

# AUDIT COMMITTEE

## AGENDA

7.30pm

Tuesday,  
4 March 2008

Havering Town Hall  
Main Road, Romford

Members 8: Quorum 3

### COUNCILLORS:

#### Conservative Group (5)

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

#### Residents' Group (2)

Clarence Barrett  
Barbara Matthews

#### Rainham and Wennington Independent Residents Group (1)

Mark Stewart

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# NOTES ABOUT THE MEETING

## 1. HEALTH AND SAFETY

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

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

## 2. MOBILE COMMUNICATIONS DEVICES

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

## 3. CONDUCT AT THE MEETING

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

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

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

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

## **AGENDA ITEMS**

### **1. CHAIRMAN'S ANNOUNCEMENTS**

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

### **2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS**

### **3. DECLARATION OF INTERESTS**

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

### **4. MINUTES**

To approve as a correct record the minutes of the Committee meeting held 11<sup>th</sup> December 2007 and to authorise the Chairman to sign them.

### **5. AUDIT COMMISSION PROGRESS REPORT – Audit Commission**

### **6. INTERNAL AUDIT REPORT**

### **7. INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE**

### **8. INTERNAL AUDIT STRATEGY AND OPERATIOAL PLAN 2008/09**

### **9. AUDIT & INSPECTION ANNUAL LETTER 2005/06**

### **10. URGENT BUSINESS**

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

**Cheryl Coppell  
Chief Executive**

Audit Committee, 4 March 2008

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE**  
**Havering Town Hall, Romford**  
**11 December 2007 (7.30pm – 8.35pm)**

**Present:**

**COUNCILLORS**

**Conservative Group**            David Grantham (in the Chair), Frederick Thompson, Roger Ramsey and +Melvin Wallace,

**Residents' Group**            Clarence Barrett and Barbara Matthews

+ Substitute Member: Councillor Melvin Wallace for Gary Adams

Apologies were received from Councillors Gary Adams and Michael Armstrong

All decisions were made with no member voting against.

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

**16     MINUTES**

After a minor amendment had been made the minutes of the meeting held on 27 September 2007, were agreed as a correct record, and signed by the Chairman.

**17     AUDIT COMMISSION PROGRESS REPORT – Audit Commission**

The Audit Manager from the Audit Commission presented the report to the Committee. The Committee's attention was drawn to the unqualified accounts opinion and VFM conclusion dated 28 September 2007.

Within the section 'Setting High Ethical Standards' the report highlighted "that both Members and officers had a clear understanding of expected standards of personal conduct and their responsibilities". The Audit Manager informed Members that the Council had rated well against other authorities where the survey had been conducted.

The Audit Committee was advised that the Culture inspection has now been finalised. The conclusion of the inspection was that the Council currently provides fair (one star) cultural services which have promising prospects for improvement

The report provided a commitment by the Audit Commission to work with the Council to encourage and disseminate innovative practices. The Interim Audit Services Manager confirmed that, workload permitting, she would be pleased to respond to this offer on behalf of the Council's Internal Audit.

The Committee **considered and noted** the Audit Commission's report.

## **18 INTERNAL AUDIT REPORT**

The Interim Audit Services Manager presented this report to the Committee which was scrutinised by Members.

This outlined that at the cut-off date in September 2007, three audits had been completed, each of which received an unqualified opinion. Seven more reports had also been completed to draft report stage by the cut-off. Many of these drafts had been completed by the end of November and will be reported to the Committee at the next meeting.

Members heard that, by the end of November, 50% of the Audit Plan was complete and the team is on track to meet its December targets.

An explanation of the use of the contingency days was provided. Some reallocation of the days expected to be expended on the Business Continuity – IT Audit would need to be considered as it was unnecessary to conduct this audit at present, due to duplication in the Computer Audit and Systems Audit Plans..

An update on the future of the internal audit service was presented by the Head of Financial Services. The Committee was reminded that following the Council's former internal audit service provider being placed in to administration, attempts were made to establish audit service collaboration with other London Boroughs. This had proved very difficult. An Interim Audit Service Manager was appointed through an arrangement with Deloitte in April 2007, after two senior Audit Managers left the Council. This arrangement incurred the Council in greater cost and therefore the recruitment of a Senior Audit Manager had recently been undertaken resulting in the current Interim Service Manager being appointed. The Committee congratulated the Interim Audit Service Manager on her appointment and asked that once in post, she submit a report on the 2008 direction of the Internal Audit Service. It was also requested that financial data regarding the cost of the service be included in future progress reports for Member's information.

The assurance scores, from the recent peer review to gauge compliance with the CITFA code and the Council's 'partial' compliance category outcome were drawn to Member's attention. It was felt beneficial for officers to meet with other London Borough peers to review the results and consider items of best practice.

An outline of the Internal Audit Plans and allocated day spends 2007 – 2010 was given. Members were informed that a more detailed 2008/09 plan would be brought to the next meeting.

Internal Audit's fraud investigation work was explained and the Council's audit performance indicators examined.

It was noted that slight alterations to the role of the Internal Audit Services had been made recently, and that the team as now responsible for the follow up of all outstanding recommendations. It was agreed that the follow up would initially focus on the oldest recommendations, particularly those with high priority so that they could be cleared from the list.

Benefit investigation comparison information was also presented to the Committee.

The Interim Audit Service Manager outlined her review of the Receivership and Appointee services and proposed plan of future action. Members requested some further details regarding charges for the service to be circulated for information. Consideration will be given to the increase of fees for Court of Protection cases undertaken so that these, where possible, become self financing.

Members were also provided with an Internal Audit Charter and Terms of Reference, for comment in advance of the annual review. The Committee were advised that the document needed to be updated to reflect changes in job titles and structures. A revised version would be placed on the agenda of the next meeting.

The Interim Audit Services Manager responded to Members questions:

1. Confirming that the E-mail security audit report, outstanding since July 2007 was now in the final reporting stage. Unfortunately some service area responses had not been received by the cut-off in September. A protocol had now been established to increase the speed of responses and where these were not forthcoming, could ultimately lead to an invitation to service area manager concerned to attend the Audit Committee to explain why their required responses had not been received.
2. Members asked if it could be possible to establish links between the Audit Plan and the budget for internal audit. The relevant financial information will be circulated by e-mail for Members information.
3. Repayment of sums stolen by a former Care-home manager are initially to be made from the Adult Social Services budget, however it is hoped to pursue recovery from the culprits assets.
4. Following Member concerns regarding the overall assurance of the Street Lighting report, in light of the comment regarding the lack of Risk Management procedures, it was explained that there was non-compliance with the Council's Risk Management procedures and that the management summary would need to be reviewed to ensure it provided a balanced view of the system overall. It was indicated that the

quality review process for reports would be changed to specifically focus on the tone of the management summary.. Overall street lighting obtained an unqualified audit opinion although Internal Audit intend following up a number of points to ensure these are properly addressed, including the bedding in of the MayRise system.

5. Clarification of how dummy invoices are used as control checks for invoice runs was provided. As confidence grows in the use of the new systems, the level of dummy invoice use would reduce.
6. The purpose of loans within the Council's cash-flow management was outlined. It was confirmed that the Council's treasury position detailed in the report were only snap-shot figures and that the Council's treasury functions are carefully scrutinised by the Cabinet Member for Resources on a regular basis.
7. Members received confirmation that risks identified within the Compliance Action Plan were the potential and not the actual risks.
8. Internal Audit also confirmed that it intends to proactively revisit the 2003/2004 outstanding recommendations to clear these and ensure they were no longer simply academic items.

Members **noted and accepted** the report.

## **19 ANNUAL REVIEW OF ANTI FRAUD AND CORRUPTION ARRANGEMENTS INCLUDING WHISTLEBLOWING POLICY.**

The Committee received the report detailing the results of the 2007/2008 fraud campaign and outlining how this campaign is to be taken forward into 2008/2009. A review is planned early in 2008 to look at all whistleblowing reports received in the current year, to consider the effectiveness of the current arrangements.

The Audit Commission had recommended the Council attempt to establish a stronger role for Members within its anti-fraud campaign. It was suggested that a poster design competition could be run within local schools, judged by Members to promote the campaign. Members will also continue to issue press releases requesting vigilance regarding fraud reporting. It was thought that reference to anti fraud measures and campaigns at Area Committee meetings could assist. Clarification that two Fraud hotlines currently existed, one to Internal Audit and the other relating to housing benefit fraud, was given to Members. At the cut-off, six cases had been reported, to Internal Audit line and 88 to Housing Benefits

Officers agreed to revisit the wording for the role of employees and management within the Corporate Strategy for the Prevention and Detection of Fraud and Corruption policy document, to provide greater consistency in some requirement areas.

Members **resolved to note** the report and **approve** its recommendations.



## 20 ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

The Interim Audit Services Manager advised Members that the bi-annual review of the risk management register was currently underway. The Corporate Risk Register and results of the Use of Resources audit were presented. The Audit Commission had fed back two recommendations that were accepted.

The Risk Management Strategy and Chief Executive's Risk Management Policy Statement were examined.

Clarification of the risks for the Council associated with the London 2012 Olympics were given to the Committee. Members were also advised how training in risk management issues was allocated and prioritised.

The Committee **noted** the report and **agreed** its recommendations..

## 21 ADULT SOCIAL SERVICES REPORT

The Group Director – Finance and Commercial Services presented this report. Concern was expressed over the potential delays in the appointment of representative Panel Members from Corporate and Adult Services Overview and Scrutiny Committees. It was explained that due to various complications it was unlikely that the Panel could meet before March/April 2008. Members asked if it was possible to appoint Panel representatives before March.

The Committee **resolved**: to appoint Councillors Barrett and Grantham as its Panel members

## 22 URGENT BUSINESS

None.



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MEETING	DATE	ITEM
AUDIT COMMITTEE	04 March 2008	5

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## REPORT OF THE CHIEF EXECUTIVE

**SUBJECT: AUDIT COMMISSION PROGRESS REPORT**

### **SUMMARY**

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

### **RECOMMENDATION**

To consider the contents of the report.

### **REPORT DETAIL**

See Attached report from the Audit Commission

### **Financial Implications and risks:**

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, managers are obligated to consider financial risks, the use of resources and the costs associated with the implementation of the recommendations. There are no other financial implications or risks arising directly from this report.

**Legal Implications and risks:**

None arising directly from this report

**Human Resource implications and risks:**

None arising directly from this report

**Equalities and Social Inclusion implications:**

None arising directly from this report.

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**CHERYL COPPELL**  
**Chief Executive**

**Background Papers**

None

# **Progress report to the Audit Committee**

**London Borough of Havering**

**Audits for 2006/07 and 2007/08**

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**

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.

### **Copies of this report**

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

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## Introduction

- 1 The purpose of this report is to update the March 2008 Audit Committee on work completed since the last Audit Committee in December 2007 and the work to be completed during the rest of the year.
- 2 This report includes:
  - details of those reports issued since our last progress report;
  - a summary of the developing Corporate Area Assessment framework (CAA);
  - a summary of current work in progress at Appendix 1 (this excludes completed items that have already been reported to the Audit Committee in this and previous progress reports); and
  - a summary of recent Audit Commission publications of relevance to the Council.

## Finalised reports

### ALMO Inspection

- 3 The ALMO was established in July 2006. The inspection considered how well the ALMO is managing and improving the Council's housing stock. The inspection found that good progress has been made in certain areas, for example, the ALMO has delivered improvements in tenant choice, participation and access to services, which has led to increased resident satisfaction. Condition surveys are robust and inform the maintenance programme.
- 4 Some areas for improvement were identified, in particular, the completion of repairs within the target time and on the first visit and ensuring services meet stated equality and diversity objectives. The ALMO is working with other agencies to reduce crime and disorder although customer satisfaction levels in this area are less positive. While standards of grounds maintenance are generally good, they are poor in some internal communal areas.
- 5 The ALMO delivers a comparatively low cost service and significant savings have been achieved through reviewing contracts. The ALMO now needs to develop action plans to ensure value for money continues to be delivered over the medium term. Capacity at a senior level is good although the dependency on agency staff at other grades needs to be addressed.
- 6 The Inspection concluded that the ALMO currently provides **fair** (one star) service which has **promising** prospects for improvement.

## Comprehensive area assessment

- 7 From 2009, the Audit Commission will be replacing Comprehensive Performance Assessments (CPA) with the Comprehensive Area Assessment (CAA).
- 8 19 November saw the launch of the first joint CAA consultation by the local public service inspectorates. The document was sent to a wide range of stakeholders across the public services and other relevant organisations. The consultation is part of the wider plans to encourage input from across the sectors into the creation of CAA. To read the consultation document, please visit the CAA web pages at [www.audit-commission.gov.uk/caa](http://www.audit-commission.gov.uk/caa).
- 9 The consultation invited views on proposals for the overall shape and scope of CAA. In particular on:
  - the assessment of risk in an area, including what we mean by risk and area;
  - how the different elements of CAA will fit together;
  - the sort of evidence we will use and how we will gather it, and how assessing risk depends on assessing performance;
  - reporting to, and engaging with, the public and how CAA will maintain a clear focus on improving performance and being a catalyst for innovation;
  - how CAA fits with the other performance frameworks; and
  - how CAA fits with Sustainable Communities Strategies, Local Area Agreements and the role of regional Government Offices.
- 10 We also launched our own consultation on the use of resources for 2009, including the proposed key lines of enquiry that will be delivered by auditors for the CAA.
- 11 Alongside the joint consultation, the inspectorates will be working together to develop the CAA framework by trying out ideas. The Commission will be developing the framework by sending teams to different areas of the country and learning by doing. We will be taking this approach in the following areas.
  - Hampshire - county council and partners.
  - Barking and Dagenham - London borough and partners.
  - Tees Valley - councils and partners in a multiple area agreement.
  - Thurrock - unitary council and partners.
- 12 The latest consultation closed on 15 February 2008. The inspectorates will now bring together the input from the consultation and the ideas which have been generated by our work in the action learning areas to create a more detailed consultation document. This will be jointly published in the summer.



- 13 The proposed outcomes from the CAA are an annual:
- risk assessment of services in the area;
  - assessment of performance against the national dataset;
  - direction of travel judgement for local authorities; and
  - a use of resources assessment.

## Appendix 1 – Progress in delivering the 2006/07 and 2007/08 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
<b>2006/07 Audit and Inspection Plan</b>					
Reporting					
Annual Audit and Inspection Letter 2006/07	ACES&C/ GDF&C	February 2008	March 2008		We issued our draft Annual Audit and Inspection Letter to the Council following the publication of the 2007 CPA scores in February 2008. The Letter will be presented to the April Audit Committee.
Grant claims					
2006/07 grant claims audit	GDF&C	June 2007	February 2008		We have now completed the audit of all the Council's 2006/07 grant claims and returns. There are no significant matters arising. A report will be presented to the April 2008 Audit Committee.

8 Progress Report to the Audit Committee | Audit Summary Report

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
<b>2007/08 Audit and Inspection Plan</b>					
Performance					
Use of resources assessment 2007	GDF&C	August 2007	November 2007	March 2008	We have completed our 2007 Use of Resources assessment and the Council has been notified of the scores. We have issued a draft report summarising the key messages and the Council is responding to the action plan.
Inspection					
Direction of Travel and CPA	CE/ACES&C	October 2007	February 2008	February 2008	The Council has been assessed as a three (out of 4) star authority and is improving well.

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
GDF&C	Group Director Finance and Commercial

## Appendix 2 – Recent reports issued by the Audit Commission

### Summary of use of resources scores 2007

#### What is this report about?

- 14 Published by the Audit Commission in January 2008, this report summarises use of resources scores and analysis for single tier and county councils and district councils. Use of resources is an annual assessment, undertaken as part of each council's external audit. It evaluates how well councils manage and use their financial resources to support their strategic priorities and deliver value for money. This is the third year of the use of resources assessment at councils. In addition to providing an overall score for every council, use of resources covers five themes. These are: financial reporting; financial management; financial standing; internal control; and value for money.

#### Main messages

- 15 The report notes that councils have demonstrated sustained improvement in their overall use of resources scores:
- 70 per cent of all councils performed consistently above or well above minimum requirements (up by 5 per cent since 2006), with single tier and county councils improving at a slightly faster rate than district councils
  - 40 councils achieved the highest score of 4 compared to 22 in 2006.
- 16 However, 10 councils performed below minimum requirements compared to six in 2006.
- 17 A strong net improvement across most of the use of resources themes was noted. Financial standing was the best performing theme for councils overall and value for money was the most improved. However, there has been a decline in financial reporting where 13 per cent of councils (51 councils) performed below minimum requirements in 2007 compared to 6 per cent in 2006.

#### The full report

- 18 The full report can be found on the Audit Commission website at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=D35D961E-86DF-476B-9A93-782E4767C6BD&fromREPORTSANDDATA=NATIONAL-REPORT>

## National school survey results 2007

### Introduction

- 19 This report, published in January 2008, summarises the results of the Audit Commission's (AC) School Survey of schools' perceptions of their council's services and the services provided locally for children and young people. The survey has been running as an annual, national, online exercise since summer 2002. This year 111 councils in England opted to take part in the survey, resulting in it being available to 16,214 schools: 5,595 chose to respond, an overall response rate of 35 per cent. The questions in the survey covered six areas, the five Every Child Matters outcomes: being healthy; staying safe; enjoying and achieving; making a positive contribution; and achieving economic well-being, plus service management.

### Main findings

- 20 Of the 82 questions in the survey, 94 per cent were given a response of satisfactory or above. This has improved by six percentage points from the previous year and indicates that schools are increasingly content with the support and services provided by their council and other local services.
- 21 The overall results mask large variation in the views of schools maintained by different councils. Councils have been provided with their individual results so they can see how the views of their schools compare with others nationally.
- 22 As in 2006, the most positively rated areas were child protection and school improvement. Also as in 2006, the most negatively rated area concerned the ability of local services to meet the mental health needs of children and young people. It is disappointing that there appears to have been no major improvement in this area over the last year. The survey supports the comments made in a significant number of JAR reports and APA summaries that there remain issues surrounding the effective and timely provision of mental health services for children and young people.

### The full report

- 23 For more detailed survey results the full report can be found on the Audit Commission website at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=5E5DC5F0-63A1-493f-8F30-1A1690408A2B&fromREPORTSANDDATA=NATIONAL-REPORT>
- 24 Separate sections within the report examine the scores for each type of council across the five use of resources themes.

## For better, for worse: value for money in strategic service-delivery partnerships

### Introduction

- 25 This report, published by the Audit Commission (AC) in January 2008, focuses on strategic service-delivery partnerships (SSPs) which are long-term public private partnerships through which contractors deliver a service or range of services for councils. SSPs are designed to improve value for money and deliver additional benefits without some of the drawbacks of traditional contracting. The 14 SSPs looked at by the AC are worth more than £2.6 billion, with individual contract values ranging from £50 million to £425 million, and councils expecting cost savings of between 1 and 15 per cent for services delivered through SSPs.

### Main findings

- 26 Most councils believe that they have got value for money from their SSPs, though this is hard to assess objectively. Performance targets have often been met or surpassed, and the councils reviewed have benefited from over £100 million investment in local infrastructure. But some councils have jeopardised the benefits by not managing the contracts that underpin SSPs effectively. There are examples of inadequate investment in client-side contract management and inappropriate risk allocation and poor performance management. Also, some councils have relied unduly on the language or spirit of partnership, believing erroneously that contractors would pursue shared goals without incentives to do so.
- 27 In addition, three of the earliest councils to adopt SSPs have terminated their agreements before their term, incurring additional costs. In continuing SSPs, purported benefits from economies of scale and transferred learning between sites have been slow to emerge and some SSPs have proved inflexible, hindering councils' ability to respond to changing external circumstances.
- 28 A clear message is that councils should only deliver services through SSPs if they are prepared to manage them effectively. They must be able to demonstrate at the outset and over the whole life of the contract that SSPs represent better value for money than other options and must be willing and able to manage large-scale complex contractual arrangements. Councils must also structure SSPs to adapt to changing circumstances and be willing to invest in client-side management.

### The way forward

- 29 The AC has developed a framework to help councils manage and assess the performance of SSPs. This is linked to existing technical guidance on particular challenges and will be taken into account in use of resources assessments.

- 30 The full report from this study can be found at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=ENGLISH^576^SUBJECT^488^REPORTS-AND-DATA^AC-REPORTS&ProdID=2EC60F18-BDC2-4faf-98AC-2E495B8B6CBD>

## Staying afloat: financing emergencies

### What is this report about?

- 31 Published by the Audit Commission in December 2007, this report considered the impact on the finances and services to residents in the local authorities affected by the floods of summer 2007. Overall the floods cost the 18 local authorities in this study almost a quarter of a billion pounds, with seventy per cent of these costs being incurred by just four local authorities. Not all of this cost has to be borne by the affected local authorities. There are sources of external funding, mainly government assistance and insurance claims.
- 32 Key messages in the report include:
- the cost to local authorities was high but manageable on this occasion because of generous government assistance, local authority insurance arrangements and the level of reserves
  - the overall package of government assistance was hastily put together, unpredictable and inconsistent between different government departments
  - it is unclear what government assistance will be available for the next catastrophic event and how the risks of future catastrophic events will be shared between government and local authorities, and between local authorities and their insurers, making it difficult for local authorities to make informed decisions on risk planning
  - generally local authorities are finding it difficult to predict and to mitigate the risks of catastrophic events as opposed to the usual risks they have to face.
- 33 The report also notes that assessing the risks for the whole country is more straightforward, as a small number of disasters can be predicted nationally every year, with it being more difficult to predict where they will occur. Also the cost of these disasters may be significant for the local area, but affordable nationally.

### How does this report affect Havering?

- 34 The report emphasises that central government and local authorities should work together to determine the clearest and most cost effective way to share the risks of catastrophic events. It urges central government to develop, as far as possible, a clear approach to the support it will provide to local public bodies in the event of a catastrophic event and local authorities to should consider the risks of an unlikely, but catastrophic emergency of any kind, not just flooding, separately from the more localised risks that are easier to understand, predict and mitigate.

- 35 The full report can be found on the Audit Commission website

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=FE7A55D1-B7D7-4746-B27D-A665ECB07DED&fromREPORTSANDDATA=NATIONAL-REPORT>

## Healthy competition: How councils can use competition and contestability to improve public services

### What is this report about?

- 36 Competition and contestability are important components of the public service reform. The 2006 Local Government White Paper Strong and Prosperous Communities encourages councils to use competition and contestability more effectively as part of their commissioning role: The 2007 Pre-Budget report also presented councils with the challenge of achieving £4.9 billion cash-releasing efficiencies during the Comprehensive Spending Review 2007 period. Much of this is to be met through enhanced competition and smarter procurement. Councils are now being asked to adopt a more sophisticated approach to markets to achieve their public service delivery objectives.
- 37 Dealing with this new agenda and overcoming the inherent difficulties of public service markets will require new skills in market management and commissioning. This report will help council officers and members consider the current challenges they face. It presents:
- the potential for competition and contestability to generate cost savings and service improvements;
  - practical examples of councils successfully using competition and contestability; and
  - the pre-conditions that councils must have in place to make effective use of competition and contestability.
- 38 The report proposes that:
- councils can use market mechanisms like competition and contestability to generate benefits for taxpayers and service users;
  - competition and contestability can help councils deliver their place-shaping objectives;
  - successful councils are pragmatic in their use of competition and contestability; and
  - the pre-conditions for using competition and contestability most effectively are not widely in place.



### **How does this paper affect Havering?**

- 39 The report recommends that councils establish the pre-conditions to make the best use of competition and contestability by:
- identifying the current mindset and encouraging a pragmatic approach within the council;
  - identifying and filling any skills gaps in procurement and commissioning, either by building in-house capacity or seeking external expertise;
  - collecting and analysing market information before considering the use of competition and contestability in any particular service area; and
  - collecting and analysing performance information to ensure they adequately:
    - understand current performance;
    - assess the relative merits of the different options for service provision; and
    - monitor the performance of the chosen option.
- 40 The report includes a useful checklist for Members, Chief Executives and Senior Managers to support the delivery of the above recommendations.
- 41 The full report can be found on the Audit Commission website at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=ENGLISH^576&ProdID=D8FF4C6D-C465-4f81-9052-C18A0C16E83C&SectionID=sect1#>

## **Audit Commission audit practice annual quality report**

### **What is this report about?**

- 42 As a public audit agency, the Audit Commission (AC) needs to be able to provide assurance to audit clients, government and other stakeholders, and the public that the audit work the AC's in-house audit practice (the audit practice) delivers is of an appropriate quality. This report gives information on the audit practice and puts into the public domain information about the results of our internal quality monitoring programme and of quality reviews of our work by external inspectors.

### **What are the main contents of the report?**

- 43 The report provides background information on the audit practice including scope of responsibilities, governance and structure. The AC's approach to audit quality is set out, including the AC's definition of audit quality and the key attributes that contribute to the delivery of a quality audit. The quality framework is explained which has been developed to meet the standards set out in ISQC (UK&I) 1, which

sets out standards and provides guidance regarding a firm's responsibilities for its system of quality control for audits and reviews of historical financial information, and for other assurance and related services engagements.

- 44 The key messages from the quality monitoring programme carried out in 2006/07 are summarised in the report as:
- the quality of our audit work meets professional standards, but there is significant scope for improvement;
  - audited body satisfaction is good and consistent with last year, but some audited bodies have expressed concerns and made suggestions for improvement; and
  - the quality of reports has improved from last year, but, again, there remains scope for further improvement.
- 45 For foundation trust (FT) appointments, the AC is subject to external scrutiny through the quality control programme of Monitor, the body which regulates FTs. Monitor has appointed the Quality Assurance Directorate (QAD) of the ICAEW to undertake independent reviews of the FT audits undertaken by the Audit Commission and other audit firms. Monitor reported its overall conclusions in December 2006 as follows:
- the number and significance of the matters raised by QAD has diminished compared to the previous year;
  - audits were of a sufficiently high standard and suitable quality; and
  - QAD found no indication that an incorrect audit opinion has been given.
- 46 The final section of the report sets out the AC's commitment to quality audit and notes that to be credible, assurance about the quality of audit work needs to be, and seen to be, wholly independent. To that end, in 2006 the AC approached the Audit Inspection Unit (part of the Financial Reporting Council) to undertake a review of the quality of the financial statement audit work of the audit practice and the AIU has agreed to inspect the audit practice from 2008.

### **What happens now?**

- 47 Action is being taken in response to each of the key messages from the quality programme. These are also being fed back to staff through regional Heads of Audit and their local quality leads, and are being reinforced through national update training. In addition, all of the issues arising from the QAD reviews relating to AC audits have been reviewed by the Audit Standards Committee and action has been taken to ensure that, so far as possible, there is no repetition in future years.
- 48 The full report can be found on the Audit Commission website at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=CBB3C472-FF91-4e49-9EA1-98A06F44592D&fromREPORTSANDDATA=NATIONAL-REPORT>



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<b>MEETING</b>	<b>DATE</b>	<b>ITEM</b>
<b>AUDIT COMMITTEE</b>	<b>4 March 2008</b>	<b>6</b>

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### **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: INTERNAL AUDIT REPORT  
(Period 1 OCTOBER 2007 – 31 DECEMBER 2007)**

#### **SUMMARY**

This report advises the Committee of audit issues from internal audit activities for the period 01 October to 31 December.

#### **RECOMMENDATIONS**

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

#### **REPORT DETAIL**

<b>SECTION NO</b>		<b>PAGE REF (This Document)</b>
<b>1.</b>	<b>AUDIT 2007/2008 Plan</b>	<b>04</b>
	Schedule 1 – 2007/08 Audits Completed to Final Report Stage.	
	Schedule 2 – 2007/08 Audits Completed to Draft Report Stage.	
	Schedule 3 - Management summaries of Final Reports	<b>05</b>
	Progress Update on Qualified Reports	<b>26</b>

<b>2.</b>	<b>Changes to 2007/2008 Audit Plan</b>	<b>27</b>
	Schedule 4 – Additions/Deletions of Audits	
<b>SECTION NO</b>		<b>PAGE REF (This Document)</b>
	Schedule 5 – Audits deferred to 2008/09	<b>27</b>
<b>3.</b>	<b>Follow Up of 2006/07 Qualified Audits</b>	<b>28</b>
	Schedule 6 – summary of follow up results	
<b>4.</b>	<b>Statement on Internal Control Action Plan</b>	<b>30</b>
	Schedule 7 – SIC Action Plan	
<b>5.</b>	<b>Fraud</b>	<b>39</b>
	Schedule 8 - Completed work 1 <sup>st</sup> October to 31 <sup>st</sup> December 2007.	
	Schedule 9 – Current investigations.	
	Schedule 10 - Fraud Hotline Reports 2007/08.	
<b>6.</b>	<b>Performance Information</b>	<b>43</b>
	Graphs displaying Key Performance Indicators 1, 2, 3 and 4.	
<b>7.</b>	<b>Internal Audit Service Budget Information</b>	<b>45</b>
<b>8.</b>	<b>Summary of Recommendations</b>	<b>46</b>
	Tables indicating on-going and outstanding recommendations raised by both internal and external audit are attached.	
	Schedule 10 - Outstanding Internal Audit Recommendations 2003/2004.	
	Schedule 11 –Outstanding Internal Audit Recommendations 2004/2005.	
	Schedule 12 –Outstanding Internal Audit Recommendations 2005/2006.	
	Schedule 13 –Outstanding Internal Audit Recommendations 2006/2007.	
	Schedule 14 – High Priority Outstanding External Audit Recommendations.	
<b>9.</b>	<b>Benefits Comparative Information</b>	<b>51</b>
	Schedule 15 – Benefits Investigations.	
	Schedule 16 – BVPI 76 Security.	

Receiverships follow up  
Receiverships Good News Story

**Financial implications and risks:**

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. There are no financial implications or risks arising directly from this report.

**Legal implications and risks**

None arising directly from this report

**Human Resource implications and risks**

None arising directly from this report

**Equality and Social Inclusion implications**

None arising directly from this report

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**Cheryl Coppell**  
**Chief Executive**

**SECTION 1 – AUDIT 2007/08 Plan**

Schedule 1 details the final reports that were issued between October and December 2007. Details are listed in the table below and management summaries under Schedule 3 on page 5.

**SCHEDULE 1: 2007/2008 Audits Completed To Final Report Stage**

Report	Issued	Opinion	Recommendations				Ref
			High	Med	Low	Total	
Performance Management	31/10/07	Unqualified	0	0	3	3	Sch 3(a)
Employment Status	29/11/07	Qualified	8	1	0	9	Sch 3(b)
BVPs	30/11/07	Unqualified	0	3	0	3	Sch 3(c)
Content Management	4/12/07	Unqualified	0	3	1	4	Sch 3(d)
Email	18/12/07	Unqualified	0	3	2	5	Sch 3(e)
Freedom of Information	18/12/07	Unqualified	0	2	1	3	Sch 3(f)
Virus Protection	18/12/07	Unqualified	0	3	2	5	Sch 3(g)
Management of Homes in Havering	31/12/07	Unqualified	0	0	1	1	Sch 3(h)
Petty Cash	31/12/07	Qualified	0	15	6	21	Sch 3(i)
<b>Total</b>			<b>8</b>	<b>30</b>	<b>16</b>	<b>54</b>	

Schedule 2 reports those audits that have been completed to draft stage, but not finalised, from 1<sup>st</sup> October to the 31<sup>st</sup> December 2007. All reports have been finalised since the period ended and will be reported to the next Committee.

**SCHEDULE 2: 2007/2008 Audits Completed to Draft Report Stage**

Report	Draft Issued	Head of Service	Group Director
Creditors	29/11/07	Mike Stringer	Rita Greenwood
Council Tax	31/12/07	Jeff Potter	Rita Greenwood
NNDR	31/12/07	Jeff Potter	Rita Greenwood
Payroll	31/12/07	Jeff Potter	Rita Greenwood
Domestic Refuse	31/12/07	Bob Wenman	Cynthia Griffin
E Procurement	31/12/07	Ray Whitehouse	Rita Greenwood

**SCHEDULE 3: Management Summaries for 2007/2008 Audits**

<b>Performance Management</b>	<b>Schedule 3(a)</b>
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**1. Management Summary****1.1 Introduction**

This review was undertaken in accordance with the 2007-08 Internal Audit Plan to review the system of Performance Management.

There is a need for sound and consistent performance monitoring across the Council. This will help to ensure that there is a consistent approach to the way in which performance information is collected and reported. It will also allow trends to be identified and monitored.

Consistent performance monitoring also ensures that staff are treated fairly and consistently across the Council to ensure that they are all subject to the same rules and procedures and opportunities.

**1.2 Key Risk Areas reviewed**

This audit reviewed the following key risk areas:

- There are inadequate policies & guidance for setting performance targets within the Council leading to a non-uniform approach across the directorates;
- There are no staff performance measures in place;
- There are no performance indicators set for the different service areas;
- There are no Corporate targets set for performance standards resulting in different operational standards;
- No management support resulting in different assessment criteria & standards;
- Reports are not being presented in a timely manner;
- Inadequate IT software and monitoring programmes leading to difficulties in obtaining key information from the system;
- Managers not considering this to be a high priority leading to monitoring targets not being met, or different approaches to performance monitoring across the Council; and
- Senior Managers do not review/take appropriate action on a lack of performance within their area resulting in the continuation of bad practices, poor performance, financial loss, failure to optimise resources, and poor customer services and satisfaction.

**1.3 Critical Issues that require immediate Management attention**

There were no critical areas identified.

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

There were no significant areas identified.

**1.5 Other matters identified that require Management attention to ensure “good practice” within the Control Environment.**

There were three areas requiring management attention, one to ones do not form part of the overall performance management, there is no dedicated performance management computer software system in place and no good practice guide.

**1.6 Summary of Recommendation(s)**

We have made three low category recommendations as a result of our work in this area.

**1.7 Audit Opinion**

An unqualified audit opinion may be given as there are effective control systems in place for performance management with the exception of those issues mentioned above.



<b>Employment Status</b>	<b>Schedule 3(b)</b>
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## **1. Management Summary**

### **1.1 Introduction**

Audit were requested, by the Financial Systems Manager, to carry out a special review of Invoices passed for payment which require the HM Customs and Revenues rules on Employment Status to be applied.

The HM Customs and Revenues Guide on the criteria to establish whether a contractor's status is employed or self employed was used to provide a view on whether the correct method of payment has been used i.e. should the person be on the payroll of the London Borough of Havering (LBH)? The criteria set out in the Guidance are not a clear cut set of rules and it is open to interpretation. However, if LBH pay someone to do a particular job and it is;

- provided on a regular basis with little room for provision of services to another client;
- with little or no financial risk to the contractor;
- they use LBH equipment and premises; and
- are directed as to what is required to be done etc.

Then it would seem reasonable that this denotes that the contractor should be dealt with as an employee not paid on a self employed invoice payment basis.

### **1.2 Scope**

The special review concentrated on examining a sample of invoices which require application of Custom and Excise rules to ascertain if they have been applied correctly. Adequate controls over the processing of such payments are essential; otherwise there is a considerable risk of HM Customs and Revenues applying a fine for non compliance on the organisation, as well as individual Managers.

### **1.3 Critical Issues that require immediate Management attention**

The rules and procedures are at present considered to be adequate but there is a lack of enforcement and review of Appendix D forms and questionnaires. These need to be fully reviewed to ensure that they cover the requirements of Customs and Excise.

The Corporate rules and procedures should be updated to take account of the more stringent rules applied by HM Customs and Revenues.

Management should be trained in the importance of assessing the employment status of contractors correctly and that it is their own personal legal responsibility to explain to Customs and Excise should they have any queries.

There is a new 'on-line' system direct with Customs and Excise to determine

the employment status of each person who claims to be self employed and provides work and services to the LBH. Management need to ensure that everyone who is currently being paid as self employed through the Creditors system complete the on-line questionnaire. The results should be evaluated to ensure that the questions have been answered accurately. This exercise should be carried out on an annual basis.

The employment status of three Contractors reviewed as part of the testing sample should be reviewed with a view to putting them on the payroll for the work they are carrying out for the LBH.

Management should explain why it is beneficial to retain the services of two Limited Companies and pay them through agencies rather pay them directly through the LBH payroll.

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

If the services of third party suppliers are used then it should be determined by Management that the third party is a registered limited company otherwise an alternative method of payment should be sought.

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

Management should take action to recover the £240.00 duplicate payment discovered as part of the testing sample.

#### **1.6 Summary of Recommendations**

There are eight high and one medium priority recommendation.

#### **1.7 Audit Opinion**

A qualified Audit Opinion must be given as there are ineffective control systems in operation which weakens financial control and increases the risk of breaching HM Customs and Revenues rules.

<b>Best Value Performance Indicators - Libraries</b>	<b>Schedule 3(c)</b>
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## **1. Management Summary**

### **1.1 Introduction**

The bundle of Performance Indicators reported with regards to the Libraries at Havering include Public Library Standards (PLSSs) and BVPI 200. As concerns were raised by the External Auditors over the 2005/06 reported figures and robustness of audit trails, Internal Audit were asked to review the evidence files for the 2006/07 reported figures and provide assurance with regards to accuracy and completeness of information.

The following PLSSs were previously reserved by the Audit Commission and, although effort had been made to address the weaknesses, remained a concern to the Change Manager:

PLSS 9 – Annual items added through purchases per 1,000 population.  
 PLSS 10 – Time taken to replenish the lending stock on open or access or available on loan.

BVPI 200 – Compliance against the PLSSs is scored as a result of achieving a number of PLSSs. Compliance is assessed by the awarding of points based on the following:

- on the number of PLSS the authority has complied with and the general progress the authority has made against the PLSS from the previous financial year;
- where the PLSS are not met, the number of individual standards that authorities are within 5% of achieving; and
- provision to the general public apart from that offered in static libraries.

Performance in 2006/07 has been affected by the closure of Hornchurch Library for refurbishment.

### **1.2 Key Risk Areas reviewed**

This audit reviewed the following key risk areas:

- Non-Compliance with relevant definitions and guidance in the compilation of the PIs.
- Incorrect/Invalidated/Incomplete information used for calculation of Performance Indicators.
- Incorrect processing or calculation of information.
- Incorrect interpretation of the definition of the Performance Indicator.

### **1.3 Critical Issues that require immediate Management attention**

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

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

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

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

When calculating the PLSS scores care needs to be taken to ensure calculations are independently checked and that data is accurate. Errors in calculating library opening hours for PLSS 2 was found to have errors as was PLSS 6 for visitor numbers when some figures were not deducted.

Details are not kept on the OpenGalaxy library system for items that are removed as a result of loss or theft as found when checking a number of items for PLSSs 9 and 10. The possibility of keeping records on the system to provide details of a loss or theft should be considered in order to ensure good practice.

New purchases added to the OpenGalaxy library system cannot be matched to invoices due to the current process involved in buying new stock. To ensure good practice in future each item added through purchase should be matched to an invoice and details of this added to the item record. The purchasing process will change in future years to an electronic purchasing and invoicing system providing clearer proof of purchase matched to each item.

**1.6 Summary of recommendation(s)**

The report contains three medium priority recommendations.

**1.7 Audit Opinion**

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

<b>Content Management</b>	<b>Schedule 3(d)</b>
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## **1. Management Summary**

### **1.1 Introduction**

The 2007/2008 Internal Audit Plan includes an audit of Content Management System which is used for the management of content displayed on the Council's Internet site.

Havering have implemented a Content Management System (CMS) for the approval and uploading of Council information to be displayed on the Council's external facing website. This allows the Council to manage how information is displayed. The CMS is hosted and supported by an external supplier (GOSS).

The CMS amongst other functionality, allows the Council to display information using standard templates for the appearance of the website. The CMS is also able to manage the workflow of creating, authorising and the publishing of content. It is also able to maintain an audit history of changes to content and versions of the content. Security and access to the website is managed through access controls in place over the internet site.

A new Web Strategy has recently been approved during early September and this details the targets and aims of the Havering website.

### **1.2 Key Risk Areas reviewed**

The audit reviewed the following key risk areas:

- Website user experience is poor and does not meet web accessibility standards which may result in users such as those with visual impairments unable to use the website. Additionally, a poor user experience may result in users being unable to obtain relevant information and in future may not make use of the Havering website.
- Lack of appropriate website security measures could result in loss/theft of data including personal and payment card data. Lack of adequate business case may lead to systems which do not comply with the overall organisations strategy.
- Inappropriate levels or lack of server security measures may result in unauthorised access to the system.
- Lack of back office controls to the website may lead to unauthorised/inappropriate content being made available to the public.
- Inadequate change control processes could result in unsuccessful changes that cannot be recovered and changes may go unnoticed.
- Lack of appropriate review and authorisation by subject matter experts may result in inappropriate/misleading content being made available to the public.
- Lack of up to date and correct information may result in users abandoning use of the website.

### **1.3 Critical issues that require immediate management attention**

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

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

The service and support contract with Goss states that a Disaster Recovery Plan (DR) is in place however, the Council have not requested/received results of any DR tests that have taken place to ensure the resilience of the system.

The CMS system is hosted by a third party supplier (GOSS). Key control questions were provided to the supplier. These were received following completion of the audit however some responses were brief and did not give the Council sufficient information on the types of security and resilience controls in place.

The CMS password is not alpha numeric (system does not have this feature), and the system does not limit the number of unsuccessful access attempts. Additionally, there is no second line authentication used to access the CMS system externally via the internet.

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

When users click on links directing them to external sites there is no notification message produced informing the user they are leaving the Council’s site and are therefore not responsible for content on external sites.

### **1.6 Summary of recommendation(s)**

The report contains no high risk recommendations, three medium risk recommendation and one low risk recommendation.

### **1.7 Audit Opinion**

An unqualified audit opinion can be given as audit is satisfied that there is an adequate control environment in place over the Content Management System.

To improve the control environment management need to ensure that:

- Management should confirm with GOSS the security and resilience controls that are in place for the security and resilience of the hosted Content Management System. Where deficiencies are identified the supplier should be requested to improve controls.
- Management should request that Disaster Recovery testing is performed on the CMS on an annual basis and results monitored inline with expected recovery timeframes.

- The Council should request that the supplier enhance Logical Access Controls to ensure the system enforces alpha-numeric passwords and to lock out user accounts after three unsuccessful attempts. This should also identify if improved controls can be put in place to require secondary authentication for external users.
- Warning messages should be displayed when users are being directed to external sites.

It is important to note that additional weaknesses were identified during the audit relating to accessibility accreditation and management of expired content however, these issues have been addressed through the newly approved web strategy. A weakness in user management (timely removal from systems) was identified however, it was confirmed that there is currently a corporate initiative to assess this in line with ITIL standards. As a result no recommendations have been raised in these areas.

<b>Email Security</b>	<b>Schedule 3(e)</b>
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## **1. Management Summary**

### **1.1 Introduction**

The Council use the Novell Groupwise system for the provision and management of e-mail. The current version of the software that has been installed is version 6.5.

E-Mail is in widespread use across the Council and its use is provided to most Council employees. All e-mail within the internal system is currently encrypted however; there is little use of external encryption of e-mail.

Prior to using e-mail, all staff are provided with information on the use of IT as contained within the Business System Policy document which outlines the Do's and Don'ts surrounding the use of the system. There is also an e-mail best practice document which provides guidance to some staff on the use of e-mail.

### **1.2 Key Risk Areas reviewed**

This audit included the following key risk areas:

- An e-Mail usage policy has not been established and does not include the provisions for the following areas:
  - Documented user rights.
  - Responsibilities for compliance and disciplinary action.
  - e-Mail disclaimers.
  - e-Mail training.
  - e-Mail distribution lists.
- E-Mail Security has not been established and messages cannot be kept private. This would include the following areas:
  - Logical access control.
  - E-Mail scanning has been specified and has been enabled.
  - Virus Protection software.
  - Encryption of e-mails.
  - Spam mail is controlled.
  - Backup procedures are in place.
  - Delegation controls of mailbox accounts.
  - Virus attack procedures.
- E-Mail Management has not been identified with relation to the logging of e-mail activity. This would include the following areas:
  - Mailbox size restrictions.
  - e-Mail logging and monitoring.
  - User awareness of e-mail logging.

### **1.3 Critical issues that require immediate management attention**

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



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

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

The Business Systems Policy document does not provide any information on the e-mail system training and the implications that may arise from a breach of the policy. In addition this does not warn users that emails are logged and may be monitored.

There are also some users of the e-mail system who have not signed the Health and Safety Document Control form indicating that they have not read and agreed to conform to the terms and conditions of a number of the Council policies including the Business Systems Policy.

Novell GroupWise 6.5 can be configured to lock the user out following consecutive unsuccessful login attempts over a defined period of time however; these settings have not been configured. Passwords can also be configured to be changed after a specified length and set to be a standard length however, this is not used. A regular review of user accounts is not performed.

The Council does not have a policy on the use of encryption to safeguard the contents of emails, or the protection of emails containing sensitive data.

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

There are no size restrictions applied to user mailboxes. There is advice within the Business Systems Policy on not to send large e-mails however, the size of which is not specified.

Although there is a process for the reporting and detection of a virus attack, this does not include the formal notification of the Information Governance Manager and Internal audit at the time of the attack.

#### **1.6 Summary of recommendation(s)**

The report contains no High risk recommendations; it contains three Medium risk recommendations and two Low risk recommendations.

#### **1.7 Audit Opinion**

An unqualified audit opinion can be given as audit is satisfied that there is an adequate control environment in place over the GroupWise e-Mail System.

<b>Freedom of Information</b>	<b>Schedule 3(f)</b>
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## **1. Management Summary**

### **1.1 Introduction**

The Freedom of Information Act 2005 forms part of legislation which allows the public to obtain access to information that the Council holds. Local Government is required to identify and classify all information it holds in a Publication Scheme. Members of the public are allowed to request information using a Subject Access Request which allows 20 days for the Authority to answer the request and either provide the requested information or provide reasons for why the information may not be disclosed.

The management of Freedom of Information within Havering falls under the Information Governance Team. (The team also manage similar information requests made under the Data Protection Act 1998 and Environmental Information Regulations 2004 (EIR).

In September 2004, the Council became actively involved in developing and identifying the processes and resources required to support the requirements of the Freedom of Information Act 2005. Since the act became applicable, the Council has established a governance structure for the management of information throughout the Council.

There are appointed Information officers within Council Departments and there is a periodic user group meeting of these officers. The Council has also completed a Freedom of Information strategy detailing the expected processes for management of the standards required for compliance with the Act.

Subject Access Requests are initially logged on the Council's Oracle CRM system and this allows for the management of the SAR to identify if requests are nearing the 20 day time limit. This allows reminders to be sent to officers dealing with the request.

In the event of the Council not providing the information due to an exemption then this requires a sign off from the Council's Legal Department.

### **1.2 Key Risk Areas reviewed**

This audit reviewed the following key risk areas:

- a. Freedom of Information Act
  - FOI Policies, Strategy and Procedures.
  - Information Requesting Processes.
  - Exemptions.
  - FOI Complaints Procedures.
  - Charging Policy.
- Information Management

- Records Management Policy.
- Publication Schemes
  - Documented Publication Schemes.
- b. Roles, Responsibilities and Training
  - Raising Awareness.
  - Roles and Responsibilities.
  - Training provisions.
- Website Development
  - Website development and management.

### **1.3 Critical issues that require immediate management attention**

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

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

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

Documentary evidence of the formal approval of the Freedom of Information Strategy could not be located at the time of the audit.

Departments are required to develop a departmental Records Management Policy however, it was identified that this has not been undertaken by the Strategy and Communication, Finance and Planning, Sustainable Communities, Children's and Social Services and HR directorates. Furthermore there is limited reference to the Freedom of Information Act Strategy in the Business Systems Policy.

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

There is one low issue identified that requires management attention to ensure "good practice" within the control environment.

The Publication Scheme which was developed in accordance with the Freedom of Information Act was last updated in 2002. While resources were identified in 2005 to update the scheme, this was postponed on the directive of the Information Commissioner. Further instructions from the Information Commissioner are being awaited on before proceeding. Review of the information detailed within the Publication Scheme also identified that the information provided is incomplete.

## **1.6 Summary of recommendation(s)**

The report contains no high risk recommendations, two medium risk recommendations and one low risk recommendation.

## **1.7 Audit Opinion**

An unqualified audit opinion can be given as Internal Audit is satisfied that there is a strong control environment over the Freedom of Information policy and procedures.

However management need to ensure that:

- Formal documentation is obtained and retained as evidence for the approval of the Freedom of Information Strategy.
- To ensure that directorates are aware of their responsibility to develop a formal Records Management Policy for their respective directorate. In developing this policy care should be taken to ensure details are provided on the types of records held; storage of records; disposal of records; location; and any applicable regulatory and statutory requirements. In order to assist directorates in developing their own Records Management policy, it is further recommended that the Business Systems Policy is revised to include Records Management Guidance notes.
- The required resources and infrastructure are identified for the updating of the Publication scheme, on receipt of the Information Commissioners directive to proceed.

<b>Virus Protection</b>	<b>Schedule 3(g)</b>
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## **1. Management Summary**

### **1.1 Introduction**

The 2006/2007 Internal Audit Plan includes an audit of Virus Protection controls within the Council.

The Council currently uses the Trend Anti Virus suite of products to protect its systems from virus infection this includes the protection of both individual PCs and server based virus protection. Updates to the anti-virus software are received on a daily basis from the software supplier.

In order to reduce costs, in September 2006, the Council entered into a three year support arrangement with Peapod (UK) Ltd, its original support partner for the support arrangements for the Gateway Infrastructure hardware and software. The agreement is for a new support contract offering discounted costs for the Gateway Infrastructure including firewalls, IDP, Proxy, e-mail filter, load balancing, Anti Virus and daily upgrades.

Based on an average cost increase from the last two years, the potential savings per year for the entire agreement is a total £13,933.33 which over the term of the contract of 3 years amounts to £41,800.00.

The Council currently does not have a dedicated anti-spyware solution although elements of this are included in the anti-virus solution employed reliance on the removal of spyware is on free ware products.

### **1.2 Key Risk Areas reviewed**

The audit reviewed the following key risk areas:

- Policies and Procedures for virus control.
- Anti Virus Software and Technical Control;
- User Controls;
- Spyware software and Technical Control.

### **1.3 Critical issues that require immediate management attention**

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

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

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

There is no process in place to ensure that regular checks are undertaken to detect unauthorised software on the Council PC network and to help ensure that all software is licensed in accordance with software requirements.

There is no robust, Council wide spyware solution in place to prevent spyware attacks on the Council's network and systems.

All users currently have the ability to bypass the proxy server to obtain access to the internet. This potentially enables a user to bypass local proxies and security restrictions and surf blocked sites or surf privately.

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

There were two low risk recommendations identified that require management attention.

The Security Policy v 1.0 includes guidance on anti virus and appropriate internet and software usage however it does not include information on who and when should be contacted in the event of a virus attack.

As part of the standard desktop build, signed Active X controls are enabled. A number of ActiveX controls pose security risks to users. These controls can be used to create malicious web pages and e-mail messages to run programs or steal private information from PCs when using Internet Explorer, Outlook, or Outlook Express.

### **1.6 Summary of recommendation(s)**

The report contains no high risk recommendations, three medium risk recommendations and two low risk recommendations.

### **1.7 Audit Opinion**

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

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

- A process is in place to ensure that regular checks are undertaken to detect unauthorised software to ensure all software is appropriately licensed.
- Council spyware solution should be in place to help prevent spyware attacks on the Council's network and systems and to provide a standard product for the removal of spyware.
- Users should not be allowed to bypass the proxy server when surfing the internet.
- The Security Policy is updated to clearly identify who users should advise in the event of a virus attack and on when a virus should be reported.
- The Internet Browser controls for signed Active X downloads should be set to disabled.

<b>Management of Homes in Havering</b>	<b>Schedule 3(h)</b>
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## **1. Management Summary**

### **1.1 Introduction**

This review was undertaken in accordance with the 2007/08 Internal Audit Plan to review the system of the Management of Homes in Havering (HiH).

HiH are an Arms Length Management Organisation (ALMO) set up to manage and maintain the housing stock of the London Borough of Havering (LBH) with effect from the 3<sup>rd</sup> July 2006.

The basis on which HiH carries out these responsibilities is set out in a 'Management Agreement'. This is a contract between the LBH and HiH. The initial term lasts ten years, with provision to review thereafter. Through the 'Management Agreement', the LBH has delegated 96% of its housing maintenance and management responsibilities to HiH. The remaining, Mardyke estate is managed by Circle Anglia Ltd and at some stage is to be transferred to the Old Ford Housing Association. The agreement lists the services to be provided and requires that an Annual Delivery Plan be agreed which describes the outputs to be achieved by means of the services provided by HiH.

The Council has a duty to achieve 'best value' and must make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. In discharging its responsibility under the 'Management Agreement' HiH must also make the same arrangements to secure best value and strive towards providing excellent services as described in the key lines of enquiry published by the Audit Commission.

HiH have provided to the Council an Annual Delivery Plan for the first year following commencement. The sections of the Delivery Plan comprising the financial plan, the performance plan and the resourcing plan will be received on an annual basis.

HiH shall deliver their Plan by setting all the outputs of HiH, including the overall strategy of HiH, how to include the overall strategy of HiH which will deliver the key strategic goals of the Council and detailing the financial and staffing resources to enable HiH to deliver the Plan.

### **1.2 Key Risk Areas reviewed**

This audit reviewed the following key risk areas:

- There is no formal signed management agreement in place;
- Homes in Havering fail to comply with the requirements of the management agreement;

- HiH's policies and procedures are inconsistent with those of the Council or do not comply with relevant legislation;
- HiH have not compiled a Delivery Plan;
- No specific targets for reviewing performance;
- The Council is unaware of unsatisfactory performance and therefore no corrective action is taken or poor management decisions are made;
- There is no reporting to Cabinet/ Havering's Committees;
- No penalties for poor performance;
- Insufficient Disaster Recovery and Business Continuity Arrangements are in place.

### **1.3 Critical Issues that require immediate Management attention**

There were no critical areas identified.

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

There were no significant areas identified.

### **1.5 Other matters identified that require Management attention to ensure "good practice" within the Control Environment.**

There was one area requiring management attention, the lack of spot/physical checks in terms of monitoring and giving assurance that the performance data supplied by HiH is accurate.

### **1.6 Summary of Recommendation(s)**

We have made one low category recommendations as a result of our work in this area.

### **1.7 Audit Opinion**

An unqualified audit opinion may be given as there are effective control systems in place for performance management with the exception of those issues mentioned above.



<b>Petty Cash</b>	<b>Schedule 3(i)</b>
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## 1. **Management Summary**

### 1.1 **Introduction**

The issuing, monitoring and control of Petty Cash imprest accounts is the responsibility of Systems & Payments within the Finance & Commercial directorate.

The Authority has 65 Petty Cash imprests, as at the 1<sup>st</sup> April 2007, with a total imprest of £36,296.

Petty Cash imprests currently range from £7 to £3,780 and cover a wide range of services including:

- All cashiers within the Borough;
- All Education;
- Environment (PASC);
- Housing General;
- Libraries; and
- School Cafeterias.

The Town Hall cashiers closed on 26<sup>th</sup> January 2007. Since then a number of cases have arisen where by several separate imprests designated to the same senior officer have been amalgamated into one larger imprest covering several sections.

Since the closure of the Town Hall Cashiers cheques must now be cashed at the bank by the authorised officer in order to replenish the Petty Cash imprest. Bank accounts must be opened for all imprests of £100 or more. This can only be done with the written consent of the Group Director for Finance & Commercial.

Petty Cash imprests under £100 are known as “credit open” Petty Cash imprests. These accounts do not have a corresponding bank account. In order to replenish the Petty Cash imprests, cheques must be taken to a nominated bank.

The Cost Centre Manager must confirm that they have completed a ‘Handling of Cash – Risk Assessment’ form for all Petty Cash Imprests over £1,000.

Petty Cash is covered within the Authority’s Financial Framework and Financial Procedure Rules.

Whilst a sample of ten Petty Cash accounts was selected for the audit review, one of the accounts selected was not reviewed as a fraud investigation had recently been undertaken at the establishment which included Petty Cash.

### 1.2 **Key risk areas reviewed**

The audit reviewed the following key risks in detail:

- Failure to operate the system in accordance with the Authority's Financial Framework and the Financial Regulations.
- Failure to maintain records of all imprest accounts held;
- Failure to document replenishments of Petty Cash float;
- Failure to retain documentary evidence to support any payments from the Petty Cash float;
- Failure to give due concern to risks associated with holding Petty Cash floats;
- Failure to check and periodically reconcile Petty Cash records;
- Failure to maintain the Petty Cash floats at the authorised value;
- Failure to reimburse transactions in a timely manner;
- Failure to ensure that Petty Cash transactions are legitimate and appropriate;
- Petty Cash is being used rather than the corporate purchasing card;
- VAT is not being correctly deducted;
- The Risk Register is not robust and does not include all key risks within the Service area; and
- The Risk Register is not being maintained in accordance with the Authority's Risk Management Procedures.

### **1.3 Critical issues that require immediate management attention**

No critical issues were identified during the audit review.

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

The review of authorised signatory forms held centrally found that evidence of delegated authority and specimen signatures are not available for a number of officers currently authorising Petty Cash claims.

It was found that one imprest holder was loading their own Petty Cash entries into FIS for the Petty Cash reimbursements. There was no evidence to support any segregation of duties / checking of this information.

Petty Cash vouchers were not always completed for payments made from Petty Cash accounts, and cash advances were sometimes given with no evidence to support how much, who to and when the advanced payment had been made.

Since the closure of the Town Hall Cashiers there is a lack of guidance in place for those officers collecting cash from banks in order to replenish Petty Cash accounts.

Regular reconciliations are not undertaken on some Petty Cash accounts. At the time of the audit review two Petty Cash accounts (Winnifred Whittingham House and Leaving Care Service) could not be reconciled.

Officers in charge of amalgamated accounts did not perform their own checks on the operation of imprests for which they are responsible but not administering.

The imprest level assigned to some of the Petty Cash accounts was deemed to be more than necessary, and in one case Petty Cash transactions were not being processed in a timely manner.

Petty Cash is being held in a joint account with other monies, in two cases, without adequate financial records in place to distinguish between the funds.

There was no acknowledgement of the risks associated with Petty Cash set out in the Financial Services Risk Register.

The audit has indicated that there is a general lack of understanding or awareness of some of the key controls in the process and this indicates a need for some mandatory training for all relevant officers.

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

There is a lack of checking of the receipts to the Petty Cash voucher and the Petty Cash voucher to the Petty Cash reimbursement form. As a result discrepancies between these three documents were found in some cases. In addition receipts are not struck through to ensure that duplicate claims are not made.

A lack of segregation of duties was noted. As a result the officer authorising the Petty Cash claim was in cases also the receiving officer.

There is no insurance cover for cash holdings beneath £5000. Therefore there is no insurance cover for the Petty Cash account below this threshold; in this case this is all ten of the Petty Cash accounts selected. In some cases the Petty Cash is not being held with due regard to the safety and security requirements as set out in the Financial Framework.

A number of items purchased through the Petty Cash could have been purchased using the Corporate Purchasing Card.

### **1.6 Summary of recommendation(s)**

This report contains a total of 21 recommendations, 15 medium priority recommendations and six low priority recommendations.

### **1.7 Audit opinion**

A qualified audit opinion must be given due to the fact that:

- Since the closure of the Town Hall Cashiers staff have been collecting cash from the bank without, adequate guidance from the Authority and in some cases unaccompanied;
- There is no insurance cover for cash holdings exceeding £5000;
- Four of the nine accounts reviewed had no cash handling risk assessment in place despite being at or over the £1000 limit.
- Financial Framework procedures are not being adhered to in all cases; and
- Two Petty Cash accounts could not be reconciled to the Petty Cash imprest due to the fact that they were being retained in an account with other sources of income and a lack of financial records.

**Progress update on qualified reports issued October 2007 to December 2007**

The summaries below have been provided in order to demonstrate progress made, since the issue of the final qualified report, to address the issues identified by the audit.

**Employment Status issued 29<sup>th</sup> November 2007**

Five of the nine recommendations raised had been allocated a deadline of December. Management have provided assurance to audit that four of the five have been successfully implemented the fifth relating to a duplicate payment is currently being resolved. Two actions were completed at the time of the audit so no recommendation was required and a further action was raised, and will be followed up, under another audit where it was more applicable. The three remaining recommendations with deadlines of February and April are all on target for completion within the deadline.

Further follow up work will be completed in May as part of the 2008/09 audit plan to ensure that all issues raised have been satisfactorily addressed.

**Petty Cash issued 31<sup>st</sup> December 2007**

An update of the Financial Framework has been completed with a further review planned when the Financial Procedures Rules have been reviewed and updates finalised. Both reviews have considered the clarity and detail provided to officers in order to ensure that the system of control, that the Council expects to be in place and relevant responsibilities, are effectively communicated to all involved with the petty cash process.

A document called 'Guidance on Cash Handling Procedures' has been drafted to provide clear guidance to staff who collect cash to replenish petty cash floats and the insurance arrangements have been reviewed.

**There are plans to role out training to address the local issues identified by the audit but this will follow the updates to the Financial Framework and the Financial Procedure Rules. The training will take place in the new financial year and all recommendations raised in this report will also be followed up formally as part of the 2008/09 audit plan.**

**SECTION 2 – Changes to the 2007/08 Audit Plan**

Changes to the audit plan and reasons for the changes are detailed in schedules 4 and 5.

**SCHEDULE 4 Additions/Deletions of audits from plan**

<b>AUDITS REMOVED</b>	<b>REASON</b>	<b>BUDGETED DAYS</b>
Corporate Financial Procedures	This audit overlaps with other audit tasks in the plan and as External Audit have to complete a walk through for each system anyway this is duplication with their plan also.	<b>15</b>

**SCHEDULE 5 Audits deferred to 2008/09**

<b>AUDITS Deferred</b>	<b>REASON</b>	<b>BUDGETED DAYS</b>
Codes of Conduct and Accountability	Deferred at managements request due to introduction of new codes. Audit planned for May.	<b>15</b>
Community Strategy Procedures	Agreed with Management that it would be beneficial to review after end of financial year for completeness. Audit planned for April.	<b>15</b>
Maintaining Quality of the Housing Stock	Requested by Internal Audit due to staff/experience shortage at the time the audit was planned to take place. Agreed by management. Audit planned for May.	<b>10</b>
Permits and Other Parking	Request by Management due to key officer being off sick. Audit to take place in May.	<b>12</b>
Parking Tickets Issue and Processing	Request by Management due to key officer being off sick. Audit to take place in May.	<b>12</b>

These days deferred are in addition to the nine days, reported to the last Audit Committee.

**SECTION 3 – Follow Up of 2006/07 Qualified Audit Reports**

All qualified audit reports are followed up as part of the following years Audit Plan. All 2006/07 qualified audits have been followed up and reports issued to management.

**Schedule 6 contains a summary of the results of our follow up work**

AUDIT	Recs Raised	Complete	Partly	Not Complete	COMMENTS
Residential Placements for the Elderly	3	2	1	0	There are now performance targets in place concerning the completion of financial assessments. These targets will be measured during October and November 2007.
Income Controls (Facilities)	1	0	1	0	Full implementation is expected by the 31.12.07 once guidance has been received on how to generate the necessary reports from the PARIS system.
Income Controls (Planning)	3	2	1	0	A new implementation date of the 31st January 2008 to establish the degree of variation to be used.
Receiverships	13	11	2	0	There is still the audit of all administration fees to be completed.
Providing Services for the Physically Disabled	11	1	4	5	1 not applicable.
Use of Consultants	5	3	1	0	1 not applicable.

AUDIT	Recs Raised	Complete	Partly	Not Complete	COMMENTS
Management of Car Parks and Meters	9	4	5	0	New Parking Strategy now been implemented and a review over the next 12 -18 months to standardise and review all traffic management orders which will result in a simplified management of parking enforcement.

Progress on all recommendations ‘partly’ or ‘not complete’ will continue to be reported, to Senior Management, via the Head of Services Packs. Audit will revisit the Adult Social Services area to confirm further progress is evident.

The panel set up to look specifically at the Adults Social Services budgetary control weaknesses will receive all follow up work in this area for consideration along with the relevant audit reports.

**SECTION 4 – Schedule 7 - STATEMENT ON INTERNAL CONTROL 2006/07 ACTION PLAN - AS AT JANUARY 2008**

Significant Issue and action already taken.	Actions (planned) <i>Deadline March 2008.</i>	Responsibility	Progress
<p><b>1) Although significant progress has been made in this area the following areas remain a priority: disaster recovery, business continuity and succession planning.</b></p> <ul style="list-style-type: none"> <li>• Business Continuity Policy Strategy and Plan in place.</li> <li>• Business Impact Analyses undertaken.</li> <li>• Disaster Recovery Solution identified.</li> <li>• Council Continuity Plan in place.</li> <li>• Documentation of systems.</li> <li>• ICT plan in place.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all policies are reviewed and approved periodically.</li> <li>• Further evolution of the Business Continuity Strategy and Plan.</li> <li>• Specific focus on succession planning.</li> <li>• Ensure sufficient skilled staff to deliver key services.</li> <li>• Ensure staff recruitment and retention processes comply with relevant legislation and local policy.</li> <li>• Business continuity specialist to support production of service level continuity plans.</li> <li>• Internal Audit in 2007/08 of the Council's business continuity arrangements and compliance with relevant guidance.</li> </ul>	<p><b>Head of Land &amp; Property Services</b></p> <p><b>Head of Business Systems</b></p>	<ul style="list-style-type: none"> <li>• All Council Business Continuity (BC) work now in accordance with BS25999 (BC Standard Guidance).</li> <li>• Emergency Planning (EP) &amp; BC Policies reviewed and rewritten.</li> <li>• EP &amp; BC Procedures Manual written.</li> <li>• Corporate BC Plan reviewed and rewritten.</li> <li>• Major Emergency Plan (MEP) reviewed.</li> <li>• Access Database designed and constructed to undertake full review of Business Impact Analysis at Section and Service Level.</li> <li>• Database used to review DR resource requirements (including people [type and skill set], ICT, equipment etc).</li> <li>• Training to 2<sup>nd</sup>/3<sup>rd</sup> Tier Managers throughout each service to a) educate re: BC b) to devolve responsibility for BC to Section management and c) to complete data input into database.</li> <li>• Instructions Manual for use of database in place</li> <li>• Survey of Suppliers' BC Practises and resilience preparation undertaken via web survey (run by Procurement).</li> <li>• Homes in Havering (HiH) (key partner) also employing database to deliver robust BC Planning.</li> <li>• All Policies, Procedures, Instruction manuals etc on Intranet.</li> <li>• Internet site (public facing) reviewed and redeveloped.</li> </ul>



<b>Significant Issue</b> and action already taken.	<b>Actions (planned)</b> <i>Deadline March 2008.</i>	<b>Responsibility</b>	<b>Progress</b>
			<ul style="list-style-type: none"> <li>• ICT to receive output from database to develop DR plan. This is expected by end of 2007.</li> <li>• ICT running 3 projects to provide server and data resilience. 1<sup>st</sup> Project, refurbishment of the Town Hall Computer Centre is complete. Invitation To Tender for DR site approved and tender process about to start. Information Technology Information Library work well underway</li> </ul>
<p><b>2) Continued focus is required to ensure robust processes for the Corporate handling of complaints.</b></p> <ul style="list-style-type: none"> <li>• CRM complaints functionality has been developed and implemented in a number of service areas. This has subsequently been reviewed by an Overview and Scrutiny Committee topic group and a report prepared for Cabinet.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the Cabinet report recommendations;</li> <li>• Enhancements to the technology and a wider roll out. This to be complete by March 2008.</li> <li>• Report considered by cabinet in August.</li> </ul>	<p><b>Head of Customer Services</b></p>	<ul style="list-style-type: none"> <li>• New monitoring arrangements have been developed and a further report produced for consideration by the Adjudication and Review Committee in January 2008.</li> <li>• The first monthly monitoring report will be available in February 2008.</li> </ul>

<b>Significant Issue</b> and action already taken.	<b>Actions (planned)</b> <i>Deadline March 2008.</i>	<b>Responsibility</b>	<b>Progress</b>
<p><b>3) There is a continued need for focus on service pressures and budgetary control within Adult Social Services so this remains an area of focus.</b></p> <ul style="list-style-type: none"> <li>• Monitoring meetings periodically.</li> <li>• Local action plan is monitored and reported.</li> <li>• A review of departmental budgetary control in 2006/07.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic review of service delivery.</li> <li>• Formal report for CMT and Audit Committee to be compiled in response to the 2006/07 audit report and resulting recommendations.</li> <li>• Continue with the system integrity project and improve control and information.</li> <li>• Recruitment to key posts.</li> <li>• Increased financial delegation and responsibility.</li> <li>• Improved income systems.</li> <li>• Follow up of the 2006/07 audit report.</li> </ul>	<p><b>Group Director Sustainable Communities</b></p> <p><b>Group Director Finance &amp; Commercial</b></p>	<ul style="list-style-type: none"> <li>• Additional Senior Management support introduced June 2007.</li> <li>• Overall improvement plan in place by interim management support.</li> <li>• Formal report for Corporate Management Team and Audit Committee being prepared pending review by interim management support.</li> <li>• Business Management post now covered and working well along with additional H/R support.</li> <li>• Accountability and delegation levels being reviewed amended and enforced.</li> <li>• A number of reviews continuing including income, staffing, contracts and overall strategy.</li> <li>• Business Case prepared for automation of Homecare system and Homecare modernisation.</li> <li>• Dialogue established with the PCT to implement new protocols and resolve issues.</li> <li>• Performance management system started to be implemented within service.</li> <li>• 2008/09 budget assessment being prepared.</li> </ul>

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p><b>4) Working in partnership to achieve joint objectives will continue to be a key area of focus in the coming year. Progress is documented in the last year however continued effort is required to ensure robust arrangements exist and benefits to the community are maximised.</b></p> <ul style="list-style-type: none"> <li>• Partnership risk report has been produced and distributed.</li> <li>• Self evaluation checklist produced.</li> <li>• A partnership toolkit has been rolled out.</li> <li>• Audit completed with an unqualified opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on building corporate knowledge of all current and potential partners.</li> <li>• Ensure partnership organisations have adequate governance arrangements to promote community outputs.</li> <li>• Review database to assess any issues.</li> <li>• Ensure risk management arrangements assist in achievement of objectives.</li> <li>• Monitor reporting arrangements.</li> <li>• Internal audit in 2007/08</li> </ul>	<p><b>ACE Strategy &amp; Communications</b></p>	<ul style="list-style-type: none"> <li>• A national management trainee has been working with Heads of Service to develop our approach to partnerships. A partnership toolkit has been agreed and is available on a dedicated intranet area together with a database of partnerships. This was reported fully to the Audit Commission as part of the recent Use of Resources (UoR) self assessment. The Toolkit was launched at an event where the leader and the chief executive spoke to key staff of the Council and partner organisations.</li> </ul>

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p><b>5) Since the formation of Homes in Havering, the Council's Arms Length Management Organisation (ALMO), the Council is presented with new challenges and although arrangements have been put in place it is imperative that the Council ensures that robust management information is available.</b></p>	<ul style="list-style-type: none"> <li>• Ensure that strong links exist between the two organisations to ensure support in the achievement of individual and joint objectives.</li> <li>• Ensure channels for communication and provision of management information are maintained.</li> <li>• Support to ALMO in preparing for the Audit Commission's inspection in September 2007.</li> </ul>	<p><b>Head of Housing and Health</b></p>	<ul style="list-style-type: none"> <li>• The strong links can be evidenced by the minutes of frequent meetings between the Head of Housing and the C/Ex of HiH and the HiH Executive Departmental Management Team (EDMT). Also frequent meetings occur between staff within the Council's Financial Services and the Company Secretary of HiH. The minutes show the range of issues discussed, clear decisions with Action Leader and the fact that progress is made on these issues. The relationship between the Council and the ALMO was inspected by the Housing Inspectorate in September 2007 and, although their report is not ready for publication the Inspectors stated that the Council ALMO relationship was strong.</li> <li>• Every month HiH performance staff provide the Performance Manager within the Housing Service a Performance Indicator Management Information (PIMI) or Performance Indicator and Management Information Booklet. The Housing Performance Manager audits the results and will query any result that is not consistent. The PIMI is then referred to a Performance Board made up of the Housing Needs &amp; Strategy Manager, Housing Performance Manager, HiH Chief Executive and HiH EDMT. The results and joint action are then reported to the Lead Member and Chair of the Board at the end of the meeting. Evidence for this is the PIMI and</li> </ul>

<b>Significant Issue and action already taken.</b>	Actions (planned) Deadline March 2008.	<b>Responsibility</b>	Progress
			<p>minutes.</p> <ul style="list-style-type: none"> <li>• Council staff and Councillors have been very involved in supporting the ALMO for the Inspection through the Paths to Excellence Meetings. These were all minuted and clearly show how involved senior Council staff were and still are.</li> </ul>

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p><b>6) Issues have been identified with regards to compliance with Contract Procedures Rules in terms of the Council’s use of consultants. Progress has been made to put corrective measures in place promptly including:</b></p> <ul style="list-style-type: none"> <li>• The issue of guidance on the appointment of consultants.</li> <li>• Establishing a shared area for lodging appointments electronically, in a register; which can be easily reviewed by officers.</li> <li>• Annual report of use.</li> </ul> <p>Systems have yet to embed and be tested; therefore it remains an issue.</p>	<ul style="list-style-type: none"> <li>• Annual review of the use of consultants by a Strategic Procurement Steering Group.</li> <li>• Follow up audit of compliance with revised procedures in 2007/08.</li> <li>• Embed systems of management of consultants.</li> </ul>	<p><b>Head of Financial Services</b></p>	<ul style="list-style-type: none"> <li>• A report was submitted to CMT March 2007. CMT agreed a number of actions to address the control weaknesses identified in the audit report.</li> <li>• Guidance was issued by the Group Director Finance &amp; Commercial in March 2007.</li> <li>• A consultants' checklist has been designed to enable managers to record the reasons why they are making an appointment, and to provide guidance on the nature of such appointments.</li> <li>• The Financial Framework has been updated.</li> <li>• A shared area has been established and a template created for managers to record consultant appointments.</li> <li>• The annual financial review of consultant spend is currently being compiled and this will be considered in due course by Strategic Procurement Steering Group (SPSG).</li> <li>• The Use of Consultants Audit is now in progress.</li> </ul>

Significant Issue and action already taken.	Actions (planned) Deadline March 2008.	Responsibility	Progress
<p><b>7) The quality of the data being produced within the Council and how this data is used is key to the performance management systems as well as being integral to sound decision making at all levels of the organisation.</b></p>	<ul style="list-style-type: none"> <li>• Review arrangements in place to ensure quality data is produced first time.</li> <li>• Ensure that appropriate actions are taken to address issues identified during monitoring and reporting of data.</li> <li>• Raise awareness of officers with regards to the importance of data quality.</li> </ul>	<p><b>ACE Strategy &amp; Communications</b></p>	<ul style="list-style-type: none"> <li>• Aug '07 Data strategy was reviewed and revised accordingly in consultation from internal audit.</li> <li>• Action Plan agreed listing issues identified in the Data Quality Review. Actions completed include; 1 The Council's approach to data quality covers all key performance information reported and is used by the Council to inform decision making. 2 The Council ensures all information systems are clearly documented and that robust quality assurance arrangements exist for all key performance information. 3 The Data Sharing Protocol for Havering Partnership has been strengthened and signed up to, along with the Performance Management Framework for the HSP. 4 Staff roles and responsibilities for data quality are defined explicitly. 5 Senior approval and authorisation is obtained for all performance data submitted to central government departments and other external bodies.</li> <li>• Monthly updates and discussions on data quality are channelled through the Corporate Performance Management Group.</li> <li>• Report due 01/08 to CMT on management arrangements for Data Quality and the training requirements / updated guidance sheets for this and the e-performance management database that we are currently acquiring.</li> <li>• External audit of 2006/07 statutory performance indicators resulted in no qualifications and four amendments, our best ever result.</li> </ul>

<b>Significant Issue and action already taken.</b>	Actions (planned) Deadline March 2008.	<b>Responsibility</b>	Progress
<b>8) The transport operation is also an area for focus going forward.</b>	<ul style="list-style-type: none"> <li>• Ensure clear accountability for control over activity and subsequent charges.</li> <li>• Increase transparency in charges.</li> <li>• Ensure efficient and effective use of resources.</li> <li>• Review of potential options for long-term delivery of service.</li> </ul>	<p><b>Head of Housing and Health</b></p> <p><b>Group Director Finance and Commercial</b></p>	<ul style="list-style-type: none"> <li>• Regular budget monitoring of revenue spend that is minuted. Also reviewing the 2006-2007 out-turn to analyse lessons to be learned in relation to causes of over-spend.</li> <li>• There is a comprehensive review of costs and recharges to move to a clear basis for charging in a transparent and controllable way for clients. Will consider bench-marking but already have independent evidence that Transport Service is cost effective.</li> <li>• Review of service started with Lead Members, Client Departments and in light of Depot Re-Provision.</li> </ul>



**SECTION 5 – FRAUD AND INVESTIGATION WORK****SCHEDULE 8 – Fraud Investigations completed 1<sup>st</sup> October to 31<sup>st</sup> December 2007**

<b>Ref</b>	<b>Description</b>	<b>Result of audit/Action taken</b>
1.	(T8kaad) Right to Buy Application. Confirmation that home was no longer principal home of tenant/applicant.	Following various enquires and checks there was insufficient evidence to pursue the allegation.
2.	(T8kaae) Suspected sub let.	Following investigation confirmation of sub letting resulted in Notice to Quit being served.
3.	(T8kaak) Homes in Havering – Alleged abuse of time by member of staff.	Investigation highlighted areas of weakness in record keeping and ways of working. Management interviewed member of staff.
4.	(T8kaap) Freedom Passes – result of NFI matching exercise.	All passes, that remained in circulation although recipients had died, have now been cancelled therefore they can no longer be used.
5.	(T8jaaw) Inappropriate material identified on Computer.	Investigations identified the misuse. Member of staff resigned.
6.	(T8kaab) Use of confidential information relating to Social Services Clients.	Metropolitan Police consider there was insufficient evidence to pursue allegation.
7.	(T8kaai) Right to Buy Application. Confirmation that home was no longer principal home of tenant/applicant.	Investigation confirmed no case to answer.
8.	(T8kaat) Alleged sublet	Unable to confirm if tenant living following various enquires.
9.	(T8jaah) Fraud Hotline reports	Three cases reported and investigations completed either by Internal Audit or Council Tax.
10.	(T8jaai) Requests from other agencies	Three requests received and information supplied.

As at 1<sup>st</sup> January 2008 the following cases were being progressed.

**Schedule 9 - Current Investigations**

<b>Ref</b>	<b>Description</b>
T8gaax	National Fraud Initiative 2006/07.

<b>Ref</b>	<b>Description</b>
T8iaao	Illegal payments to member of staff.
T8iaar	Non adherence to procurement procedures.
T8jaab	Misuse of telephone facilities for personal use.
T8jaah	Fraud Hotline.
T8jaai	Other Agency requests for information.
T8jaaj	Review of proxy access requests.
T8kaaa	Misuse/misappropriation of school budget and school fund.
T8kaah	Right to Buy.
T8kaaj	Theft and misappropriation of receipts.
T8kaal	Suspected sub letting.
T8kaan	Inappropriate comments entered on the Financial Information System
T8kaao	Abuse of Council time by members of staff
T8kaaq	Review of alleged allegations and behaviour of a Council representative.
T8kaar	Fraudulent Student loan applications
T8kaas	Alleged mis representation of flexi time entries
T8kaau	Alleged unauthorised expenditure and misappropriation of equipment
T8kaav	Interception and forging of HB cheques
T8kaaw	Alleged Sub letting of Council property
T8kaax	Preparation and attendance at Employment Tribunal
T8kaaz	Overcharging of leaseholder repair costs
T8laaa	Alleged sub letting of Council property
T8laab	Alleged sub letting of Council property.

**SCHEDULE 10 - FRAUD HOTLINE REPORTS 07/08**

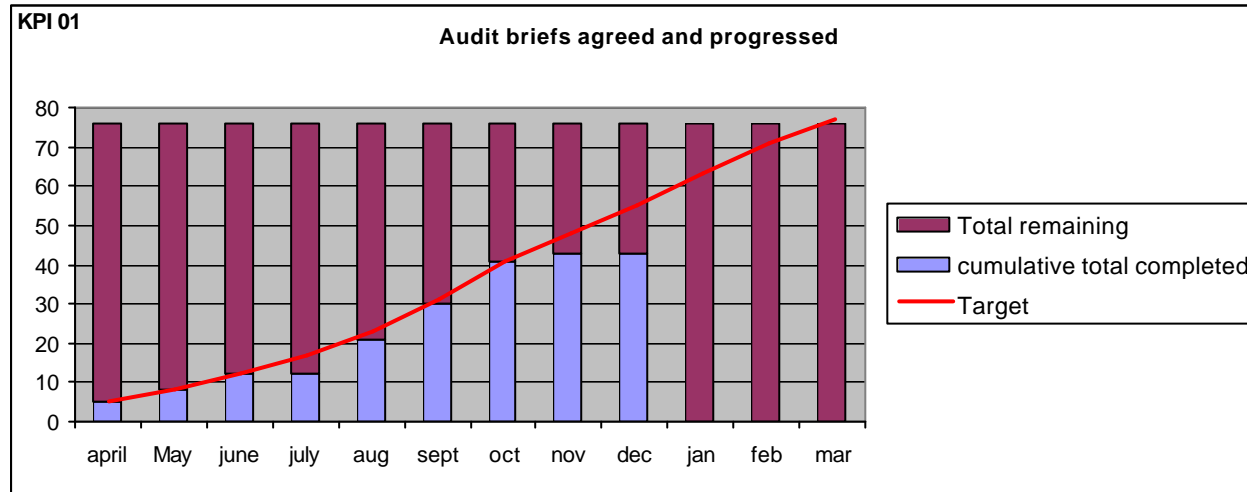
Cases that have been reported are either concluded being investigated or passed to other areas of the Council to review.

REF NO.	CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION	FILE REF
013/06	Anonymous	Allegations of illegal payments to member of staff.	Allegations to be investigated. <i>Cooperation to be sought from Met Police Intelligence Unit. Investigation to commence in 2008. Initial results to be discussed with Met Police.</i>	T8iaao
016/06	Anonymous	A letter alleged that certain contracts have been awarded unprofessionally and the award of contracts has not followed Council procedures and staff have acted inappropriately.	Allegations to be investigated. <i>Investigations concluded and evidence reported to management. Further examinations may be required.</i>	T8iaar
001/07	Anonymous	Non Payment of Council Tax	Matter forwarded onto Council Tax Section for Investigation. <i>Council Tax have established person liable for Council Tax and charges now being levied.</i>	Hotline
002/07	Member of Public	The caller stated that flag stones taken up had been purchased by a member of the public from the Contractor and were being stored on purchasers' property. The caller was concerned that the flag stones were property of the Council and that they should not be sold on by the Contractor.	Allegations to be investigated. <i>The paving slabs become the property of the Contractor and they decide how they dispose of the slabs.</i>	T8jaas
003/07	Anonymous	Council property possibly being used for business	Matter to be forwarded onto NNDR Section for Investigation. <i>Matter Investigated. Property is in use as a Live/Work assessment and meet the criteria for a composite Property. Rating Valuation was reassessed WEF 01/04/07.</i>	Hotline
004/07	Anonymous	Landlord supplied details of former tenants who were liable for Council Tax and left no forwarding address. Alleged	Matter forwarded onto Council Tax Section for Investigation. <i>Council Tax pursuing tenants who are liable for Council Tax following information received re</i>	Hotline

		Council Tax unpaid for last two years.	<i>Employers and forwarding address.</i>	
005/07	Member of Public	Caller concerned that a Council employee had divulged his name to the person he had whistleblown on.	Allegations to be investigated. <i>Investigations concluded by management and Internal Audit. No case to answer.</i>	Hotline
006/07	Member of Public	Non Payment of Council Tax/ Council Tax bill forwarded to wrong person	Matter forwarded onto Council Tax Section for Investigation. <i>Council Tax confirm account sent to incorrect address and new account sent to forwarding address.</i>	Hotline
007/07	Anonymous	A husband and wife who are living in a nursing home and sheltered accommodation respectively have withdrawn all their savings and deposited them in their daughters account so as to avoid paying contribution to accommodation charges.	Matter forwarded to Social Services Commissioning Unit. <i>They confirmed they will seek payment for care charges when appropriate; currently both are in residential homes.</i>	Hotline
008/07	Anonymous	The caller stated that she knew of people who were claiming benefits whilst working. Although she could not confirm type of benefit she provided names, addresses and place of work.	Information forwarded to Housing Benefit Fraud. <i>They confirmed no case to answer.</i>	Hotline
009/07	Member of Public	A signed letter was received from a member of the public stating that they had concerns over the repair costs charged to leaseholders by Homes in Havering. When challenged the cost was reduced.	Information discussed with Head of Service who will investigate. Head of Service to report back by March.	Hotline

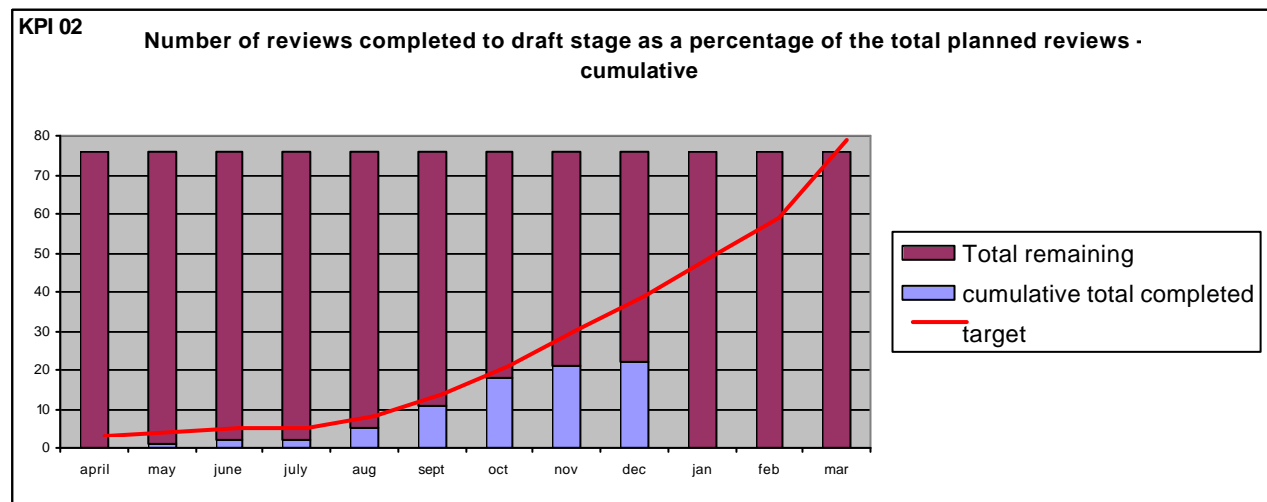
**SECTION 6 – PERFORMANCE INFORMATION**

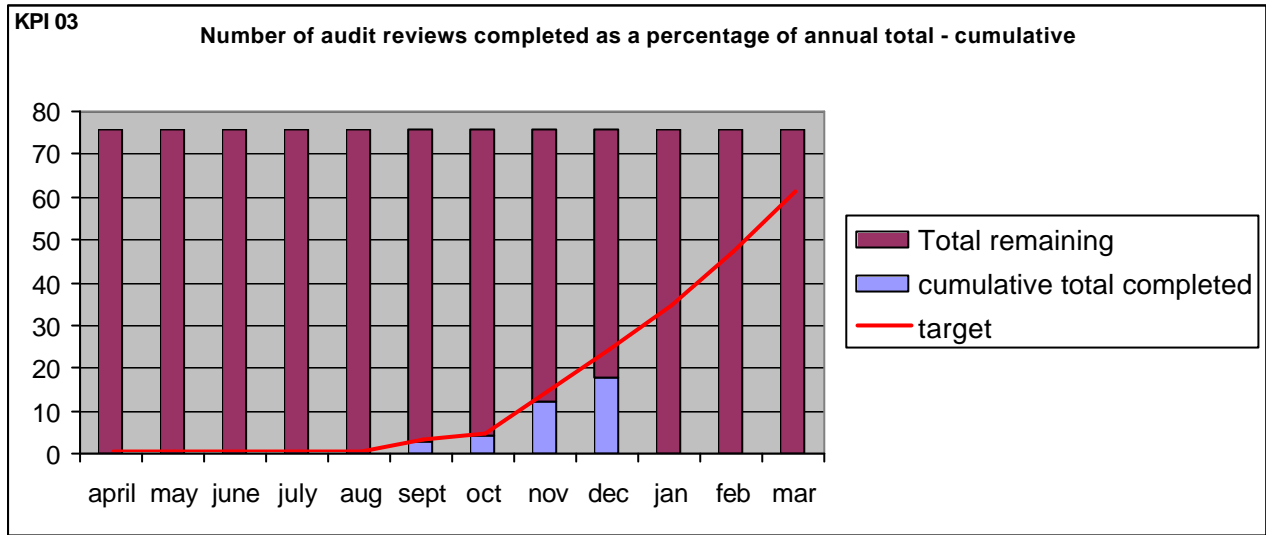
The graphs below detail performance against the Internal Audit key performance Indicators. Performance is slightly below target but plans are in place to ensure that targets are reached in the last quarter.



KPI 01 – Potential changes to plan meant that work to scope audits ceased until definite final plan was in place. Targets amended to compensate in January /February.

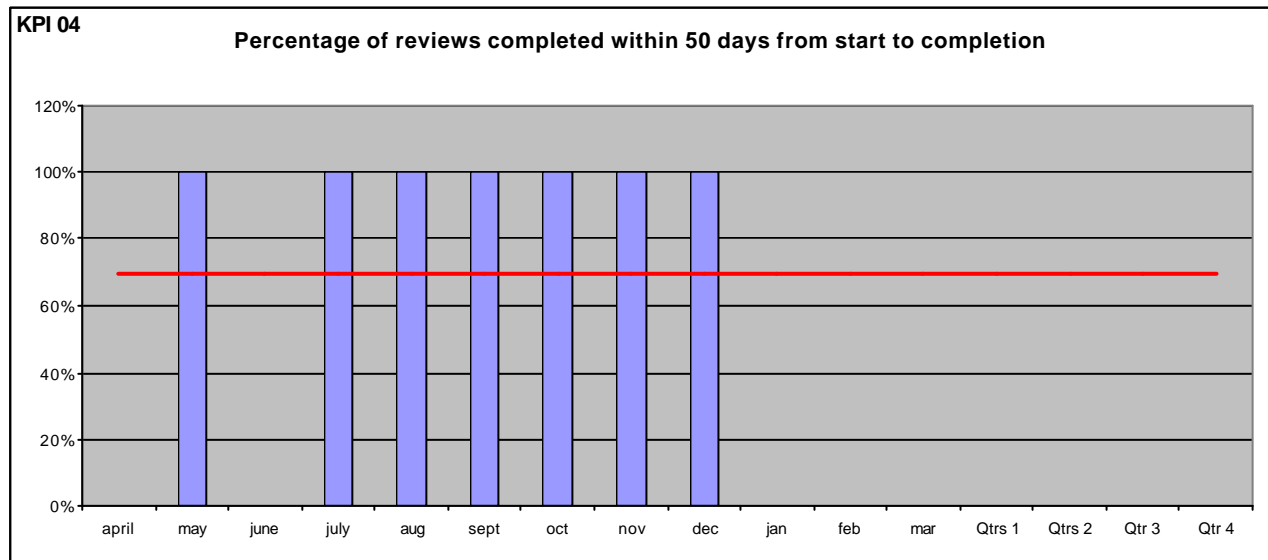
KPI 02 – Issue of some draft reports was postponed to January as auditors awaited information from auditees or required a exit meeting before the draft report could be issued.





KPI 03 – Delays in issuing drafts earlier in the year has impacted on performance; however work to finalise reports more promptly and co-operation by management will assist in meeting targets.

KPI 04 – The team is achieving this target consistently. Reduction in number of audits underway at any point in time as well as good cooperation by management has assisted in achievement of targets.

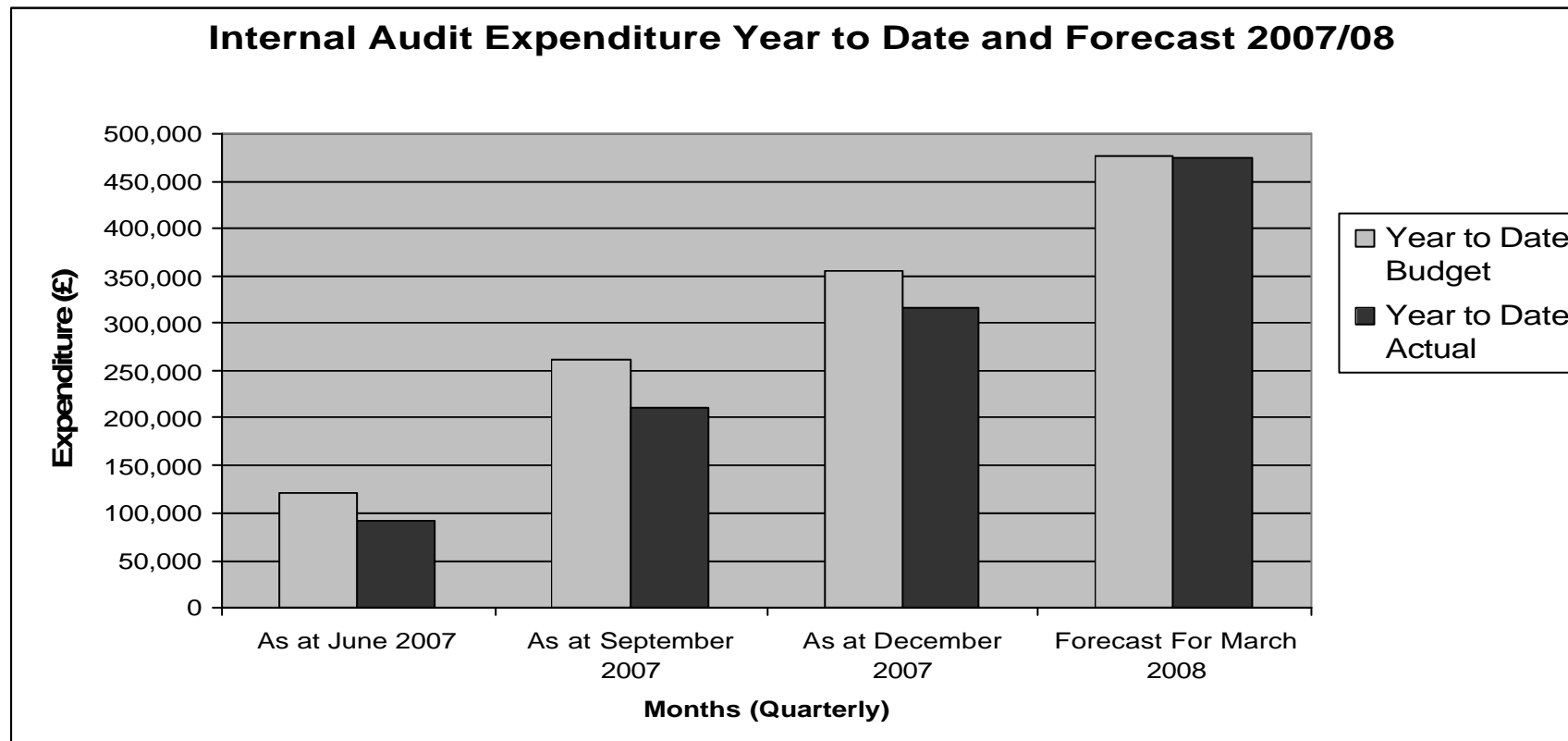


**SECTION 7 - 2007/2008 Budget Analysis**

Internal Audit (F620) Year to Date Expenditure and Forecast as at February 2008

The service figures have been showing an underspend during the year, this is due to the lag in payment for externally provided services, in particular the computer audit contract, various agency staff, and the current management arrangement. Figures for next year will include relevant commitment figures on an accrued base, so a more accurate comparison is given.

	As at June 2007	As at September 2007	As at December 2007	Forecast For March 2008
Year to Date Budget	119,571	261,757	355,072	475,740
Year to Date Actual	91,680	211,491	316,090	475,000
Variance	-27,891	-50,266	-38,982	-740



**Section 8 - SUMMARY OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS**

**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

**Schedule 10 Outstanding Internal Audit Recommendations – 2003/04**

Review in 2003/04	HoS Responsible	Outstanding			Position as at end Dec 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Final Accounts	Bob Wenman		1		1		
Community Care Packages	Eileen Means		1		1		
Homecare	Eileen Means		1		1		
Community Care Placements	Eileen Means	1	1		2		
Libraries	Dylan Champion		1		1		
<b>Total</b>		<b>1</b>	<b>5</b>	<b>0</b>			

**Schedule 11 Outstanding Internal Audit Recommendations – 2004/05**

Review in 2004/05	HoS Responsible	Outstanding			Position as at end Dec 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Crime & Disorder Reduction CCTV	Christine Dooley		2		2		
<b>Total</b>		<b>0</b>	<b>2</b>	<b>0</b>			



**Schedule 12 - Outstanding Internal Audit Recommendations – 2005/06**

Review in 2005/06	HoS Responsible	Outstanding			Position as at end Dec 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Approved Lists & Contracts Register	Mike Stringer		1		1		
Prov of Services Learning Disabilities	Eileen Means		1		1		
Stock & Plant Pro-Active	Barry Kendler		1		1		
Personnel	David Ede		1		1		
Consultants	David Ede		1		1		
Provision of Residential Placements and Home Care for the Elderly	Eileen Means		2	1	3		
Insurance and Performance Bonds	Mike Stringer			1	1		
Repairs and Maintenance Contracts	Mark Butler - 1 Low, In Progress. 1 Low,			2	2		
E Commerce	Dylan Champion		2		2		
New Employees Pro-active	David Ede		1		1		
<b>Total</b>			<b>10</b>	<b>4</b>			

**Schedule 13 - Outstanding Internal Audit Recommendations – 2006/07**

Review in 2006/07	HoS Responsible	Outstanding			Position as at end Dec 07	Not Started	Position/ Status Unknown
		High	Medium	Low			
					In Progress		
Honoraria	David Ede		1		1		
Construction online	1- Christine Dooley, 1 Mike Stringer, 1 Mike Stringer and Mark Butler		3				
Commissioning of Transport Services within Childrens' Services	Barry Kendler (from Mid July) – 1 Med, In Progress Maurice Emberson – 1 Med in Progress		2		2		
Income Controls Planning	Patrick Keyes	1			1		
Use Of Consultants	Mike Stringer		1		1		
IT Security	Ray Whitehouse		2		2		
Commissioning of Res Place for the Elderly	Eileen Means		1		1		
Constitution	Christine Dooley			1	1		
Customer Relationship Management Application	Dylan Champion/ Ray Whitehouse		3				
IT Business Continuity	Ray Whitehouse		1		1		
Special Education Needs	Sue Allen			1			1
Internet	Ray Whitehouse		3				
Council Tax	Jeff Potter		1		1		
Repairs and Maintenance Contracts	Mark Butler	1		1	2		
NNDR	Dylan Champion		1				1
Software Licence	Ray Whitehouse		1		1		

Review in 2006/07	HoS Responsible	High	Medium	Low	Position as at end Dec 07		
					In Progress	Not Started	Position/Status Unknown
Post Completion Project Assessment	Mark Butler			1			1
Payroll	Jeff Potter 1 Med – David Ede, 1 Med Jeff Potter		2		2		
Providing Services for the Physically Disabled	1 Eileen Means and David Ede, 6 Eileen Means	2	5		7		
Oracle Financials General Ledger and Accounts Payable Application	Mike Stringer		2		2		
DSO Servitor	Ray Whitehouse	1			1		
Creditors	1 - Mike Stringer, 1 - Mike Stringer/Christine Dooley		2		2		
<b>Total</b>		<b>5</b>	<b>31</b>	<b>4</b>			

**SCHEDULE 14 – High Priority Outstanding External Audit Recommendations – 2006/2007**

<b>HIGH PRIORITY RECOMMENDATIONS</b>				
<b>Reports</b>	<b>Recommendations</b>	<b>HoS Responsible</b>	<b>Current Position</b>	<b>Classification</b>
<b>Grant Report 2005/2006 (audit of grant claims)</b>  (Report issued 06/07)	<b>R16</b> Review the Academy reporting tool to ensure that it reports backdates and extended payments net of overpayments.	Jeff Potter	This recommendation is in the process of being resolved by Academy and officers are monitoring its progress. In Progress - With Academy	In Progress
<b>Grant Report 2005/2006 (audit of grant claims)</b>  (Report issued 06/07)	<b>R22</b> Put in place adequate arrangements to ensure that only eligible expenditure is included in the claim.	Sue Allen	Officers agreed that this would be addressed by meetings with project leaders being held and monitoring by the individual finance officers. A programme highlighting the importance of controlled financial environments has also been put into place.	In Progress

*(There are no outstanding low or medium priority recommendations)*

**SECTION 9 - Benefits Comparative Information**

The results against local performance targets for the above period are shown in the table below. It should be noted the latest comparator information is not available for 2007/08.

LBH is currently ahead of target in all areas of performance.

**SCHEDULE 15 - Benefit Investigations - 1 APRIL 2007 TO 31 DECEMBER 2007**

	LBH Data		Comparator Data			
	2007/8 Target	Achieved YTD	National Average	All London Average	Outer London Average	LBH
Official Cautions administered	27	27	N/A	N/A	N/A	N/A
Administrative Penalties administered	27	20	N/A	N/A	N/A	N/A
Prosecutions (convictions)	24	20	N/A	N/A	N/A	N/A

Summonses Issued	24	23
Administrative Penalties value	Not set	£16,938.25
Prosecution Costs	Not set	£21,525.71
Prosecution Costs Awarded	Not set	£4,050.00

**Schedule 16 BVPI 76 – Security**

The Security BVPIs contribute to the overall Benefits BVPIs which in turn have a major impact on the overall LBH score. The outturn figures for BVPI 76c and 76d are cumulative and indicate the targets will be exceeded by the end of the year.

Again, it should be noted that the latest comparator information is not available for 2007/08.

BVPI	Description	LBH Data		Comparator Data			
		Annual Target	Outturn YTD	National Average	All London average	Outer London average	LBH
76b	Number of investigators employed, per 1,000 caseload	0.35	0.34	N/A	N/A	N/A	N/A
76c	Number of investigations, per 1,000 caseload	34	24.0	N/A	N/A	N/A	N/A
76d	Number of prosecutions and sanctions, per 1,000 caseload	4.3	3.76	N/A	N/A	N/A	N/A

(Live caseload as at 1/1/08 = 17,833)

## APPENDIX A - FOLLOW UP REPORT

At the last audit committee it was reported that progress towards implementing the recommendations from the 2006/07 audit of receiverships and appointeeships had been positive with an Internal Audit follow up concluding that 11 of the 13 recommendations had been implemented. Subsequent assurance from Management indicated that the remaining two recommendations had also been actioned.

An update was requested at the last Audit Committee specifically relating to the fees and charges received by the Council as there was recollection that one issue arising from the report related to the non collection of fees.

As a result the Internal Audit and Corporate Risk Manager met with the Client Finance Manager to discuss the current arrangements and obtain evidence to provide assurance to the Committee that this issue has now been addressed.

The Client Finance Manager advised that there are currently 20 appointeeship and 78 receivership cases with five further receivership cases about to come on board and that fees charged are in line with those decreed by the Court of Protection.

Spreadsheets detailing income generated via fees were provided and explained during the meeting. It was further noted that fees relating to previous financial years had been identified and charged.

As at Period 9 on S353 (Appointee and Receivership Cost Centre) total fees and charges have been raised of £38,176.96. £10,539.95 was prior years income raised in retrospect. Therefore the 2007-2008 income at that date was £27,637.01.

At Period 9 the Client Finance Manager anticipated a further £7,531.63 (minimum guaranteed) for the remainder of this year so that the total income for 2007/08 will be £35,168.64 compared to the original budgeted amount of £950.

Discussions also highlighted that fees paid from Client funds for contributions towards accommodation, homecare and meals on wheels costs are paid on invoices, raised by the income team, and will appear on appropriate cost centre budget line. Although, there is no separate code to indicate payment by us; we do record the payments we've made which extrapolated for the full year 2007-2008 will be £556,725. If we did not secure and control the client funds, then there would be an increased risk of non collection of contributions and the cost of doing so.

It is also planned that a report will be submitted to members on the possibility of the authority to take a portion of the interest gained on income invested in our client account, which had it not been for our involvement, would not have been achieved.

Good News Example from recent inspection – provided by Interim Head of Adults Social Service to provide further assurance regarding how the receiverships team is working.

XXX id 106303 DOB 11/04/1919  
YYY id 106304 DOB 16/10/1907

LBH has had Receivership (Property and Finance) for XXX and YYY since August 2006. This was necessary because there was no one else willing and able to take on this role.

The situation at home had become critical because XXX had been managing their finances as was the practice in their relationship. However, due to mental health issues, she had not been coping well with this and bills were not been paid. YYY by this time did not have the capacity to manage their finances. Also XXX was not looking after YYY, he being too frail to cook his own meals.

The opinion of the GP was that both XXX and YYY should be admitted into permanent residential care. The initial assessment by Care Management supported this view but on further reflection after consultation with Client Finance Management, it was decided to maintain them at home with a package of Domiciliary Care and Meals on Wheels on a daily basis with the Client Finance Management having full control and responsibility for their finances and property (substantial capital but not home owners as they have a rent free life tenancy) This was in accordance with YYY's wishes as although he did not have the mental capacity to deal with his finances, he was still able to decide on his care provision.

Client Finance Management has ensured that all income is secured; including the correct entitlement to state benefits and that all bills are paid. Also, arrangements have been made to carry out and pay for essential repairs and to keep the garden maintained.

This arrangement was a success until October 2007, when XXX' developed dementia was and had to be admitted to hospital. YYY was very distressed and could not cope with being on his own. A night sitter was arranged to keep him company till the next day.

After further consultation, it seemed unwise for XXX to recuperate at home, as she could be a danger to herself and neglect YYY. In partnership with Commissioning Placements, a respite bed was found in a dual registered (elderly frail and dementia) home at very short notice, thus enabling XXX and YYY to stay together. This placement is not funded by the Local Authority and they are self funding due to the level of capital. Their quality of life has been maintained by the provision of clothes taken in by a friend from their church and purchased by Care Reviewer (from money held by Client Finance). Weekly visits have been made to their home to check its security in accordance with their insurance policy. Christmas cards and letters have been taken into them.

XXX and YYY are still in residence at the home on an open ended respite. YYY still wants to return home but accepts that this is the best place for him to be at the moment, they both being happy and settled.





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MEETING	DATE	ITEM
AUDIT COMMITTEE	4 March 2008	7

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## **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: INTERNAL AUDIT CHARTER & TERMS OF REFERENCE**

### **SUMMARY**

The Internal Audit Charter and Terms of Reference outlines the role of Internal Audit and how the audit service will fulfil this role. The document is subject to an annual review.

The current version, approved September 2006, was submitted to the December Audit Committee meeting for comment. The Internal Audit Charter and Terms of Reference has subsequently been reviewed and is presented here for approval.

The review of the Internal Audit Charter and Terms of Reference was delayed slightly to coincide with the review of the Audit Strategy, which occurs as part of the 2008/09 Audit Planning Process.

### **RECOMMENDATION**

- 1 To comment on the contents of the Charter and Terms of Reference for Internal Audit (Appendix A).
- 2 To approve the revised document based on any agreed changes resulting from this meeting.

## **REPORT DETAIL**

### **1. Internal Audit Charter and Terms of Reference**

- 1.1 The aim of the Audit Service is to provide an assurance function; this is set out in the Internal Audit Charter and Terms of Reference.
- 1.2 Cipfa's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 has been used as a source of guidance in preparing this updated document. Example documents from other authorities have also been reviewed to benchmark contents.
- 1.3 References to other key documents have been included to avoid simply duplicating the detail contained within and relevant links will be added when the document is placed on the intranet.
- 1.4 Main changes to the document: were to reduce repetition by referring and linking to other key documents; include specific information or references required by the updated Cipfa guidance; and to rearrange the format to make the ordering more logical.

### **Financial Implications and risks**

None arising directly from this report

### **Legal Implications and risks**

None arising directly from this report

### **Human Resource Implications and risks**

None arising directly from this report

### **Equality and Social Inclusion implications**

None arising directly from this report

**Staff Contact:** Vanessa Bateman - Internal Audit and Corporate Risk Manager  
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**E-mail:** vanessa.bateman@haverling.gov.uk

**Cheryl Coppell**  
**Chief Executive**

## **INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE**

### **1.0 Why do we have Internal Audit?**

1.1 The requirement for a local authority to have an internal audit function is implied by s151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2003 (amended) more specifically require that a relevant body must 'maintain an adequate and effective system of internal control in accordance with the proper practices in relation to internal control'.

### **2.0 Definition**

2.1 The London Borough of Havering has adopted the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and its definition of Internal Audit:

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

### **3.0 Internal Audit Service's Role**

3.1 The Internal Audit Service is responsible for conducting an objective and independent appraisal of all the London Borough of Havering's activities, financial and otherwise.

3.2 Internal Audit is required to be a continuous service available to all levels of management but its primary responsibility is to give assurance to Members, the Chief Executive, Chief Finance Officer, Assistant Chief Executives and Group Directors on all control arrangements, including risk management and corporate governance.

3.3 Internal Audit will consider the adequacy of the control environment necessary to secure: propriety, strategic management, data quality, compliance with laws and regulations and effectiveness of operations in all areas.

3.4 The role and responsibilities of Internal Audit are specified in more detail in the enclosed Terms of Reference below.

### **4.0 Management's Role**

4.1 Internal Audit is not an extension or a substitute for good management although it can advise management on risk and control issues. It is the duty of management to operate adequate systems of internal control and risk management.

4.2 It is for management to determine whether or not to accept the audit recommendations and to recognise and accept the risks of not taking action. They must formally respond giving reasons for their decisions.

**5.0 Key Performance Indicators (KPIs)**

5.1 KPIs have been devised to measure the performance of the Internal Audit Service and are communicated via the Internal Audit Protocol **[Insert Link]** and the Internal Audit Service Plan **[Insert Link]**. Current KPIs include:

5.2 KPI 01 - The total number of audit briefs issued as a percentage of the total annual number of planned reviews (%).

5.3 KPI 02 - The number of audit reviews completed to draft stage as a percentage of the total annual number of planned reviews (%).

5.4 KPI 03 - The number of audit reviews completed to final stage as a percentage of the total annual number of planned reviews (%).

5.5 KPI 04 - Performance against target time: 50 days max to complete an audit from start to release of a consultation draft (%).

5.6 KPI 05 - System Audits Survey Forms Assessed (%).

5.7 KPI 06 - Fraud Audits Survey Forms Assessed (%).

5.8 KPI 07 - Management Satisfaction Survey results above average (%).

5.9 The Terms of Reference below provides more detail regarding how the effectiveness of the Audit Service is monitored.

## **TERMS OF REFERENCE**

### **6.0 RESPONSIBILITIES of INTERNAL AUDIT**

- 6.1 To provide assurance to elected members and to management that there are arrangements in place for the proper administration of the financial affairs and that generally the system of control is adequate and effective.
- 6.2 To alert the Group Director Finance and Commercial (GDF&C) to any significant areas of financial weaknesses as per her s151 role.
- 6.3 To report to Audit Committee regarding results of audit work.
- 6.4 To Produce an Annual Report and Head of Internal Audit Opinion.
- 6.5 To deliver a risk based audit plan that ensures the resources available are used to the maximum benefit of the authority.
- 6.6 To work with External Audit, in accordance with the Internal and External Audit Protocol **[Insert Link]**, in order to maximise the value obtained from the total audit resource and minimise the overall cost of audit to the authority.
- 6.7 To work in accordance with the Internal Audit Protocol. **[Insert Link]**

### **7.0 SCOPE**

- 7.1 All London Borough of Havering's activities fall within the remit of the Internal Audit Service.
- 7.2 Internal Audit will not restrict itself to the audit of financial systems and controls but will cover all operational and management controls.
- 7.3 Not all systems will be subject to review each year but they will be included within the overall remit of audit and be subject to the audit needs risk assessment and considered for review as described in the Annual Audit Strategy and Strategic Plan.
- 7.4 As Audit can give an opinion on the whole of the system of control it may include areas as diverse as staff turnover, performance management etc. The role of internal audit is to confirm the effectiveness of systems and controls in meeting objectives. It will not make academic or other judgements.
- 7.5 It is not within Internal Audit's remit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.
- 7.6 The Internal Audit Service may also conduct special reviews and investigations, (i.e. unplanned work) requested by Members, Chief Executive, Assistant Chief Executives and Group Directors and in

particular the Group Director for Finance and Commercial (GDF&C); provided such reviews do not compromise its objectivity or independence. The impact on the audit plan must be assessed by the Internal Audit & Corporate Risk Manager (IA&CRM) and, if necessary, the plan must be reprioritised. Any significant changes must be reported back to the GDF&C and Members in the next Audit Committee reporting cycle.

## 8.0 **ACCESS**

8.1 Internal Audit has a right of access to all premises, personnel, documents and information they consider necessary for the purpose of their audits as specified in Financial Procedure Rules Section 8 (e) **[Insert Link]** and to obtain such information and explanations from any employee or member as necessary concerning any matter under review/investigation.

8.2 Internal Auditors also have the power to require any council employee, agent or Member to produce cash, equipment, computers or other Council property under their control. Internal Audit can retain or seize these items in order to protect the Council's interest, or to preserve evidence, if a suspected irregularity has occurred.

## 9.0 **OBJECTIVES of the AUDIT SERVICE**

9.1 To understand the whole organisation, its needs and objectives.

9.2 To add value and assist the organisation in achieving its objectives.

9.3 To be forward looking, innovative and challenging.

9.4 To help to shape the ethics and standards of the organisation.

9.5 To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialisms.

9.6 To achieve defined performance targets.

9.7 To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council's External Auditor.

9.8 To maintain strong and effective relationships with management.

## 10.0 **INDEPENDENCE**

10.1 Internal Audit is organisationally independent that is; the Internal Audit Service has no operational responsibilities (with the exception of the annual returns to the Inland Revenue), nor does it have responsibility for the development, implementation or operation of systems. However, it may

provide advice on implementation, control and related matters, subject to resource constraints.

- 10.2 Responsibility for internal control rests fully with management who must ensure that appropriate and adequate arrangements exist without reliance on Internal Audit. To preserve the objectivity and impartiality of the auditor's professional judgement, responsibility for implementing audit recommendations rests with management.
- 10.3 Internal Audit will be free from interference in setting objectives, scope and priorities for the Audit Plan (although they must have due regard for the Authority's strategic objectives and corporate and service risk registers and consult with Members and Officers charged with governance) and in reporting and carrying out their duties. There must be no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 10.4 Internal Audit is supported by the organisation and its independence is seen as key to providing the London Borough of Havering with an effective service.
- 10.5 Internal Audit has direct access to the Chief Executive, the Assistant Chief Executives, all Group Directors, Heads of Services, the Leader of the Council and the Chair of the Audit Committee and report in their own name.
- 10.6 The IA&CRM should have sufficient status within the authority to facilitate the effective discussion of audit strategies, plan, results and improvement plans with senior management.
- 10.7 In order to maintain organisational independence, Internal Audit has its own budget and is responsible for providing the Internal Audit service within budget.

#### **11.0 REPORTING LINES**

- 11.1 The IA&CRM reports monthly to the Head of Financial Services and GDF&C on the progress with the audit plan and the performance against KPIs.
- 11.2 Other service performance data i.e. achievement of service plan objectives is reported quarterly via the Head of Service Packs.
- 11.3 The IA&CRM reports quarterly to the Corporate Management Team, in the month prior to each Audit Committee.
- 11.4 A progress report is submitted to each of the five Audit Committee meetings held annually. Reports will also be submitted annually for approval regarding the Audit Strategy and Plan, Charter and Terms of Reference, Risk Management and Fraud Strategies. On an annual basis the IA&CRM will present their Annual Report and Head of Internal Audit Opinion to the Audit Committee.

## **INTERNAL AUDIT'S ROLE IN FRAUD AND CONSULTANCY WORK**

### **12.0 Fraud**

12.1 As stated in the CIPFA Code, managing the risk of fraud and corruption is the responsibility of management (for example through maintaining internal controls to prevent and detect fraud). Internal audit does not have responsibility for the prevention or detection of fraud. However, fraud issues are an area where Internal Audit is well placed to offer a lead as a service to the organisation. To enable this an anti-fraud and corruption team exists, which has responsibility for:

- Raising fraud awareness across the Council;
- Carrying out a programme of proactive fraud identification work;
- Dealing with the National Fraud Initiative and other external anti-fraud contacts;
- Acting as a source of expert advice to other internal auditors and officers generally; and
- Leading on any fraud investigations where Internal Audit are conducting the work.

12.2 Financial Procedure Rules require that all detected instances of fraud and corruption be reported to the GDF&C and Internal Audit so that lessons arising from the irregularity can be identified.

12.3 Responsibility for the investigation of fraud rests with management, but internal audit has expertise in such investigations and can assist management with this. In addition, suspicions of fraud or corruption may be reported directly to Internal Audit under the Council's Confidential Reporting (Whistle blowing) policy **[Insert Link]**. In these cases investigations by internal audit will usually be in conjunction with line management but exactly who is informed will depend on the nature of the allegations.

12.4 The pro active audits target specific areas of concern to management, where a short focused review, of controls, is sufficient to provide assurance to management. Where issues are highlighted this may result in a full systems review being undertaken or lessons learned being circulated to management.

### **13.0 Consultancy**

13.1 Internal Audit can also provide, to the extent that resources permit, an independent and objective consultancy service designed to help line management improve the Council's internal control environment. This can include reviews of specific problem areas, advice and support on new developments and assistance in the preparation of financial training and documentation and strategic policy documents.

Date of Approval: 4<sup>th</sup> March 2008

Review Date: March 2009





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MEETING	DATE	ITEM
AUDIT COMMITTEE	4 March 2008	8

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### **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: INTERNAL AUDIT STRATEGY AND OPERATIONAL PLAN FOR 2008/09**

#### **SUMMARY**

In accordance with the Internal Audit Charter and Terms of Reference the Audit Service reports each year to the Audit Committee on its proposed Strategy and Audit Plan.

The Strategy outlines the means by which Internal Audit will achieve its objectives and is attached as Appendix 1 of this report.

Appendix 2 details the risk based audit plan for the next two financial years, with information regarding coverage during 2007/08 also included, which shows how the service will deliver its strategy and what audit work will be undertaken for the period together with the number of audit days required.

The individual audits shown in the plan and the assurance gained by completing them will feed into the Head of Internal Audit Opinion which is a key assurance for the Annual Governance Statement.

#### **RECOMMENDATION**

- 1 To review the draft strategy and plan and provide comments in order that these may be considered as part of the compilation of the final strategy and plan.
- 2 To approve the strategy and plan on the basis of any agreed amendments arising during the meeting.
- 3 To confirm the Committees agreement that any required changes to the Audit Plan during the financial year, as considered necessary by the Internal Audit & Corporate Risk Manager, can be reported for discussion within the progress report to the next Audit Committee meeting.

## **REPORT DETAIL**

### **1. Internal Audit Strategy**

- 1.1 Appendix 1 contains the proposed Audit Strategy for 2008/09. It has been drafted using examples from other Councils as well as reference to best practice guidance provided by Cipfa.
- 1.2 The Strategy sets out how Internal Audit intends to meet its objectives for the coming year.

### **2. Strategic Audit Plan 2007/08 – 2009/10 and the updated Operational Audit Plan for 2008/09**

- 2.1 The Strategic Audit Plan approved March 2007 has been reviewed as part of the 2008/09 Operational Planning Process.
- 2.2 The initial 'Strategic Audit Plan for 2007/08 – 2009/10 indicated that there would be a requirement for 1419 audit days in 2007/08, and an initial estimate of 1434 days for 2008/09 and 1412 days 2009/10. In 2007/08 the plan had to be revised in order to take account of the resources available within the team. A final plan of 1224 days was agreed for the year.
- 2.3 The 2008/09 Audit Planning process has identified a plan of 1692 and proposed changes in structure in the Audit team, the review of which is still ongoing, indicate that 1627 days of resource will be available. A total of 65 days in the plan can therefore not be resourced by the current structure and, based on a risk assessment; 65 days of audit work will be deferred in to 2009/10. It should be noted that this equates approximately to the number of days being deferred from 2007/08 to 2008/09. This indicates that the resources available within the budget, should a full compliment of permanent staff be in place, is sufficient to meet the current needs of the organisation.
- 2.4 The resource situation and the ability to deliver the approved plan will be reviewed on an on-going basis, in the new financial year, as there is reliance on being able to appoint to permanent positions in the team and reduce the need to use agency staff to complete the plan, which is obviously more costly.
- 2.5 The plan has been circulated to Senior Management for comment and any feedback will be provided to the Committee verbally at the meeting.
- 2.6 As an audit plan is not a static document and is always evolving as risk plans are amended, service provision changes and previous audits change the categorisation of the risk assessment of a service. This means that the audit plan will change every year. By delegating the responsibility for everyday operational decisions to the Internal Audit & Corporate Risk Manager this will facilitate efficient work processes during the year.

**3. Financial Implications and risks:**

- 3.1 The costs of both directly employed and outsourced services to carry out the agreed plan will be met from within the 2008/09 budget for the Audit Service. The original budget days for 08/09 were 1692 and the days shown for 08/09 are initially 1627. As it will be necessary to achieve a balance between the identified risks and resources available to deliver the plan this will form part of the review process.
- 3.2 Should it not be possible to appoint staff to the vacant audit posts in a timely fashion, in the new financial year, then temporary staff will need to be used for an interim period the costs of which would need to be contained within the audit budget.
- 3.3 The risks relating to the audit plan are set out below.

Risk	Mitigation factors
<p>That the plan will not address the key risk areas within the council</p>	<p>The plan has been prepared taking into account the council’s risk registers. When the auditable areas have been identified they have been subjected to a risk evaluation to determine if and when they should be reviewed.</p> <p>The plan has been formulated upon the assessment of the Internal Audit &amp; Corporate Risk Manager using prescribed methodologies, including discussion with Heads of Service. The plan has been circulated to Senior Management for comment and will be reviewed periodically throughout the year with any required changes being reported to Audit Committee.</p>
<p>That the plan does not provide assurance for the external auditor</p>	<p>The plan ensures that key areas of the financial procedures which feed the financial statements are reviewed annually.</p>
<p>That the plan is not flexible enough to meet the needs of the council during the year</p>	<p>There is a contingency within the year to allow for unforeseen systems based audit work and if necessary decisions may need to be made to replace one audit with another.</p> <p>As the level of fraud investigation work cannot be determined with any certainty the same practice will operate as in previous years in that should there be more fraud investigation work than was planned then the pro-active audits would be reduced and if there is not as much as anticipated then further pro-active audits would be undertaken.</p> <p>Should additional work be required above these two factors then additional funding would need to be identified before work could commence.</p>

<p>That there are not sufficient staffing resources both in number and to the required skill level to carry out the work identified</p>	<p>The restructure of the service should ensure that the planned work is adequately resourced by staff at the correct experience level. Should ,however, recruitment prove difficult then temporary agency staff will need to be employed Training needs are assessed at 6 monthly intervals via the PDPA process. Continuous training is provided to ensure that staff have sufficient skills to carry out their duties and deliver the audit plan and strategy.</p>
<p>That there is insufficient understanding and coverage of other risks (not purely operational and strategic)</p>	<p>Involvement with projects systems development and change. Reliability and integrity of management databases and information. Stewardship of financial and non financial assets. Reviews to ensure that the authority complies with new legislation.</p>
<p>Not addressing risks in areas where there control deficiencies and weaknesses have been identified</p>	<p>The audit planning process will review the Annual Governance Statement and ensure that reviews of identified weaknesses are included within the plan. Also that recommendations to address critical control weaknesses are reviewed in the following financial year to ensure that the have been fully implemented by agreed dates.</p>

**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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**Cheryl Coppell**  
**Chief Executive**

## **INTERNAL AUDIT STRATEGY 2008/09**

### **1. What is Internal Audit?**

- 1.1 As per the Internal Audit Charter and Terms of Reference London Borough of Havering defines Internal Audit as “an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

### **2.0 What is an Audit Strategy?**

- 2.1 An Internal Audit Strategy outlines the means by which Internal Audit seeks to achieve its stated aims and objectives. The strategy is the plan for the effective delivery of the Internal Audit Service and communicates the contribution that Internal Audit makes to the authority.

### **3.0 Objectives of Internal Audit**

- 3.1 As outlined in the Internal Audit and Terms of Reference the objectives for the Audit Service are:
- To understand the whole organisation, its needs and objectives.
  - To add value and assist the organisation in achieving its objectives.
  - To be forward looking, innovative and challenging.
  - To help to shape the ethics and standards of the organisation.
  - To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialisms.
  - To achieve defined performance targets.
  - To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council's External Auditor.
  - To maintain strong and effective relationships with management.

#### **4.0 Responsibilities of Internal Audit**

4.1 The Charter and Terms of Reference for Internal Audit also outlines, amongst others, these key responsibilities of the Audit service:

- To provide assurance to elected members and to management that there are arrangements in place for the proper administration of the financial affairs and that generally the system of control is adequate and effective.
- To alert the Group Director Finance and Commercial (GDF&C) to any significant areas of financial weaknesses as per her s151 role.

#### **5.0 Audit Coverage and the Annual Plan**

5.1 Internal Audit will review the services provided by the Council and carry out a risk assessment on the susceptibility of these services to mistake or fraud and the impact that these might have upon the aims of the Council to meet its corporate objectives and how any failure may impact upon its corporate reputation.

5.2 In addition to carrying out 'assurance' work which involves reviewing the services of the Council the section also carries out fraud and special investigations and provides advice and other services, as and when required, to staff and members.

5.3 A three year strategic plan exists; however the Audit Strategy and Annual Plan are reviewed annually and submitted for approval by the Audit Committee.

#### **6.0 Internal Audit and Governance**

6.1 The reports which are produced by the service will feed into the Council's review of its Governance Arrangements and will be one of the sources that can be used to gain assurance on the level and quality of the internal control environment which also then feeds in to the 'Annual Governance Statement'.

6.2 The Internal Audit & Corporate Risk Manager, through the planned audit work, will contribute to the review of the Council's Corporate Governance arrangements, risk management processes and ascertainment of the effectiveness of key internal control systems.

6.3 The Internal Audit & Corporate Risk Management produces a Head of Internal Audit Opinion annually and a corresponding Annual Report to Audit Committee, highlighting the results of audit work during the year and key issues to be considered.

## **7.0 Internal Audit and Risk Management**

7.1 Risks are potential events or occurrences that may have an adverse effect on the organisation's ability to achieve its objectives. Risk Management is the process of identifying, evaluating and responding to risks in order to mitigate them. Everyone in the organisation is responsible for managing risk and Internal Audit will use the authority's risk management framework to focus its work by concentrating on those areas that are most critical to the authority. Consequently, Internal Audit will review the authority's risk registers on a six monthly basis and where necessary amend the internal audit plan to ensure audit resources are continually focused on areas identified by management where the objectives may not be achieved.

## **8.0 Internal Audit Resources**

8.1 The Council's Constitution article 12 paragraph 12.05 says 'the Council will provide the Monitoring Officer and the Chief Finance Officer with such staff, accommodation and other resources as are in those officers' opinion sufficient to allow their duties to be performed'.

8.2 The structure of the Internal Audit section is currently under review. This review will ensure that the section is resourced in a manner that allows for both the correct management resource and suitably skilled staff to achieve the completion of the plan.

8.3 Due to the specialist skills required to carry out computer audits and the fact that the resources required would not equate to a full time member of staff this service is currently procured from the private sector.

8.4 The work of the service also needs to ensure that sufficient resources are being allocated to carry out fraud related tasks. The plan sets out the time that has been allocated to deal with suspected fraud and irregularity issues and to carry out pro-active fraud work which will specifically test a higher volume of transactions to test controls to determine the potential for fraudulent activity.

## **9.0 Quality**

9.1 Procedures exist within the team to ensure the audit service produces good quality work. These procedures include:

- Review of audit brief by manager prior to agreement with management;
- Supervision of fieldwork by manager;
- On-going training (internal and external) and compliance with the Corporate performance processes;
- Formal review of working papers and report by manager;

- Feedback from manager on each job;
- Quality questionnaires completed by management;
- Benchmarking and peer review with best practice and other organisations; and
- Review of the quality of audit reports by the Group Director Finance & Commercial.

9.2 An audit manual exists to provide guidance to the audit team; this will be reviewed and updated in July 2008.

## **10.0 Strong Relationships**

10.1 The Internal Audit and Corporate Risk Manager chairs an Audit Representatives Group to maintain links between the team and each of the Council directorates.

10.2 Internal Audit manage an annual programme on presentations and training designed to raise the profile of the audit team and raise awareness of audit issues.

## **11.0 Performance**

11.1 The criteria and mechanisms in place to monitor the performance of the team are outlined in the Internal Audit Charter and Terms of Reference which are subject to annual review.

11.2 A service plan is also produced annually in order to formally communicate what the service aims to deliver in year; this provides a benchmark for annual appraisal of teams achievements.

## **12.0 Reporting Arrangements**

12.1 The reporting lines for the audit service are outlined in the Internal Audit Charter and Terms of Reference; these include unrestricted access to Audit Committee.



**APPENDIX B - REVISED AUDIT PLAN FOR 07/08 - 09/10**

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
AC1	ACEs	Jonathan Owen	External Assessments	0	12	12	0	Only carry out review every 2 years. Next audit due 08/09. <i>Title updated as was out of date.</i>
AC2	ACEs	Christine Dooley	Register of Interests/Related Party Transactions/Gifts/Hospitality	12	0	0	12	Hospitality was reviewed a few years ago. Need to review registers of interest. System needs flowcharting. Next audit due 09/10. <i>No change.</i>
AC3	ACEs	David Ede	Codes of Conduct & Accountability	12	0	12	12	Needs reviewing every two years. System needs flowcharting. Next audit due 09/10. <i>Defer 07/08 to 08/09 - due to new code development - requested by management - unlikely to review again in 09/10 unless issues raised.</i>
AC4	ACEs	Christine Dooley	Freedom of Information Act	0	0	0	10	Only need to review once every 3 - 5 years. <i>Risk Rating reassessed as considered to be more significant now and more resource available. Audit 09/10.</i>
AC5	ACEs	Christine Dooley	Governance & Committee Structure including hospitality	0	0	0	15	Reviewed in 06/07. Next review 09/10. <i>No change.</i>
AC6	ACEs	Christine Dooley	Constitution, Standing Orders and Scheme of Delegation	0	10	0	10	Reviewed in 06/07 and would be part of CPA review in 06/07. Next review 08/09. <i>Defer to 09/10 following discussion with CD.</i>
AC7	ACEs	Christine Dooley	Electoral Registration	0	0	0	12	Insufficient resources to review any area that has a "Low " category rating. Govt check on election procedures. <i>Discussed with CD reassessed risk as a result systems checks would provide assurance.</i>
AC8	ACEs	Christine Dooley	Members Allowances	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC9	ACEs	Christine Dooley	Recovery of Court Costs	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC10	ACEs	Christine Dooley	Elections Expenditure	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. Govt reviews. <i>Next Audit May 2011 discussed with CD (10 days).</i>
AC11	ACEs	Christine Dooley	Land Charges	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC12	ACEs	Johnathan Owen	Partnership Working	0	15	20	0	Audit carried out in 06/07. Next review due 08/09. <i>Increased focus on partnerships in UoR and other External Assessments has increased Risk. Increased days 15-20 to allow an across Council sample to be selected.</i>
AC13	ACEs	Christine Dooley	Crime & Disorder strategy and CCTV usage	0	15	15	0	Check on risks related to the use of CCTV. Also check that the strategy is in place and being regularly reviewed. Reputational risk high need to ensure good controls on this area. <i>No change.</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
AC14	ACEs	David Ede	Personnel arrangements inc- Equality & Diversity- Recruitment and Retention	20	0	0	20	Equality and diversity procedures will be reviewed as sepperate audit in 08/09. System needs flowcharting. Next audit 09/10. Change Title and focus of audit for 07/08 so that we can split this area down to manageable audit areas - Recruitment and Retention highest priority other areas 08/09. Next audit 09/10.
AC15	ACEs	David Ede	Employment of staff permanent/ temporary (included within Personnel above) Sickness / Absence Management	0	0	15	0	Title change as the original audit has been split down, key area on risk registers.
AC16	ACEs	David Ede	Long service awards	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. No change.
AC17	ACEs	David Ede	Plusage to salaries on final 3 years	0	0	0	0	<del>insufficient resources to review any area that has a "Low " category rating. Old system.</del>
AC18	ACEs	David Ede	Sickness , holiday, special leave procedures	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. However <b>Proactive Audit</b> carry out a review of payments.
AC19	ACEs	David Ede	Flexi time scheme	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. However would be covered as a <b>Proactive Audit</b> . <i>Included in Proactive Audit plan.</i>
AC20	ACEs	Jonathan Owen / David Ede	Performance Management	18	15	0	15	Nearly all risk registers state that performance is an issue. We will therefore check on the procedures that ensure performance is being correctly monitored throughout the Authority. Procedures need flowcharting in 07/08. Focus on NIs this year, new system being introduced audit early 09/10.
AC21	ACEs	Christine Dooley	Human Rights Act & RIPA	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. Audit carried out by other reviewing bodies. <i>No Change.</i>
AC22	ACEs	Christine Dooley	Procedures for dealing with non routine legal cases, judicial reviews etc	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC23	Finance & Commercial	Rita Greenwood	Health & Safety :Corporate controls	0	0	0	0	H & S now carry out an audit of service delivery. H & S Groups review service delivery. This enables the risk index to be lowered. <i>No Change.</i>
AC24	ACEs	All ACEs	Climate Change	0	0	0	12	Not an area of high risk as audited in 05/06. <i>Review again in 09/10 as increasing profile and sustainabilty mentioned in Use of Resources (UofR).</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
AC25	ACEs	All ACEs	Taxation issues relating to service delivery	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC26	ACEs	All ACEs	Impact of new legislation affecting Local Government	0	0	0	0	Directortates should be dealing with this and it should be picked up during a governance audit
AC27	ACEs	J Owen	Annual Review of BVPIs	20	20	15	20	External audit require us to review some of the BVPI's every year. They place reliance on our work . Audit NIs for future years.
New 01	ACEs	J Owen	Annual Review of NIs	0	0	15	15	Audit to ensure that systems and controls are in place to ensure robust data and audit trails to support performance information.
AC28	ACEs	J Owen	Community Strategy Procedures	45	0	15	15	We need to check on the procedures in place to ensure that we have a good community strategy in place, that all partners are aware of it. It has been delivered by due dates and any actions required are being undertaken within required timescales. System needs flowcharting . Next audit 09/10
AC29	ACEs	J Owen/Mark Leech	Communication procedures with staff and public	0	0	0	12	Insufficient resources to review any area that has a "Low " category rating. Risk Profile reassessed as communication with staakeholders is key to achievement of objectives and audit would provide evidence for reference in Use of Resources (UofR) evidence. Review 09/10.
New 02	ACEs	J Owen/Mark Leech	Print Room	0	0	12	0	Area where assurance is required highlighted during HoS meeting.
AC30	ACEs	J Owen	Crisis management	0	0	0	0	insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
AC31	ACEs	All ACEs	Succession planning / Work Force Planning	0	45	0	15	This will be a check on the procedures within Directorates that they are aware of succession planning and have procedures within their sections to deal with the succession of staff when individuals leave. Deferred to 09/10 as new structure being put in place in HR.
AC32	ACEs	J Owen	LPSA annual audit certificate required	5	5	0	5	London Public Sector Agreement audit certificate required by central government. No longer required. LAA is reviewed under Community Stragegy Procedures.
AC33	ACEs	All Aces	Equality and Diversity	0	0	10	0	Requested via HoS meetings. This has raised profile now.
<b>Sub Total for Corporate Issues</b>				<b>102</b>	<b>107</b>	<b>141</b>	<b>200</b>	

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
CS1	Childrens Services	Maurice Emberson	Child Protection	0	12	12	0	Audit undertaken in 06/07. Next audit 08/09. Area considered High. All Childrens Services Audit days to be reviewed during meetings with HoS. Areas on plan out of date and need refresh.
CS2	Childrens Services	Sue Allen	Commissioning of Transport Services within Childrens Services	0	0	0	15	Audit undertaken in 06/07. Next audit 09/10
CS3	Childrens Services	Sue Allen	Pupil Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS4	Childrens Services	Sue Allen	Educational Psychology Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS5	Childrens Services	Sue Allen	Behavioural Support	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS6	Childrens Services	Sue Allen	Special Educational Needs	0	12	12	0	Audited in 06/07. Next audit 08/09
CS7	Childrens Services	David Tomlinson	Support Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS8	Childrens Services	Sue Allen	Early Years	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS9	Childrens Services	Sue Allen	Education Welfare Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS10	Childrens Services	Sue Allen	Youth Service	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS11	Childrens Services	David Tomlinson	Educational Strategic Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS12	Childrens Services	David Tomlinson	Standards Fund	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS13	Childrens Services	David Tomlinson	Supply Teachers	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS14	Childrens Services	David Tomlinson	Fair Funding	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS15	Childrens Services	David Tomlinson	Recoupment	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS16	Childrens Services	David Tomlinson	Mandatory Awards	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.
CS17	Childrens Services	David Tomlinson	Rolls Registers	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. To be discussed with HoS.

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
CS18	Childrens Services	David Tomlinson	Education other than at school	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS19	Childrens Services	Sue Allen	Student Awards	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS20	Childrens Services	David Tomlinson	School Clothing Grants & Bus Passes	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS21	Childrens Services	Maurice Emberson	Provision of services for under 8's	0	15	15	0	Next audit due 08/09
CS22	Childrens Services	David Tomlinson	Training : Children & Families	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS23	Childrens Services	Sue Allen	Truancy	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS24	Childrens Services	David Tomlinson	Catering	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
CS25	Childrens Services	Sue Allen	Youth Trips	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>To be discussed with HoS.</i>
TBC				0	0	11	20	Proposed additional days for Children's Services to utilise as required.
<b>Sub Total for Children's Services</b>				<b>0</b>	<b>39</b>	<b>50</b>	<b>35</b>	
SC1	Sustainable Communities	Peter Brennan	Commissioning of residential placements and Home care for the elderly	0	12	12	0	Reviewed in 06/07. Next audit due 08/09
SC2	Sustainable Communities	Peter Brennan	Provision of day care for the elderly	0	0	0	0	Now dealt with under commissioning and provision. Will need a review 10/11 as discussed at HoS meeting.
SC3	Sustainable Communities	Peter Brennan	Joint Team working ( <del>Pension &amp; Assessments</del> ) Linking welfare benefits to Care Management	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <b>Proactive 09/10.</b>
SC4	Sustainable Communities	Peter Brennan	Provision of Services for the physically disabled	0	45	0	15	Reviewed 06/07. Next audit due 08/09. HoS feels they have fully reviewed this service. Suggested defer to 09/10.
SC5	Sustainable Communities	Peter Brennan	Provision and commissioning of services for those with learning difficulties	18	0	0	15	Will review how placements are set, the contracts in place payment for placement and income. System needs flowcharting. Next audit due 09/10.
SC6	Sustainable Communities	Peter Brennan	Joint working with the Primary Care Trust	18	0	0	15	Key for Use of Resources. Review Bi-annually.

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
SC7	Sustainable Communities	Peter Brennan	Purchasing services for those with mental health problems	18	0	0	15	Next audit due 09/10. <i>No change.</i>
SC8	Sustainable Communities	Peter Brennan	Commissioning services for those with mental health problems	18	0	0	15	Will review the procedures in place for the assessment of the need of a person and how best this should be provided. System needs flowcharting. <i>Next audit due 09/10.</i>
SC9	Sustainable Communities	Peter Brennan	Grants to Voluntary Organisations	0	0	10	0	Insufficient resources to review any area that has a "Low " category rating. <i>Link to Use of Resources so increased profile.</i>
SC10	Sustainable Communities	Peter Brennan	Freedom passes & Taxi cards	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <b>Proactive Audit.</b>
SC11	Sustainable Communities	Peter Brennan	Receiverships/Appointments and residents savings & Securities	0	12	12	0	reviewed in 06/07. Next audit due 08/09. <i>No Change.</i>
SC12	Sustainable Communities	Patrick Keyes	Planning Application procedures	0	0	0	12	Reviewed in 06/07. procedures found to be good which has allowed a revised risk assessment. Review 09/10 as increased resource available.
SC13	Sustainable Communities	Barry Kendler	Housing Rents Collection / Arrears	18	18	12	18	Would need to review procedures for rent collection by Homes in Havering and how this interrelates with the Authority as landlord. Need to ensure new system fully flowcharted. <i>Decrease days as we can rely on some of the work completed by HIH's own internal auditors - reduced scope of our audit.</i>
SC14	Sustainable Communities	Barry Kendler	Redecoration Allowances	0	0	0	0	Housing no longer operate a scheme whereby a tenant was given vouchers to purchase materials to decorate their own property
SC15	Sustainable Communities	Barry Kendler	Renovation Grants	0	15	12	0	Next audit due 08/09. Reduced days as Proactive completed 07/08.
SC16	Sustainable Communities	Barry Kendler	Lift Maintenance Contracts	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
SC17	Sustainable Communities	Barry Kendler	Housing Grants and Allowances	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
SC18	Sustainable Communities	Barry Kendler	Service Maintenance Contracts	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
SC19	Sustainable Communities	Barry Kendler	Rechargeable Works	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No change.</i>
SC20	Sustainable Communities	Barry Kendler	Sheltered Accommodation	0	0	15	0	Insufficient resources to review any area that has a "Low " category rating. Restructuring audit in October.

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
SC21	Sustainable Communities	Barry Kendler	Maintaining quality of Housing stock	10	0	10	0	Review procedures in place to ensure housing stock does not deteriorate. Next audit due 09/10. Deferred from 07/08.
SC22	Sustainable Communities	Barry Kendler	Concierge/ Caretaking	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced
SC23	Sustainable Communities	Barry Kendler	Former Tenants Arrears	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced
SC24	Sustainable Communities	Barry Kendler	Verification of Tenancies	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced
SC25	Sustainable Communities	Barry Kendler	Housing Estates (Repairs and Maintenance)	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced.
SC26	Sustainable Communities	Barry Kendler	Right to Buy	15	0	0	10	Some reliance can be placed on HiH audit work. Reduced budget to reflect. Next audit due 09/10
SC27	Sustainable Communities	Barry Kendler	Lessees Charges	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced.
SC28	Sustainable Communities	Peter Brennan	Vehicle Workshops	0	15	15	0	Audit carried out in 06/07. Next audit due 08/09
SC29	Sustainable Communities	Peter Brennan	Use of Fuel Cards	0	0	0	0	Storage tanks to be used so cards will be phased out. The intention is for there to be no fuel cards by 1/4/07. <b>Proactive Audit.</b>
SC30	Sustainable Communities	Peter Brennan	Procurement and leasing of vehicles	16	0	0	10	Flow chart system for leasing vehicles. Ensure vehicle leasor went through competitive process. Leases correctly entered into. We have vehicles leased. Any secondary rentals correct. Financial appraisals to justify lease correctly carried out. Payment showing correctly in the main accounts. Next audit due 09/10.
SC31	Sustainable Communities	Barry Kendler	Voids	0	15	10	0	To be reviewed in 08/09. Reduced days as will rely on HiH own Internal Auditors.
SC32	Sustainable Communities	Barry Kendler	Housing Aid	0	15	15	0	Next audit due 08/09
SC33	Sustainable Communities	Barry Kendler	Homelessness, B & B Accom & Hostels	0	15	15	0	Next audit due 08/09
SC34	Sustainable Communities	Barry Kendler	Communication Centre	0	0	5	0	Insufficient resources to review any area that has a "Low " category rating. Restructure - part of the Sheltered Accommodation review above.
SC35	Sustainable Communities	Barry Kendler	ASBOs	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
SC36	Sustainable Communities	Barry Kendler	Allocation of tenancies	0	0	0	0	Allocation of tenancies would now be undertaken by Homes in Havering
SC37	Sustainable Communities	Barry Kendler	Supporting people	12	0	0	8	Vital for CPA score . Need to ensure procedures in place and documented to cover service. Auditor will need to gain understanding of the service in order to ascertain risks and flowchart procedures. Next audit 09/10.
SC38	Sustainable Communities	Patrick Keyes	Development control	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced.
SC39	Sustainable Communities	Barry Kendler	Sale valuation of housing stock	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced
SC40	Sustainable Communities	Barry Kendler	Landlord Responsibilities	0	0	0	0	Due to transfer to HiH many tasks will now be undertaken by them and a new management audit will be introduced
SC41	Sustainable Communities	Barry Kendler	Management of HiH	25	15	15	15	New audit. Removed some direct housing tasks as HiH now run these. This audit will ensure that there is evidence that HiH is providing the service it is engaged to do to the preset quality standards
SC42	Sustainable Communities	Simon Parkinson	Countryside Services	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating.
SC43	Sustainable Communities	Mark Gaynor	licensing	0	0	12	0	Insufficient resources to review any area that has a "Low " category rating. Reinstated as additional resources available and comparison with other Borough's plans flagged this as an area of risk.
SC44	Sustainable Communities	Barry Kendler	Circle Anglia : Mardyke	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating
New 03	Sustainable Communities	Peter Brennan	Meals on Wheels	0	0	15	0	Not in previous SAP. This is an area of Risk. It is on other Borough Plans and they outsourced part of the service in 07/08. Concerns raised to IA&CRM.
New 04	Sustainable Communities	Peter Brennan	Asylum Seekers	0	0	12	0	Proactive work has highlighted need to review this area in 08/09. Agreed with HoS.
<b>Sub Total for Sustainable Communities</b>				<b>168</b>	<b>147</b>	<b>197</b>	<b>148</b>	
PR1	Public Realm	Dylan Champion	Central Library	0	0	15	0	Insufficient resources to review any area that has a "Low " category rating. Change in systems so audit requested.
PR2	Public Realm	Dylan Champion	Cashiers	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating
PR3	Public Realm	Mark Butler	Management of car parks and parking meters	0	15	15	0	Review in 08/09. <i>No Change.</i>



Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
PR4	Public Realm	Mark Butler	Permits and Other Parking	42	0	12	12	Flow chart system for residents car parking. Issue of tickets to vendors , the collection of cash and their returns. Next audit 09/10. <i>Deferred at Managements request.</i>
PR5	Public Realm	Mark Butler	Parking Ticket issue & processing	42	0	12	12	Routine check of system to ensure that wardens are supervised in the work they do and that they are fully trained to know what areas to issue tickets in ( bad publicity). Flow chart system. <i>Deferred at Managements request.</i>
PR6	Public Realm	Bob Wenman	Street Lighting	15	0	0	15	Next audit due 09/10. <i>No Change.</i>
PR7	Public Realm	Bob Wenman	Street Care management	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
PR8	Public Realm	Bob Wenman	Street Cleaning	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
PR9	Public Realm	Bob Wenman	Waste disposal inc-land fill	0	0	0	0	ELWA
PR10	Public Realm	Bob Wenman	Domestic Refuse	15	0	0	15	Need to check that collections taking place as per contract. flow chart the system. Next audit due 09/10. <i>No Change.</i>
PR11	Public Realm	Bob Wenman	Trade Refuse	0	15	0	15	<i>Discussed with HoS no concerns, insufficient resources to cover this in 08/09 so deferred.</i>
PR12	Public Realm	Dylan Champion	Freedom passes & Taxi cards	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <b>Proactive early 09/10</b>
PR13	Public Realm	Bob Wenman	Public Conveniences	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
PR14	Public Realm	D Champion	PASC's	0	0	0	0	Audit carried out in 06/07. Found to be weel run which has enabled a revised risk assessment. <i>No Change.</i>
PR15	Public Realm	Mark Butler	Trading Standards	0	0	12	0	Insufficient resources to review any area that has a "Low " category rating. <i>No specific concerns raised by HoS but considered it appropraite to have a general review to provide assurance.</i>
PR16	Public Realm	Mark Butler	Stores	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating.
PR17	Public Realm	Mark Butler	Building & Technical Services:Commissioning of works	0	0	5	0	Revised risk assessment Work will be acried out as part of the contract audit work. Some <b>Proactive</b> support requested regarding Jacobs contract and payment.
New 05	Public Realm	Dylan Champion	Registrars	0	0	5	0	<i>Requested audit input as checks by Government Office London audit has ceased.</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
New 06	Public Realm	Roger McFarland	Market Strategy	0	0	0	15	New strategy for Market agreed at HoS meeting that some audit work would provide assurance in 09/10.
New 07	Public Realm	Mark Butler	Cemetery & Crematorium	0	0	10	0	Added following discussions with Head of Service.
<b>Sub Total for Public Realm</b>				<b>54</b>	<b>30</b>	<b>86</b>	<b>84</b>	
FC1	<b>Finance &amp; Commercial</b>	<b>Jeff Potter</b>	<b>Housing Benefits</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	Annual audit required as External auditors need to place reliance on our work in checking the effectiveness of controls throughout the year.
FC2	Finance & Commercial	Mike Stringer	Loans and Investments ( Treasury Management)	15	0	0	15	Annual audit required as External auditors need to place reliance on our work in checking the effectiveness of controls throughout the year. Next audit due 09/10.
FC3	<b>Finance &amp; Commercial</b>	<b>Jeff Potter</b>	<b>Council Tax</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	Annual audit required as External auditors need to place reliance on our work in checking the effectiveness of controls throughout the year. <i>No Change.</i>
FC4	<b>Finance &amp; Commercial</b>	<b>Jeff Potter</b>	<b>NNDR</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	Annual audit required as External auditors need to place reliance on our work in checking the effectiveness of controls throughout the year. <i>No Change.</i>
FC5	Finance & Commercial	Rita Greenwood	Business Continuity	15	15	0	15	Need to try and document procedures for business continuity and check that action is being taken throughout the Council. Next audit due 09/10. <i>Deferred as unqualified in 07/08 and IT audit in plan for 08/09.</i>
FC6	Finance & Commercial	Jeff Potter	Housing Benefit - Subsidy Calculations	0	10	10	0	Check on the procedures and controls on the calculation of subsidy as the external auditors would place reliance upon our work for their "opinion" purposes. <i>Next audit due 08/09. No Change.</i>
FC7	Finance & Commercial	Jeff Potter	Weekly Incorrect Housing Benefit Claims	0	10	10	0	Review of the systems to control the incorrect benefit. <i>No Change.</i>
FC8	<b>Finance &amp; Commercial</b>	<b>Mike Stringer</b>	<b>Main Accounting System</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	Annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>No Change.</i>
FC9	<b>Finance &amp; Commercial</b>	<b>Jeff Potter</b>	<b>Debtors</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>10</b>	Annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>New systems so increased days in 08/09.</i>
FC10	<b>Finance &amp; Commercial</b>	<b>Mike Stringer</b>	<b>Creditors</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	Annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>No Change.</i>

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				07/08	08/09	08/09	09/10	
FC11	Finance & Commercial	Mike Stringer	Insurance	0	10	10	0	Next audit due 08/09. <i>No Change.</i>
FC12	Finance & Commercial	Mike Stringer	Duplicate Payments	0	0	0	0	The creditors audit would check on the procedures for identifying duplicate payments and we would have a proactive audit to identify and check on why duplicates are being made. <i>No Change.</i>
FC13	Finance & Commercial	Mike Stringer	Cash and Banking Control	12	0	0	12	Check operational controls as identified by flowcharting . Review risk areas . Next audit due 09/10. <i>No Change.</i>
FC14	Finance & Commercial	Mike Stringer	Cheque Control	0	0	0	0	Last review has enabled a revision of the risk assessment. <i>No Change.</i>
FC15	Finance & Commercial	Mike Stringer	VAT	0	0	0	0	To be included within the creditor and main accounting audits. <i>No Change.</i>
FC16	Finance & Commercial	Mike Stringer	BACS incl. IT element	0	15	15	0	Audit to be carried out in 08/09 to flowchart procedures test check operational controls and ensure that only bona-fide payment are processed through BACS. <i>No Change.</i>
FC17	Finance & Commercial	Jeff Potter	Payroll	15	15	15	15	Annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>No Change.</i>
FC18	Finance & Commercial	Mike Stringer	Taxable Benefits	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
FC19	Finance & Commercial	Jeff Potter	Pensions Systems	10	10	10	10	We would need an annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>No Change.</i>
FC20	Finance & Commercial	Mike Stringer	Departmental Budgetary Control	15	15	15	15	We would need an annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting and test a different service area/s each year. <i>No Change.</i>
FC21	Finance & Commercial	Mike Stringer	Corporate Financial Procedures.	45	45	0	45	Annual review to give External auditor assurance on our system controls. We would check the main operation controls as identified in the flow charting. <i>Duplication of effort audit removed.</i>
FC22	Finance & Commercial	Mike Stringer	Grant Claims	0	10	10	0	Review in 08/09. <i>No Change.</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
FC23	Finance & Commercial	Mike Stringer	Risk Management Policy	10	0	15	15	Review the Council's procedures for preparing and reviewing risk registers. Check on training of staff to understand risk issues in all they do. All staff , Councillors and public made aware of the risk management procedures within the Council. <i>Annual review required by Cipfa guidance - may use independent resource.</i>
FC24	Finance & Commercial	Mike Stringer	Achievement of Savings targets (MTFS)	0	15	15	0	Next audit due 08/09. <i>No Change.</i>
FC25	Finance & Commercial	Mike Stringer	Petty Cash	15	0	0	15	Review new procedures in 07/08 . Next audit 09/10 to check on the type and validity of claims. <i>No Change.</i>
FC26	Finance & Commercial	Mike Stringer	Maintenance of an Asset Register	0	0	0	15	New system being purchased 07/08 . Audit manager will be involved in advice re implementation. Leave audit till process embedded.
FC27	Finance & Commercial	Mike Stringer	Capital Accounting	15	0	15	45	Material to the Council's accounting and we would therefore carry out work to give assurance to our external auditors. Next audit 09/10. <b>New system</b> will now require audit in 08/09.
FC28	Finance & Commercial	Mike Stringer	Recharges	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
FC29	Finance & Commercial	Mike Stringer	Inventories and Disposals	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
FC30	Finance & Commercial	Mike Stringer	Car Loans	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. Would however be carried out as a <b>Proactive</b> review.
FC31	Finance & Commercial	Mike Stringer	Fraud Policy & Response Plan/Whistle Blowing Policy	0	0	0	0	Audit manager has to review each year and reports direct to the Audit Committee. Therefore no need for systems review.
FC32	Finance & Commercial	Mike Stringer	Purchasing Strategies	0	10	10	0	Review the risks associated with strategies, that strategies have been put in place and that staff are fully aware of them. <b>Also need Proactive in this area 08/09.</b>
FC33	Finance & Commercial	Mike Stringer	Review of systems to ensure we comply with Int standards of Auditing	15	45	0	45	Review annually as external auditors would place reliance on the quality of our ISA work. Completed as part of the key financial audits. <i>No requirement from current External Auditors.</i>
FC34	Finance & Commercial	Mike Stringer	Income Controls	0	15	15	0	Review using different areas that collect income direct .reviewed in detail in last few years. <i>No Change.</i>
FC35	Finance & Commercial	Ray Stephenso n	Accommodation Facilities management inc Building security	0	0	0	0	Revised the original risk assessment. <i>No Change.</i>
FC36	Finance & Commercial	Mike Stringer	Review of Statement of Internal Control	3	3	0	3	need to review every year as external auditor would place reliance upon our checks. <i>N/a</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
FC37	Finance & Commercial	Mike Stringer	Safer Stronger Communities Fund Agreement Audit required by GOL	5	5	5	0	GOL have given a grant for this work . Annual accounts are required to be audited by the Authority's internal audit . This will be for 2 years. <i>No Change.</i>
FC38	Finance & Commercial	Mike Stringer	Mayors Appeal Fund Annual Audit required	1	1	1	1	Audit are requested to carry out an annual audit on this fund. <i>No Change.</i>
<b>Sub Total for Finance &amp; Commercial</b>				<b>236</b>	<b>264</b>	<b>251</b>	<b>251</b>	
CT1	0	Corporate / IT	Tendering Processes	12	0	0	12	Review 09/10. <i>No Change.</i>
CT2	Sustainable Communities	Various	Certificate Payments	12	0	0	12	Review 09/10. <i>No Change.</i>
CT3	Various	Various	Consultants Fees	12	0	0	12	Problems have been found in the last 3 audits. Need to review procedures using different sample areas to check on effectiveness of systems controls. <b>Proactive review planned.</b>
CT4	Environment	Mark Butler	Liquidated Damages/Loss and Expense/Variations	12	0	0	12	Review 09/10. <i>No Change.</i>
CT5	Various	Various	Repairs/Maintenance	0	0	0	12	Review 09/10. <i>No Change.</i>
CT6	Housing & Regeneration	Mark Butler	Approved list/Contract Register—Construction Line	0	10	0	10	Need to ensure that risks related to not keeping a contracts register up to date have been identified and addressed. <i>Contract Register covered in other audits (Projects/Consultants). Insufficient Contract resource to do all areas which have been audited in 07/08 again. Audit in 09/10.</i>
CT7	Various	Various	Contract procedure Rules Compliance	10	10	10	10	Will address certain areas of the rules each year and then test to ensure that they are being complied with. <i>No Change.</i>
CT8	Sustainable Communities	Various	Post Completion Assessment (Major works contracts)	0	0	15	0	Insufficient resources to review any area that has a "Low " category rating. <i>Included in plan following meeting with HoS but also due to increased resources.</i>
CT9	Assistant Chief Executive	Christine Dooley	Payments to Counsel **	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
CT10	Assistant Chief Executive	Christine Dooley	Legal Services Contract Monitoring ** ( 15 days to cover both these services)	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
CT11	Various	Various	Responsibility for project management of contracts	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>
CT12	Various	Various clients	Project Assessment & Management	10	10	10	10	Need to check that projects are being managed correctly. Test sample will be taken for review.
CT13	Finance & Commercial	Mike Stringer	Insurance & performance Bonds	0	0	0	0	Insufficient resources to review any area that has a "Low " category rating. <i>No Change.</i>

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				07/08	08/09	08/09	09/10	
CT14	Various	Various	Partnership Arrangements	0	15	15	0	Key for use of resources.
CT15	Various	Various	Final Accounts	12	0	0	12	It would be useful to regularly check a final account to ensure its accuracy and that overpayments have not been made. <i>No Change.</i>
CT16	Various	Various	Capital Monitoring	0	13	13	0	Review in 08/09. <i>No Change.</i>
CT17	Various -	Various	Health & Safety on site	12	0	0	12	H & S shown on all risk registers need to test check contracts to ensure that H & S correctly addressed. <i>Risk profile changed following meeting with HoS.</i>
CT18	Various	Various	Contract Management	0	42	0	12	Review 08/09. <i>Deferred to 09/10 following HoS meeting.</i>
CT19	Sustainable Communities	Various	Review of service contracts	0	43	0	0	Test check a sample of contracts within Sustainable Communities. <i>Low risk rating. Insufficient contract resource to cover all areas in 08/09.</i>
CT20	Public Realm	Mark Butler	Asbestos management	10	0	0	10	Address risks relating to asbestos management and removal. Check on the appointment of the latest contractor and ensure that service delivery is in accordance with contract. <i>No Change.</i>
CT21	Various	Various	Vertical Audit looking at a specific area	7	7	15	15	A different area will be reviewed each year. Budget not sufficient for reasonable coverage.
Sub Total for Contract				109	90	78	151	
CO1	Computer Audit	Ray Whitehouse	Remote Access / Third Party				12	
CO2	Computer Audit	Ray Whitehouse	Telecommunications				10	
CO3	Computer Audit	Ray Whitehouse	Internet				10	
CO4	Computer Audit	Ray Whitehouse	Business Continuity - C/f from 07/08				8	
CO5	Computer Audit	Ray Whitehouse	Disaster Recovery				8	
CO6	Computer Audit	Ray Whitehouse	Data Back Up				6	
CO7	Computer Audit	Ray Whitehouse / Dylan Champion	e - payments				10	
CO8	Computer Audit	Ray Whitehouse	Change Control				8	
CO9	Computer Audit	Ray Whitehouse	Data Security				10	



MEETING	DATE	ITEM
AUDIT COMMITTEE	4 March 2008	9

## REPORT OF THE CHIEF EXECUTIVE

**SUBJECT: AUDIT AND INSPECTION ANNUAL LETTER 2005/06**

### **SUMMARY**

The 2005/06 Audit and Inspection Annual Letter was considered by Cabinet on 18 April 2007 and shared with members. It was subsequently presented to the Audit Committee on 27 September 2007. The letter recommends actions to be taken.

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

### **RECOMMENDATION**

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

### **REPORT DETAIL**

1.1 The Audit Commission's Annual Audit and Inspection Letter 2005 / 06 (attached as Appendix 1) summarises the significant issues that have arisen from audits and inspections during that year. It includes information on the Comprehensive Performance Assessment (CPA).

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

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

### 1.3 The report notes that:

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

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

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

- Implement appropriate actions to address the improvement areas highlighted in the corporate assessment – the Action Plan for this is attached as Appendix 2, and will be reported in after April 2008;
- ensure there are appropriate systems and processes in place to generate robust information for all performance indicators; the Audit Commission and action plan are attached as Appendix 3. The action plan has been completed apart from items 7 and 8, which will be completed as part of the implementation of electronic performance management during February to April 2008. Since publishing the 2005/06 Annual Letter, the Audit Commission have carried out a re-inspection of Data Quality and have yet to report back. They have also completed their annual audit of the national statutory performance indicators, and an unqualified (i.e. confirmation that Havering is fully compliant) opinion was issued;
- review adult social services to identify and address the barriers to securing improvements at a faster rate. The action plan for this is being amended in the light of the recent inspection and will be reported to a later meeting of this committee.

### **Financial Implications and risks:**

The letter has significant implications for the continuing improvement of the Council’s financial processes. A number of recommendations are ongoing and these continue the strong theme of continuous improvement contained in the previous Annual Letter and delivered through the Use of Resources Action Plan.

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

### **Legal Implications and risks:**

No direct legal implications arise from this report.

### **Human Resources Implications and risks:**

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



**Equalities and Social Inclusion implications:**

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

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**CHERYL COPPELL**  
Chief Executive

**Background Papers List**

Report to Audit Committee 4 April 2006.

Ref	Directorate	Head of Service	Risk Area	Revised	Original	Updated Plan		Comments
				<b>07/08</b>	<b>08/09</b>	<b>08/09</b>	<b>09/10</b>	
CO10	<b>Computer Audit</b>	Ray Whitehouse	IT Security			<b>10</b>		
CO11	<b>Computer Audit</b>	Ray Whitehouse	IT Strategy			<b>8</b>		
CO12	<b>Computer Audit</b>	Jeff Potter	Revenues & Benefits			<b>15</b>		
CO13	<b>Computer Audit</b>	Ray Whitehouse	Estimated carried Forward from 07/08 - Contingency			<b>7</b>		
	<b>Sub Total for Computer</b>			<b>120</b>	<b>120</b>	<b>122</b>	<b>120</b>	
	<b>Follw ups</b>			<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	
	<b>Sub Total for Follow Ups</b>			<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	
	Various	Various		105	105	<b>195</b>	195	
	<b>Sub Total for Pro-Actives</b>			<b>105</b>	<b>105</b>	<b>195</b>	<b>195</b>	
	<b>FRAUD INVESTIGATION CONTINGENCY</b>			<b>268</b>	<b>268</b>	<b>391</b>	<b>268</b>	
	<b>GENERAL CONTINGENCY</b>			<b>42</b>	<b>34</b>	<b>31</b>	<b>175</b>	
	<b>GOVERNANCE</b>					<b>20</b>	<b>20</b>	
	<b>RISK MANAGEMENT</b>			<b>0</b>	<b>0</b>	<b>45</b>	<b>45</b>	
	<b>Audits with Strikethrough</b>						<b>-65</b>	As table adds them into total
	<b>GRAND TOTAL</b>			<b>1224</b>	<b>1224</b>	<b>1627</b>	<b>1627</b>	
<b>NB: SCHOOLS AUDITS ARE CARRIED OUT BY INDEPENDENT AUDITORS REPORTING DIRECTLY TO EDUCATION</b>								
<b>ITEMS SHOWN IN BOLD ARE CORE FINANCIAL SYSTEMS</b>								

# **Annual Audit and Inspection Letter**

**London Borough of Havering**

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

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

### **Status of our reports**

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

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

Reports prepared by appointed auditors are:

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

### **Copies of this report**

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

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## Our overall summary

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

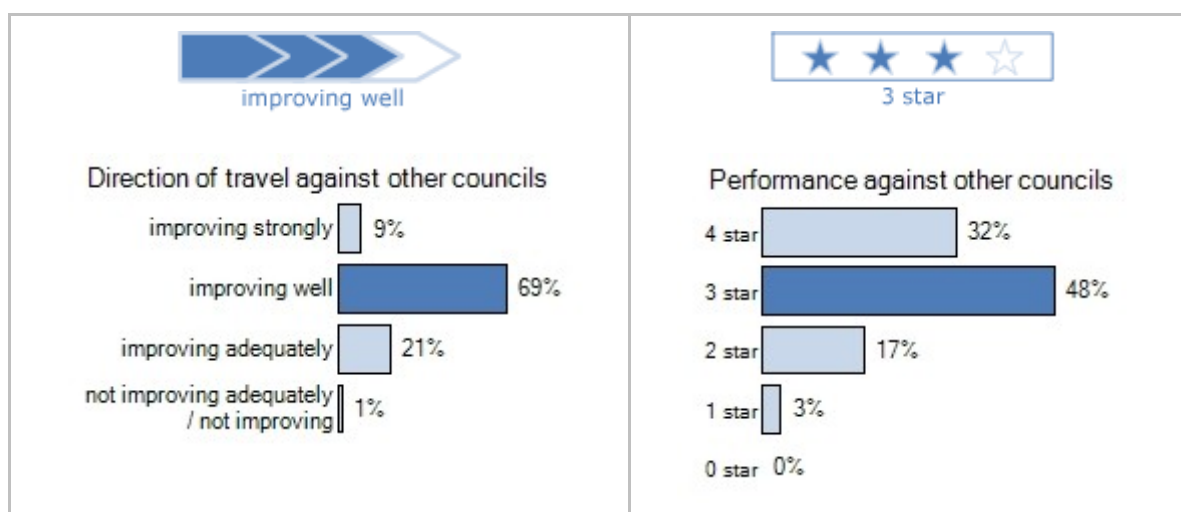
## Action needed by the Council

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

## How is Havering Council performing?

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

**Table 1**



Source: Audit Commission

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

### Our overall assessment - the CPA scorecard

**Table 2 CPA scorecard**

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

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

(Note: 1=lowest, 4=highest)

## The improvement since last year - our Direction of Travel report

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

## Corporate Assessment

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



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

## Service inspections

### Supporting people

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

## Other Inspectorates and Regulators

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

### Benefit Fraud Inspectorate (BFI)

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

### Ofsted/Commission for Social Care Inspection (CSCI)

#### Education and children's social care services

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

#### Adult social care services

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

## Financial management and value for money

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

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

**Table 3**

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

*(Note: 1=lowest, 4=highest)*

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

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

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

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

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

## Conclusion

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

## Availability of this letter

- 32 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the council's website.

Jon Hayes

Relationship Manager and District Auditor

## Appendix 1 – Fee information

**Table 4**

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

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

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

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

Improvement Item:		CMT Lead:
Corporate Assessment <b>Diversity</b>		David Ede
Success Criteria:		Timescale:
Achievement of Equality Standard Level 5		April 2009
Report to...	Milestones Expected:	
...Apr 2008	<p>Leadership and accountability</p> <ul style="list-style-type: none"> <li>• Diversity Steering Group and Diversity Management Group established and operating according to Terms of Reference</li> <li>• Corporate and Service level equality objectives are in place, with associated targets</li> <li>• Information gathering and monitoring systems in place, fit for purpose, and reporting to DSG</li> </ul> <p>Cultural change</p> <ul style="list-style-type: none"> <li>• All Services have created EIA Schedule, are completing assessments and maintaining existing assessments in EIA Register</li> <li>• Equality Impact Assessment built into Cabinet report and Key Decision processes</li> <li>• Corporate contract in place for interpreting and translation services</li> <li>• Diversity mainstreamed into service planning process, with a common approach adopted by all Services</li> </ul> <p>Improving our performance</p> <ul style="list-style-type: none"> <li>• Self-assessment shows authority scores 100% at Level 1</li> </ul> <p>Trust and confidence</p> <ul style="list-style-type: none"> <li>• ICAN launched and utilised by services in impact assessment</li> </ul> <p>Developing our workforce</p> <ul style="list-style-type: none"> <li>• Diversity training programme established</li> <li>• Diversity mainstreamed into PDPA processes</li> </ul>	
...Oct 2008	Leadership and accountability	



	<ul style="list-style-type: none"> <li>• Services can evidence that resources have been allocated to the achievement of equality objectives and targets</li> <li>• New Corporate E&amp;D Policy produced in partnership with stakeholders</li> <li>• Corporate Equality Scheme produced, replacing Statutory Equality Schemes</li> </ul> <p>Cultural change</p> <ul style="list-style-type: none"> <li>• Review of procurement processes (including contract monitoring) to ensure diversity is fully mainstreamed</li> <li>• Sustainable Community Strategy produced with diversity considerations fully mainstreamed</li> </ul> <p>Improving our performance</p> <ul style="list-style-type: none"> <li>• Self-assessment shows authority scores 100% at level 2</li> </ul> <p>Scrutiny and Audit</p> <ul style="list-style-type: none"> <li>• Services are engaging with community stakeholders in scrutiny of service delivery</li> <li>• Members are provided with appropriate training and information to scrutinise Corporate Equality Scheme, and scrutiny is taking place</li> </ul> <p>Developing our workforce</p> <ul style="list-style-type: none"> <li>• Diversity training programme being implemented</li> <li>• Employment policies and procedures reviewed to ensure legislative compliance and consistency with relevant Codes of Practice</li> </ul>
<p>...Apr 2009</p>	<p>Leadership and accountability</p> <ul style="list-style-type: none"> <li>• Information and monitoring systems are reviewed for suitability</li> <li>• Annual report on progress against objectives and targets produced and circulated to CMT, Corporate OSC, Cabinet, Internal Audit, and stakeholders</li> </ul> <p>Cultural change</p> <ul style="list-style-type: none"> <li>• Demonstrable progress is being made against corporate and service level objectives and targets</li> </ul> <p>Improving our performance</p> <ul style="list-style-type: none"> <li>• Self-assessment shows authority scores 100% at level 3</li> <li>• External review identifies LBH has achieved level 3</li> <li>• Self-assessment shows identify authority scores 100% at level 4</li> </ul>

	<p>Trust and confidence</p> <ul style="list-style-type: none"> <li>• Corporate and service level equality objectives and targets are reviewed and updated in co-operation with stakeholders</li> </ul> <p>Scrutiny and Audit</p> <ul style="list-style-type: none"> <li>• Stakeholders are scrutinising progress against targets</li> <li>• Stakeholders are scrutinising information and monitoring, both in terms of what is collected, and the data itself</li> </ul>
<p>...Oct 2009</p>	<p>Leadership and accountability</p> <ul style="list-style-type: none"> <li>• Good practice is being shared with other public bodies</li> <li>• Corporate Equality Scheme annual report is published</li> </ul> <p>Cultural change</p> <ul style="list-style-type: none"> <li>• Authority has achieved demonstrable success in meeting a range of targets, and can identify significant outcomes that have improved equality in service delivery and employment across all six diversity strands</li> <li>• Effective control of diversity issues is in operation through contracts and partnership arrangements</li> <li>• Services are carrying out peer-reviews of diversity performance</li> </ul> <p>Improving our performance</p> <ul style="list-style-type: none"> <li>• Success has been benchmarked against our comparators</li> <li>• Self-assessment shows authority scores 100% at level 5</li> <li>• External review identifies LBH has achieved level 5</li> </ul> <p>Trust and confidence</p> <ul style="list-style-type: none"> <li>• Members, and stakeholders are involved in all aspects of equality work</li> <li>• Authority can demonstrate that stakeholders have trust and confidence in consultation and scrutiny processes</li> </ul> <p>Developing our workforce</p> <ul style="list-style-type: none"> <li>• Managers are being appraised on equality objectives and targets as part of PDPA process</li> <li>• Equal Pay for equal work can be demonstrated, and is mainstreamed into managerial processes at all levels</li> </ul>

Improvement Item:		CMT Lead:
<b>Corporate Assessment Engagement with Health Sector</b>		Christine Dooley (Philip Heady)
Success Criteria:		Timescale:
Re-clarification of the cabinet level responsibility for building more effective relationships with the Health sector		ASAP
<p>Councillor Kelly, the Deputy Leader of the Council, has had health responsibilities added to his portfolio and this is reflected in his portfolio title.</p> <p>Health Overview and Scrutiny continues to engage with the health sector. Furthermore the advent of the Local Government and Public Involvement in Health Act has brought the Council new responsibilities around health. There is now a requirement on the Council to establish and supervise a 'host' organisation to operate the new Local Involvement in Health networks (LINKs) - these will be established upon the abolition of the Public Patient Forums. A recent example of increased engagement was a joint event run by Havering for Havering, Barking &amp; Dagenham, and Redbridge members, relevant staff and representatives of the health sector across the three boroughs designed to progress the establishment of LINKs.</p>		
Report to...	Milestones Expected:	
...Apr 2008	Responsibility for Health re-affirmed in Cllr Kelly's portfolio	
...Oct 2008		
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
<b>Corporate Assessment Overview &amp; Scrutiny</b>		Christine Dooley
Success Criteria:		Timescale:
Overview & Scrutiny activity will be:		
<i>Aligned to corporate priorities (MTFS, Corporate Plan, Administration Priority Projects, Key policy/strategy decisions and documents)</i>		<i>By April 2008</i>
<i>Organised through a work programme</i>		<i>By April 2008</i>
<i>Supported by relevant training</i>		<i>By April 2008</i>
Report to...	Milestones Expected:	
...Apr 2008	Review of O&S to CMT (Dec '07)	
	Review of O&S to Governance Committee (Feb '08)	
	Review of O&S to Council (March/April '08)	

Improvement Item:		CMT Lead:
<b>Corporate Assessment Support to Voluntary and Community Sector</b>		Cynthia Griffin (Roger McFarland)
Success Criteria:		Timescale:
?Single database of relationships with voluntary sector organisations? ?Corporate review of priorities and grant/funding allocations? ?Development of a standard toolkit?		
Report to...	Milestones Expected:	
...Apr 2008	CLT session re effectiveness of the Council's support for the sector (2 <sup>nd</sup> Oct '07)  £200k of LPSA reward grant allocated to HAVCO to support capacity building re gatekeeper for third sector in Havering  Review of grants to voluntary groups	
...Oct 2008		
...Apr 2009		
...Oct 2009		

Improvement Item:	CMT Lead:
Corporate Assessment <b>Use of the Car</b>	Cynthia Griffin (Roger McFarland)
Success Criteria:	Timescale:
<p>The Submission Local Development Framework Core Strategy, the Councils' Local Implementation Plan (approved by Mayor for London in May 2007) and the Council's Walking and Cycling Strategies seek to promote more sustainable transport choices, improved accessibility, reducing the need to travel and the focussing of new development in town and district centres.</p> <p>The Council continues to make good progress in moving to a more sustainable transport system to underpin the continued economic prosperity of the borough:</p> <ul style="list-style-type: none"> <li>• Purchase of electric vehicles for Romford Market and South Essex Crematorium;</li> <li>• Further cycling improvements (including on street cycle lanes and quality cycle parking facilities throughout the borough);</li> <li>• Traffic Manager appointed, Network Management Strategy adopted and VMS signs to direct traffic on the ring road;</li> <li>• Feasibility studies for Park &amp; Ride Schemes.</li> </ul> <p>The Council continues to take a pro-active role with external partners to secure the enhanced public transport facilities in the borough, such as Crossrail; East London Transit; and the extension of the Docklands Light Railway.</p>	
Report to...	Milestones Expected:
...Apr 2008	
...Oct 2008	
...Apr 2009	
...Oct 2009	

Improvement Item:		CMT Lead:
Corporate Performance Assessment (CPA) <b>Culture</b>		Cynthia Griffin
Success Criteria:		Timescale:
Culture CPA scores 3		February 2008
Report to...	Milestones Expected:	
...Apr 2008	Culture scores 3 out of 4 (based on PI performance) Monitored through Culture Improvement Board	

Improvement Item:		CMT Lead:
Corporate Performance Assessment (CPA) <b>Housing</b>		Cynthia Griffin (Barry Kendler)
Success Criteria:		Timescale:
Housing CPA scores at least 3		February 2008
Homes in Havering scores 2		October 2007
Report to...	Milestones Expected:	
...Apr 2008	Confirmation of both scores	



Improvement Item:		CMT Lead:
Corporate Performance Assessment (CPA) <b>Adult Social Care</b>		Alan Adams
Success Criteria:		Timescale:
Budgets under control (definition!)		March 2008
Adult Social Care CPA scores 2 – IMPOSSIBLE, LAST CPA SCORE ANNOUNCED IN FEB '09...		February 2009
Report to...	Milestones Expected:	
...Apr 2008	Budgets under control (definition!)	
...Oct 2008		
...Apr 2009		
...Oct 2009		
...Apr 2010		

Improvement Item:		CMT Lead:
IDeA & OPM Peer Reviews <b>Service Planning</b>		Jonathan Owen
Success Criteria:		Timescale:
<ul style="list-style-type: none"> <li>• Council's priorities and ambitions known throughout the organisation</li> <li>• Consistent planning across the council</li> <li>• All plans SMART</li> <li>• Focus on outcomes</li> <li>• Compare with best performers (benchmarking)</li> </ul>		
Report to...	Milestones Expected:	
...Apr 2008	<p>CMT &amp; Cabinet review of corporate plan (support from Leadership Centre) – new vision and priorities</p> <p>Communications plan in place to disseminate new vision and priorities</p> <p>New service planning guidelines to accompany new Performance Management System and data quality strategy</p>	
...Oct 2008	Service planning and Star Chamber to encourage focus on outcomes and benchmarking	
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
IDeA & OPM Peer Reviews <b>Performance Management</b>		Jonathan Owen
Success Criteria:		Timescale:
<ul style="list-style-type: none"> <li>• Consistent application of the Council's performance management framework</li> <li>• Focus on outcomes</li> <li>• Regular comparisons with top performers</li> <li>• Clear link to scrutiny activities</li> <li>• Regular measurement of performance of community strategy</li> <li>• Targets shared by departments who jointly contribute to outcomes</li> </ul>		
Report to...	Milestones Expected:	
...Apr 2008	Implementation of electronic Performance Management System and data quality strategy  Begin collection of National Indicator set	
...Oct 2008	Service planning process will enable comparisons  Preparation to support new CAA framework	
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
IDeA & OPM Peer Reviews <b>Continuing Cultural Change</b>		David Ede
Success Criteria:		Timescale:
Audit concludes that organisational values and competencies have penetrated staff awareness and PDPAs		October 2009
Report to...	Milestones Expected:	
...Apr 2008	CMT/CLT Values selected at senior manager conferences (Nov '07 & Mar '08)	
...Oct 2008	Leadership Development Programme revitalised to incorporate the new vision and values	
...Apr 2009	New performance appraisal system in place	
...Oct 2009	Audit of values concludes	

Improvement Item:		CMT Lead:
MORI Resident Survey <b>Build the Havering brand around a sense of purpose</b>		Jonathan Owen
Success Criteria:		Timescale:
Report to...		Milestones Expected:
...Apr 2008	New vision agreed and communications strategy implemented to build brand	
...Oct 2008	Civic Pride project initiated	
...Apr 2009	MORI survey	
...Oct 2009		

Improvement Item:		CMT Lead:
MORI Resident Survey <b>Transfer service satisfaction to overall satisfaction</b>		Jonathan Owen (Mark Leech)
Success Criteria:		Timescale:
?Overall Satisfaction with the Council (BV3) to X%? nb: BV3 discontinued from April 2009		2010 (Next BV Survey)  see note re discontinuation
Report to...	Milestones Expected:	
...Apr 2008	MORI survey will track ongoing performance	
...Oct 2008	New brand and Civic Pride campaign	
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
MORI Resident Survey <b>Give residents the opportunity to get involved</b>		Jonathan Owen
Success Criteria:		Timescale:
1) Attendances at public meetings (Which meetings? How many attendees?)  2) Responses to consultation (Which consultations? How many replies?)		
Report to...	Milestones Expected:	
...Apr 2008		
...Oct 2008		
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
MORI Staff Survey		Jonathan Owen & David Ede
Success Criteria (suggested):		Timescale:
<ul style="list-style-type: none"> <li>• Majority of Havering employees speak highly about the authority as an employer</li> <li>• Majority of staff speak highly of the services Havering Council provides</li> <li>• Majority of staff agree information from employer is credible</li> <li>• Majority of staff agree that there are sufficient opportunities for involvement in decision-making</li> </ul>		October 2009
<p>Themes:</p> <ul style="list-style-type: none"> <li>• <b>Build staff as advocates</b></li> <li>• <b>Increase pride and morale</b></li> <li>• <b>Increase perception of credibility of information</b></li> <li>• <b>Increase opportunities for involvement in decision-making</b></li> </ul>		
Report to...	Milestones Expected:	
...Apr 2008	<p>New values in place (begin embedding process)</p> <p>Focus group work to explore themes</p>	
...Oct 2008	<p>2008 staff survey reports</p> <p>Internal Communications strengthened</p>	
...Apr 2009		
...Oct 2009	2009 staff survey reports	



Improvement Item:		CMT Lead:
National Policy Decisions <b>Local Government and Public Involvement in Health Bill</b>		Christine Dooley
Success Criteria:		Timescale:
Implementation of measures in order that the Council is compliant with all provisions of the Act:		Determined by statutory timescales:
<i>Electoral arrangements</i>		?
<i>Executive arrangements</i>		?
<i>Petitions &amp; Parishes</i>		?
<i>Individual Member decision making</i>		?
<i>LINks (Local Involvement Networks)</i>		<i>April 2008</i>
<i>Ethical standards (independent chair of Standards Committee &amp; first sieve of complaints)</i>		?
<i>Community/Councillor Call for Action (CCfA)</i>		?
<i>Comprehensive Area Assessment is a separate stream of work, see p20 of 20</i>		<i>See p20 of 20</i>
Report to...	Milestones Expected:	
...Apr 2008		
...Oct 2008		
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
National Policy Decisions <b>Lyons Review</b>		Rita Greenwood
Success Criteria:		Timescale:
Not clear that any measures will be implemented, so no success criteria can be formulated.		N/A
Report to...	Milestones Expected:	
...Apr 2008		
...Oct 2008		
...Apr 2009		
...Oct 2009		

Improvement Item:		CMT Lead:
National Policy Decisions <b>Implementation of Comprehensive Area Assessment (CAA)</b>		Jonathan Owen
Success Criteria:		Timescale:
Establish systems and information to meet the reporting requirements of CAA		April 2009
Report to...	Milestones Expected:	
...Apr 2008	Respond to CAA Consultation Start collecting new performance indicators	
...Oct 2008		
...Apr 2009	Commence Audit of new performance indicators	
...Oct 2009		
...Apr 2010	First CAA assessment published	

# **Data Quality Review**

**London Borough of Havering**

**Audit 2006/2007**

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

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## Background

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

## Scope and Objectives

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

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

## Conclusions

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



## Management arrangements (Stage 1)

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

### Governance and leadership

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

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

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

### Policies

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

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

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

#### **Recommendation**

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

### **Systems and processes**

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

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

#### **Recommendations**

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

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

## People and skills

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

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

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

## Data use

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

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

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

## Completeness Check (Stage 2)

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

## Review of performance indicators (Stage 3)

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

### Culture

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

### Housing

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

## Summary of review findings - Culture PIs

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

23 **Cost per library visit (IPF)**

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

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

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

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

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

### Recommendations

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

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

### Summary of review findings - Housing PIs

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

### Recommendation

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

### Average re-let times (HIP BPSA)

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

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

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

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

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

## 28 Percentage of planned to responsive repairs (HIP BPSA)

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



<b>Recommendations</b>
<i>R17 Management arrangements for data quality should ensure the reported PI is in line with the required definition.</i>
<i>R18 Unexpected deviations in performance should be investigated and assurance gained that such variances are real changes in performance. Ownership and responsibility for the reported information should be clearly assigned.</i>
<i>R19 The Council should ensure that valid and up to date contracts are held with external providers.</i>
<i>R20 Management arrangements should clearly demonstrate how planned and responsive repairs have been differentiated.</i>

**29 Repeat Homelessness (HIP HSSA)**

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

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

# Appendix 1 – List of specified PIs

## BVPIs

### Environment

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

### Housing

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

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

## Non-BVPIs

### Culture

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

## Housing

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

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

## Appendix 2 – Action Plan

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

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

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

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

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