	102.02	Recalculation was necessary to comply with the definition.
193b	103.02	92.0	Recalculation was necessary to comply with the definition.
Social Services			
51	868	881.09	This is a finance indicator originally submitted as an estimate.
52	531.88	583.99	As above.
54	80.27	80.32	The indicator was amended by the Authority prior to our audit.
Housing			
183b	14	16	The indicator was amended by Internal Audit prior to our audit.
HIP HSSA A1 and A6	97,170 1079	85,120 894	Recalculation required as public sector properties had been wrongly included in the initial calculation.
Housing benefit			
76a	3.94	3.05	Amended prior to submission to audit due to incorrect data used in the compilation of the initial figure.
76b	0.3	0.23	
76c	44.97	34.75	
76d	6.04	4.67	

PI	Original submission	Amended submission	Reason for amendment
Environment			
84	515	515.50	Rounding error.
86	26.53	24.87	This is a finance indicator originally submitted as an estimate.
Planning			
200	Yes	No	Indicator amended to comply with the definition.
204	34.33	36.5	Error identified during the quality assurance review hence corrected to base PI on actual data before submission to audit.
Culture			
PLS 1	93%	91%	Amended to adequate support the PI with actual data.

Appendix 4 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R1 Arrangements should be put in place to ensure all PIs are submitted by the deadline agreed with audit, and accompanied by adequate working papers.	3	Service leads PMG Performance Team	Yes	It is not expected that the problems experienced with the 2005 audit, especially with late notification of new PIs for audit, will occur in 2006.	30 June 2006
23	R2 The completion checklist should be signed off by all the PI leads and reviewers as evidence of review.	2	Service leads PMG Heads of service Performance Team	Yes	The expectation is that all reviewers will sign off the checklist. On occasion (for example, after amendment) time pressure may mean that this is not possible. Where agreement to amend is made over the telephone, the Performance Team will sign off the checklist and note the papers accordingly.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R3 The Performance Team should put in place adequate arrangements to ensure all officers receive up-to-date guidance on the calculation of PIs.	3	Performance Team	Yes	Where the Performance Team is made aware of current guidance, the information is circulated via PMG. However, the Audit Commission and ODPM might wish to consider setting up automatic warning messages when new information is available on their websites.	Ongoing process (as and when received)
23	R4 When auditing PIs Internal Audit should formally document and test the systems and controls in place for producing the PIs.	3	PMG Internal Audit Performance Team	Yes	The Performance Team will ensure that the need to carry out system testing as part of the Internal Audit is included in the audit brief. The External Audit Manager will provide the Performance Team with an electronic copy of the current pro-forma so that this can be made available to Internal Audit and PMG. The External Audit Manager will also provide copies of any existing system documentation (where available) in order that this can be updated as part of the audit trail.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R5 A database of amendments should be kept by the Performance Team and PI leads to ensure all amendments made as a result of audit are identified and the correct figures are used in analytical review.	2	Performance Team	Yes	Copies of the template used for the Performance Plan will be distributed to PMG in advance of completion of the PI checklists (which includes the analytical review) in order that the correct base figure(s) can be used.	31 March 2006
23	R6 Where new indicators are identified by the Audit Commission late in the audit process, the Performance Team should review the working papers produced to ensure they are of an appropriate standard before submission to audit.	3	PMG Performance Team	Yes	The Audit Commission have already provided the list of national 'high risk' indicators for audit, so it is not currently envisioned that this will be an issue in 2006. However, the Audit Commission needs to be cognisant of the deadlines for completing data input for non-statutory PIs and the audit timetable.	30 June 2006

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
23	R7 Arrangements should be put in place to ensure all PIs produced by third parties are calculated in line with the PI definition.	2	Service leads PMG Performance Team	Yes	Particular issues were noted with the road condition surveys, but this is a general comment that the authority cannot 'offload' its responsibilities for compliance with the guidance to third parties. Service leads must require third parties to show compliance with national guidelines and show that they have checked they have been met.	30 June 2006



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	11

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: BVPP/BVPI 2004/05 PERFORMANCE INDICATORS

SUMMARY

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

RECOMMENDATIONS

- That Committee note the reduction in the number of qualified PIs in 2004/05 against the previous years;
- That Committee note the reasons underlying the external auditor's qualification of one PI and the reservations expressed against two non-statutory indicators;
- That Committee note the additional work being undertaken, or which has been undertaken, in order to ensure compliance of the 2005/06 indicators.

REPORT DETAIL

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

3. The PIs have to be published as part of the Best Value Performance Plan (BVPP) in June. The BVPP also has to show how the Council compares with other authorities. Some of the PIs are also used within the Comprehensive Performance Assessment (CPA) to help assess how much the Council is improving year on year.
4. The Office of the Deputy Prime Minister (ODPM) produces a guidance document every January/February. The guidance includes full definitions of the PI's, the data collection process to be in place, the time frame if applicable, and details of any relevant national forms from which figures should be extracted, as well as other information. The Council's Performance Team is responsible at the corporate level for ensuring that each directorate and service is aware of these requirements.
5. As part of the audit process, the Commission also releases an audit guide that provides additional information that services are expected to follow as this will provide the major source for ensuring validation.
6. Using the guidance and the audit guide, services are expected to provide compliant outturn figures for publication as part of the BVPP. Because (currently) outturn finance figures are not available that early in the annual cycle, any service costings required as PIs are published as estimates. All these figures are approved by the relevant Head of Service before publication. Confirmation of the published figures is signed by a senior manager and sent to the Audit Commission electronically.
7. Members will appreciate that using PIs as part of national comparisons requires a robust audit process in order that Government, best value authorities, local taxpayers, and service users themselves, can have a high degree of assurance that the outcome is valid. The external audit process is rigorous, and is meant to provide the assurance that services have met, and can demonstrate that they have met, every requirement laid down in the annual guidance and the audit guide.
8. Where the external audit finds evidence of non-compliance, services are expected to either recalculate the PI, or agree the necessary changes. When services are unable to demonstrate full compliance with the guidance, or the data is missing or incomplete, the external auditor will express qualifications or reservations on the information that has been published.
9. The Audit Committee will wish to note that the external auditor made several recommendations on improving the collection process, etc. within the associated Action Plan (see Appendix B). These have now all been adopted for the 2005/06 audit.
10. Havering was expected to have produced outturn figures for 133 statutory PIs (or parts thereof), plus 23 non-statutory PIs within the Housing, Environment and Cultural CPA service blocks . Of these, the external auditor expressed reservations against one statutory and two non-statutory indicators. The details of these reservations, and the actions being taken to ensure full compliance for the 2005/06 audit, are attached as Appendix C.

11. Although reservations are, by themselves, a matter of concern because they suggest an inability to measure the effectiveness of a service, they additionally affect us through the CPA process. This is because any qualified or reserved statutory indicator is automatically allocated to the lowest score (as this is the first year where non-statutory indicators have been used within CPA reservations are treated differently). Audit Committee will wish to know that the qualified statutory PI in 2004/05 was not CPA sensitive, and thus did not affect December's judgement.

12. The Audit Committee will wish to note that the single qualified statutory indicator represents a significant improvement from the previous three years (2001/02 = 19; 2002/03 = 8; 2003/04 = 5), and this has been noted within the Audit Commission's report.

Financial Implications

None

Legal Implications

None

Human Resources Implications

None

Reasons for the decision

To receive the Best Value Performance Indicator Audit Report

Alternative Options Considered

None available

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STEPHEN EVANS
Chief Executive

2004/05 QUALIFICATIONS

Group	Code	Description	Reason for Qualification	Action taken to date
Sustainable Communities	BV203	Percentage change in the average number of families in temporary accommodation	The authority was unable to provide adequate supporting working papers	The qualification reflected the inability to provide data on the 2003/04 baseline position. The 2005/06 outturn will reflect the change against 2004/05 and this data is available.
	HIP BPSA Sec.E3	Average short term void re-let times	The Authority used the wrong definition to compile this (non-statutory) PI. The wrong start time was used which resulted in fewer days and better performance than actually achieved, thereby understating the PI. Last year's (ie 2003/04) also appeared significantly misstated at 36.65 days.	Subject to consultation expected from the Audit Commission shortly it is likely that this will be deleted from the suite and replaced by a similar statutory PI (BV212). This has been selected for internal audit as a 'high-risk' indicator.
Public Realm	Public Library Service Standard (PLSS) 5	Service standard on stock (reservations met)	The Authority was unable to provide adequate supporting working documents.	The data to support this indicator is extracted using the software package developed with the Libraries Consortium. The audit trail is being raised with partners, but this indicator has also been selected for internal audit as a 'high-risk'.



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	12

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 1 January – 28 February 2006

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 1st January 2006 to 28th February 2006. It includes management summaries from internal audit work.

RECOMMENDATIONS

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

REPORT DETAIL

1. 2005/2006 Audits

- 1.1 Schedule 1 details the progress on work completed to the draft and final stages from 1st January 2006 to 28th February 2006.
- 1.2 Schedule 2 contains the management summaries for audits completed to final report stage from 1st January 2006 to 28th February 2006.
- 1.3 Schedule 3 contains the management summaries for the follow up audits completed from 1st January 2006 to 28th February 2006.

2. Fraud and Investigation Work

- 2.1 Schedule 4 contains a brief synopsis of the fraud and investigations work conducted between 1st January 2006 to 19th February 2006. Included in the summary are the results of completed investigations and actions taken and work that is still in progress.

3. Financial Implications and risks:

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

4. Legal Implications and risks

None arising directly from this report

5. Human Resource Implications and risks

None arising directly from this report

6. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports
Internal Audit database

2005/2006 AUDIT PROGRAMME (1st January 2006 to 28th February 2006)

SCHEDULE 1

Audits Completed To Final Report Stage

Report	Issued	Internal Auditor's Opinion	Recommendations				Ref
			High	Med	Low	Total	
Final Accounts Housing Projects	11.01.06	Qualified	1	8	0	9	Sch 2 (a)
Project Assessments & Monitoring	19.01.06	Unqualified	0	7	0	7	Sch 2 (b)
Consultants	25.01.06	Qualified	0	3	0	3	Sch 2 (c)
Total			1	18	0	19	

Pro-Active Audits Completed To Final Report

Report	Issued	Recommendations				Ref
		High	Med	Low	Total	
Agencies	04.01.06	2	3	0	5	Sch 2 (d)
Placements	19.01.06	2	3	0	5	Sch 2 (e)
Opening of Cheques	01.02.06	0	2	0	2	Sch 2 (f)
Pps Acit Cheques	06.02.06	0	0	2	2	Sch 2 (g)
Total		4	8	2	14	

Follow Up Audits Completed as at 28th February 2006

Report	Issued	Progress Towards Implementation	Ref
Child Protection	26.01.06	Good	Sch 3 (a)
Internet & E-mail Protection	01.02.06	Good	Sch 3 (b)
Anti Virus	01.02.06	Good	Sch 3 (c)
Monitoring & Co-ordination of Voluntary Sector & Carer Services	10.02.06	Excellent	Sch 3 (d)
Quality & Contract management in care for the Elderly	10.02.06	Excellent	Sch 3 (e)
Network Security	23.02.06	Some	Sch 3 (f)

Audits Completed to Draft Report Stage as at 28th February 2006

Report	Draft Issued	Head of Service	Group Director
Insurance & Performance Bonds	20.02.06	Mike Stringer	Rita Greenwood
Oracle Databases	06.10.05	Ray Whitehouse	Rita Greenwood

Management Summaries Systems Audits

Final Accounts Housing Projects	Schedule 2(a)
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Management Summary

1.1 Introduction

1.1.1 It is important that before the final payment is made on any construction project that a statement is produced that details the work undertaken and the cost of that work. This is the last opportunity for the Council to make any amendments to the amount being paid in respect of the project and to confirm that the contractor has fulfilled all their obligations under the contract. It is important that adequate controls are in operation when making such payments. If there are inadequate controls then the risk of fraud increases significantly in respect of higher payments being made, or in work not being completed to the correct specification.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Final Accounts are not being fully supported with the relevant documentation.
- Contract does not provide any mechanism for the production & agreement of final accounts.
- Final accounts are not being produced in accordance with the contract.
- Final account not being arithmetically correct.
- That all documents and works are not being completed in accordance with the contract conditions.
- Officers are committing the Council to unauthorised expense.

1.3 Critical Issues that require immediate Management attention

1.3.1 There is a general lack of control in operation or lack of evidence to confirm that final accounts are being produced. This could be resolved by the introduction of a check sheet and procedure notes for officers to follow when preparing and checking the final account. There also appears to be a basic lack of basic project management in operation within the section.

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

- 1.4.1 There were numerous weaknesses identified in the procedures for the monitoring of projects and final account production by the section. These include:-
- Lack of review of final accounts by an independent officer to confirm their accuracy and completeness;
 - Failure to seek tenders in accordance with the departmental and Corporate guidance;
 - Using terms and conditions that have not been approved by Legal Services;
 - Lack of awareness of the contract terms – no use of certificates, not deducting retention from monies due to the contractor, paying contractors on invoices;
 - Lack of project monitoring information or a log of contracts to record the financial position and progress of a project;
 - No detailed final accounts being produced or logic checks being undertaken on them; and
 - No details of inspections being retained on file.
 - Paying the design team through the contractor instead of directly and therefore paying an additional 10% handling charge.

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

- 1.5.1 There were no audit weaknesses identified during the audit which were of a “good practice” nature that required management attention

1.6 Summary of recommendation(s)

The report contains one high and 8 medium risk recommendations that will introduce control procedures in this area. The high risk recommendation was :-

The Business Planning & Procurement Manager should produce a final account check sheet and procedure notes for officers to follow when reviewing and agreeing final accounts. Officers should also be instructed to complete a check sheet for each final account reviewed.

1.7 Audit Opinion

- 1.7.1 A qualified audit opinion needs to be given as Audit is unable to :-
- confirm that final accounts are being produced for projects directly managed by Housing
 - or, if they are being produced, where they could be located,
 - or where the final accounts were produced, that they were being fully checked.

- 1.7.2 Therefore no reliance can be placed at this time on the validity of final account payments being made by the section in respect of the construction projects that they are undertaking directly. The Business Planning & Procurement Manager is concerned over the lack of control and sound systems being operated in this area and is already in the process of implementing the recommendations.

Project Assessments & Monitoring	Schedule 2(b)
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Management Summary

1.1 Introduction

1.1.1 The Constitution and the various Frameworks detail the procedures for getting schemes included on the Capital and Revenue programmes. These procedures need to clearly identify the way in which schemes have to be approved. There also needs to be sound monitoring arrangements to ensure that these schemes, once they have been approved by Members, are being progressed in a timely manner, that the cost of the scheme is kept within budget and that new and un-programmed schemes are not being developed without the necessary authority.

1.1.1 Systems for evaluating schemes need to be sound so that they clearly identify the need for each scheme and the various options that address that need. Further, the options should include the life cycle costs, as often an option with a higher capital cost may represent better VFM to the Council, once all the revenue costs are taken into account. Procedures also need to be in place to ensure that monitoring arrangements are sound and that progress is regularly assessed and the reasons for any delays are recorded. Further, responsibility for the schemes needs to be clearly identified to ensure that there is no confusion as to who has to undertake what duties.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- a. Officers not fully assessing the need and options in order to identify the solution that offers the best value for money to the Council.
- b. Officers not considering life cycle costs so as to identify the total cost of the project
- c. Programmes not being monitored to ensure that schemes are being adequately progressed.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no audit weaknesses identified during the audit which were of a "critical" nature that required immediate management attention.

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

1.4.1 Whilst not critical, the rules and procedures are considered to be weak and are in need of clarification, both in respect of how schemes are to be approved and over the roles of the officer monitoring groups. The rules, due

to the way in which they could be interpreted, could lead to abortive design costs or Members having to accept a scheme that they did not want.

1.4.2 There were five other areas where it is considered that action is required to improve control and the quality of the information being presented to senior management and Members concerning the project. These areas were:-

- The need to include estimates of both capital and revenue costs for all options included in the business case/PID bid.
- Development and introduction of a corporate risk assessment/matrix so that schemes can be prioritised.
- The need to train project managers to undertake life cycle costing assessments.
- The need for project managers to provide up to date reports for PIG.
- The PIG progress reports need to highlight the reasons as to why projects are “red”.

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

1.5.1 There were no audit weaknesses identified during the audit which were of a “good practice” nature that required management attention.

1.6 Summary of recommendation(s)

1.6.1 The report contains seven medium risk recommendations that will further enhance the rules and strengthen procedures in these areas.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion can be given as Audit is satisfied that officers are following best practice when undertaking the assessment of projects on behalf of the Council.

Consultants	Schedule 2(c)
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Management Summary

1.1 Introduction

1.1.1 A general review of consultants was undertaken In 2004/05. It was found that the controls surrounding the appointment of the consultants was poor with numerous instances of the services required not being defined by a formal brief or scoping document. Further the fee basis with the consultants was weak as the payment terms were often unclear and open to interpretation. Accordingly, only limited reliance was placed on the controls and procedures in operation. The Head of Financial Services requested that this be subject to a similar review in 2005/2006.

1.2 Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Recommendations from previous review have not been implemented.
- That no brief has been issued to the consultant.
- The fee invoices are not being properly checked and paid in accordance with the terms stated in the contract.
- There is no management of the consultant to ensure that they provide the services stated in the contract.
- Inadequate budget monitoring so that changes in costs are not readily identifiable.

1.3 Critical Issues that require immediate Management attention

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

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

1.4.1 There is still concern that the same weaknesses were identified on this review as the previous one. These include the lack of a brief, clear or agreed payment terms and a general lack of monitoring (or it being recorded) for both time and costs. It is noted that during the review testing revealed that the lack of a clear brief has resulted in a consultant requesting to undertake additional fee work but it is not clear whether this should have been included as part of the original task or as a valid variation to the work required. There is also concern that there is no clear definition of what differentiates a consultant appointment from that of an Agency Staff/ Short term staff appointment. This issue has been identified by HR and they have produced a set of draft guidelines to address this issue.

1.4.2 The Head of Financial Services upon receipt of consultation report has taken action and issued an email to all relevant staff. The email informed them of the need to comply with the financial framework and reminded them of the need to prepare briefs (or job profiles if appropriate) and to maintain appropriate files whenever they appoint consultants.

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

1.5.1 There were no good practice matters identified during this review.

1.6 Summary of recommendation(s)

1.6.1 The report contains three medium risk recommendations to address the weaknesses identified above.

1.7 Audit Opinion

1.7.1 Due to the above weaknesses identified within the significant issues, a qualified opinion needs to be given as reliance still cannot be placed on the controls surrounding the appointment of consultants. These include the lack of a clear brief or payment terms, and the weaknesses surrounding monitoring of the consultant.

Management Summaries of Pro-active Audits

Agencies Pro-Active	Schedule 2(d)
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Management Summary

1.1 Introduction

1.1.1 The 2005/2006 Internal Audit plans include a pro-active audit into Agencies.

1.2 Key Areas Reviewed

1.2.1 A sample of twenty five (25) invoices in respect of payments to Agency staff was obtained to ensure that:

- Invoices are being paid on a monthly basis;
- Invoices are supported by completed timesheets;
- The hours shown on the invoices agree to those on the timesheets; and
- Timesheets have been certified by an authorised signatory;

1.2.2 The twenty five (25) invoices obtained referred to twenty nine (29) employees and a questionnaire about each employee was then sent to eighteen (18) relevant managers to ascertain:

- That the agency staff is covering an allocated post, which is currently vacant;
- Authority has been obtained for the appointment of agency staff;
- If more than one agency was approached, to ensure checks such as cost comparisons were made;
- Start and finish dates of employment;
- If CV's were obtained;
- what interview process was undertaken; and
- If the employee was paid in accordance with Council Terms and Conditions.

1.2.3 Of the twenty nine (29) questionnaires requested eight (8) were not returned despite two (2) reminders.

1.2.4 This review has not looked at:

- The completion of contracts and the use of Corporate contracts, i.e. Addecco;
- Whether the London Borough of Havering is charged the right amount for NI, commission rates or whether the actual employee rate was that agreed, WTR adhered to.
- Staff employed through the Council's own "register".

1.3 Significant Issues

- 1.3.1 Agency staff timesheets are being certified as being correct by employees who would appear not to have the authority to do so. In some instances an authorised signatory sheet had been completed giving the employee authorisation to certify invoices but not the associated timesheets. Whilst timesheets do not prompt payment as in payroll timesheets, the certifying officer needs to assure themselves that there are adequate control arrangements in place.
- 1.3.2 In seven (7) out of twenty one (21) cases the agency employee had not been employed for a set period of time before a review of their employment is required. It is good practice to have set review times for agency staff to confirm need and future recruitment plans.
- 1.3.3 There is no one section/employee who has the responsibility for the administration and monitoring of the use of agency staff.
- 1.3.4 There is a project taking place to review the use of agency staff to ensure that the methods used are the most efficient and effective.

1.4 Summary of recommendation(s)

- 1.4.1 The report contains five (5) recommendations, two (2) of a high category and three (3) of a medium category.

1.5 Audit Opinion

- 1.5.1 The review has highlighted a weaknesses in that:
- There is no one section/officer that has the responsibility for the administration and monitoring of the use of agency staff; and
 - Unauthorised officers are certifying agency timesheets although the corresponding invoice in all but two (2) cases was certified by an authorised officer.
- 1.5.2 These as well as other issues should be resolved as part of the aforementioned project.

Management Summary

1.1 Introduction

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

1.2. Key Areas Reviewed

1.2.1 A sample of ninety seven (97) invoices covering ninety one (91) service users, in respect of long term placements was obtained and checked to ensure that details of the service user, charge period and charge rate were shown on the invoice and could therefore be checked for correctness. All ninety seven (97) were found to have adequate details.

1.2.2 The details shown on the above invoices were then compared to a SWIFT report, obtained from the Information Research Officer, to ensure that clients the London Borough of Havering is being charged for are recorded and that the charges on the invoices agreed to SWIFT. It was found that:

- Six (6) out of ninety one (91) service users were not shown on the SWIFT report, and
- The charge rate shown on the invoices only agreed to the SWIFT report on six (6) out of ninety seven (97) occasions.

1.2.3 From the above sample twenty five (25), including the six (6) not shown on the SWIFT report were then selected (Refer to Appendix 1) and checked to ensure that the service user was resident for the charge period stated on the invoice and was still resident at the time of the review. Of the twenty five (25):

- Three (3) were not resident for the period the service provider was charging;
- Eight (8), including the three (3) above were now no longer resident. Social Services would appear to have been informed in five (5) out of the (8) cases that the service user was no longer resident although payment to the home appears to have ceased in all eight (8) cases;
- In five (5) cases an overpayment had been made but reimbursement had only been received in one (1) case.

1.2.4 Records were then checked for twenty one (21) cases to ensure that Service Agreements/Contracts and Financial Assessments had been completed promptly, the council was being charged in accordance with the contract (taking into account annual increases), the service user was being invoiced for the client contribution and the information was appearing on SWIFT correctly. Of the twenty one (21) cases examined:

- Service Agreements/Contracts could not be found for two (2) service users.
- The provider appearing on SWIFT did not agree to the Service Agreement in one (1) case;
- The weekly charge appearing on SWIFT did not agree to the Service Agreement in ten (10) cases;
- In six (6) cases the amount being charged could be agreed to the Service Agreement. In two cases (2) the amount being charged could not be agreed to the Service Agreement.
- A Financial Assessment could not be seen on file in six (6) cases.
- In two (2) cases it would appear that the service user was not paying their contribution.

1.2.5 This review has not checked that the assessments have been calculated correctly or that they are being reviewed on a regular basis.

1.3 Significant Issues

1.3.1 Service Agreements/Contracts and Financial Assessments could not be found for all cases examined.

1.3.2 Two residents who had been assessed to pay contributions were not paying those contributions to the London Borough of Havering.

1.3.3 From the examinations undertaken it would appear that SWIFT is not being kept up to date and is therefore not accurate.

1.3.4 There is a failure to report to Social Services Commissioning Unit when a service ceases.

1.4 Summary of Recommendation(s)

1.4.1 The report contains five (5) recommendations, two (2) being of a high category and three (3) being of a medium category.

1.5 Audit Opinion

1.5.1 The review has highlighted weakness in that records were not being adequately maintained, SWIFT is not accurate and there is sometimes a failure to notify Social Services Commissioning Unit when the service ceases.

Opening of Cheques Pro-Active	Schedule 2(f)
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Management Summary

1.1 Introduction

1.1.1 The 2005/2006 Internal Audit plan includes a pro-active audit into the controls on opening of cheques.

1.2 Key Areas Reviewed

1.2.1 All cheque opening records processed from 01/04/05 to the 01/11/05 were obtained from Corporate Support Services.

1.2.2 The records were then inspected to:

- Ascertain the level and type of cheques opened;
- ensure that cheques have been opened for a valid reason, i.e. no bank account; and
- that documentation had been completed and cheques had been opened in accordance with the Procedures for the Control of Council Cheques.

1.2.3 A sample of twenty five (25) cheques was then selected and requested from the bank. Five (5) of the requested cheques were not received and two (2) cheques not requested were sent. Therefore a sample of twenty two (22) cheques was examined to ensure that the cheques had been opened in accordance with the Procedures for the Control of Council Cheques.

1.2.4 For the period 01/04/05 to the 01/11/05, one hundred and fifty (150) cheques had been opened of which:

- one hundred and thirty (130) were under £500, eighteen (18) were between £500 and £1,000 and two (2) were over £1,000;
- All were either Creditors or Salaries and Wages cheques;
- Cheques had been opened for one hundred and fifteen (115) "payees" of which five (5) had cheques opened monthly, all were pension cheques, and six (6) had two (2) cheques opened.

1.3 Significant Issues

1.3.1 In thirty nine (39) cases two (2) forms of identification had not been recorded as being seen and of these, twenty two (22) showed that no forms of identification had been recorded as being seen. In twenty three (23) cases the form(s) of identification shown did not appear to show the signature of the payee.

The Corporate Support Services Manager has informed the auditor that Corporate Support Services employees have never and will never open a cheque without seeing proof of a signature and have turned people away when they have been unable to produce the correct ID.

- 1.3.2 The Procedures for the Control of Council Cheques state that the opening of cheques is a service provided for customers who do not have a bank account.

Testing found that cheques had been opened despite there being evidence that the payee had a bank or post office account. In four (4) cases bank cards or statements were shown as a form of identification, in eight (8) cases Post Office Cards or Savings Books were shown and in thirty two (32) cases credit/debit cards had been shown.

The Corporate Support Services Manager has informed the auditor that cheques are opened because some people just cannot, due to their circumstances, have an account - even with the post office and not all post office accounts will accept cheques, if money is needed urgently (i.e. for uniform grants) or if it's the Council's fault that a cheque needs to be written (i.e. error at payroll) cheques will be opened.

- 1.3.3 A number of payees (especially pensioners) are routinely using the service.

The Corporate Support Services Manager has informed the auditor that:

- All pensioners have been asked to open an account and the number of pensions cheques opened has reduced;
- Pensioners cannot be forced to open an account and Committee has approved that pensioners do not need to have bank accounts;

1.4 Summary of recommendation(s)

- 1.4.1 The report contains two (2) recommendations, both of a medium category.

1.5 Audit Opinion

- 1.5.1 From the records examined it would appear that in some cases the cheque opening procedures were not being complied with as:

- Cheques are being opened for customer/payees that have bank accounts.
- Two (2) forms of identification, one (1) showing the signature of the customer/payee, are not always being seen.

Pps Acit Cheques Pro-active

Schedule 2(g)

Management Summary

1.3 Introduction

- 1.1.1 Prior to the termination of the Internal Audit contract with pps Acit the Authority had received three (3) cheques in payment of superannuation contributions. When banked all three (3) cheques were returned by the bank "Refer to Drawer".
- 1.1.2 There were concerns that the cheques may have been received sometime prior to being banked and that no action was taken to inform Managers that they had been returned "Refer to Drawer".
- 1.1.3 The Group Director Finance and Commercial therefore requested that a pro-active audit be undertaken by Internal Audit.

1.4 Key Areas Reviewed

- 1.2.1 Employees were interviewed and records examined to try and ascertain:
- The dates of the cheques;
 - The date(s) the cheques were received by the authority;
 - The date(s) the cheques were banked;
 - The date(s) the cheques were returned from the bank;
 - The information the bank stated being the reason for the return;
 - The action taken by Cashiers to reverse the payment;
 - The action taken by Cashiers to inform Management that cheques had been returned; and
 - If the cheques were received at different times did Cashiers realise that there might be a problem and take action to ensure that parties responsible for the receipt of these monies were aware that cheques were being returned "Refer to Drawer".

1.3 Findings

- 1.3.1 It has not been possible to ascertain when all three (3) cheques were received by the authority although records show that two (2) of the cheques were received and processed by Cashiers on the 15/09/05 and one (1) was processed on the 19/09/05.
- 1.3.2 Although the original two (2) cheques were dated the 03/08/05 and 04/08/05 there is a possibility that, in light of the fact that pps Acit were in financial difficulties, the cheques were not sent in at the beginning of August as their dates suggest but in September.

1.3.3 Records show that the cheques were returned to Cashiers “Refer to Drawer” on Monday 26/09/05 and Cashiers informed both Pensions and the Head of Exchequer Services on Friday 30/09/05.

1.4 Summary of Recommendation(s)

1.4.1 There are two (2) recommendation, both being of a low category.

1.5 Audit Opinion

1.5.1 Council procedures were being adhered to as cheques would appear to have been banked when received and when they were returned all relevant parties were informed. However, notification procedures could be improved.

Management Summaries of Follow up Audits

Child Protection follow up

Schedule 3(a)

Management Summary

1.1 Introduction

1.1.1 The Child Protection System was managed by the Children and Family Service within the Social Services Directorate, prior to the change to Directorate on the 31st October 2005.

1.1.2 The local authority has a duty of care under the Children's Act 1989 to promote and safeguard the welfare of children. In exercising that duty, the Child Protection System seeks to protect those Children who are at risk of significant harm of physical, emotional and sexual abuse and neglect from their parents, carers and other adults. Child Protection Enquires are carried out under Section 47 of the Children's Act 1989.

1.1.3 This is a high profile system subject to significant scrutiny and public concern as a result of the publicity surrounding the Climbie and other high profile cases. The Children and Family Service was subject to a review by the Commission for Social Care Inspection in 2005.

1.2 Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R5	This recommendation has been fully implemented.
2	Medium	R9	This recommendation has been fully implemented.
3	Medium	R10	This recommendation has been fully implemented.
4	Medium	R13	This recommendation has been fully implemented.
5	Low	R1	This recommendation has been fully implemented.
6	Low	R2	Implementation of this recommendation remains outstanding pending ability to use intranet to access local guidelines.
7	Low	R3	This recommendation has been fully implemented.
8	Low	R4	This recommendation has been fully implemented.
9	Low	R6	This recommendation has been fully implemented.
10	Low	R7	Implementation of this recommendation remains outstanding pending the review of the Emergency Duty Team contract.

11	Low	R8	No further action is required to implement this recommendation as CRB checks are not undertaken on Interpreters as they are always supervised by a Council officer, who is police checked.
12	Low	R11	This recommendation has been fully implemented.
13	Low	R12	This recommendation has been fully implemented.
14	Low	R14	This recommendation has been fully implemented.
15	Low	R15	This recommendation has been fully implemented.
16	Low	R16	This recommendation has been fully implemented.
17	Low	R17	This recommendation has been fully implemented.
18	Low	R18	This recommendation remains outstanding pending the development of a process for collating and monitoring action points.
19	Low	R19	This recommendation has been fully implemented.
20	Low	R20	This recommendation has been fully implemented.

1.3 Audit Opinion

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

Internet & e-mail protection follow up	Schedule 3(b)
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Management Summary

1.1 Introduction

- 1.1.1 Havering Council operates an e-mail system as a communication tool, provided through Groupwise. The service enables receipt of electronic mail from any Council location, its retention, generation of reply and the facility to transmit to any other Council location. There is a need to ensure that the email system is used appropriately and that controls are in place to ensure the confidentiality of the service.
- 1.1.2 The Internet is a global network of interconnected computers providing an extensive source of information. This presents significant risks to the Council and there is a need to review the management controls in place to ensure that the service is not being abused.
- 1.1.3 Internet and email protection has been significantly developed over the last few months at Havering. A new proxy server to manage web access has been installed and messaging content software has been implemented. Developments are still ongoing and this has been taken into account when conducting this review.
- 1.1.4 This review provided a systematic examination to determine whether the email and internet services are adequately controlled in such a way that risks to the Council network and Council data are minimised.

1.2 Progress Implementing Recommendations

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

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

3	Medium	R3	This recommendation remains outstanding pending the update of the Email and Internet Policy 30.06.06
4	Medium	R5	This recommendation has been fully implemented.
5	Medium	R6	This recommendation has been fully implemented.
6	Medium	R7	This recommendation remains outstanding pending the update of the Membership and Mandate. 30.04.06
7	Low	R4	This recommendation has been fully implemented.

1.3 Audit Opinion

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

Management Summary

1.1 Introduction

1.1.1 Viruses and other malicious code can cause severe disruption to corporate networks and to the integrity of corporate data. It is essential that the Council has appropriate arrangements in place to deal with the evolving threats which such programs contain. The organisation requires suitable policies, practices and procedures to ensure that the security of the network is maintained.

1.1.2 An audit was undertaken to provide a systematic examination to determine whether the network is appropriately protected against viruses and malicious code in such a way that risks to the Council network and its data are minimised.

1.2 Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R1	This recommendation has been fully implemented.
2	Medium	R2	This recommendation remains outstanding pending the installation of Trend onto all Remote Laptops.
3	Medium	R3	This recommendation has been fully implemented.

1.3 Audit Opinion

1.3.1 Good progress has been made as two recommendations have been fully implemented and action has been taken to implement the remaining recommendation.

Monitoring & Co-ordination of Voluntary Sector & Carer Services	Schedule 3(d)
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Management Summary

1.1 Introduction

- 1.1.1 The service area reviewed during the initial audit comprised of those activities, within Social Services Strategy and Commissioning, for the commissioning of services from Community and Voluntary Organisations (CVOs), the management of contracts with these service providers and the quality assurance of the services provided. The Adult element of Social Services Directorate now comes under the Sustainable Communities Directorate.
- 1.1.2 The Council received a Carer's Grant Allocation of over £510,000 and over £296,000 was committed for purchasing services from other CVOs, in the financial year 2004/05.
- 1.1.3 The National Procurement Strategy for Local Government (10.03) highlighted the need for councils to develop service partnership with suppliers, including CVOs. As the Government is keen for CVOs to play a greater role in Public Service Delivery, it is important that systems are in place to harness the benefits which can be accrued from using CVOs as service suppliers, whilst addressing the barriers many CVOs face with local government procurement and contract management processes.

1.2 Progress Implementing Recommendations

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium 31.07.05	R1	This recommendation has been fully implemented.
2	Medium 30.06.05	R2	This recommendation has been fully implemented.
3	Medium 01.06.05	R3	This recommendation has been fully implemented.
4	Medium 31.08.05	R4	This recommendation has been fully implemented.

5	Medium 31.08.05	R5	This recommendation has been fully implemented.
6	Medium 31.08.05	R6	This recommendation has been fully implemented.
7	Medium 31.08.05	R7	This recommendation has been fully implemented.
8	Medium 31.08.05	R8	This recommendation has been fully implemented.
9	Medium 30.09.05	R9	This recommendation has been fully implemented.
10	Medium 30.09.05	R10	This recommendation has been fully implemented.

1.3 Audit Opinion

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

Quality & Contract management in care for the Elderly Follow up	Schedule 3(e)
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Management Summary

1.1 Introduction

- 1.1.1 The Strategy and Commissioning Service within Social Services provides commissioning and contracting functions for services for vulnerable adults and older people as well as a range of support services.
- 1.1.2 The service area reviewed during the initial audit comprised of those activities, within Social Services Strategy and Commissioning, for the quality assurance of services provided for placements of elderly persons in care homes and domiciliary care services. The Adult element of Social Services Directorate now comes under the Sustainable Communities Directorate.
- 1.1.3 The Commission for Social Care Inspection's report on Havering Services for Older People, January 2004, confirmed that the council did not have a structured and systematic approach to quality assurance and confirmed that managers and staff were largely unaware of the quality of their services. The report acknowledged that there were some promising examples of quality assurance initiatives in place but made recommendations that the directorate should work to develop a quality assurance framework.

1.2 Progress Implementing Recommendations

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium 31.07.05	R1	This recommendation has been fully implemented.
2	Medium 30.06.05	R2	This recommendation has been fully implemented.
3	Medium 30.06.05	R3	This recommendation has been fully implemented.
4	Medium 30.06.05	R4	This recommendation has been fully implemented.

5	Medium 31.07.05	R5	This recommendation has been fully implemented.
6	Medium 30.06.05	R6	This recommendation has been fully implemented.
7	Medium 30.06.05	R7	This recommendation remains outstanding pending a combined review and update of the Memorandum of Understanding being arranged between the Authority, CSCI and PCT.
8	Medium 31.08.05	R8	This recommendation has been fully implemented.
9	Medium 30.06.05	R9	Upon further reflection management were of the opinion that no further action will be undertaken as it was impractical to introduce a time recording system for the two CMO's.
10	Medium 31.07.05	R10	This recommendation has been fully implemented.
11	Medium 31.08.05	R11	This recommendation has been fully implemented.
12	Medium 31.08.05	R12	This recommendation has been fully implemented.

1.3 Audit Opinion

- 1.3.1 Excellent progress has been made as ten of the twelve recommendations have been fully implemented. Of the remaining two recommendations, one is being progressed and no further action will be taken in respect of the other.

Network Security Follow up	Schedule 3(f)
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Management Summary

1.1 Introduction

- 1.1.1 The network is the main facility to enable information flow. Networking technology is developing at a fast pace and the effective management of network facilities is a complex area.
- 1.1.2 Networks need to be secure to ensure the on-going operation of the network, allowing users access to systems and data, and to ensure that unauthorised users and devices are not allowed access to the network, jeopardising its performance and security.
- 1.1.3 ICTS purchased Tevista software to run on the network. It is a network management tool and will provide security monitoring of the network. It will also report on network performance and utilisation to allow the network team to identify where improvements and upgrades need to be undertaken.

1.2 Progress Implementing Recommendations

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R1	This recommendation remains outstanding pending the completion of works by external consultants.
2	Medium	R2	This recommendation remains outstanding pending the completion of works by external consultants.
3	Medium	R3	This recommendation remains outstanding pending completion of the works.
4	Medium	R4	This recommendation has been fully implemented.

1.3 Audit Opinion

- 1.3.1 Some progress has been made to implement recommendations.

FRAUD AND INVESTIGATION WORK**SCHEDULE 4****Work completed during period 1st January – 19th February 2006**

Ref	Description	Result of audit/Action taken
1.	(T8eaah) Planning Application	Adequate internal checks and controls in place. Allegation unfounded.
2.	(T8faab) Allegation re illegal cash payments	Investigation identified that a selection of market traders were being offered pitches rent free. New controls have been implemented to ensure pitch allocation is regulated.
3.	(T8faak) Suspected Subletting	Following investigation and interviews tenant returned keys.
4.	(T8faap) Review Flexi, Annual Leave, Toil (following pro-active)	Improved controls for payment of overtime identified and implemented.
5.	(T8faav) Payment of TOIL UkPro	Confirmation that overpayment not made additional amount due to previous hours worked.
6.	(T8faay) Allegation of occupancy, Hotline Report	Allegation unfounded. Owner under review for outstanding payments.
7.	(T8faaz) Allegation re Cash Payments to staff	Matter reported to Council contractors responsible for the allocation of contract.
8.	(T8gaac) Library Theft – Harold Wood	Amount not recovered. Insufficient evidence.
9.	(T8gaag) Reviewing Groupwise	Lack of evidence due to lack of archive and trash files.
10.	(T8gaal) Retrieval and Examination of Laptop	Forensic examination confirmed User had installed incorrect modem connection in error. No other unauthorised software located.

As at 20th February 2006, the following cases were being progressed

Ref	Description
T8caai	NFI 2004/5
T8eaam	Fraud Hotline AF 70 Reports
T8faag	Complaint/Allegation re Payment of Personal Allowances at Residential Home
T8faah	Request From Agencies for Information
T8faam	Missing Laptops
T8aao	Contract Payment Abuse
T8faaq	Overtime ICT Employee
T8gaad	Capital Overspend Hornchurch Sports Centre
T8gaae	Marriage Rooms Licence
T8gaaf	Retrieving IT Equipment
T8gaah	Harassment Allegation
T8gai	Failure to pay monies for coach hire & Claiming expenses
T8gaaj	Sale of Scrap metal windows
T8gaak	Review of Mobile telephone agreements
T8gaam	Hornchurch Sports Centre – Income
T8gaan	Tenant Management Organisation - Review



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	13

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 January 2006 – 28 February 2006.

(The internal and external audit recommendations shown in appendix 1 and 2, are extracted from the December Head of Service Packs).

SUMMARY

This report contains information on:

- Implementation of Audit Commission's recommendations
- Implementation of Internal Audit recommendations
- Internal Audit Key Performance Indicators
- Comparative analysis of Internal Audit plan
- Statement of Internal Control Action Plan
- Budget Analysis
- Benefits Investigation
- Forward Plan

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any matters of interest.

REPORT DETAIL

1. Implementation of Audit Commission's recommendations

- 1.1 Appendix 1 gives full details of all the outstanding recommendations from 2003/4 to date, showing the actual recommendations, the position currently being reported and the target date that was given for each recommendation to be completed.
- 1.2 The Committee should also note that there are other recommendations which are not reported, as they are being implemented within agreed timescales.

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

The Audit Commission has issued 2 reports since the 9th February 2006 meeting. Full details are contained in the Audit Commission's April 2006 Progress Report see item number 5 and the Best Value Performance Indicators 2005-6 Report, see item no 8.

2. **Implementation of Internal Audit recommendations**

2.1 Summary of 2003/04 outstanding recommendations

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2003/04	30	261	107	398
Total no. of outstanding recommendations for 2003/4.	4	30	7	41

As of the end of December 2005, there were 41 outstanding 2003/04 Internal Audit recommendations. The details are shown in Appendix 2. These are recommendations that have missed their implementation deadline by more than one month.

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

As of the end of December 2005, there were 45 outstanding 2004/5 Internal Audit recommendations. The details are shown in Appendix 2. These are recommendations that have missed their implementation deadline by more than one month.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2004/05	42	221	71	334
Total no. of outstanding recommendations for 2004/5	7	26	12	45

2.3 Summary of 2005/06 Internal Audit (IA) recommendations

As of the end of December 2005, there were 23 outstanding 2005/06 Internal Audit recommendation. The details are shown in Appendix 2. These are recommendation that have missed the implementation deadline by more than one month.

Description	High	Medium	Low	Total
Total no. of recommendations issued for 2005/06	7	105	25	137
Total no. of outstanding recommendations for 2005/6	0	15	8	23

3. Performance Indicators (as of 28th February 2006)

- 3.1 Committee members will note that there are 10-Key Performance Indicators (KPI) in Appendix 3. These indicators are focused on measuring the efficiency and effectiveness of Internal Audit activities.
- 3.2 An analysis of the KPI's shows (KPI 01) and reviews (KPI 02), 59% and 59% respectively. The on-target total number of audit briefs issued (KPI 03) and input days resourced (KPI 04), are 95% and 87% respectively.
- 3.3 The following table shows Internal Audit's performance for the period April '05 to 28th February '06:-

	Definition	Annual Cumulative Target	Performance February 2006
KPI 01	Number of total actual audit days completed as a percentage of total planned annual days (1250).	100 %	59%
KPI 02	The number of audit reviews completed as a percentage of the total annual number of planned reviews (99).	100 %	59%
KPI 03	The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (99)	100 %	95%
KPI 04	The total number of input days on audits as percentage of the total number of planned days (1250)	100 %	87%
KPI 09	Survey Forms assessed for the system audits	100%	71%
KPI 10	Survey Forms assessed for the fraud audits	100%	69%

- 3.4 As at the end of February 2006, 59% of the plan had been completed, 4% of the plan was at draft or formal report stage, and 31% had received audit briefs.

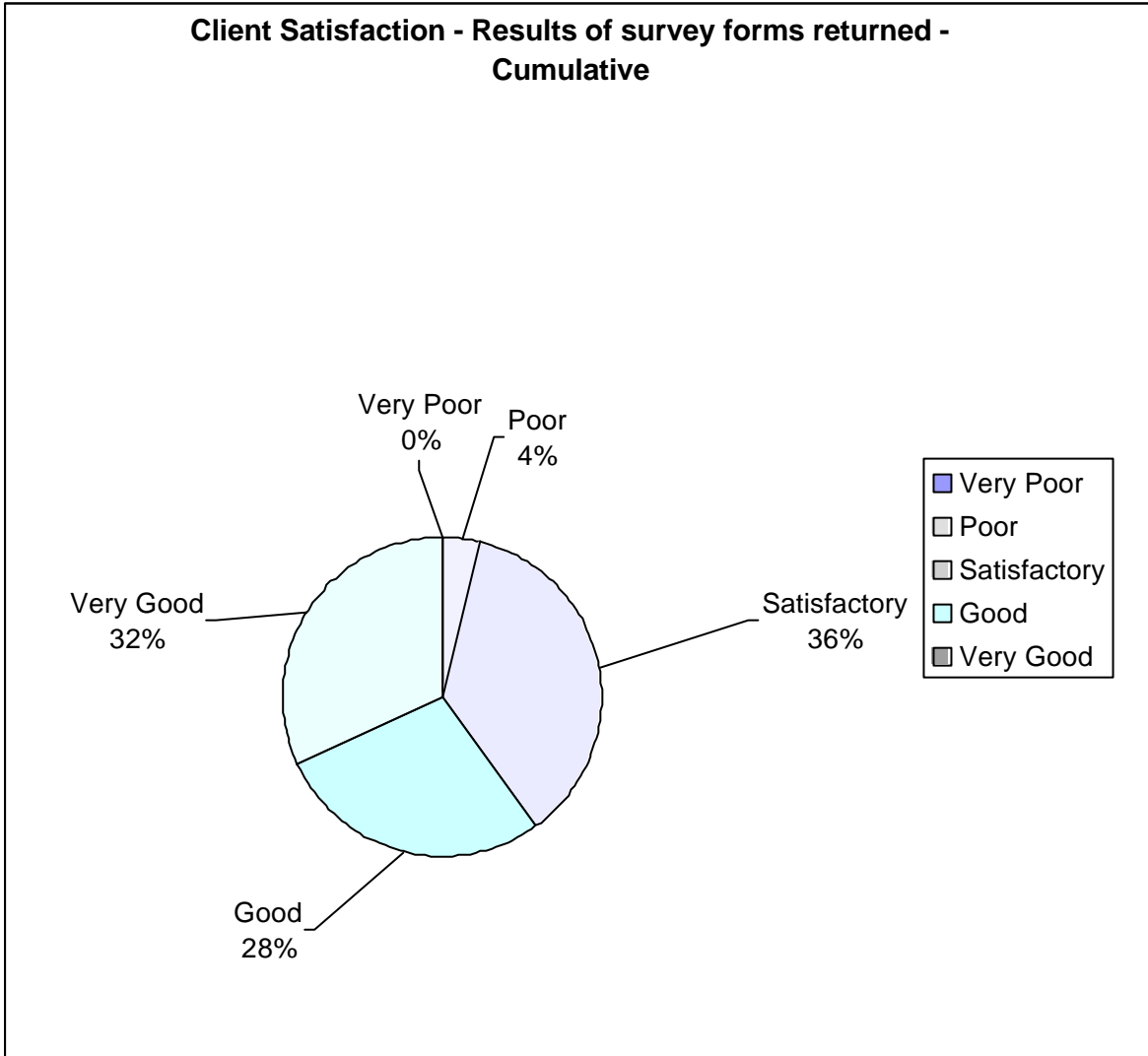
4. Survey Questionnaire Analysis

- 4.1 The Internal Audit general survey asked respondents to assess the Internal Auditor's performance on a scale of 1– 5 (very poor - very good) in the following areas:
- Audit Planning
 - Quality of draft report
 - Quality of final report
 - Communication
 - The Auditor

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

36% of the survey returns reported a satisfactory review, 28% reported a good review and 32% reported a very good audit experience. It is pleasing to note that the majority of managers are satisfied with the internal audit process, only one officer representing 4% was not. The following chart shows the results for 2005/06.

GENERAL SURVEY

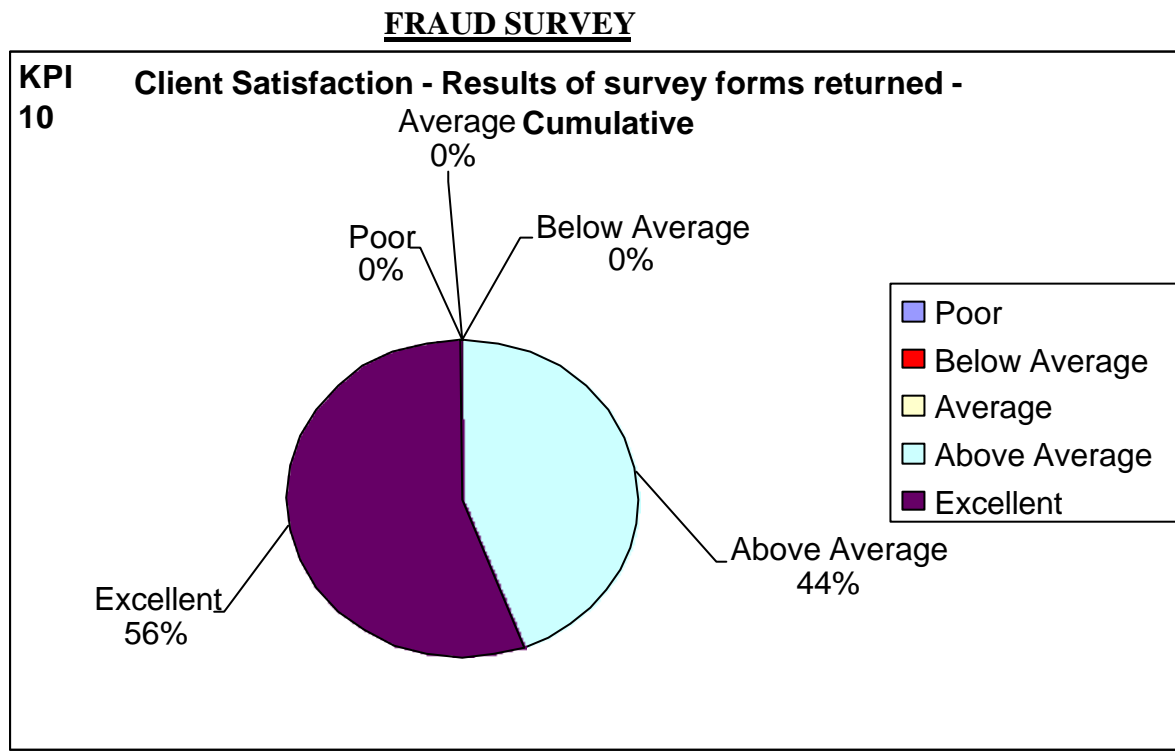


4.3 The Internal Audit fraud survey asked respondents to assess the Internal Auditor's performance on a scale of 1– 5 (very poor - very good) in the following areas:

- Consultation
- Communication
- Clarity of report
- Accuracy of findings
- Benefit of recommendations
- Confidentiality
- Helpfulness

4.4 Survey Analysis of Internal Audit’s Systems 2005/06 work

0% of the survey returns reported a poor review, 0% reported a below average review. 0% reported an average review, 44% reported an above average review and 56% reported an excellent experience. It is pleasing to note that all of the managers are satisfied with the internal audit process.



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

- 5.1 Appendix 4 provides the status of Internal Audit’s efforts in implementing the 2005/06 annual plan, and data from 31st December 2004 which provides valuable comparative information. (The comparative data for previous years is produced on a quarterly basis. Therefore the closest comparison for February 2006 was December 2004).
- 5.2 As of 28 February 2006, Internal Audit has completed 58-reviews (59%), while 4-reviews (4%) are at the consultation/final draft stage. In December 2004, 55-audits (49%) were completed to the final stage and 22 (19%) to consultation/final draft stage. Although (37) 37% of the annual plan is still to be completed, at December 2004, (36) 32% of the plan was still to be completed.
- 5.2 A comparative analysis of the results for this year and last, indicates that output for 2005/6 is somewhat lower. One of the main reasons for this is that the computer audits could not be carried out before this last quarter as the resource was simply not available until January 2006 e.g in

December '04, nine computer audits had been completed whereas to date only one has been completed. Deloitte's expect to complete the majority of the computer audits by the end of the financial year.

5.3 Comparison also shows that whilst the systems audits compare favourably, fewer pro-active audits have been carried out than were planned. Extra time has been required to conduct higher risk fraud investigations at the expense of the lower risk pro-actives. In addition new Statutory requirements such as the International Standards of Auditing, have been very resource intensive.

6. Statement of Internal Control Action Plan

6.1 Appendix 5 presents the Statement of Internal Control (SIC) action plan as at 17th March 2006. The SIC provides greater assurance with regard to corporate governance issues. It was signed by the Leader of the Council, the Chief Executive, and the Finance and Commercial Group Director and forms part of the 2004/05 Statement of Accounts. The action plan is continuously updated and progress reported to the Committee.

7. Anti-Fraud and Corruption

7.1 Summary of calls on the fraud hotline log (as of 19th February 2006)

<u>Source of calls</u>	<u>No</u> :	<u>Actions</u>	<u>Status</u>
Anonymous	7	<p>1 case - Passed to Council Tax and resolved. Allegation was malicious. (005)</p> <p>1 case - Following CTax Inspectors visit single discount has been cancelled from 1st February 2006. Allegation was therefore found to be correct. (014)</p> <p>1 case – Inspection taken place and there was no evidence to substantiate the allegation. (008)</p> <p>1 case to be investigated further by Housing Benefits staff. (013)</p> <p>1 case – Report completed and recommendations accepted and implemented by management. Allegation considered to have some substance. (006)</p> <p>1 case – Confirmed that the owner does not have a council tenancy in LB Newham. (010)</p> <p>1 case – Housing members of staff not involved in allocating work to contractors as alleged. Allegation discussed and passed to Morrison's for further internal investigation. (011)</p>	<p>Completed and signed off.</p> <p>Completed and signed off.</p> <p>Completed and signed off.</p> <p>In progress.</p> <p>Completed and signed off.</p> <p>Completed and signed off.</p> <p>Completed and signed off.</p>
Staff	4	<p>1 case - Investigation identified excessive use of dial back facility (duration of calls) and savings on BT rental charges have since been made. (001)</p> <p>1 case - Investigation revealed costs allocated to corporate ICT. Subsequent employment of</p>	<p>Completed and signed off.</p> <p>Completed and signed off.</p>

		contract staff for permanent position based on formal interview. (002) 1 case - Resulted in the dismissal of a member of Agency staff who admitted to abusing the use of the telephone. Financial loss was recovered (calls and hourly labour charge). (004) 1 case - to be investigated further. (007)	Completed and signed off. In progress.
HB Fraud Team	1	1 case - Preliminary enquiries were made. Established as claimant error and benefits were suspended. (003)	Completed and signed off.
Public	2	1 case - Allegation was resolved following preliminary enquiries. No involvement by LB Havering, but allegations concerning immigrants were forwarded to the Home Office. (009) 1 case - Resulted in no evidence of fraud or corruption. Details of the Appeals procedure were sent to the member of the public. (011)	Completed and signed off. Completed and signed off.
	14	HOTLINE TOTAL	

There are currently 16 special investigations in progress (2 from the hotline) and 61 have been completed during 2005/6.

7.2 National Fraud Initiative 2004/5.

Since the last Audit Committee on 9th February 2006, the Council has received a visit from the, Associate Director – IT Audit, Audit Commission. Discussions were held on 14th February '06 regarding the National Fraud Initiative work undertaken by the Authority. Former Tenant Arrears, Creditors, Pensions, Payroll and Housing Benefits, were discussed with staff attending from those sections and Internal and External Audit.

7.3 The purpose of the visit was to review the work carried out by the Council, to identify and resolve any problems and to ensure the most efficient and effective use of the data matching results had taken place. The Associate Director indicated he was pleased with the work that had been carried out by Internal Audit.

7.4 The Associate Director requested additional information regarding Housing Benefits calculations in relation to occupational pensions. A selection of cases are to be agreed with External Audit, the results of which will be forwarded to the Associate Director.

7.5 It was recommended that each individual section involved i.e Housing Benefit, Pensions etc. should review their own individual data matches in future. Previously they had been reviewed by Internal Audit.

7.6 The Associate Director also requested and it was agreed that Internal Audit would remain as the “Key Contact” for NFI for the Council.

8. Year to Date (YTD) Budget Analysis

- 8.1 The revised budget figure for Internal Audit (2005/06) is £419,740. Appendix 6 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 28th February 2006. As of 28 February 2006, YTD actual (£269,214) is below the budgeted amount (£368,420). This is due to invoices held for payment as a result of the termination of the contract with pps-Acit as previously reported. The financial impact of the transfer of staff back to the Council is still being assessed, but current projections are that the account will be in budget.

9.0 Risk Management

- 9.1 Appendix 7 shows the current corporate risk register. The Council has received 32 corporate risk scenarios from Zurich Municipal, for further exploration and evaluation by the Strategic Management Team, (SMT). This follows the brainstorming session on 4th January 2006, when the Risk Management Group identified the business risks facing the Council. The corporate register will be updated once the risk scenarios have been reviewed by the SMT.

10. Benefits Investigation

- 10.1 A report on Benefits Investigations is shown at Appendix 8.

11. Audit Committee Work Plan

- 11.1 The Committee has a clear work plan through the year and it would seem opportune to review this having regard to the need to plan for next year and consider any training needs. The plan is shown in Item 15, Annual Report on the Activity of the Audit Committee.

12. Financial Implications and risks:

In accepting audit recommendations, managers are obligated to consider financial risks and costs associated with the implementation of the recommendations. The projected cost of the Internal Audit service is currently projected to be within budget, however the impact of the termination of the contract is still being assessed. Efforts will be made to contain the costs within budget.

13. Legal Implications and risks

None arising directly from this report

14. Human resource Implications and risks

None arising directly from this report

15. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports & database
Audit Commission Progress report: December 2005
2004/05 Statement of Internal Control

APPENDIX 1**Outstanding External Audit Recommendations 2003/04** (04/05 and 05/06 external recommendations are not due yet) (As at end DEC 05)

HIGH PRIORITY RECOMMENDATIONS					
Reports	Recommendations	Date Due	HoS Responsible	Current Position	Classification
Democratic Renewal (Report issued 03/04)	R20 Improve member attendance at training sessions to ensure they develop the core skills necessary to carry out their roles effectively.	1/2/04	David Ede	Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004). Action being pursued	In progress
Joint Review SS 2002/03 (Report Issued 03/04)	R13 Continue to extend use of financial flexibilities as part of strengthening joint commissioning	Jan 2004	Peter Brennan	First stage is establishment of Joint Commissioning plans and posts. Mental health joint commissioning post being recruited to (PCT lead) and Older Peoples' commissioning strategy completed.	In progress

MEDIUM PRIORITY RECOMMENDATIONS					
Reports	Recommendations	Date Due	HoS Responsible	Current Position	Classification
Democratic Renewal (Report issued 03/04)	R4 Develop future training sessions to provide a greater insight into the roles of the Cabinet.	31/10/03	David Ede	Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004)	In progress
Corporate Governance 2002/03 (Report issued 03/04)	R3 Staff should formally sign up to the model code of conduct once it is issued by the Office of the Deputy Prime Minister and adopted by the Council. Appropriate training should be given to staff on conduct issues. When the Council adopted the current code of conduct, staff were not required to acknowledge receipt of the code in writing.		Assistant Chief Executive Corporate Human Resources (David Ede)	Agreed This recommendation is agreed and will be implemented once the model code of conduct has been agreed. The OPDM issued the draft code for consultation purposes with a response deadline of 19th November. ACEs (HR and Legal) jointly prepared a response on behalf of the authority. Currently awaiting further instruction from ODPM.	In progress
Procurement – Parkman,	R3 Review and implement the most appropriate contract		Peter Brennan	Modernisation of Home Care Service underway, steering group has identified actions for the re	In progress

<p>Domiciliary Care</p> <p>(Report issued 03/04)</p>	<p>arrangement for the procurement of spot and block purchased domiciliary care hours, including</p> <ul style="list-style-type: none">• clarifying the contract arrangements with the four spot only providing agencies; and• reviewing the volume of care hours specified as block during the re-tender process using the strategy (see R1) and market intelligence to balance more appropriately the volumes of block and spot purchasing in order to achieve greater value for money.			<p>tendering of Domiciliary Care Contracts, initial expressions of interest have been sought and received</p>	
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APPENDIX 2

Internal Audit Outstanding Recommendations – 2003/4, 2004/5, 2005/6

	Review in 2003/4	HoS Responsible	Outstanding			Position as at end DEC 05		
			High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
	Public Lighting	Bob Wenman		7		7		
	HB Verification Framework	Jeff Potter		1		1		
	Final Accounts	Bob Wenman	1	4		5		
	Pensions	Jeff Potter		3	1	4		
	Post Completion Assessments	Mike Robinson		2		2		
	Community Care Packages	Peter Brennan		1	2			3
	Homecare	Peter Brennan		1		1		
	Leaseholders	Barry Kendler	1			1		
	Assessments & Allocations	Barry Kendler		3		2	1	
	Parking COPPT System	Mike Robinson			1	1		
	Libraries	Dylan Champion		1		1		
	Rent Accounting	Mike Stringer		1		1		
	Libraries Internet	Dylan Champion		1	2	3		
	Community Care Placements	Peter Brennan	2	4	1	3		4
	CRM system	Dylan Champion		1			1	
	Total		4	30	7			

Outstanding

	Review in 2004/05	HoS Responsible	High			Medium			Low			Position as at end DEC 05		
												In Progress	Not Started	Position/ Status Unknown
	Training Children & Families	David Ede				1					1			
	Petty Cash	Mike Stinger (1) Ruth Jenkins (1)				1		1			2			
	Freedom Passes and Taxi Cards	Mike Stringer				1					1			
	Crime & Disorder Reduction CCTV	Christine Dooley	1			3		1			5			
	Domestic Refuse Collection	Bob Wenman	1			1		1			3			
	Trade Refuse Collection	Bob Wenman	1			1					2			
	Landscape Works A1306	Mike Robinson	2			1					3			
	Consultants Fees	Mike Stringer – 1 High, In Prog Christine Dooley – 1 Medium, P/S unknown	1			1					1		1	
	Child Protection	Ruth Jenkins						3			3			
	Highways	Bob Wenman				4					4			
	Business Continuity	David Ede						1			1			
	Debtors	Jeff Potter				1		4			5			
	On Street Parking (Permits and Disks)	Mike Robinson				1					1			
	Council Tax	Jeff Potter				1					1			
	NNDR	Jeff Potter				2					1	1		
	(2004/05) Rent Accounting (& Collection Arrears)	Mike Stringer				1					1			
	Lessee Charges	Barry Kendler				1					1			
	New Employees (Including References) Pro Active	David Ede	1			2							3	
	Home Care Providers Pro Active	Peter Brennan				1		1					2	
	Anti-Virus Protection	Ray Whitehouse				1					1			
	(2004/05) Quality & Contract Management in Care for the Elderly	Peter Brennan				1					1			
	Total		7			26		12						

Review in 2005/6	HoS Responsible	Outstanding			Position as at end DEC 05		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Best Value Performance Indicators	Jonathan Owen			1	1		
Cash & Bankings	Dylan Champion		1				1
Counsel Payments & Legal Services Contract Monitoring	Christine Dooley		3	4			7
Fraud Policy & Response Plan	Mike Stringer – 3 In Prog David Ede - 1 P/S unknown		4		3		1
Housing Aid	Barry Kendler		2	1	2		1
Prov of Services Learning Disabilities	Peter Brennan		1				1
Parking Tickets Issue & Processing	Mike Robinson		1	1	1	1	
Permits & Other Parking	Mike Robinson - 1 Medium, In Prog Dylan Champion – 1 Low, P/S unknown		1	1	1		1
Housing Grants & Allowances (Redecoration Vouchers)	Barry Kendler		1				1
Voids	Barry Kendler		1				1
Total		0	15	8			

Categorisation of recommendations:

High: Fundamental control requirement needing implementation as soon as possible
 Medium: Important Control that should be implemented
 Low: Pertaining to Best Practice

KPI	Definition	Target	Qtrs 1	Qtrs 2	Qtr 3
KPI 01	Number of total actual audit days completed as a percentage of total planned annual days (1250). Compute, Total number of audit days completed to final stage plus days spent on fraud work/Total number of planned audit days	audits =	14	183	360
		fraud =	70	178	259
		100% cumulative	7%	29%	49%
KPI 02	The number of audit reviews completed as a percentage of the total annual number of planned reviews (102). Compute, Total number of audit reviews completed to final stage/Total number of planned reviews.	100% cumulative	2	21	45
			2%	20%	44%
KPI 03	The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (102). Compute, Total number of audit briefs issued to final stage/Total number of planned reviews.	100% cumulative	37	70	83
			37%	68%	81%
KPI 04	Total number of input days on audits as percentage of the total number of planned days (1250) Compute, Total no of input days on the contract/total no of planned days.	100% cumulative	336	694	912
			27%	56%	73%
KPI 05	Performance against target time: Maximum 28 days between release of the formal draft and receipt of response Measure number of days between formal draft date and date response received. Only count when a formal has been sent.	in time	1	3	13
		out of time	0	1	1
		no formal	1	17	31
		95%	100%	75%	93%
KPI 06	Performance against target time: Percentage of reviews where the final report was issued within 5 available working days of receipt of the response agreeing to the formal report. Compute, number of days between response to the formal report and distribution of a final.	in time	0	3	9
		out of time	0	0	4
		no formal	2	18	32
		100%	100%	100%	69%
KPI 07	Performance against target time: 50 days max to complete an audit from start to release of a consultation draft. Compute, number of days from start date of audit to release of consultation draft.	within 50 days	2	20	36
		Outside days	0	1	9
		100%	100%	95%	80%
KPI 08	Reports followed up which require a follow-up. Compute, total number of reviews requiring follow up and total number of follow up's undertaken (38 in year: started as 36 4 added and 2 deleted) Count when final sent.	number	1	6	16
		100% cumulative	3%	16%	42%
KPI 09	System Audits Survey Forms. Compute, the total no of survey forms collected to total number of survey forms distributed. Results analysed over categories.	100%	33%	42.0%	58%
KPI10	Fraud Audits Survey Forms. Compute, the total number of survey forms collected to total number of survey forms distributed. Results analysed over categories.	100%	0%	0%	57%

APPENDIX 4 Comparative Analysis of Internal Audit Plans

This financial years position as at 28th February 2006.

Detail	Systems	Contract	Computer	Pro-Active	Follow ups	Totals	%age
Original number of audits	37	9	11	17	25	99	100
Final Number of Audits	38	11	11	14	25	99	100
Audits Completed to date	22	6	1	7	22	58	58.59
Audits at Formal draft stage	0	0	1	0	0	1	1.01
Audits at Consultation draft stage	1	1	1	0	0	3	3.03
<i>Briefs issued</i>	15	3	7	3	3	31	31.31
<i>Still to be started</i>	0	1	1	4	0	6	6.06
Total	38	11	11	14	25	99	100.00

Last years position as at 31st December 2004

Detail	Systems	Contract	Computer	Pro-Active	Follow ups	Totals	%age
Original number of audits	59	13	23	13	n/a	108	100
Final Number of Audits	60	13	22	18	n/a	113	100
Audits Completed to date	28	9	9	9	n/a	55	48.7
Audits at Formal draft stage	2	1	2	1	n/a	6	5.3
Audits at Consultation draft stage	9	1	5	1	n/a	16	14.2
Briefs Issued	13	2	3	3	n/a	21	18.6
Still to be started	8	0	3	4	0	15	13.3
Total	60	13	22	18	0	113	100.0

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

Significant Issue	Action	Responsibility	Timescale	Progress
1. Continue to improve the recovery of debt	<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. 	Debt management Board and Group Director Finance & Commercial	Ongoing	<ul style="list-style-type: none"> • Focus continuing and targets all being reviewed with meetings held regularly to review, assess and act • Debt Management Policy Strategy being signed off by lead members. • Corporate contract for credit card and bailiffs being progressed however former delayed due to charges issue. • Monitoring in place at all levels.
2. Succession and continuity plans	<ul style="list-style-type: none"> • Ensure Service Business Continuity Plans are in place throughout the calendar year. • Continue to work on ensuring up to date documented procedures are in place. • Develop assessment protocols for said plans • Put in place disaster recovery arrangements 	Emergency Planning Officer Business Systems Manager	Ongoing	<ul style="list-style-type: none"> • Priority activities being identified across the Council to assist in development of overall plan • Audit of procedures in place commenced • RMG over viewing matters. • Policy developed in partnership with specific planning for Avian Flu. • Disaster Recovery policy developed and implementation plan underway.
3. There is a need to implement the consultation strategy developed by Communications, to establish clear channels of	<ul style="list-style-type: none"> • Implement the consultation strategy developed by Communications. • Ensure that the consultation strategy contains effective monitoring and reviewing procedures. 	ACE Strategy & Communications	Ongoing	<ul style="list-style-type: none"> • Completed. Cabinet agreed strategy October 2005. It was already being implemented; namely, purchase of e-required tools is imminent, communications champions network and surveys sub group established, review & monitoring

<p>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.</p>				<p>arrangements / principles in the strategy and these are being set up (monthly customer satisfaction report, reports to lead member, and so on), user focus review underway, first draft of toolkit out for comment and so on.</p>
<p>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.</p>	<ul style="list-style-type: none"> • Implement a single corporate system for monitoring complaints 	<p>Head of Customer Services</p>	<p>March 06</p>	<ul style="list-style-type: none"> • A roll out of CRM functionality to support complaints monitoring has been completed: being presented to Customer Standards Panel March '06 for decisions on taking forward.
<p>5. There is a need to address the underlying difficulties in balancing the Social Services budget.</p>	<ul style="list-style-type: none"> • Continue with special monitoring. • Progress actions identified to reduce overspends. • Assess the position for 2006/07 budget process. 	<p>Group Director Sustainable Communities</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Meetings continuing • Special reporting in place. • Actions being monitored.
<p>6. Improve performance on specific grant returns.</p>	<ul style="list-style-type: none"> • Awareness training. • Clear responsibilities. • Monitoring and reporting arrangements. 	<p>Head of Financial Services</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • Protocol in place. • Clear timescales exist and are monitored. • Awareness training completed, further training planned for 2006.

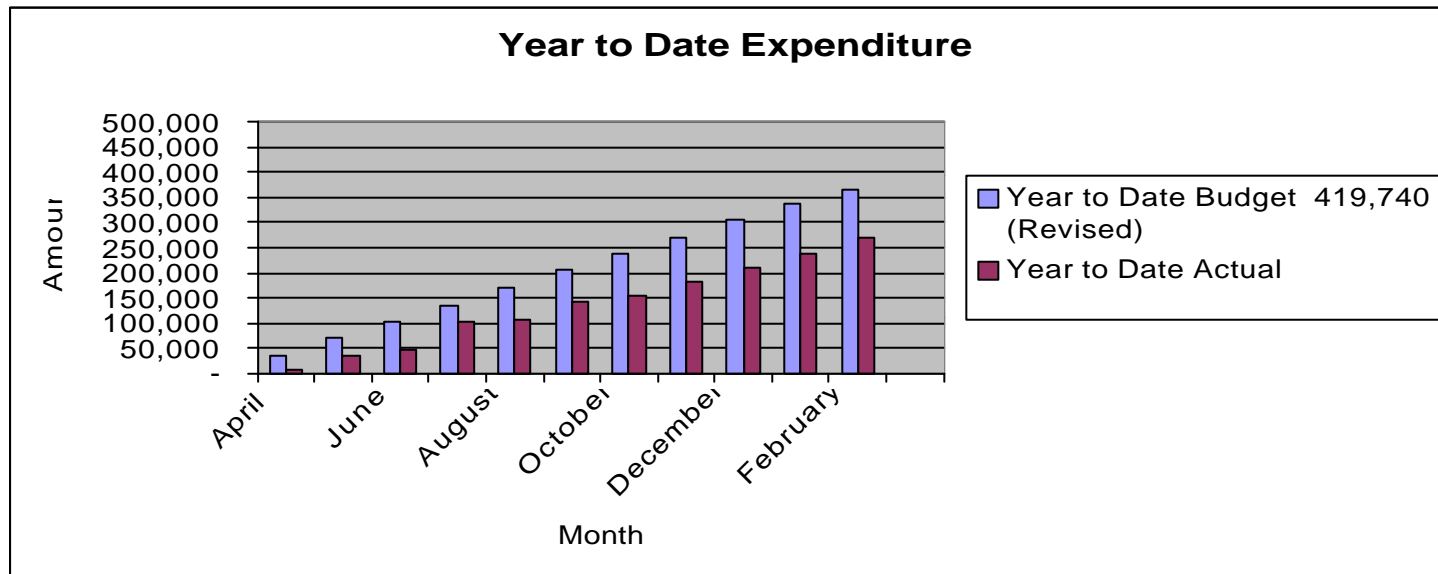
				<ul style="list-style-type: none">• Specific action being monitored.• Regular reporting in place with monthly Reports to project board.• Reviews undertaken with Audit Commission• Escalation process in place to minimise/avoid late grant claims• Post audit debrief being organised• Report submitted to Audit Committee in October 2005.
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Appendix 6 2005/2006 Budget Analysis

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

	April	May	June	July	August	September
Year to Date Budget	37,619	70,365	103,163	135,894	169,356	204,796
Year to Date Actual	5,520	34,705	46,174	101,449	106,102	141,319
Variance	32,099	35,660	56,989	34,445	63,254	63,477

	October	November	December	January	February
Year to Date Budget	237,535	271,186	303,914	336,621	368,420
Year to Date Actual	156,034	183,157	209,595	237,097	269,214
Variance	81,501	88,029	94,319	99,524	99,206



Appendix 7

CORPORATE RISK REGISTER		SEPTEMBER 2005		GRAPHICAL SUMMARY OF CORPORATE RISKS	
IMPACT	4	12. Business continuity (Ray Stephenson) - 3	14. Failure to achieve equalities and diversity objectives (Marilyn Richards/Bob Page) - 2		
	3		1. Providing ineffective services (Jonathan Owen) - 2 3. Failure to recruit/retain staff (David Ede) - 2 4. Poor project management (Ray Whitehouse) - 2 5. Failure to maximise use of staff (David Ede) - 2 7. Poor financial management (Rita Greenwood) - 3 8. Causing harm to people we owe a duty of care (Ray Stephenson) - 2 9. Reputational risk (Jonathan Owen) - 2 10. Failing to sustain/develop relations with partners (Jonathan Owen) - 3	2. Receiving a lower than expected CPA assessment (Jonathan Owen) - 3 6. Not maximising income or specific grants (Mike Stringer) - 3	
	2		13. Human Rights Act (Christine Dooley) - 3	11. Poor external communication (Jonathan Owen) - 2 15. Contract Failure (Mike Stringer) - 3	
	1				
		1	2	3	4
LIKELIHOOD					
		Significant scope for improvement of risk response	Moderate scope for improvement of risk response	Risk response is sufficient	

Appendix 8 Benefit Investigations 1st April 2005 – 31 December 2005

The 31 December 2005 results against targets are:

	2005/6 Target	2005/6 Net Value £	YTD Target	YTD Target £	Achieved	Net Value £
Official Cautions administered	54	64,800	41	49,200	37	44,400
Administration Penalties administered	54	64,800	40	48,000	1	1,200
Administration Penalties Fines administered	54	4,050	40	3,000	1	168.88
Summonses Issued	14	16,800	10	12,000	18	21,600
Prosecutions (convictions)	14	28,000	10	20,000	8	16,000
Prosecution Costs	14	-9,450	10	-6750	8	-8314
TOTAL		169,000		125,450		75,054.88

Targets

Although the target for summonses issued has been significantly exceeded, the number of cases subsequently heard at court has been adversely affected by an increase in not-guilty pleas. For the same reason, prosecution costs are higher than anticipated due to the additional work required to prepare a case for trial, and the additional court attendances.

BVPI 76

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

Description	Annual Target	Average @ 3 rd Quarter
- Number of claimants visited, per 1,000 caseload	5	2.84
- Number of fraud investigators employed, per 1,000 caseload	0.29	0.14
- Number of fraud investigations, per 1,000 caseload	60	17
- Number of prosecutions and sanctions, per 1,000 caseload	5.5	3.0



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 April 2006	14

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE.

SUMMARY

This report seeks Committee's approval to circulate a report on the work and the related outcomes of the Audit Committee over the last year to all Council Members.

RECOMMENDATION

That the Committee approves the attached report on the work of the Audit Committee, and agrees it for circulation to all Council Members.

REPORT DETAIL

It is good practice that the Committee circulate to all Council Members the work of the Committee.

The attached Report contains the following:

- Terms of Reference of the Committee.
- Key issues considered by the Audit Committee in the period under review.

The next report on the work of the Audit Committee will cover the period from 1st April 2006 to 30th April 2007 and be reported to July Council subject to an amendment to the Constitution.

Financial Implications

These are included in the main body of the report.

Equalities Implications

None arising directly

Environmental Implications

None arising directly

Legal Implications

None arising directly

HR Implications

None arising directly

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STEPHEN EVANS
Chief Executive

Background Papers



**REPORT ON THE WORK
of the
AUDIT COMMITTEE
IN RELATION TO THE HAVERING PENSION FUND
TO ALL COUNCIL MEMBERS**

MARCH 2006

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Introduction

This report covers the period 1st April 2005 to 31 March 2006 and outlines:-

- The work of the Audit Committee
- The performance of the authority in key audit matters.

Background to an Audit Committee

The Audit Committee has been in place for a number of years and has as its terms of reference:

Internal Control

- To consider and monitor the adequacy and effectiveness of the authority's risk management and internal control environment and to make recommendations to full Council where necessary.

External Audit

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

Internal Audit

- To support the Group Director Finance & Commercial with his or her delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To receive and approve the Annual Statement of Accounts.
- To monitor proactive fraud and corruption arrangements.

The Management Structure

Audit Committee	Cllr Graham Price Cllr Eddie Cahill Cllr Roger Ramsey Cllr Gillian Ford Cllr Malvin Brown Cllr Wilf Mills
Internal Auditors	PPS Acit April – September 05 Internal service September 05 – March 06
External Auditors	Audit Commission

Regular Work

The Committee has regularly reviewed:

- progress against the audit plan;
- key findings/issues arising from each audit undertaken;
- progress against implementation of the recommendations;
- anti fraud and corruption activity including frauds identified;
- progress against Audit Commission Inspection Plan;
- regular reviews of progress against the variance action plans, including Annual Letter; statement of Internal Control.

The Committee also:

- reviewed and discussed the Annual Letter from Audit Commission;
- undertook a full review of the Risk Management Strategy.

Specific Review/Report

There were several during the year including:

- annual review of fraud and corruption;
- reviewed the work and cost effectiveness of the Grants Co-ordinator. This report demonstrated there had been clear improvement in the number;
 - (i) submitted on time;
 - (ii) submitted late;
 - (iii) of amended claims;
 - (iv) of qualified claims.
- reviewed the Audit Commission report on 2003/04 audit of Performance Indicators;
- reviewed the use of mobile telephones;
- reviewed and approved the annual accounts as well as the findings of the external audit;
- approved the Statement on Internal Control having regard to the work of the Committee;

- agreed the strategy to use for developing the Audit Plan; considered and agreed the Audit Plan.

Key Issues arising

Generally there is good satisfaction from clients with the Internal Audit Service. However the Audit Commission has specifically made recommendations to strengthen internal audit in respect of:

- the Internal Audit Service was brought back inhouse during September due to the contractor PPS Acit going into Administration;
- the implementation of recommendations has improved and the Committee Members active involvement in requiring explanations of delays has improved the position.

Specific training undertaken

The Committee has received dedicated training and awareness on:

- its role in risk management
- fraud and corruption
- the statement of accounts.

Priorities for the forthcoming year

This is the new year of an Administration and hence the following priorities take this into account:

- training of the Committee Members in audit and risk management;
- taking forward the issues identified in the Committee review against Cipfa guidelines.

Committee plan for the forthcoming year

Please see Appendix A. There will be specific reports added as required during the year.

APPENDIX A

**AUDIT COMMITTEE – FORWARD PLAN/TRAINING
BOLD = COMPLETED**

FORWARD PLAN	TOPIC
4 April 2006 Check annual review of ongoing recs. in place.	<ul style="list-style-type: none"> • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Report on activity to release to full Council • Receive Annual Letter 2004/05 • Training Programme inc RM
29 June 2006	<ul style="list-style-type: none"> • Annual Accounts • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress
28 September 2006	<ul style="list-style-type: none"> • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Grants Performance • Annual School Report • SAS 610 • Annual Review of Risk Management Arrangements
12 December 2006	<ul style="list-style-type: none"> • Annual Review of Anti Fraud and Corruption Arrangements • DA Progress • IA Client Report • Internal Audit work • Annual Letter Progress • Audit Plan Strategy
1 March 2007	<ul style="list-style-type: none"> • Agree Audit Plan • Annual Letter Progress • IA Client Report • Internal Audit work • DA Progress/work
24 April 2007 Check annual review of ongoing recs in place	<ul style="list-style-type: none"> • Agree Committee Annual Report • Receive Annual Letter 05/06 • DA Work Plan



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 APRIL 2006	15

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: WHISTLEBLOWING

SUMMARY

This report updates Members on the revised Confidential Reporting Policy which has been reviewed and renamed the Whistleblowing/Confidential Reporting Policy.

RECOMMENDATION

To note the attached policy.

REPORT DETAIL

1. As part of a review of its policies and procedures, Human Resources have undertaken a review of its Confidential Reporting policy.
2. This policy had not been updated since it was implemented some time ago. It therefore seemed an opportune time to review this policy given the implementation of the whistleblowing policy on pensions to ensure there was a consistent approach to dealing with these issues. As part of the review, it was agreed to rename the document the Whistleblowing/Confidential

Reporting Policy as individuals more readily recognise the term whistleblowing.

3. In addition, further amendments were made to take into account structural changes within the Council.
4. Attached at Appendix A is the revised policy. Comments on the revised policy were sought from the Governance Committee.
5. A number of actions have been identified in order to communicate this revised policy to managers and staff:
 - Inclusion in New Starters Pack – commenced;
 - Discussion at Corporate Induction within Human Resources presentation - commenced;
 - Policy placed within HR page on Intranet –done;
 - Short article in HR Newsletter to be sent out in w/c 10th April 2006;
 - Dissemination of a Global E mail -planned for early April;
 - Briefing at Management team meetings by HR Managers during April.

In addition, Rita Greenwood, Group Director, Finance & Commercial, has conducted a series of briefings in regard to the new Pension Regulations and the interconnection in regard to Whistleblowing.

Financial Implications and risks:

None apparent.

Legal Implications and risks:

This document complies with relevant codes of practice and best practice models.

Human Resources Implications and risks:

Without a policy, there would be no safe way for individuals to blow the whistle on malpractice. In addition the absence of a policy would mean that it is acceptable for staff to go outside the organisation in the first instance. Clearly this Policy provides the internal mechanism to investigate and resolve issues prior to this being necessary. The Policy will need to be briefed to all staff to ensure that they are all aware of the contents.

Equalities and Social Inclusion Implications and risks:

None.

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Telephone No:	01708 433610
E-mail address	florence.agyei@haverling.gov.uk

STEPHEN EVANS
Chief Executive

Background Papers List

Appendix A : Revised Whistleblowing/Confidential Reporting Policy

WHISTLE BLOWING/CONFIDENTIAL REPORTING POLICY

1 Introduction

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report something which after all, may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect and encourage employees, and others whom we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis (i.e. between the employee voicing the concern and the person to whom the concern is voiced).
- 1.3 This policy document makes it clear that you can do so without fear of victimisation, reprisal, subsequent discrimination or disadvantage. This Whistle Blowing/Confidential Reporting policy is intended to encourage and enable employees and others to raise concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside, in line with the Public Interest Disclosure Act 1998 (Whistle Blowing).

2. Who does the policy apply to?

- 2.1 The policy applies to all employees (permanent, temporary and casual), contractors and those in partnership roles working for the Council on Council premises, for example, agency staff, builders, drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 2.2 This policy does not apply to service users. Where applicable, employees are responsible for making service users aware of the existence of the Council's complaints procedure (via Customer Relations Manager) and other appropriate statutory reporting procedures (via the relevant Service Directorate).
- 2.3 This policy framework (based on the Employers Organisation Confidential Reporting Code model) has been discussed nationally with the relevant trade unions and professional organisations and has their support.

3. Aims and the scope of the policy

3.1 This policy aims to:

- encourage you to feel confident in raising concerns and to question and act upon concerns about practice
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them further, if you are not satisfied with the response
- reassure you that provided you have a reasonable belief that the information you disclose is substantially true and that you act in good faith, you will be protected from possible reprisals or victimisation.

3.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. The Whistle blowing/ Confidential Reporting Policy is intended to cover concerns that fall outside the scope of other procedures. These include:

- conduct which is a criminal offence or a breach of law
- possible fraud or corruption - audit
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- deliberate covering up of information which tends to show any of the above
- the unauthorised use of public funds – including Pension fund (please see details on page 7)
- a person being discriminated against because of their race, colour religion, ethnic or national origin, disability, age, sex, sexuality, class or home life
- a person deliberately not keeping to a Council policy, an official code of practice or any law or regulation
- sexual or physical abuse of clients, or
- other unethical conduct

3.3 Thus, any serious concerns that you have about any aspect of service provision or the conduct of staff or members of the Council or others acting on behalf of the Council can be reported under this Whistle blowing/Confidential Reporting Policy. Your concern may for example be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- is against the Council's Contract Procedure Rules (in accordance with the Procurement Framework and/or Financial Regulations) and/or policies such as the Code of Conduct; or

- falls below established standards of practice; or
- amounts to improper conduct.

1

3.4 This policy does not replace the corporate complaints procedure or financial regulations which should also be referred to in cases of complaints or financial irregularities.

4. **What is not covered?**

4.1 You cannot use this policy to deal with issues which are covered by other corporate policies and procedures. Examples of these are:

- Issues/complaints from staff in respect of their employment. These would be dealt with through the grievance procedure.
- Customer complaints regarding services. The corporate complaints procedure would be used in these situations.
- Allegations against Councillors. (In the first instance you would need to report your concerns to the appropriate Group Director who would raise your concerns with the Corporate Legal Advisor (Monitoring Officer) should he/she feels that there is the need for and investigation)

5. **Safeguards**

Harassment or Victimisation

5.1 The Council is committed to good practice and high standards and wants to be supportive of employees.

5.2 The Council recognises that the decision to report a concern can be a difficult one to make. If you have a reasonable belief that what you are saying is true, you will have nothing to fear.

5.3 The Council will not tolerate any harassment or victimisation (including informal pressures) upon you as a result of making a disclosure in accordance with this policy and will take appropriate action to protect you when you raise a concern in good faith. The Council, in the event of reprisals or victimisation against you because you have acted in accordance with this policy, will consider and may take disciplinary action against the employee responsible for such victimisation and/or reprisal.

5.4 In some circumstances it is recognised that a person making information known about their colleagues may find it difficult to return to his/her normal job. The Council has a duty of care to provide a safe working environment and treat its employees with respect.

5.5 If this is not possible in the employees normal job because of the situation surrounding the disclosure of confidential information, the Council will seek to redeploy the individual, taking account of their generic and specialist skills, abilities and experience. The Council will also protect the employees normal level of pay, indefinitely, ensuring that they do not suffer any detriment, by blowing the whistle.

5.6 Any investigation into allegations of potential malpractice raised by you, will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

6. Confidentiality

6.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

7. Anonymous Allegations

7.1 This policy encourages you to put your name to your allegation whenever possible. Concerns expressed anonymously are much less powerful; if made, anonymously, the concern will be considered at the discretion of the Council.

7.2 In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

8. Untrue Allegations

8.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

9. How to raise a concern

9.1 As a first step, you should normally raise concerns with your immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your line manager is involved, you should approach their Line Manager, your Head of Service, the Corporate Legal Advisor (Monitoring Officer), Internal Audit your Human Resources Manager.

9.2 Concerns may be raised verbally or in writing. Staff who wish to make a written report are invited to use the following format:

- the background and history of the concern (giving relevant dates)
- the reason why you are particularly concerned about the situation

9.3 For verbal concerns, the manager with whom the concerns are raised should record the allegations which should be agreed and signed by both parties.

9.4 The earlier you express the concern, the easier it is to take action.

9.5 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

If you need further advice/guidance on how to pursue matters of concern, this can be obtained from:

- Head of Corporate Business Management (Financial Monitoring Officer)
- Chief Internal Auditor or Principal Audit Manager (Fraud)
- Assistant Chief Executive – Human Resources
- Your Head of Service if that is possible or a member of the Policy and Advisory Team within Human Resources who would deal with your area of work.
- Group Directors
- Chief Executive

(Please contact your Human Resources Team for details of the current post holders for the above mentioned posts)

9.6 You may wish to seek the advice and/or support of your trade union representative or consider discussing your concern with a colleague first as you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

9.7 You may invite your trade union representative or a work colleague to be present during any meetings or interviews in connection with the concerns you have raised.

9.8 The person to whom the concern is expressed i.e. line manager, supervisor or any of the persons listed above, should send a copy of the written report (details of concerns) to the Monitoring Officer.

10. How the Council will respond

10.1 The Council will respond promptly to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

10.2 Where appropriate, the matters raised may:

- be investigated by management, internal audit, or through by another appropriate person
- be referred to the police
- other agencies (ie.Social Services)
- be referred to the external auditor
- form the subject of an independent inquiry

- 10.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made by a designated officer or the person to whom the concerns is voiced, to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest.
- 10.4 Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.
- 10.5 Some concerns may be resolved by agreed action, without the need for a full investigation. If during the investigation, urgent action is required this will be taken as soon as possible.
- 10.6 The person with whom you raise your concerns, will provide you with a response within 20 working days and will:
- indicate the proposals to deal with the matter
 - give an estimate of how long it will take to provide a final response
 - tell you whether any initial enquiries have been made
 - supply you with information on staff support mechanisms, and
 - tell you whether further investigations will take place and if not, why not
- 10.7 The amount of contact between the officers considering the issues and yourself will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you, by arranging a meeting. Where any meeting is arranged, you can be accompanied by a trade union representative or a work colleague, the meeting can be held off-site if you so wish.
- 10.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 10.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the progress and outcome of any investigation, as promptly as possible.

11. The Responsible Officer

- 11.1 The Corporate Legal Advisor (Monitoring Officer) has overall responsibility for the maintenance and operation of this policy. The officer will maintain a record of all concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report to the Council, as necessary.

12. How the matter can be taken further

- 12.1 This policy is intended to provide employees with an avenue within the Council to raise concerns. The Council hopes that employees who raise concerns will be satisfied with any action taken. If, however, an employee is unhappy with the way the investigation has been handled or the Council's response, they can take the matter outside the Council. The possible contacts are at Appendix A.
- 12.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information which is not relevant to your case. Check with the contact point or Human Resources Team regarding this.
- 12.3 If you are unsure whether or how to use this procedure or want confidential advice, you may contact - The independent charity, Public Concern at Work on 020 74046609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

13. Additional policies available

- 13.1 In addition to this policy there are currently two additional corporate policies which may assist you if you feel that there is an issue to be addressed. These are:

13.2 The Corporate strategy for the prevention and detection of fraud and corruption

This policy aims to:

- demonstrate that the Council has introduced controls and regulations within all levels of the organisation to combat fraud and corruption
- protect any person who draws attention to misconduct in the organisation
- provide checks, balances and general safeguards against any abuse of power and authority that might arise anywhere in the Council.

- 13.3 A copy of this policy can be found on the intranet via 'Essential Corporate Information'. See document 'Fraud Prevention Statement'. The following telephone numbers are also available:

Benefit Fraud – 01708 43 2405
Other Fraud Issues – 01708 43 2617
24 hours answer phone – 01708 43 2207

13.4 The Whistle blowing requirements of the Pensions Act 2004

- 13.5 These new requirements extends the obligation to whistle blow to nearly everyone connected with running a pension scheme, in particular trustees (or the administering authority for the LGPS) and employers. Anyone wishing to report issues within Havering should initially contact the Chief Finance Officer (CFO) who will set out a plan to included clarifying the facts around the suspected breach and to consider the material significance of the breach. The CFO or nominated person will then review and assess if a report should be made to the Pensions Regulator.
- 13.6 The Pensions Regulator has now issued a Code of Practice (CP1) which sets out guidance on how to comply.
- 13.7 For further information regarding this policy and any other general enquiries the pensions department can be contacted via email pensions@havering.gov.uk.

APPENDIX A

PRESCRIBED REGULATORS

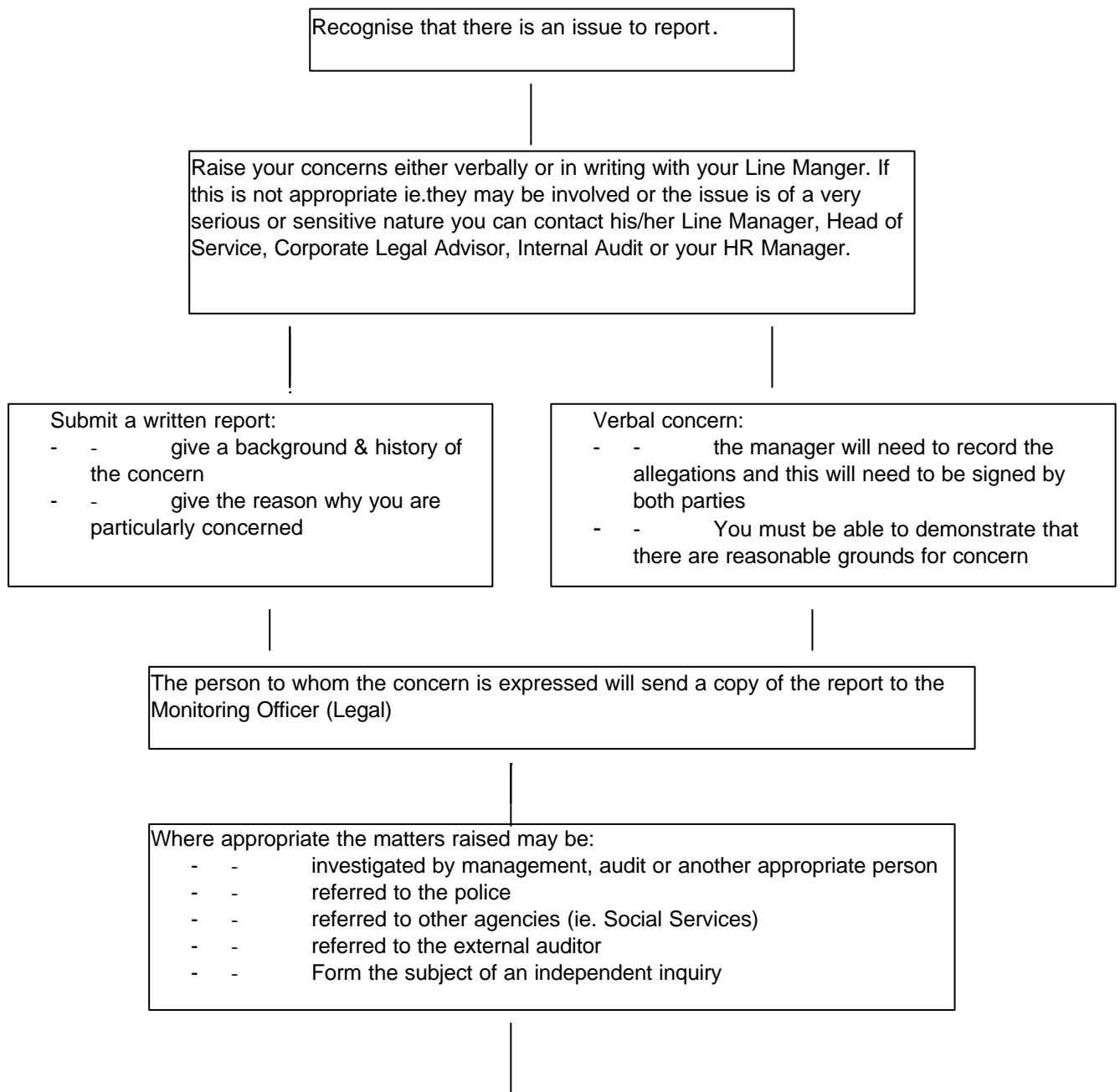
- Health and Safety risks - Health & Safety Executive
Tel : 020 7717 6000
020 75562100
- Environmental issues - The Environment Investigation
Agency - Tel: 020 7490 7040
- Utilities - OFTEL - Tel : 020 7634 8700
0845 714 5000
OFGEM - Tel : 020 79017000
Rail Regulator -Tel: 020 7282 2000
- Financial Services & the City - Financial Services Authority
Tel : 0845 606 13234
020 7676 1099
HM Treasury
Tel: 020 7270 3000
020 7270 5000
- Fraud and Fiscal Irregularities - Director General - Serious Fraud
Office, Tel: 020 7239 7272
Inland Revenue -
Tel: 020 7605 9800
020 8370 7300
020 8522 5700
020 8509 4700
Customs & Excise
Tel: 020 7620 1313
0800 595 000
- Public Sector Finance - National Audit Office
Tel: 020 77987000
District Audit Service
Tel : 020 7233 6400
Audit Commission
Tel: 020 7828 1212

- Company Law - Secretary of State - Department of Trade & Industry.
Tel: 020 7215 5000
Textphone/minicom users only:
020 7215 6740

- Competition & Consumer Law - Director General - Office Fair Trading
Tel: 020 7211 8608

- Others - Certification Officer (TU's)
Tel : 020 72103734/3735
Civil Aviation Authority
Tel : 020 7379 7311
Charity Commission
Tel : 0870 3330123
Criminal Cases Review Commission,
Tel: 0121 633 1800
Data Protection Commissioner,
Tel : 01625 545 700
Occupational Pensions Regulatory
Authority. Tel: 01273 627 600

Whistleblowing/Confidential Reporting Policy



A response will be provided by the person with whom you raised your concerns within 20 working days of you raising the issues with them.

The response will include the proposals to deal with the matter, an estimate of how long it will take to make a final response, advising whether initial enquiries have been made, supplying information on staff support mechanisms and advising whether further investigations will take place, if not, why not.

If the person reporting the concern is unhappy with the way in which the investigation has been handled or the Council's response they can take the matter outside of the Council. Possible contacts are listed in the policy.