

AUDIT COMMITTEE

AGENDA

7.30pm

Thursday,
8 December 2005

Havering Town Hall
Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (3)

Graham Price (Chairman)
Eddie Cahill (Vice Chairman)
Roger Ramsey

Residents' Group (2)

Gillian Ford
Malvin Brown

Labour Group (1)

Wilf Mills

For information about the meeting please contact:

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NOTES ABOUT THE MEETING

1. HEALTH AND SAFETY

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

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

2. MOBILE COMMUNICATIONS DEVICES

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

3. CONDUCT AT THE MEETING

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

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

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

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

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

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

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

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

4. MINUTES

To approve as a correct record the minutes of the Committee meeting held 26 October 2005 and to authorise the Chairman to sign them.

5. AUDIT COMMISSION PROGRESS REPORT DECEMBER 2005 – Audit Commission Report to follow**6. INTERNAL AUDIT PROGRESS REPORT OCTOBER 2005 - attached****7. CLIENT MANAGER'S REPORT 1 SEPTEMBER 2005 – 31 OCTOBER 2005
- attached****8. INTERNAL AUDIT STRATEGY AND PLAN FOR 2006/2007 - attached****9. ANNUAL REVIEW OF FRAUD AND CORRUPTION POLICY - attached**

Audit Committee, 8 December 2005

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

Stephen Evans
Chief Executive

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Havering Town Hall, Romford

26 October 2005 (7.30pm – 9.00pm)

Present:

Conservative Group Councillors Graham Price (in the Chair) and Roger Ramsey

Residents' Group Councillor Malvin Brown and Gillian Ford

Labour Group Councillor Wilf Mills

An apology for absence was received from Councillor Eddie Cahill

No member declared an interest in any matter under consideration

All decisions were made with no member voting against

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

19. MINUTES

Minutes of the meetings held 28 July 2005 and 27 September 2005 were agreed as a correct record and signed by the Chairman.

Arising from the minutes of 27 September meeting, it was noted that the last resolution was correct in part, that Officers had acted properly in arranging Cllr Tebbutt to pay for private calls but this was after the event.

20. AUDIT COMMISSION PROGRESS REPORT SEPTEMBER 2005

A report updating the Committee on work completed by the Audit Commission during the financial year was presented.

It was noted that regarding the risk management follow-up, there was now a finalised report which was included as an Appendix to the Council's Annual review of risk management report, which is a later item on the agenda.

In response to a question relating to the assessment of arrangements to comply with new legislation, Officers from the Audit Commission

confirmed that this work was close to conclusion and would be reflected in the next progress report.

Members **noted** the report.

21. RESULTS OF EXTERNAL AUDIT OF ACCOUNTS

The revised Statement of Accounts for 2004/2005 was presented to the Committee. This included changes in the accounts in respect of intangible assets and the treatment of schools' VAT as a creditor.

Officers informed the Committee that the audit of accounts was currently close to completion with the intention that it be completed by 31st October 2005.

The Audit Commission also presented a report under Statement of Auditing Standards (SAS 610) 'reporting to those charged with governance'.

They informed the Committee that on the basis of the audit work carried out, they had no intention to issue a non-standard report on the Council's statement of accounts.

They drew Member's attention to paragraph 8 of the report and the fact that they were not part of the Council's internal control system, and do not provide a comprehensive statement of all weaknesses that may exist in the Council's accounting and internal control systems.

The Committee were informed that the Accounts would be a month earlier next year, as the deadline had been brought forward to 30 June 2006. The External Auditor commented that they believed the Council would meet the deadline.

Members reminded Officers that 2006 was an election year, which could mean change of Committee Membership. Officers commented that all this had been taken into consideration and had been recognised as a potential risk. Steps would be taken to include provision for Member training as part of the closedown plan. Officers also advised that the Corporate Finance Manager would soon be taking up position and would be brought up to speed on the matter. The post holder will be the project manager for the closedown process.

Following discussion,

Members **approved** the changes to the 2004/2005 statement of accounts and

agreed to delegate to the Chairman, the agreement to any changes to the accounts that may be necessary when the final SAS610 report from the Audit Commission was received.

22. PROGRESS MADE SINCE THE ESTABLISHMENT OF A GRANTS CO-ORDINATOR POST

A report providing the Committee with the progress and improvements made since the establishment of the Grants Co-ordinator post was presented.

It was noted that there was already a reduction in the size of the audit fees and the performance in the current year should lead to a further reduction in fees. It was reported that if there were qualified claims, this could lead to the authority having to repay grant income. There could be delays which could lead to late certification of claims which could also result in the suspension or possibly loss of grant income. Officers asserted that the existence of the Grant Co-ordinator post provided a safeguard to the Council.

Members commented that there was the need to maximise the benefit of the grants co-ordination by accessing all grants available to the Council.

Members **noted** the report.

23. INTERNAL AUDIT PROGRESS REPORT 1 MAY 2005 – 30 AUGUST 2005

A report advising of audit issues from internal audit activities for the period 1 May to 30 September 2005, including the management summaries from the internal audit work was presented to the Committee.

Members noted that there were a number of qualified opinions. Officers commented that recommendations had been made to the relevant Services to improve and control weaknesses in order for an unqualified opinion to be attained.

Members commented that the new realignment needed to be reflected in the report. Officers agreed to take this forward.

Members were advised that the final report for the Right to Buy audit undertaken as part of the 2004/5 audit plan was issued on the 20 December 2004.

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

24. CLIENT AUDIT MANAGER'S REPORT 1 MAY 2005 TO 30 AUGUST 2005

A report containing information on

- Implementation of Audit Commission's recommendations
- Implementation of Internal Audit recommendations
- Internal Audit Key Performance Indicators
- Comparative analysis of Internal Audit plan
- Statement of Internal Control Action Plan
- Progress on Fraud and Corruption Action Plan
- Budget Analysis
- Benefits Investigation
- Audit Committee Work Plan

The Client Audit Manager informed the Committee that the number of Audit Commission recommendations were now low which could be taken as a positive indication.

There was a further report relating to the Survey Analysis of the Internal Audit Systems 2005/06 work. It was reported that 40% of the survey returns gave a satisfactory review, 40% indicated a good review and 20% suggested a very good audit experience.

For the first time, a Statement of Internal Control Action Plan was presented to the Committee. It was also noted that this action plan would be tracked and continuously reported to the Committee.

Officers further informed the Committee that the London Team Against Fraud (LTAF) would be attending a future meeting of the Committee to advise on what their work entailed. The Council had also elected to subscribe to the National Anti-Fraud Network (NAFN) from 1 November 2005.

Officers suggested that future Audit Committee meetings to tie in with end of quarter to enable Members make more informed decisions.

Members wanted clarification on Council tenants, if they got letters regarding the Council's position on Fraud. Officers responded that tenants got a comprehensive package when they became tenants and were made aware of what they could and could not do. When reports were received they were duly noted. Once a report was made, it was recorded but all investigations without proof were not taken any further.

Following discussion,

- Members **agreed** that at the 8 December meeting they will come in at 6.30pm for a training session prior to the meeting to have a discussion on Fraud and Corruption.

- o **Noted** the content of the report.

25. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

A report updating Members on risk management issues and the risk Management Strategy was presented to the Committee.

It was noted that a review of the Risk Management Strategy was planned annually. One was undertaken by Zurich Municipal and a follow-up review by the Audit Commission.

Furthermore, the Corporate risk register had been updated and would continue to be given to Members quarterly.

Members **approved** the risk management strategy and **noted**

- the work taking place on risk management and
- the importance of risk management in the CPA.

26. AUDIT AND INSPECTION ANNUAL LETTER

The 2003/2004 Audit and Inspection Annual Letter prepared by the Audit Commission was considered by the Committee at the meeting held on 26 April 2005. An action plan was agreed at the time. An updated progress report on the achievements was contained within the Annual Letter and presented to the Committee.

It was noted that there was still one task which was behind schedule, this related to the E-government Programme Board. Officers confirmed that they were to progress the development of consultation and stakeholder databases.

Members asked why some of the recommendations did not have priority numbers, the Assistant Chief Executive, Strategy and Communications agreed to investigate this and get a response to the Committee.

Members **noted** the progress against the action plan.

27. REVIEW OF SCHOOLS INTERNAL AUDIT: 2004/2005

A report on the findings from internal audit carried out in Havering's schools during the academic year 2004/2005 was presented to the Committee.

Officers commented that it was a more in-depth audit than had been done in the past. In response to a question, it was noted that all issues highlighted were being dealt with in the respective schools as they had the means.

Members wanted to know what support and advice there was for primary schools. Officers agreed to follow this up in writing to all Committee Members.

Members **noted** the report.

28. BROADFORD SCHOOL INSURANCE CLAIM REPORT

A report setting out the findings of the panel of Members who reviewed the circumstances surrounding the Broadford School Insurance claim was presented to the Committee.

It was noted that the constitution now clearly stated that decisions were made by Lead Members and advised to all Members through the Calendar Brief on a weekly basis.

Furthermore, it was suggested that client monitoring arrangements with Zurich Municipal needed to be improved so that issues were addressed promptly that may be causing concern in settling claims. The Group Director, Finance and Commercial was taking this forward.

Members **noted** the findings.

29. INTERNAL AUDIT SERVICE PROVIDER

The provider of internal audit services to the Council went into Administration. A report updating the Committee on urgent actions taken as a result of this was presented to the Committee. Officers had taken a decision to terminate the contract to ensure the continuity of the Council's internal audit service, as a result, the staff working on the contract had transferred to the Council under TUPE legislation. Officers were now working to integrate the team into the Council as an in-house service.

Officers commented that they did not have a clear picture of the position of things with the provider, whether the company was sold as a going concern or if the goodwill and assets only were sold. Officers were still trying to resolve this.

It was noted that the Actuaries would do a full closure report once there was a clearer picture.

Members **noted** the information.

30. RECORDING OF DELEGATED DECISIONS

At the last Audit Committee meeting, Members had raised concerns regarding lost records of decisions taken in relation to the issuing of telephones to Members.

At this meeting, they requested to know what systems had been put in place to avoid a re-occurrence. They wanted to know if all such decisions were now logged, as that appeared not to have been the case previously.

Officers responded that all formal decisions were now kept on record, in accordance with the statutory requirements of the Local Government Act 2000. Legal and Democratic Services kept the records, which were also published weekly in Calendar Brief and were accessible by Members on request.

In response to a question, Officers and some Members confirmed that the Standards Committee had now considered the report about the use of a mobile phone by a particular Member. That Committee had concluded, among other things, that in the particular circumstances of that case, Officers had done all that could reasonably be expected of them to close the issue.

Members **recommended** to Governance Committee that they agree a format for storage of the records of all decisions made by individual Members in the exercise of delegated authority.



| MEETING | DATE | ITEM |
|-----------------|-------------------------------|------|
| AUDIT COMMITTEE | 8 th December 2005 | 5 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT DECEMBER 2005

SUMMARY

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

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

See Attached report from the Audit Commission

Financial Implications and risks:

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

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

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STEPHEN EVANS
Chief Executive

Background Papers

None



| MEETING | DATE | ITEM |
|-----------------|-----------------|------|
| AUDIT COMMITTEE | 8 December 2005 | 6 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 1st – 31st October 2005

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 1st October 2005 to 31st October 2005. It includes management summaries from internal audit work.

RECOMMENDATIONS

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

REPORT DETAIL

1. 2005/2006 Audits

- 1.1 Schedule 1 details the progress on work completed to the draft and final stages during October 2005.
- 1.2 Schedule 2 contains the management summaries for audits completed to final report stage during October 2005.
- 1.3 Schedule 3 contains the management summaries for the follow up audits completed during October 2005.

2. Fraud and Investigation Work

- 2.1 Schedule 4 contains a brief synopsis of the fraud and investigations work conducted between 1st September to 31st October 2005. Included in the summary are the results of completed investigations and actions taken and work that is still in progress.

3. Financial Implications and risks:

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

4. Legal Implications and risks

None arising directly from this report

5. Human Resource Implications and risks

None arising directly from this report

6. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

Internal Audit reports
Internal Audit database

2005/2006 AUDIT PROGRAMME (1st to 31st October 2005)

SCHEDULE 1

Audits Completed To Final Report Stage

| Report | Issued | Internal Auditor's Opinion | Recommendations | | | | Ref |
|---|----------|----------------------------|-----------------|-----------|-----------|-----------|-----------|
| | | | High | Med | Low | Total | |
| Housing Aid | 01.10.05 | Qualified | 0 | 5 | 1 | 6 | Sch 2 (a) |
| Providing Services for those with learning difficulties | 01.10.05 | Unqualified | 0 | 2 | 4 | 6 | Sch 2 (b) |
| Main Accounting System 04-05 Year | 12.10.05 | Unqualified | 0 | 1 | 1 | 2 | Sch 2 (c) |
| Helpdesk | 13.10.05 | Unqualified | 0 | 3 | 1 | 4 | Sch 2 (d) |
| Parking Tickets Issue & Processing | 11.10.05 | Unqualified | 0 | 3 | 1 | 4 | Sch 2 (e) |
| Permits & Other Parking | 11.10.05 | Unqualified | 0 | 4 | 2 | 6 | Sch 2 (f) |
| Total | | | 0 | 18 | 10 | 28 | |

Pro-Active Audits Completed To Final Report

| Report | Issued | Recommendations | | | | Ref |
|------------------------------------|----------|-----------------|----------|----------|----------|-----------|
| | | High | Med | Low | Total | |
| Flexi/Annual Leave & Overtime/TOIL | 12.10.05 | 0 | 6 | 0 | 6 | Sch 2 (g) |
| Total | | 0 | 6 | 0 | 6 | |

Follow Up Audits Completed as at 31st October 2005

| Report | Issued | Progress Towards Implementation | Ref |
|----------------|---------------|--|------------|
| Variations | 14.10.05 | Excellent Progress | Sch 3 (a) |
| Lessee Charges | 27.10.05 | Good Progress | Sch 3 (b) |

Audits Completed to Draft Report Stage as at 31st October 2005

| Report | Draft Issued | Head of Service | Group Director |
|--|---------------------|---|---|
| Grants Review | 06.07.05 | Mike Stringer | Rita Greenwood |
| Personnel Arrangements | 06.09.05 | Marj Keddy | David Ede |
| Agency Staff | 19.09.05 | To be Allocated to HR or Financial Services | To be Allocated to HR or Financial Services |
| Sickness | 27.09.05 | Mark Porter | Marj Keddy |
| Streetcare Management (Environmental Management) | 28.09.05 | Bob Wenmam | Mark Gaynor |
| Oracle Databases | 06.10.05 | Richard J Wells | Rita Greenwood |
| Codes of Conduct & Accountability (Hospitality Register) | 12.10.05 | Mike Stringer | Rita Greenwood |
| Petty Cash Follow Up | 28.10.05 | Mike Stringer | Rita Greenwood |

Management Summaries Systems Audits

| | |
|-------------|---------------|
| Housing Aid | Schedule 2(a) |
|-------------|---------------|

Management Summary

1.1 Introduction

- 1.1.1 Havering's Housing Aid Service, situated in the Public Advice and Service Centre, Liberty Shopping Centre Romford, aims to help members of the public deal with a range of housing related issues.
- 1.1.2 In particular, Housing Aid provides the interface between the Public and the Housing Service by way of providing information and support to people experiencing current or potential homelessness issues.
- 1.1.3 Legally bound by directives contained within the Housing Act 1996 and the Homelessness Act 2002, the Council has a series of duties towards those who present themselves to the authority as homeless. Notably, where the authority has reason to believe that further investigation will reveal the household to be homeless, eligible for assistance and in priority need, as defined by the legislation, temporary accommodation will be provided if the household is unable to remain at their current address while their case is being looked into. Authorities use a variety of accommodation to house people temporarily, including hostels, bed and breakfast hotels, their own stock, privately rented nightly accommodation, refuges and the like.
- 1.1.4 If the Council's investigations into the homeless application find that the household has a local connection to Havering, is eligible for assistance, is currently homeless or will be within 28 days, is not intentionally homeless and is in priority need, a 'full duty' under section 193 of the Housing Act 1996 is owed. In such a circumstance, the Council will be required to secure accommodation suitable to the household's need. If the household has been housed temporarily, the Council will make provision for a move to more permanent accommodation. It should be noted that in a number of cases a full duty will not be owed. In these circumstances, the household will be given notice to leave the temporary accommodation along with help and advice to find their own housing.
- 1.1.5 Guidance from the ODPM dictates that from April 2004 onwards, homeless households containing dependent children or a pregnant women should not be placed in bed and breakfast hostels, and if they have to be, certainly for no longer than six weeks. In Havering, those housed under this 'interim duty' are typically accommodated in one of the Council's four hostels. Until February 2005, regular use was also made of bed and breakfast accommodation when the hostels were full. From February, however, the routine use of B&B accommodation is no

longer made. This is due to the introduction of a Private Sector Leasing scheme which enables faster move on from the hostels for those owed a full duty. Thus, there is greater throughput in the hostels and now B&B accommodation is only ever used in the very direst of emergencies.

1.2. Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- That the service fails to be delivered through inadequate budgetary provision and financial control
- Service fails to be delivered through a lack of suitably trained staff
- Service is provided to ineligible beneficiaries
- Service is criticised for failing to follow guidelines set by statutory bodies such as the ODPM / Audit Commission and current legislation
- Service is failed to be delivered through ineffective management information systems and performance measurement

1.3 Significant Issues

1.3.1 There was one significant issues found within the audit.

- Case file management prior to the Quality Mark was weak.
- Management reporting and performance measurement was not carried out on a routine basis.

1.4 Summary of recommendation(s)

1.4.1 The report contains five medium and one low recommendations.

1.5 Audit Opinion

1.5.1 A qualified audit opinion can only be given as the audit has identified an ineffective control environment within which the Housing Aid Service operates.

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|---|----------------------|
| Provision of services for those with learning difficulties | Schedule 2(b) |
|---|----------------------|

1. Management Summary

1.1 Introduction

1.1.1 People aged 18-64 are included in this service because they have a learning disability. A learning disability is an irreversible life long condition caused by incomplete development of, or damage to, the brain and nervous systems, resulting in learning or performance limitations, behavioural problems and social disadvantages. Persons aged 65 and over are still provided with the service however funding for this group is provided by Older People's Service, although the case management responsibility remains with Learning Disabilities.

1.1.2 Havering aims to help these people by providing: support they need in their own local environment; choice and control over their own lives; and information as to what services and opportunities are available.

1.1.3 The audit concentrated on examining the controls applied by the Directorate to address the risks identified by:

1.1.4 Identifying the internal controls and checks in operation and appraising their adequacy, reliability and effectiveness within the established systems;

1.1.5 Testing the system to ascertain that it operates as documented and whether the internal controls and checks were effective; and

1.1.6 Draw conclusions and make recommendations as appropriate and to report to management.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Budgetary and financial management.
- Abuse of vulnerable adults.
- Service delivery planning.
- Customer needs evaluation.
- HR Management.
- Customer Risk Assessments.

- Service partnerships with external service providers
- Care packages
- External establishments – safety and suitability
- Customer transport

1.3 Significant Issues

1.3.1 There were no significant issues found within the audit.

1.4 Summary of recommendation(s)

1.4.1 The report contains two medium and four low risk recommendations.

1.5 Audit Opinion

1.5.1 The audit opinion is that the audit should be given an unqualified rating as Audit is satisfied that the risks identified do not present a great enough threat to prevent the Service from meeting its objectives.

1.5.2 Management need to ensure that:

- Signed and up-to-date contracts are in place with external care providers
- Budgets wherever possible are aligned and centralized
- Permanent or fixed contracts are used wherever possible instead of agency staff
- Ensure that any responsibility for Procurement to resource agency staff meets the objectives of the service
- LD Service should centrally control the use of current agency staff
- Recharges made by Transport are transparent and can be substantiated

Management Summary

1.1 Introduction

1.1.1 The aim of the audit was to assist in providing assurance to management that both the Main Accounting system used in 2004/05 year and the high level systems of control are functioning as intended.

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

1.1.3 There is no requirement for segregation of duties for the passing of journals on the Oracle Financial Information system. The Financial Services Manager stated that only finance staff are allowed to enter journals into Oracle and that although there is no requirement in the system for a secondary authorisation of journals, other procedures, such as the monthly budget monitoring will also provide a check on the journal entries which have been done. In addition to this, a regular monthly exception report will be produced of all journals larger than £100,000 and this will be reviewed by Finance Managers. The journaling process has been reviewed in detail in the Corporate Pro-Active Audit Journal Transfers Report, dated 15th November 2005.

1.1.4 The Oracle Financial System was subject to a computer audit in June 2004. Therefore the system has not been reviewed in detail as part of this audit. All aspects of the brief that related to the system were covered in the Computer system audit.

1.1.5 The controls in place for the reconciliation of the Council's bank account to the total cash balance, bank mandates and management review of Cash and Banking were reviewed as part of the Cash and Banking Audit, August 2005.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Opening balances are incorrectly brought forward from 03/04 to 04/05.
- Journal transfers are not appropriately authorised, are insufficiently detailed or have been incorrectly posted.
- Transactions in the feeder systems are not transferred completely and accurately to the main accounting system.

- Amendments or the introduction of new financial codes are not strictly controlled or co-coordinated and are inadequately documented.
- Appropriate arrangements are not in place to reconcile the Council's Bank accounts and there is no documentary evidence to prove the total net cash balance shown on the consolidated balance sheet.
- FIS does not provide an effective management tool and does not enable adequate budgetary control and coding on a timely basis.
- Disaster recovery systems and 'back-up' are not in place for the FIS system
- Access to various levels of the financial system is not restricted to authorised personnel.
- There is no monthly reconciliation between the data appearing in FIS and the main feeder systems.
- The Annual Statement of Accounts is not prepared by the due date.

1.3 Significant Issues

1.3.1 There are no significant issues to be reported.

1.4 Summary of recommendation(s)

1.4.1 The report contains 1 low and 1 medium recommendation.

1.5 Audit Opinion

1.5.1 An unqualified audit opinion is given as there were no serious weaknesses detected in the control environment during the review.

1.1 Management Summary

- 1.1.1 The London Borough of Havering provides the IT Helpdesk service to all Borough employees in a widely dispersed IT network. This service provides a single point of contact to enable employees to report any faults or failures of the Council's IT hardware, software and IT systems.
- 1.1.2 The Helpdesk department's operations include hardware and software response in a number of service levels. The Council has achieved good performance levels and it compares favourably with the required Service Level Agreement performance indicators. However the response times, despite being in accordance to the SLA's, are perceived by the user community as slow and can vary depending on the level of problems found.
- 1.1.3 The implementation of the TrackIT Helpdesk management software has been successful and the Council is able to retrieve response statistics on a regular basis.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- There is a definite list of applications supported by the Helpdesk team.
 - The role and importance of the Help Desk facility in the Council, communication of this role and scope is properly managed and controlled.
 - The response times of the Help Desk team are recorded and appropriate conclusions resulting, are acted upon by the Management Team.
 - There are plans and assessment processes in place for training and technical improvement of the Help Desk staff.

1.3 Significant Issues

- 1.3.1 It has been reported that the response times of the helpdesking facility are perceived as slow by the user community, however, the true customer satisfaction status is not known as no surveys are being carried out by ICT. Management should undertake periodic Customer Satisfaction Surveys to assess user perception of Helpdesk performance and identify areas for improvement within this service.
- 1.3.2 The access controls of the application, Track IT, are not robust, however, there are no options within the application to strengthen them. Internal Audit has recommended that user guidance is provided to ensure that users utilise complex passwords and change them on a regular basis.

- 1.3.3 We also found that the Service Level Agreement between ICT and the Service Areas has not been updated since 2003 and therefore, may no longer reflect the current situation or current business needs.

1.4 Summary of Recommendations

- 1.4.1 The report includes 3 Medium and 1 Low recommendations.
- 1.4.2 One Medium priority recommendation, which was made in the previous Audit Report on this subject, dated 29/3/2003, had not been implemented as management has said that there was a lack of resources. However Audit are still of the opinion that this is a valid recommendation and action should be taken to implement some form of customer surveys even if these are “samples” taken say every quarter. Additionally, ICT may wish to place a ‘feedback’ button on the intranet and collect data in this way. In addition, although no service issues were identified during the audit, it was identified that users were unsure of the target response and resolution times attached to each priority of call. Therefore, Internal Audit has recommended that this information be placed on the Intranet.

1.5 Audit Opinion

- 1.5.1 We give an unqualified audit opinion based on the following. Good progress has been made to improve the performance and controls over the Helpdesk function and performance since the last Audit report. However there are issues regarding the customer focus of the service issues, which needs attention and no action has been taken since the last Audit to rectify this point.
- There are no user community surveys to determine the user satisfaction.

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|---|----------------------|
| Parking Tickets Issue & Processing | Schedule 2(e) |
|---|----------------------|

1. Management Summary

1.1 Introduction

- 1.1.1 Penalty Charge Notices (PCN's), better known as parking tickets, are issued by the Council's Parking Attendants under the decriminalised 1991 Road Traffic Act. A PCN may be issued to any vehicle seen parked illegally on the Borough's roads or in the Council operated car parks.
- 1.1.2 Hand held computers, supplied by Compex are used to issue Penalty Notices on street by the Parking Attendants. Once the Parking Attendants are back at the base, the information upload onto the Enforcement Computer is manually initiated. The data is then transferred to the Penalty Notice Progression System at Parking Services for progressing and monitoring of payment.
- 1.1.3 Both the Parking Services Manager and the Enforcement Manager are aware that there are problems with the Compex software. Incidences have also been noticed where the system produces two Penalty Charge Notices on the same reference number. During the testing two anomalies with data accuracy has also been noted. Parking Services has taken these issues very seriously and a new Data Administrator has been appointed in August. The Data Administrator will deal with all the communication with Compex, the software provider to try to resolve the problems with the software and will be responsible for data accuracy checks.
- 1.1.4 In 2004/05 37,944 Penalty Charge Notices were issued and the income received was £1,522,287. For the 2005/06 year, up to the beginning of July 2005, 10,919 Penalty Charge Notices were issued and the income received was £402,668.
- 1.1.5 The objective of the audit was to follow up recommendations from the previous audit and to ensure that any changes to the system have been implemented in a controlled environment.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- Inadequate monitoring of performance provides an ineffective service
 - Payments made for work not performed

- No procedures for the holding, issuing and cancellation of Penalty Charge Notices (PCNs)
- No action taken on persistent offenders
- Management information is out of date
- Details regarding the issue of parking tickets are not entered onto the parking computer system promptly
- The System is failing to produce documentation to offenders, notifying them of the fine, within the statutory deadlines
- Offenders are not being notified, at the various recovery stages, that there fines is increasing
- All tickets are not being processed in a timely manner.

1.3 Significant Issues

There are no significant issues.

1.4 Summary of recommendation(s)

1.4.1 The report contains 1 low priority, 3 medium priority recommendations

1.5 Audit Opinion

An unqualified audit opinion is given taken into account that Management is aware and is taking action to address the weaknesses in the Software used for the Penalty Charge Notices.

However management need to ensure that:

A Policy and Strategy for parking is developed and implemented, that the data used on the Penalty Notice Progressing system is accurate and up to date and that recommendations from the previous audit are implemented as a matter of urgency

1.6 Follow Up

Of the 14 recommendations made during the last audit, 10 have so far been implemented. Two are not scheduled to be implemented until late in the year. One recommendation which is set out below should have been implemented by July 2005, but is still outstanding. The fourth recommendation, also set out below, has been considered but action has not been considered appropriate.

R7: Service to ensure that voids and cancellations is reviewed regularly to monitor the PA's work, this must include manual tickets as well to obtain the wider picture. (2005/06 R1)

Scheduled Implementation date: July 2005
Medium

Priority:

R13: Service to review the use of vehicles to ensure value for money is being obtained.

Due to the fact that the section had recruited staff after the audit and all vehicles were being fully used there was no case to determine if VFM was being achieved. Scheduled Implementation date: March 2005

Priority: Medium

Management Summary

1.1 Introduction

1.1.1 The London Borough of Havering allows you to park sensibly, but without causing obstruction to other road users. Demand for parking spaces is high, therefore, to allow residents and local businesses to have access to street parking, Havering have a number of controlled parking zones (or CPZs) accessible via permit. The current concept of CPZ's is to unify waiting restrictions around the Borough. However, the results of the consultation process with members and residents will determine the effect on commuters and shoppers within that CPZ in terms of restrictions on parking.

1.1.2 The disc parking scheme was introduced into Havering in 1999. Disc bays were sited where previously there had been a single yellow line outside or near local shops, cafes etc.

1.1.3 The types of permits available are as follows:

Types of Permits:

- Business Permits (04-05 amount sold:88, revenue: £4,962)
- Health and Home Care Permits (04-05 amount sold: 844, revenue: £10,493)
- Residents Permits (04-05 amount sold: 4741, revenue: £42,880)
- Visitors Permits (04-05 amount sold: 11650, revenue: £50,380)
- Voucher Permits (04-05 amount sold: 22, revenue: £3,425)

Residents Permits, Visitors permits and disc parking were selected for detailed review based on materiality.

1.1.4 The objective of the audit was to follow up recommendations from the previous audit and to ensure that any changes to the system have been implemented in a controlled environment.

1.1.5 Testing has concluded that there is no cost effective way of monitoring performance and producing management information on the current manual recording system. Once the new Customer Relations Management (CRM) system is in place reporting facilities will be used.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Inadequate monitoring provides an ineffective service
- Income is not collected and banked promptly
- Stock is not held securely, is open to erosion from the elements by ineffective storage and movements of stock not monitored
- Signage is not clear enough to enable enforcement to take place
- Permits are not issued to bona fide applications

1.3 Significant Issues

There are no significant issues.

1.4 Summary of recommendation(s)

The report contains 2 low priority, 4 medium priority

1.5 Audit Opinion

An unqualified audit opinion is given taking into account the materiality of the revenue, the control environment and the resources involved.

However management need to ensure that:

- Official fees and charges are documented, and
- There is proper control, feedback and performance monitoring of the replacement of defective signs and lines.

1.6 Follow Up

The following two recommendations from the previous audit were still outstanding at the time of the audit:

R2: The Parking Service must undertake spot checks to the PASC to ensure quality control over the issuing and receipting of income received for the purchase of permits.

Scheduled Implementation date: April 2005

Priority:

Medium

R7:Service must ensure all recent documentation is provided by the applicant at the time of an issue of new or renewal of a permit to show that they are still resident at the designated property.

Scheduled Implementation date: April 2005

Priority:

Medium

Management Summaries of Pro-active Audits

Pro-active Flexi time TOIL etc

Schedule 2(g)

Management Summary

1.1 Introduction

1.1.1 The 2004/2005 and 2005/2006 Internal Audit plans include a pro-active audit into Flexi and Annual Leave/Overtime and Time Off In Lieu (T.O.I.L.). Due to the testing undertaken the review for both years has been amalgamated.

1.2 Key Areas Reviewed

1.2.1 Copies of HED Reports showing employees overtime and additional hours worked/paid, for the period ending 25 February 2005, were obtained from Salaries and Wages.

1.2.2 From this list a sample of twenty (20) employees with the highest number of hours worked was selected (*See Appendix 1*). Overtime, flexitime, leave, sick and Time Off In Lieu (T.O.I.L) records were then requested from the employees managers for the financial year 2004/2005. Documentation was received for nineteen (19) employees.

1.2.3 Documentation for the nineteen (19) employees was then examined to ensure that:

- overtime and flexible hours of work are not being claimed for the same period;
- overtime during flexible working core hours is not being claimed;
- all overtime is approved in advance by the relevant cost centre manager and/or Head of Service;
- flexible working is being worked and recorded in accordance with the scheme;
- annual leave recorded on the Flexi System is being recorded on annual leave records; and
- Time Off In Lieu (TOIL) is being correctly claimed and recorded.

1.2.4 Of the nineteen (19) employees selected:

- Two (2) were being paid "Overtime @ 1.00",
- Seven (7) were being paid "Additional Hours",
- Four (4) were being paid "Overtime S.O. 1/2",
- Four (4) were being paid "Overtime P.O. 1", and
- Two (2) were being paid "Overtime P.O. 2".

1.3 Significant Issues

- 1.3.1 Where it was possible to check that Overtime/Additional Hours had been approved in advance it was found that in all five (5) cases overtime documentation had not been signed to evidence that the overtime/additional hours was required. It was not possible to check that the remaining fourteen (14) cases had been pre-authorized as either the documentation was undated or the relevant documentation was not received.
- 1.3.2 In four (4) cases overtime had been claimed for periods during the normal working day and in six (6) cases overtime had been claimed for periods when the employee was on leave. Further Investigations would be required to determine the validity of the claims.
- 1.3.3 In five (5) cases overtime payments were being made on a regular basis for work which could be categorised as being work that should be undertaken during the working day.
- 1.3.4 In four (4) cases the amount of annual leave brought forward/carried forward exceeded five days although in three (3) cases the employees Head of Service had given authorisation. Documentation for the remaining one (1) did not show who had authorised the carry forward.
- 1.3.5 In three (3) cases annual and flexi leave did not correlate to the spreadsheet flexi time records retained.

1.4 Summary of recommendation(s)

- 1.4.1 The report contains six (6) recommendations, all of a medium category.

1.5 Audit Opinion

- 1.5.1 Whilst the general procedures for the administration of flexi leave, overtime etc. appear correct the audit testing showed that
- overtime is being worked without there being written pre-authorization by a Line Manager; and
 - overtime may have built up through custom and practice rather than actual need.

Management Summaries of Follow up Audits

| | |
|-----------------------------|----------------------|
| Variations Follow up | Schedule 3(a) |
|-----------------------------|----------------------|

Management Summary

1.1 Introduction

On most construction related projects the exact scope of the works will always be unknown. In order to save time in having to prepare new formal contracts every time there is a change in the scope of the works from that tendered provision is made to allow variations to be made. There is therefore a need for sound systems of control to be in place to ensure that unnecessary changes are not being given to the contractors. Further monitoring systems need to be robust so as to ensure contracts remain within budget and are being completed on time.

1.2 Progress Implementing Recommendations

1.2.1 The original audit found a number of weaknesses within the control environment, which have been set out in detail in the attached schedule. Set out below is information regarding the recommendations and the current position regarding their implementation.

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

| Ref | Recommendation Category | Rec No | Present Position |
|-----|-------------------------|--------|---|
| 1 | Medium | R2 | This recommendation has been fully implemented. |
| 2 | Medium | R3 | This recommendation has been fully implemented |
| 3 | Medium | R4 | This recommendation has been fully implemented |
| 4 | Medium | R5 | This recommendation has been fully implemented |
| 5 | Medium | R6 | This recommendation has been fully implemented |
| 6 | Medium | R9 | This recommendation has been fully implemented. |
| 7 | Medium | R10 | This recommendation has been fully implemented |
| 8 | Medium | R11 | This recommendation has been fully implemented |
| 9 | Medium | R12 | This recommendation has been fully implemented |
| 10 | Low | R1 | This recommendation has been fully implemented |
| 11 | Low | R7 | This recommendation has been fully implemented |
| 12 | Low | R8 | This recommendation has been fully implemented |

1.3 Audit Opinion

1.3.1 It is good to note that excellent progress has been made and that all recommendations contained within the original report have been implemented. Provided that management confirm that officers and the partner are following these procedures then there should be improved budgetary control and management on the projects they undertake.

Management Summary

1.1 Introduction

- 1.1.1. When a tenant buys their flat, they do not buy the property itself, but become a leaseholder which gives the right to live in the property for a set period of time. The Council owns the freehold and so will be the landlord. Although no weekly rent has to be paid there will be a required ground rent. The lease is an agreement between the purchaser and the Council. It stipulates the responsibilities of a leaseholder and the Council's responsibilities as a landlord. The lease states what parts of the property have been sold and what rights the purchaser of the lease has over the communal areas.
- 1.1.2. Service charges are the leaseholder's share of the cost of managing, providing services and carrying out repairs to the communal parts of the block or estate. At the beginning of each financial year (April) the Council will send an estimated service charge to the leaseholder. This will include the leaseholder's contribution towards the likely costs of any services provided, as well as building insurance and ground rent for the forthcoming year. At the end of March the Council begin to calculate how much was actually spent. Each September the Council send a Statement of Actual Expenditure. This gives details of the charge for each service provided to a block or estate during the previous financial year which is then divided into the number of properties in that block. So for example, in September 2003 a leaseholder would receive a Statement of Actual Expenditure for the previous financial year April 2002 to March 2003. If a leaseholders estimate was too high a refund is credited to their service charge account. If the estimated charge was too low, they will be asked to pay any additional amount.
- 1.1.3. When a tenant buys their property from the Council under the Right to Buy Scheme, charges for repairs or improvements are limited for the first five years of the lease. That means that the Council cannot charge the leaseholder any more than the amount stated in their offer notice, plus a small inflation allowance. This only applies to repairs or improvements and does not include items such as caretaking or administration. Once the five years have passed, the Council can charge the full costs of repairs or improvements.

1.2 Progress Implementing Recommendations

- 1.2.1 The audit found one weakness within the control environment, which has been set out in detail in the attached schedule.

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

1.2.3 Set out below is information regarding the recommendation and the current position regarding it's implementation.

| Recommendation Category | No | Present Position |
|-------------------------|----|---|
| Medium | 1 | Implementation of this recommendation remains outstanding pending completion of Homeownerships investigation into outsourcing the legal arrears work. |

1.3 Audit Opinion

1.3.1 Good progress is being made to implement the recommendation.

FRAUD AND INVESTIGATION WORK

SCHEDULE 4

Work completed during period 1st September – 31st October 2005

| Ref | Description | Result of audit/Action taken |
|-----|---|---|
| 1. | (T8daae) ICT Engineers – Misuse of Laptops | Following detailed forensic examination of laptops <ul style="list-style-type: none"> • 1 member of staff resigned prior to disciplinary hearing, • 1 member of staff was disciplined • Contract for 1 consultant was not renewed • 1 member of staff resigned prior to forensic examination being completed. |
| 2. | (T8faai) ISDN File 2001 | File and advice supplied. |
| 3. | (T8eaa) Awarding of Contract | Procedure changes required |
| 4. | (T8daat) Alleged Mis-use and Abuse of Internet | Following detailed forensic examination of pc member of staff resigned prior to disciplinary. |
| 5. | (T8eaax) Fraudulent Use of Rail Warrant | Lack of evidence to identify user. Refund received because warrant was altered. |
| 6. | (T8faae) Returned Cheques | Lack of response from original complainants – Cheque payments withheld. |
| 7. | (T8faad) Allegation of Subletting & RTB | Investigation gained sufficient evidence for RTB to be cancelled and key returned by tenant. |
| 8. | (T8eaal) Cost of Contract Staff | Insufficient evidence – Appointment procedures followed. |
| 9. | (T8daai) Review of Parking Enforcement Notices re Residential Parking | Allegation found to be correct. Insufficient signage resulted in non enforcement in excess of 1 year. |

As at 1st November 2005, the following cases were being progressed

| Ref | Description |
|------------|--|
| T8caai | NFI 2004/5 |
| T8eaah | Planning Application – Palmers Pallets |
| T8eaaj | Marriage Rooms Licence Renewal |
| T8eaak | Abuse of Council's Computer System by Home Users |
| T8eaam | Fraud Hotline AF 70 Reports |
| T8eaan | Allegations - School Overtime Payments |
| T8eaaw | Fraudulent RTB and Sub Letting |
| T8faab | Allegation re illegal cash payments |
| T8faaf | Review out of date salary cheques |
| T8faag | Complaint/Allegation re payment of personal allowances at residential home |
| T8faah | Request From Agencies for Information |
| T8faaj | Misuse of Car Park Pass by member of staff |
| T8faak | Suspected subletting and fraudulent RTB application |
| T8faai | Non recording in the Register of Interest register |
| T8faam | Missing laptops |



| MEETING | DATE | ITEM |
|-----------------|-----------------|------|
| AUDIT COMMITTEE | 8 December 2005 | 7 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 September 2005 – 31 October 2005.

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

SUMMARY

This report contains information on:

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

RECOMMENDATIONS

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

REPORT DETAIL

1. Implementation of Audit Commission's recommendations

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

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

The Audit Commission has issued a report since the 26th October 2005 meeting. The Audit Commission's Progress Report: December 2005 contains the full details.

2. Implementation of Internal Audit recommendations

2.1 Summary of 2003/04 outstanding recommendations

| Description | High | Medium | Low | Total |
|--|------|--------|-----|------------|
| Total no. of recommendations issued for 2003/04 | 30 | 261 | 107 | 398 |
| Total no. of outstanding recommendations for 2003/4. | 5 | 34 | 10 | 49 |

As of the end of September 2005, there were 49 outstanding 2003/04 Internal Audit recommendations. The details are shown in Appendix 2. These are recommendations that have missed their implementation deadline by more than one month.

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

As of the end of September 2005, there were 110 outstanding 2004/5 Internal Audit recommendations. The details are shown in Appendix 2. These are recommendations that have missed their implementation deadline by more than one month.

| Description | High | Medium | Low | Total |
|---|------|--------|-----|------------|
| Total no. of recommendations issued for 2004/05 | 42 | 221 | 71 | 334 |
| Total no. of outstanding recommendations for 2004/5 | 12 | 66 | 29 | 107 |

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

As of the end of September 2005, there was 1 outstanding 2005/06 Internal Audit recommendation. The details are shown in Appendix 2. This is one recommendation that has missed the implementation deadline by more than one month.

| Description | High | Medium | Low | Total |
|---|------|--------|-----|-----------|
| Total no. of recommendations issued for 2005/06 | 6 | 51 | 23 | 80 |
| Total no. of outstanding recommendations for 2005/6 | 0 | 1 | 0 | 1 |

3. Performance Indicators (as of October 2005)

- 3.1 Committee members will note that there are 9-Key Performance Indicators (KPI) in Appendix 3. These indicators are focused on measuring the efficiency and effectiveness of Internal Audit activities.
- 3.2 An analysis of the KPI's indicates an improvement in the percentage of completed total audit days (KPI 01) and reviews (KPI 02), 35% and 29% respectively. The on-target total number of audit briefs issued (KPI 03) and input days resourced (KPI 04), are 74% and 62% respectively.
- 3.3 The following table shows Internal Audit's performance for the months of September to October 2005:-

| | Definition | Annual Cumulative Target | Performance as of October 2005 |
|--------|---|--------------------------|--------------------------------|
| KPI 01 | Number of total actual audit days completed as a percentage of total planned annual days (1250). | 100 % | 35% |
| KPI 02 | The number of audit reviews completed as a percentage of the total annual number of planned reviews (103). | 100 % | 29% |
| KPI 03 | The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (103) | 100 % | 74% |
| KPI 04 | The total number of input days on audits as percentage of the total number of planned days (1250) | 100 % | 62% |
| KPI 09 | Survey Forms Assessed for the system audits | 100% | 62% |

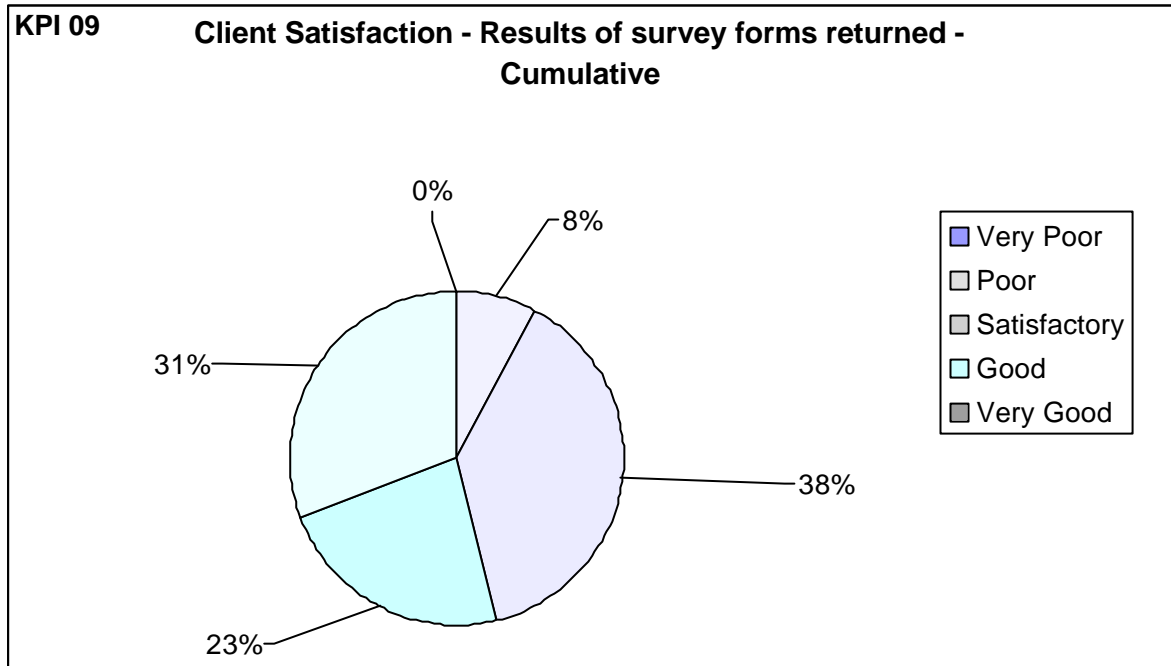
- 3.4 As at the end of October 2005, 28% of the plan had been completed, 8% of the plan was at draft or formal report stage, and 35% have received audit briefs.

4. Survey Questionnaire Analysis

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

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

38% of the survey returns reported a satisfactory review, 23% reported a good review and 31% reported a very good audit experience. It is pleasing to note that the majority of managers are satisfied with the internal audit process, only one officer representing 8% was not. The following chart shows the results for 2005/06.



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

- 5.1 Appendix 4 provides the status of Internal Audit's efforts in implementing the 2005/06 annual plan, and data from 30th September 2004 which provides valuable comparative information. (The comparative data for previous years is produced on a quarterly basis. Therefore the closest comparison for October 2005 was September 2004).
- 5.2 As of 31 October 2005, Internal Audit has completed 29-reviews (28%), while 8-reviews (8%) are at the consultation/final draft stage. In September 2004, 23-audits (21%) were completed to the final and 10 (9%) to consultation/final draft stage. Although (74) 72% of the annual plan is still to be completed, at September 2004, (88) 79% of the plan was still to be completed.
- 5.3 A comparative analysis of the results for this year and last, indicates that output for 2005/6 is at a similar level to 2004/5 for the completed audits. However, audit planning has improved as shown by the greater number of audit briefs which have been issued and agreed. Whilst the number of computer audits conducted has fallen, this trend will be reversed in the last quarter, as the computer resource available to date will be greatly increased.

6. Statement of Internal Control Action Plan

6.1 Appendix 5 presents the Statement of Internal Control (SIC) action plan as at November 2005. The SIC provides greater assurance with regard to corporate governance issues. It was signed by the Leader of the Council, the Chief Executive, and the Finance and Commercial Group Director and forms part of the 2004/05 Statement of Accounts. The action plan is continuously updated and progress reported to the Committee.

7. Anti-Fraud and Corruption

7.1 Summary of calls on the fraud hotline log (as of 31st October 2005)

| <u>Source of calls</u> | <u>No.</u> | <u>Actions</u> | <u>Status</u> |
|------------------------|------------|--|---|
| Anonymous | 3 | 1 case investigated further by Council Tax. 1 case to be investigated further by NNDR staff. 1 case is being further investigated by Internal Audit. | Allegation was malicious. Completed and signed off. In progress In progress. |
| Staff | 4 | 3 cases are to be further investigated by Internal Audit. An agency employee was dismissed. | In progress Signed off and loss was recovered. |
| HB Fraud Team | 1 | Internal Audit scrutinised the council records. | Completed and signed off and established as claimant error and benefits were suspended. |
| Public | 0 | | |
| HOTLINE TOTAL | 8 | | |

- There are currently 24 special investigations in progress (4 from the hotline above) and 35 have been completed during 2005/6.

7.2 National Anti-Fraud Network. Since the last Audit Committee on 26th October 2005, the Council has successfully registered with NAFN to provide an information and intelligence reporting service. In order to ensure that the Council makes the best possible use of this service, NAFN are to give a presentation in the Council Chamber on 6th December 2005 at 10.30 a.m. Staff from Internal Audit, Housing Benefits, Housing, Legal Services and Trading Standards are expected to attend.

8. Year to Date (YTD) Budget Analysis

8.1 The revised budget figure for Internal Audit (2005/06) is £419,740. Appendix 6 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 31st October 2005. As of 31 October 2005, YTD actual (£108,922) is below the budgeted amount (£201,215). This is due to invoices held for payment as a result of the termination of the contract with pps-Acit as previously reported. The financial impact of the transfer of staff back to the Council is still being assessed, but current projections are that the account will be in budget.

9. Benefits Investigation

9.1 A report on Benefits Investigations is shown at Appendix 7.

10. Audit Committee Work Plan

10.1 The Committee has a clear work plan through the year and it would seem opportune to review this having regard to the need to plan for next year and consider any training needs. The plan is shown in Appendix 8.

11. Financial Implications and risks:

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

12. Legal Implications and risks

None arising directly from this report

13. Human resource Implications and risks

None arising directly from this report

14. Equality and Social Inclusion implications

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

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

APPENDIX 1 Outstanding External Audit Recommendations – (03/04 & 04/05)

(As at end SEPT 05)

| HIGH PRIORITY RECOMMENDATIONS | | | | | |
|--|--|-----------------|------------------------|--|-----------------------|
| Reports | Recommendations | Date Due | HoS Responsible | Current Position | Classification |
| Democratic Renewal (Report issued 03/04) | R10 Develop Overview and Scrutiny policy development programmes that have a clear and crosscutting direction, and take account of key performance data. | 31/12/03 | Christine Dooley | Group Leaders have met throughout 2004 in an effort to plot a way forward on all aspects of O&S. Governance Committee has set up an informal Member-level group to consider the most appropriate O&S model for Havering. This group is considering R10 and others in coming to a conclusion. The Administration are currently considering officer suggestions as to a way forward. | In progress |
| | R11 Encourage local community stakeholder involvement in the political management process, including taking an active part in member meetings. | 31/12/03 | Christine Dooley | As above (R10) | In progress |
| | R13 Develop the work programmes of the Overview and Scrutiny Committees to include post implementation review. | 31/12/03 | Christine Dooley | As above (R10) | In progress |
| | R14 Clarify the expected role of Overview and Scrutiny Committees in respect of Best Value and communicate this effectively to members. | 31/10/03 | Christine Dooley | As above (R10) | In progress |
| | R15 Encourage greater scrutiny focus on holding the Cabinet to account. | 3/12/03 | Christine Dooley | As above (R10) | In progress |
| | R16 Improve communication between members involved in scrutiny when developing reports. | 3/12/03 | Christine Dooley | As above (R10) | In progress |
| | R17 Foster a more inclusive and less party-political approach to Scrutiny working. | 3/12/03 | Christine Dooley | As above (R10) | In progress |
| | R20 Improve member attendance at training sessions to ensure they develop the core skills necessary to carry out their roles effectively. | 1/2/04 | David Ede | Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004). Action being pursued | In progress |

| | | | | | |
|---|--|----------------------------|-----------------------|--|-------------|
| | R23 Consider the establishment of a mechanism to ensure effective exchange of information between Cabinet, OSC and Area Committee chairs. | 31/12/03 | Christine Dooley | A report on Area Committees was agreed by Governance on 15 th November and is going to December Council | In progress |
| Joint Review SS 2002/03 (Report Issued 03/04) | Continue to extend use of financial flexibilities as part of strengthening joint commissioning | Jan 2004 | Peter Brennan | First stage is establishment of Joint Commissioning plans and posts. Mental health joint commissioning post being recruited to (PCT lead) and Older Peoples' commissioning strategy completed. | In progress |
| Audit of Grant Claims and Returns 2003/2004 (Report issued 04/05) | R15 Establish the reason for the repayment of the Deferred Payments grant and ensure future grant income is maximised. | Grant ceased after 2003/04 | Marylin Richards (ED) | Purpose of grant to be reviewed. Grant benefits to be publicised. Customers to be encouraged to participate in using facility. | |

MEDIUM PRIORITY RECOMMENDATIONS

| Reports | Recommendations | Date Due | HoS Responsible | Current Position | Classification |
|--|---|----------|---|--|----------------|
| Democratic Renewal (Report issued 03/04) | R4 Develop future training sessions to provide a greater insight into the roles of the Cabinet. | 31/10/03 | David Ede | Action being pursued before the target date (31/10/03) and continues. Overall responsibility for member training allocated to HR under the Corporate Governance Action Plan (June 2004) | In progress |
| Corporate Governance 2002/03 (Report issued 03/04) | R3 Staff should formally sign up to the model code of conduct once it is issued by the Office of the Deputy Prime Minister and adopted by the Council. Appropriate training should be given to staff on conduct issues. When the Council adopted the current code of conduct, staff were not required to acknowledge receipt of the code in writing. | | Assistant Chief Executive Corporate Human Resources (David Ede) | Agreed This recommendation is agreed and will be implemented once the model code of conduct has been agreed. The OPDM issued the draft code for consultation purposes with a response deadline of 19th November. ACEs (HR and Legal) jointly prepared a response on behalf of the authority. Currently awaiting further instruction from ODPM. | In progress |
| Procurement (Report issued 03/04) | R5 Framework to be reviewed to include detailed guidance on construction, engineering and building works and on leasing arrangements. | Oct 2003 | Mike Stringer | To be included in Procurement Framework version 2. Work to be carried out in 2005 once Contract Procedure Rules update is complete and approved by Governance Committee (awaiting submission by Legal Services). | In progress |

| | | | | | |
|--|--|-------------------------------------|-----------------------|---|--------------------|
| <p>Procurement – Parkman, Domiciliary Care</p> <p>(Report issued 03/04)</p> | <p>R3 Review and implement the most appropriate contract arrangement for the procurement of spot and block purchased domiciliary care hours, including</p> <ul style="list-style-type: none"> • clarifying the contract arrangements with the four spot only providing agencies; and • reviewing the volume of care hours specified as block during the re-tender process using the strategy (see R1) and market intelligence to balance more appropriately the volumes of block and spot purchasing in order to achieve greater value for money. | | <p>Peter Brennan</p> | <p>Modernisation of Home Care Service underway, steering group has identified actions for the re-tendering of Domiciliary Care Contracts, initial expressions of interest have been sought and received</p> | <p>In progress</p> |
| <p>Programme Governance (Nov 04)</p> <p>(Report issued 04/05)</p> | <p>R9 Establish nominated senior level accountability for configuration and knowledge management to ensure that corporate arrangements and standards for the management of assets, knowledge and information around the programmes and projects are complied with and information around the programme is accurate in order that priorities can be determined, interdependencies identified and conflicts resolved.</p> | <p>Sep 04 Mar 04 Jun 05</p> | <p>Ray Whitehouse</p> | <p>Establish a corporate repository Describe assets Fully link with Information Governance</p> | <p>In progress</p> |
| | <p>R12 Implement uniform arrangements, standards and systems for the maintenance of change control under Prince2. Ensure these are implemented for all e-Government and PIG projects.</p> | <p>Mar 05</p> | <p>Ray Whitehouse</p> | <p>A process for monitoring and compliance monitoring is progressing. Programme office to look at a flow diagram outlining the process that should take place.</p> | <p>In progress</p> |
| | <p>R13 Implement formal processes for handover and acceptance of the project</p> | <p>Mar 05</p> | <p>Ray Whitehouse</p> | <p>A process has been set-up for PIG Panel/Group which is a Mechanism from Portfolio Management to Project Management and final support for the</p> | <p>In progress</p> |

| | | | | | |
|--|---|--|--|----------|--|
| | outcomes and products to operational departments in order that the project team and operational units are clear on responsibility and accountability. | | | product. | |
|--|---|--|--|----------|--|

| LOW PRIORITY RECOMMENDATIONS | | | | | |
|---|---|-----------------|------------------------|---|-----------------------|
| Reports | Recommendations | Date Due | HoS Responsible | Current Position | Classification |
| Procurement (Report issued 03/04) | R12 Monitor the use of project management of procurement process to evaluate use and learn lessons | TBA | Mike Stringer | Lessons learnt reported to SPSPG. Reports to SPSPG each month on significant procurement projects. Project support team now in place. Paper to Project Board to follow. | In progress |

APPENDIX 2 **Internal Audit Outstanding Recommendations – 2003/4, 2004/5, 2005/6**

| | Review in 2003/4 | HoS Responsible | Outstanding | | | Position as at end Sept 05 | | |
|--|-----------------------------|--|-------------|-----------|-----------|----------------------------|-------------|--------------------------------|
| | | | High | Medium | Low | In Progress | Not Started | Position/ Status Unknown |
| | Meal on Wheels | David Tomlinson | | 1 | | 1 | | |
| | Public Lighting | Bob Wenman | | 7 | | 7 | | |
| | Right to Buy | Barry Kendler | 1 | | | 1 | | |
| | HB Verification Framework | Jeff Potter | | 1 | | 1 | | |
| | Final Accounts | Bob Wenman | | 1 | | 1 | | |
| | Pensions | Jeff Potter | | 3 | 1 | 4 | | |
| | Post Completion Assessments | Mike Robinson | | 2 | | 2 | | |
| | Community Care Packages | Peter Brennan | | 1 | 2 | 3 | | |
| | Homecare | Peter Brennan | | 1 | | 1 | | |
| | Leaseholders | Barry Kendler | 1 | | | 1 | | |
| | Assessments & Allocations | Barry Kendler | | 3 | | 2 | 1 | |
| | Novell | Ray Whitehouse | | 1 | | 1 | | |
| | Remote Access | Ray Whitehouse | | 2 | | 2 | | |
| | Physical Security | Ray Whitehouse | 1 | 1 | | 2 | | |
| | Parking COPPT System | Mike Robinson | | | 1 | 1 | | |
| | IT Security | Ray Whitehouse | | 2 | 1 | 3 | | |
| | Libraries | Dylan Champion | | 1 | | 1 | | |
| | Rent Accounting | Mike Stringer | | 1 | | 1 | | |
| | Libraries Internet | Dylan Champion | | 1 | 2 | 3 | | |
| | Community Care Placements | Peter Brennan (7) – 4 P/S unk, 3 In P | 2 | 4 | 1 | 3 | | 4 |
| | CRM system | Ray Whitehouse (2) – In P Dylan Champion (1) – NS | | 1 | 2 | 2 | 1 | |
| | Total | | 5 | 34 | 10 | | | |

Outstanding

| | Review in 2004/05 | HoS Responsible | High | Medium | Low | Position as at end Sept 05 | | |
|--|--|---|------|--------|-----|----------------------------|-------------|--------------------------------|
| | | | | | | In Progress | Not Started | Position/ Status Unknown |
| | Tendering Processes | Mike Stringer | 1 | 1 | 1 | 3 | | |
| | Training Children & families | David Ede | | 1 | | 1 | | |
| | Freedom Passes and Taxi Cards | Mike Stringer | | 1 | | 1 | | |
| | Crime & Disorder Reduction CCTV | Christine Dooley | 1 | 3 | 1 | 5 | | |
| | Domestic Refuse Collection | Bob Wenman | 2 | 2 | 1 | 3 | 2 | |
| | Trade Refuse Collection | Bob Wenman | 1 | 3 | 1 | 5 | | |
| | Landscape Works A1306 | Mike Robinson | 2 | 1 | | 3 | | |
| | Computer ANITE Housing System | Ray Whitehouse | | 1 | | 1 | | |
| | Consultants Fees | Mike Stringer (1) – In P Christine Dooley (1) – P/S unknown | 1 | 1 | | 1 | | 1 |
| | Youth Services | Sue Allen | | 1 | | 1 | | |
| | Child Protection | Ruth Jenkins (15) | | 2 | 13 | 14 | | 1 |
| | Highways | Bob Wenman | | 4 | | 4 | | |
| | Capital & Repair Work Pro-Active | Mike Stringer (2) David Tomlinson (1) | | | 3 | 3 | | |
| | Business Continuity | Ray Stephenson (3) David Ede (1) | | 2 | 2 | 3 | 1 | |
| | Debtors | Jeff Potter | | 1 | 4 | 5 | | |
| | Network Security | Ray Whitehouse | | 2 | | 2 | | |
| | Telecomms System | Ray Whitehouse | | | 2 | 2 | | |
| | Physical Security | Ray Whitehouse | 1 | | | 1 | | |
| | On Street Parking (Permits and Disks) | Mike Robinson | | 2 | | | | 2 |
| | Council Tax | Jeff Potter | | 1 | | 1 | | |
| | NNDR | Jeff Potter | | 2 | | 1 | 1 | |
| | Catering | David Tomlinson | | 1 | | 1 | | |
| | Parking Enforcement | Mike Robinson | | 1 | | | | 1 |
| | (2004/05) Rent Accounting (& Collection Arrears) | Mike Stringer | 1 | 2 | | | 3 | |
| | Lessee Charges | Barry Kendler | | 1 | | 1 | | |
| | New Employees (Including References) | David Ede | 1 | 2 | | | | 3 |

| | Review in 2004/05 | HoS Responsible | High | Medium | Low | Position as at end Sept 05 | | |
|--|---|-----------------|-----------|-----------|-----------|----------------------------|-------------|--------------------------------|
| | | | | | | In Progress | Not Started | Position/ Status Unknown |
| | Pro Active | | | | | | | |
| | Home Care Providers Pro Active | Peter Brennan | | 1 | 1 | | | 2 |
| | Telephone Abuse Pro Active | Ray Whitehouse | | 1 | | 1 | | |
| | Anti-Virus Protection | Ray Whitehouse | | 1 | | 1 | | |
| | (2004/05) Quality & Contract Management in Care for the Elderly | Peter Brennan | | 12 | | | | 12 |
| | (2004/05) Monitoring and Co-ordination of Voluntary Sector and Carer Services | Peter Brennan | | 10 | | | | 10 |
| | Former Tenants Arrears Write Offs Pro Active | Barry Kendler | 1 | 1 | | | | 2 |
| | BS7799 | Ray Whitehouse | | 1 | | 1 | | |
| | Total | | 12 | 66 | 29 | | | |

| | Review in 2005/6 | HoS Responsible | Outstanding | | | Position as at end Sept 05 | | |
|--|------------------|-----------------|-------------|----------|----------|----------------------------|-------------|--------------------------------|
| | | | High | Medium | Low | In Progress | Not Started | Position/ Status Unknown |
| | Cash & Bankings | Dylan Champion | | 1 | | | | 1 |
| | Total | | 0 | 1 | 0 | | | |

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

APPENDIX 3 Internal Audit Key Performance Indicators (KPI)

| KPI | Definition | Target | Qtrs 1 | Qtrs 2 | Comments |
|--------|--|-----------------|--------|--------|----------|
| KPI 01 | Number of total actual audit days completed as a percentage of total planned annual days (1250). Compute, Total number of audit days completed to final stage plus days spent on fraud work/Total number of planned audit days | audits = | 14 | 115 | |
| | | fraud = | 70 | 145 | |
| | | 100% cumulative | 7% | 21% | |
| KPI 02 | The number of audit reviews completed as a percentage of the total annual number of planned reviews (103). Compute, Total number of audit reviews completed to final stage/Total number of planned reviews. | 100% cumulative | 2 | 14 | |
| | | | 2% | 14% | |
| KPI 03 | The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (103). Compute, Total number of audit briefs issued to final stage/Total number of planned reviews. | 100% cumulative | 37 | 58 | |
| | | | 37% | 57% | |
| KPI 04 | The total number of input days on audits as percentage of the total number of planned days (1250) Compute, Total number of input days on the contract/ total number of planned days. | 100% cumulative | 336 | 571 | |
| | | | 27% | 46% | |
| KPI 05 | Performance against target time: Maximum 28 days between release of the formal draft and receipt of response Measure number of days between formal draft date and date response received. Only count when a formal has been sent. | in time | 1 | 3 | |
| | | out of time | 0 | 0 | |
| | | no formal | 1 | 11 | |
| | | 95% | 100% | 100% | |
| KPI 06 | Performance against target time: Percentage of reviews where the final report was issued within 5 available working days of receipt of the response agreeing to the formal report. Compute, number of days between response to the formal report and distribution of a final. | in time | 0 | 2 | |
| | | out of time | 0 | 0 | |
| | | no formal | 2 | 12 | |
| | | 100% | 100% | 100% | |
| KPI 07 | Performance against target time: 50 days max to complete an audit from start to release of a consultation draft. Compute, number of days from start date of audit to release of consultation draft. | within 50 days | 2 | 14 | |
| | | Outside days | 0 | 0 | |
| | | 100% | 100% | 0% | |
| KPI 08 | Reports followed up which require a follow-up. Compute, total number of reviews requiring follow up and total number of follow up's undertaken (38 in year: started as 36 4 added and 2 deleted) Count when final sent. | number | 1 | 5 | |
| | | 100% cumulative | 3% | 13% | |
| KPI 09 | System Audits Survey Forms Assessed. Compute, the total number of survey forms collected to total number of survey forms distributed. Results analysed over categories. | 100% | 33% | 42.0% | |

APPENDIX 4 Comparative Analysis of Internal Audit Plans

This Financial Year Systems & Pro Active Audits (As of 31.10.05 position)

| Detail | Systems | Contract | Computer | Pro-Active | Follow ups | Totals | %age |
|------------------------------------|-----------|-----------|-----------|------------|------------|------------|---------------|
| Original number of audits | 37 | 9 | 11 | 17 | 25 | 99 | 100 |
| Final Number of Audits | 39 | 11 | 11 | 17 | 25 | 103 | 100 |
| | | | | | | | |
| Audits Completed to date | 15 | 3 | 1 | 1 | 9 | 29 | 28.16 |
| Audits at Formal draft stage | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Audits at Consultation draft stage | 5 | 0 | 0 | 2 | 1 | 8 | 7.77 |
| <i>Briefs issued</i> | 17 | 3 | 4 | 6 | 6 | 36 | 34.95 |
| <i>Still to be started</i> | 2 | 5 | 6 | 8 | 9 | 30 | 29.13 |
| Total | 39 | 11 | 11 | 17 | 25 | 103 | 100.00 |

Last years position as at 30th September 2004

| Detail | Systems | Contract | Computer | Pro-Active | Follow ups | Totals | %age |
|------------------------------------|-----------|-----------|-----------|------------|------------|------------|--------------|
| Original number of audits | 59 | 13 | 23 | 13 | n/a | 108 | 100 |
| Final Number of Audits | 60 | 12 | 22 | 17 | n/a | 111 | 100 |
| | | | | | | | |
| Audits Completed to date | 16 | 3 | | 4 | n/a | 23 | 20.7 |
| Audits at Formal draft stage | 0 | 1 | 1 | 0 | n/a | 2 | 1.8 |
| Audits at Consultation draft stage | 1 | 3 | 2 | 2 | n/a | 8 | 7.2 |
| Briefs Issued | 9 | 0 | 10 | 0 | n/a | 19 | 17.1 |
| Still to be started | 34 | 5 | 9 | 11 | n/a | 59 | 53.2 |
| Total | 60 | 12 | 22 | 17 | 0 | 111 | 100.0 |

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

| Significant Issue | Action | Responsibility | Timescale | Progress |
|--|---|---|-----------|---|
| 1. Continue to improve the recovery of debt | <ul style="list-style-type: none"> Continue to focus on reducing arrears and recovering debt promptly. Corporate debt management standards are set and a corporate policy is in development. Regular monitoring of debt is taking place at the highest level in the authority. | Debt management Board and Group Director Finance & Commercial | Ongoing | <ul style="list-style-type: none"> Meetings held regularly to review, assess and act Debt Management Policy Strategy being signed off by lead members. Corporate contract for credit card and bailiffs being progressed however former delayed due to charges issue. |
| 2. Succession and continuity plans | <ul style="list-style-type: none"> Service Business Continuity Plans are in place throughout the calendar year. Continue to work on ensuring up to date documented procedures are in place. | Emergency Planning Officer | Ongoing | <ul style="list-style-type: none"> Priority activities being identified across the Council to assist in development of overall plan Audit of procedures in place commenced RMG over viewing matters. |
| 3. There is a need to implement the consultation strategy developed by Communications, to establish clear channels of communication with all sections of the community / other | <ul style="list-style-type: none"> Implement the consultation strategy developed by Communications. Ensure that the consultation strategy contains effective monitoring and reviewing procedures. | ACE Strategy & Communications | Ongoing | <ul style="list-style-type: none"> Completed. Cabinet agreed strategy October 2005. It was already being implemented; namely, purchase of e-required tools is imminent, communications champions network |

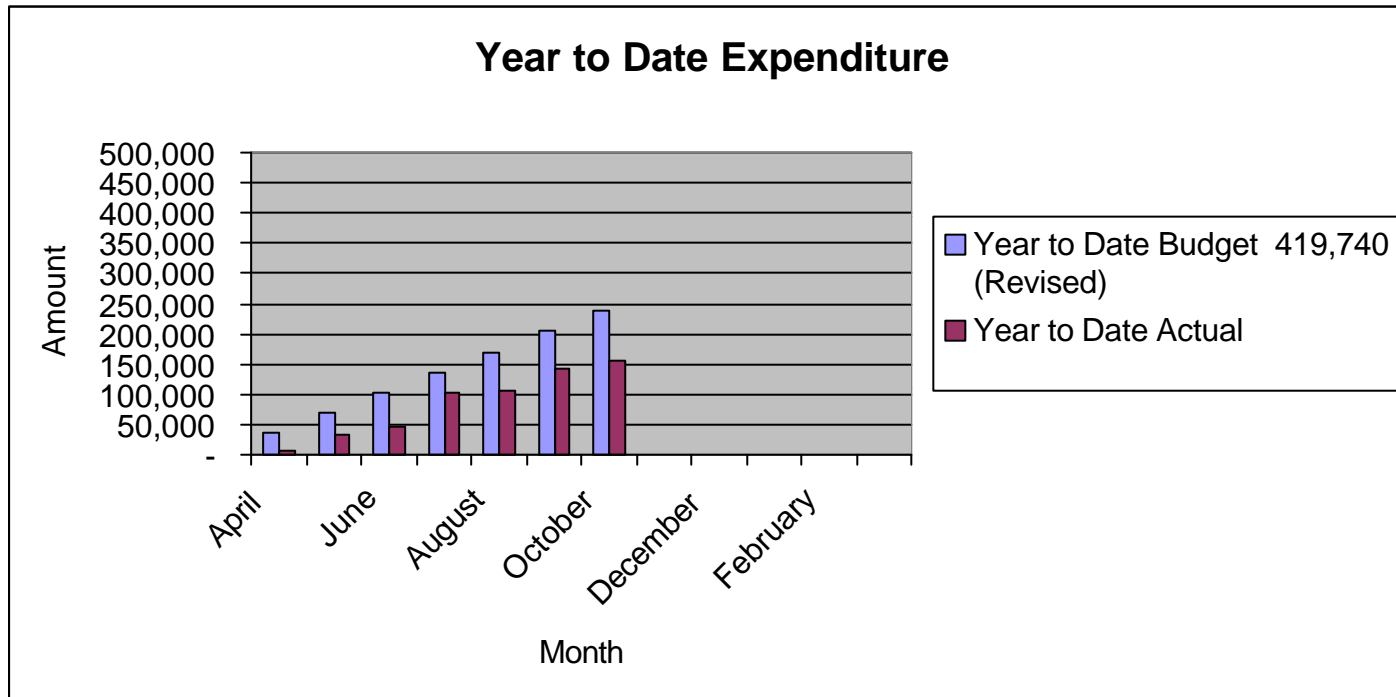
| | | | | |
|--|---|---|-----------------|---|
| <p>stakeholders and to put in place proper monitoring and reviewing processes to ensure that the strategy operates effectively.</p> | | | | <p>and surveys sub group established, review & monitoring arrangements / principals in the strategy and these are being set up (monthly customer satisfaction report, reports to lead member, and so on), user focus review underway, first draft of toolkit out for comment and so on.</p> |
| <p>4. Whilst monitoring systems exist at a service level for all complaints and corporately for certain complaints, these need to be pulled together to form a single monitoring system.</p> | <ul style="list-style-type: none"> • Implement a single corporate system for monitoring complaints | <p>Head of Customer Services</p> | <p>March 06</p> | <ul style="list-style-type: none"> • A roll out of CRM functionality to support complaints monitoring has begun and a review is being undertaken by Barry Howlett. |
| <p>5. There is a need to address the underlying difficulties in balancing the Social Services budget.</p> | <ul style="list-style-type: none"> • Continue with special monitoring. • Progress actions identified to reduce overspends. • Assess the position for 2006/07 budget process. | <p>Group Director Sustainable Communities</p> | <p>Ongoing</p> | <ul style="list-style-type: none"> • Meetings continuing • Special reporting in place • Actions being monitored |
| <p>6. Improve performance on specific grant returns.</p> | <ul style="list-style-type: none"> • Awareness training. • Clear responsibilities. • Monitoring and reporting arrangements. | <p>Head of Financial Services</p> | <p>Ongoing</p> | <ul style="list-style-type: none"> • Protocol in place • Clear timescales exist and are monitored • Awareness training completed, further |

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

Appendix 6 2005/2006 Budget Analysis

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

| | April | May | June | July | August | September | October |
|---------------------|---------------|---------------|---------------|---------------|---------------|------------------|----------------|
| Year to Date Budget | 37,619 | 70,365 | 103,163 | 135,894 | 169,356 | 172,470 | 201,215 |
| Year to Date Actual | 5,520 | 34,705 | 46,174 | 101,449 | 106,102 | 108,922 | 108,922 |
| Variance | 32,099 | 35,660 | 56,989 | 34,445 | 63,254 | 63,548 | 92,293 |



Appendix 7 Benefit Investigations 1st April 2005 – 31 October 2005

The 31 October 2005 results against targets are:

| | 2005/6 Target | 2005/6 Net Value £ | YTD Target | YTD Target £ | Achieved | Net Value £ |
|---|---------------|--------------------|------------|---------------|----------|---------------|
| Official Cautions administered | 54 | 64,800 | 27 | 32,400 | 35 | 42,000 |
| Administration Penalties administered | 54 | 64,800 | 27 | 32,400 | 0 | 0 |
| Administration Penalties Fines administered | 54 | 4,050 | 27 | 2,025 | 0 | 0 |
| Summonses Issued | 14 | 16,200 | 7 | 8,100 | 16 | 19,200 |
| Prosecutions (convictions) | 14 | 27,000 | 7 | 13,500 | 5 | 10,000 |
| Prosecution Costs | 14 | -9,450 | 7 | -4,725 | 10 | -5,919 |
| TOTAL | | 167,400 | | 83,700 | | 65,281 |

Targets

The realignment of Exchequer Services took place in February 2005 and recruitment was delayed as a result of this. Consequently Year To Date activity is below target.

BVPI 76 - Currently, there is not a national target set for this BVPI, only local.

| Description | Annual Target | Average @ 2 nd Quarter |
|--|---------------|-----------------------------------|
| - Number of claimants visited, per 1,000 caseload | | 1.62 |
| - Number of fraud investigators employed, per 1,000 caseload | 5 | 0.17 |
| - Number of fraud investigations, per 1,000 caseload | 0.29 | 12.20 |
| - Number of prosecutions and sanctions, per 1,000 caseload | 60 | 2.31 |
| | 5.5 | |

APPENDIX 8 AUDIT COMMITTEE – FORWARD PLAN/TRAINING

| FORWARD PLAN | TRAINING |
|-----------------|---|
| 9 February 2006 | <ul style="list-style-type: none"> • Audit Plan Agreed • Annual Letter • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress |
| 4 April 2006 | <ul style="list-style-type: none"> • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress |
| June 2006 | <ul style="list-style-type: none"> • Annual Accounts • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress |
| September 2006 | <ul style="list-style-type: none"> • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Grants Performance • Annual School Report • SAS 610 • Review of Risk Management Arrangements |



| MEETING | DATE | ITEM |
|-----------------|-----------------|------|
| AUDIT COMMITTEE | 8 December 2005 | 8 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT STRATEGY AND PLAN FOR 2006/07

SUMMARY

The audit strategy is the high level methodology by which the Internal Audit Service is delivered and developed. Originally the service was to be outsourced and provided by an external company. Due to the early termination of the Audit contract, the service is temporarily being provided in-house. The future of the service will be decided once a review of the Council's options has taken place.

This report shows the risk based Internal Audit Plan for the forthcoming financial year i.e., putting the strategy into action by showing how the plan will be delivered and resourced. The plan also shows how assurance for the statement on internal control and the organisations governance arrangements, risk management arrangements and key internal control systems, will be delivered.

This plan is based upon the three-year strategic plan which was presented to the Audit Committee on the 26th January 2005 (see Appendix 1).

RECOMMENDATIONS

1. To note the contents of the report
2. To review the plan and provide comments before a final agreed plan is presented to the next Audit Committee (9 February 2006).

REPORT DETAIL

1. INTERNAL AUDIT PLAN 2006/07

- 1.1 A three-year strategic plan was presented to and agreed by the Audit Committee on the 26th January 2005. It is recommended that, due to the early termination of the Internal Audit contract and the uncertainty surrounding service provision, next year's audit plan will be based upon a continuation of the second year of the strategic plan.

1.2 The plan originally showed that there would be a requirement for 1221 audit days. However the following changes to the plan have been identified which raise the number of days required to 1253 (an increase of 32 days).

- Where there has been a qualified audit report issues in one financial year, a “follow up” review is carried out in the next to ensure remedial action has been taken by the agreed dates to address the audit concerns. At the time of preparing this report 31 audits have been identified as requiring a separate follow –up audit . As each review is calculated to take 2 days the plan needs to be increased by 12 days from 50 to 62.
- The external auditor needs to obtain assurance that the main accounting systems are operating effectively and there are no material mis-statements in the accounts that would affect the Statement on Internal Control. In order to further strengthen the work that Internal Audit carry out relating to this, an additional 10 days have been added for a review of the Main Accounting Procedures. This will provide evidence that systems are operating correctly.
- Under the International Standards of Auditing, which became effective during the 05/06 financial year, external auditors need to satisfy themselves that they have an understanding of an authority’s main financial and information systems that drive the balances and disclosures within the financial statements. Work is being undertaken during 2005/06 to map and document the relevant systems. This work will continue and feature in all future audit plans. It is planned that this work would be included within the main accounting procedures audit.

1.3 The plan has been formulated using the Council's risk registers, to determine the risk areas that would require a review. The plan has also been devised to provide assurance for the SIC, governance and risk management arrangements and to ensure that key internal control systems, will be reviewed.

1.4 The audit plan is allocated into the following categories:

| Audit area | Audit Days 06/07 |
|--|-----------------------------|
| Corporate Audits (cross-cutting reviews) | 79 |
| Systems Audits (by Directorates) | |
| Childrens Services | 46 |
| Sustainable Communities | 106 |
| Public Realm | 52 |
| Finance & Commercial | 146 |
| Contract Audits | 124 |
| Computer Audits | 145 |
| Follow-up Audits | 62 |
| Pro-active Audits | 150 |
| Fraud Audits | 300 |
| Contingency | 43 |
| Total audit days | 1253 |

1.5 As stated above follow-ups have increased from the original budget figure of 50 days to 62. It may be possible to reduce this figure further when the finalised plan is presented to the next Audit Committee and the opinion status is known on more completed reports.

- 1.6 The plan, once again, includes 150 days to carry out specific pro-active fraud reviews. These audits will involve the detailed examination of a service to ascertain if there appears to have been any irregularities, and/or if there are weaknesses within the systems and procedures which could enable a fraud to be perpetrated.

2. Financial Implications and risks.

Due to the fact that the audit service will be run in house for at least part of the next financial year, there will be a need to appoint temporary staff. Costs will need to be carefully monitored and reviewed to ensure that the budget is not exceeded.

3. Legal Implications and risks:

None arising directly from this report

4. Human Resource Implications and risks:

If the plan is agreed then actions will need to be taken to ensure that the unit is adequately resourced to carry out the agreed work.

5. Equality and Social Inclusion implications:

None arising directly from this report

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STEPHEN EVANS
Chief Executive

Background Papers

None

| HAVING RISK ASSESSED AUDIT PLAN FOR THE YEAR 2006/07 | | | |
|---|------------------------|---|--------------|
| Directorate | Head of Service | Risk Area | |
| | | | 06/07 |
| ACE's | Jonathan Owen | CPA/Best Value Strategy and Monitoring | 12 |
| ACE's | Christine Dooley | Governance & Committee Structure | 15 |
| ACE's | Christine Dooley | Constitution and Scheme of Delegation | 5 |
| ACE's | Cynthia Griffin | Communication Arrangements including relationships with partners | 15 |
| ACE's | Cynthia Griffin | PASC's | 12 |
| ACE's | R Greenwood | Health & Safety :Corporate controls | 20 |
| Corporate Issues | | | 79 |
| Childrens Services | Ruth Jenkins | Child Protection | 12 |
| Childrens Services | Sue Allen | Home to School Transport | 12 |
| Childrens Services | Sue Allen | Special Educational Needs | 12 |
| Childrens Services | Sue Allen | Pupil Forecasting:To ensure correct funding for schools | 10 |
| Children's Services | | | 46 |
| Sustainable Communities | Peter Brennan | Commissioning of residential placements and Home care for the elderly | 12 |
| Sustainable Communities | Peter Brennan | Providing Services for the physically disabled | 15 |
| Sustainable Communities | Peter Brennan | Receiverships/Appointeeships and residents savings & Securities | 12 |
| Sustainable Communities | Mike Day | Planning Application procedures | 12 |

| | | | |
|--------------------------------|----------------|---|------------|
| Sustainable Communities | Barry Kendler | Services to Housing Residents(Warden Services Concierge, Caretaking & Anti Graffiti Teams) | 15 |
| Sustainable Communities | Barry Kendler | Assessments & Allocations | 15 |
| Sustainable Communities | Barry Kendler | Housing Rents Collection / Arrears | 10 |
| Sustainable Communities | Barry Kendler | Homelessness & B & B Accom | 15 |
| Sustainable Communities | | | 106 |
| Public Realm | Dylan Champion | Central Library | 10 |
| Public Realm | Mike Robinson | Management of car parks and parking meters | 15 |
| Public Realm | Mike Robinson | Vehicle Workshops | 15 |
| Public Realm | Mike Robinson | Building & Technical Services:Commissioning of works | 12 |
| Public Realm | | | 52 |
| Finance & Commercial | Jeff Potter | Housing Benefits | 10 |
| Finance & Commercial | Jeff Potter | Council Tax | 7 |
| Finance & Commercial | Jeff Potter | NNDR | 5 |
| Finance & Commercial | Mike Stringer | Main Accounting System | 10 |
| Finance & Commercial | Jeff Potter | Debtors | 12 |
| Finance & Commercial | Mike Stringer | Creditors | 10 |
| Finance & Commercial | Mike Stringer | Insurance | 10 |
| Finance & Commercial | Mike Stringer | Cheque Control | 10 |

| | | | |
|---------------------------------|-------------------------------|--|------------|
| Finance & Commercial | Jeff Potter | Payroll | 10 |
| Finance & Commercial | Mike Stringer | Pensions Systems | 12 |
| Finance & Commercial | Mike Stringer | Departmental Budgetary Control | 15 |
| Finance & Commercial | Mike Stringer | Recharges | 10 |
| Finance & Commercial | Mike Stringer | Review of systems to ensure we comply with Int standards of Auditing | 10 |
| Finance & Commercial | Mike Stringer | Income Controls | 15 |
| Finance & Commercial | | | 146 |
| Contract Audits | Barry Kendler | Tendering Processes | 15 |
| Housing & Regeneration | Mike Robinson | Certificate Payments | 12 |
| Environment | Bob Wenman | Liquidated Damages/Loss and Expense/Variations | 15 |
| Various | Various | Repairs/Maintenance | 12 |
| Various | Various | Specific Project Review | 10 |
| Various | Various | Contract procedure Rules Compliance | 12 |
| Housing & Regeneration | Mike Robinson | Post Completion Assessment (Major works contracts) | 12 |
| Various | Various | Partnership Arrangements | 12 |
| Various | Mike Stringer & Mike Robinson | Capital Monitoring | 12 |

| | | | |
|---|--|--|-------------|
| Housing & Regeneration | Housing | Contract management | 12 |
| Contract Audits | | | 124 |
| Computer Audit | Ray Whitehouse | NETWORK SECURITY | 15 |
| Computer Audit | Ray Whitehouse | VIRUS PROTECTION | 12 |
| Computer Audit | Ray Whitehouse | INTERNET & EMAIL | 15 |
| Computer Audit | Ray Whitehouse | PROJECT MANAGEMENT | 15 |
| Computer Audit | Ray Whitehouse | DIP/WORKFLOW SYSTEM | 10 |
| Computer Audit | Ray Whitehouse | ICT PROCUREMENT | 15 |
| Computer Audit | Ray Whitehouse | PHYSICAL SECURITY | 10 |
| Computer Audit | Jacinta Clifford | PAYROLL/HUMAN RESOURCES | 15 |
| Computer Audit | Mike Stringer | CASHIERS | 8 |
| Computer Audit | Mike Robinson | GIS | 15 |
| Computer Audit | Mike Robinson | computer controls re the processing of parking tickets | 15 |
| Computer Audits | | | 145 |
| Follow Up Audits | | | 62 |
| Follow Ups | | | 62 |
| Pro-Active Audits | | | |
| Review Title | Details of review | | Days |
| PC abuse / Telephone abuse-land / mobiles | Time lost Actual cost . Use of mobile when land line could be used High usage of mobile / line | | 10 |
| Flexi /annual Leave & Overtime / Toil | Payments not appropriate. System abuse Entitlements not correct | | 10 |
| Honoraria and other payments to staff | Check to ensure that these payments are accurate and work has been carried out | | 10 |
| Car Loans | Cars do not exist or have been sold. Adequate insurance cover arrangements not in place | | 10 |
| Travel / Subsistence & Car Allowances | False Claims | | 5 |
| Invoice payments | Duplicates . Goods not procured properly Not properly authorised Goods / Services not received | | 10 |
| Homecare providers | Charging for services not provided | | 10 |
| RTB | Non-entitlement | | 5 |
| Sickness | Certificates not in place . Action not taken re return to work interviews etc | | 10 |
| Invoice payments: Capital & repairs | Payments are being made for goods or services not received | | 15 |
| Asset Control | That all of the Council's assets are not being controlled correctly | | 15 |
| Renovation Grants | That grants are being made for work not carried out or favouritism is being shown to contractors | | 10 |
| Payroll Specific | Payments on the payroll system for non existent staff or for services not provided | | 15 |
| Council tax | Allowances being incorrectly given | | 15 |
| Sub Total for Pro-Actives | | | 150 |
| FRAUD INVESTIGATION CONTINGENCY | | | 300 |
| GENERAL CONTINGENCY | | | 43 |
| GRAND TOTAL | | | 1253 |



| MEETING | DATE | ITEM |
|------------------------|------------------------|----------|
| AUDIT COMMITTEE | 8 December 2005 | 9 |

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF FRAUD AND CORRUPTION

SUMMARY

This report updates Members on Fraud and Corruption issues as well as reviews the Fraud and Corruption Strategy.

RECOMMENDATION

Audit Committee Members:

1. To note and comment on the findings of the reviews.
2. To review the changes to the Fraud and Corruption Strategy.
3. To approve the revised Fraud and Corruption Strategy.
4. To note the work taking place on fraud and corruption.
5. To note the importance of fraud and corruption in the CPA.
6. To consider what if any additional work or training should be undertaken by the Committee as part of its work plan.

REPORT DETAIL

1. An internal audit review of arrangements has taken place; the summary and action plan is attached as Appendix A.

A review of the Fraud and Corruption Strategy is planned annually. This years review was conducted during November 2005. Next years update and review of the policy is to be completed by 30th November 2006.

2. A review by risk management group has identified a number of changes. These in summary are:

- Sanctions against fraudsters – profile has been raised within the policy
- Policy statement includes the signature of the Leader and Chief Executive
- The Council subscribes to the National Anti-Fraud Network (NAFN) for information and intelligence information and not to the London Team Against Fraud (LTAF)
- Updated the Key Contact List, Key Documents List and Communications and Awareness Media List
- Incorporated the Next Annual Review Date
- Incorporated a brief mention of the Proceeds of Crime Act and Money Laundering
- Updated designation and corporate structure changes.

These amendments have been made to the strategy which is attached as Appendix B. When the new version has been agreed it will be placed on the intranet and will be publicised via global email.

3. A number of things have taken place to raise awareness of Fraud and Corruption. The latest Action Plan for 2005/6 and the previous years Action Plan undertaken are attached as Appendix C.
4. A number of successful outcomes can be seen in a variety of ways, see Appendix D.
5. The comprehensive performance assessment as members are aware changed in 2005. The key issues for fraud and corruption related matters are as follows:

There is a counter fraud and corruption policy applying to all aspects of the Council's business which has been communicated throughout the Council. A strong counter fraud culture is supported and promoted by members and senior officers. The Council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.

The Council undertakes proactive counter fraud work which is determined by a formal risk assessment. The risk of fraud and corruption is specifically considered in the council's overall risk management process.

The Council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption. The Council can demonstrate that counter fraud and corruption work is adequately resourced. Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff. The Council ensures that financial redress is sought in appropriate cases of proven fraud/corruption, in accordance with legal advice and the results of a cost/benefit analysis. Successful cases of proven fraud/corruption are routinely publicised to all staff.

There is a whistle blowing policy which has been communicated to staff and those parties contracting with the Council. The whistle blowing policy is publicised within the Council and demonstrates the Council's commitment to providing support to whistle blowers. The Council has a track record for effective action in response to whistle blowing disclosures. There are periodic reviews of the effectiveness of the whistle blowing arrangements for receiving and acting upon disclosures from members of the public.

The Council has provided the required data for the National Fraud Initiative, has notified data subjects of this use of data and has established a process to follow-up NFI matches. The Council works with other bodies such as DWP when following up data matches from NFI. Risks are followed up promptly to prevent prolonged exposure. Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.

6. In 2006/7 Internal Audit are due to audit the anti-fraud and corruption arrangements. This will be part of the CPA Best Value Strategy and Monitoring review. The Client Manager Internal Audit is obviously aware of this but needs to make certain that Human Resources are also aware, as they are responsible for the Council's whistle blowing arrangements. The Client Manager needs to ensure that proven successes are advertised to staff, but with this exception considers that the other CPA requirements have been met.
7. The Committee regularly receives updates and a further training/awareness session has been undertaken prior to this Committee. Members are asked to consider further training needs for the next year.

Financial Implications and Risks:

None arising directly.

Legal Implications and Risks:

None arising directly.

Human Resource Implications and Risks:

None arising directly.

Staff Contact: Sheree Hamilton
Title: Client Manager Internal Audit

Telephone: 01708 432946

STEPHEN EVANS
Chief Executive

Background Papers

Checklist For CPA, Key Line Of Enquiry 4.3
Internal Audit Plan 2006/7

Fraud Policy and Response Plan / Whistleblowing Policy

APPENDIX A

1. Management Summary

1.1 Introduction

- 1.1.1 The Borough has adopted formal policies and procedures in order to respond to suspected fraudulent activity both internally and from external sources.
- 1.1.2 In providing a response to fraud the Council actively encourages members of staff and the general public to prompt a responsive action towards any potential fraudulent activities through whistle-blowing or by notifying the appropriate officers of their concerns/ suspicions.
- 1.1.3 The Police however, have stated that in order to successfully prosecute fraudsters the case evidence must be handled correctly and therefore the Council has published formal guidelines informing staff how to identify a potential fraud to senior management and how to conduct a fraud investigation.
- 1.1.4 In 2004 the 2002/03 National Fraud Initiative carried out across 1150 local councils, NHS bodies, and other public bodies (on behalf of the Home Office) is estimated to have saved in excess of £83million of fraud and overpayments. It is therefore important to ensure that good procedures are in place to identify and investigate suspected frauds.

1.2. Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- Fraud remains undetected because policies and procedures are not in place telling staff how to handle cases where there is suspicion of fraud.
 - Fraud remains undetected because policies and procedures are not in place telling the public how to notify the Council in cases where there is suspicion of fraud
 - The Council / CPS fail to successfully prosecute fraudsters due to evidence and investigations being mismanaged.
 - Frauds are not pursued due to a lack of staff training and or human resource
 - Financial benefits of counter fraud activities are un-recognised
 - Council is in breach of its statutory duty by failing to report fraud to the Audit Commission.
 - Fraud continues to occur because of failure to communicate corrective policy and procedures for management to implement.
 - Financial loss to the Council will occur as a result of having ineffective disciplinary procedures through failing to identify weaknesses and implementing improvements

- Weaknesses in disciplinary procedures remain apparent through failure to learn from past cases and experience.
- Whistle-blowing and fraud investigations are compromised through failing to actively monitor performance using an appropriate management information system.

1.3 Significant Issues

There was one significant issue identified within the audit.

- There is no follow-up review of disciplinary actions to evaluate the effectiveness of the actions taken leading up to the disciplinary / sanction having been issued. At the Exit Meeting held 18th August 2005, Management fully supported the recommendation and gave 31st March 2006 as the date by which the recommendation would be fully implemented.

1.4 Summary of recommendation(s)

1.4.1 The report contains six medium recommendations and 2 low recommendations.

1.5 Audit Opinion

1.5.1 This audit has been given an unqualified status as Audit is satisfied that there is a sufficiently robust control environment within Council's policies and procedures for Fraud, Response Plan and Whistleblowing, to meet the Council's objectives. Positive action is already being taken to address any concerns highlighted during the audit.

Management need to ensure that:

- Sufficient information is provided to New Starters on anti fraud issues
- Additional resources are made available for further advertising campaigns, if appropriate
- The Council achieves high visibility of its successes at combating fraud wherever possible, including use of the internet and intranet
- While all statutory returns are now completed fully and on a timely basis to the Audit Commission, the Audit Client Manager Internal Audit needs to confirm the threshold levels for reporting for 2005/06
- Communication media are reviewed to ensure that Management are made aware of their responsibilities in relation to fraud matters
- Anti Money Laundering policies are formalised in accordance with CIPFA guidelines.
- Whistleblowing activities are to be coordinated centrally
- Following a disciplinary action affected managers and the relevant members of HR should formally review the actions taken to identify any procedural issues which may have delayed the process from taking place or reduced the effectiveness of the disciplinary process.

3. Recommendation(s) & Management Action Plan:

| Rec No | Recommendation | Management Response | Responsible Person | Category | Implementation date |
|--------|--|---|---|----------|---------------------|
| R1 | HR– to include Fraud Awareness information and Whistleblowing / Confidential reporting procedures within the New Starters Pack | Agreed HR have stated that this information will be emphasised with more of a profile within the Starter Pack. | Marj Keddy Head of HR Policy and Advisory Services | Medium | 31 December 2005 |
| R2 | Client Manager Internal Audit to carry out a review of the effectiveness of the anti fraud advertising campaign and if appropriate schedule further campaigns on a more regular basis | Client Audit Manager Internal Audit will be carrying out a Cost Benefit Analysis during October 2005. RMG will be advised of further advertising campaigns prior to this date. | Sheree Hamilton Client Manager Internal Audit | Medium | 31 October 2005 |
| R3 | Council to publish its successes on the Council's internal Intranet site together with details of financial savings (where appropriate). All savings must be agreed with Financial Services. | Client Audit Manager Internal Audit agreed that a "Pop-up" facility could be made available to publicise the Council's successes in combating fraud. | Sheree Hamilton Client Manager Internal Audit | Low | 31 January 2006 |

| | | | | | |
|----|--|--|--|--------|-------------------|
| R4 | The Council needs to establish the reporting requirements for the Audit Commission with regards to the reporting of all frauds for 05/06 | Client Audit Manager Internal Audit has submitted all cases relating to 2004/05 and agreed these with the Audit Commission. She is confirming with the Audit Commission the current level of fraud threshold in order to complete the 05/06 returns | Sheree Hamilton Client Manager Internal Audit Nicholas Beth Audit Commission | Low | 31 August 2005 |
| R5 | An active management process should be introduced to ensure that all appropriate communication media is used to ensure that managers are made aware of their responsibilities in relation to fraud issues. | Agreed | Sheree Hamilton Client Manager Internal Audit In consultation with the Corporate Development Team | Medium | 31 March 2006 |
| R6 | The strategy for prevention of money laundering should be completed in order that staff training may be undertaken | Client Audit Manager Internal Audit has prepared a draft policy which is considered to be CIPFA compliant. The Executive Director Finance and Planning is checking this document with other authorities to receive comments and Legal Service are requesting a few minor changes. The formal policy will be produced prior to September when training will be given on this issue. | Sheree Hamilton Client Manager Internal Audit | Medium | 30 September 2005 |
| R7 | Whistleblowing activities should be centrally coordinated and actions reported on | Client Audit Manager Internal Audit is discussing the ownership of this responsibility with HR. | Sheree Hamilton Client Manager Internal Audit | Medium | 31 December 2005 |

| | | | | | |
|----|--|--------|--|--------|---------------|
| R8 | Following a disciplinary action the panel in conjunction with the relevant staff from HR should meet to formally discuss and document the stages leading up to the disciplinary to see if there are any lessons to be learned and if there are any weaknesses which can be improved upon | Agreed | Sheree Hamilton Client Manager Internal Audit Marj Keddy Head of HR Policy and Advisory Services | Medium | 31 March 2006 |
|----|--|--------|--|--------|---------------|

- I should like to receive a formal draft report for further consideration
- I am satisfied with the contents of the report and am agreeable that a final report may be produced

*Please delete which sentence is not applicable

Primary Auditee's Signature: _____

Post Title: _____

Date: _____

**LONDON BOROUGH
OF
HAVERING**

**A CORPORATE STRATEGY
FOR THE PREVENTION
AND DETECTION
OF FRAUD AND CORRUPTION**

(Version 2. Last update 30th November 2005)



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POLICY STATEMENT

This Council requires Members, employees and contractors working on its behalf to act with honesty and integrity at all times, when dealing with resources owned by the Council or those for which it is responsible. This includes the responsibility for ensuring that assets are safeguarded and that procedures exist within areas of their responsibility to prevent and detect fraud.

Fraud is an ever-present threat to resources and hence must be an important concern to everyone. The Council will rigorously enforce sanctions laid down in its “Disciplinary Procedures” and will seek prosecutions where necessary in order to deter fraudulent activity.

The Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. In addition we actively foster relationships with external organisations for the purpose of introducing new initiatives to help combat fraud.

We recognise the important part our employees play in countering the damage that fraud can do if unchecked. We actively encourage the reporting of concerns about fraud and corruption and a “Confidential Reporting Policy” is available to address this.

1. INTRODUCTION AND BACKGROUND

1.1 There is no precise legal definition of fraud or corruption. It can consist of a variety of acts that result in obtaining monies, goods or services, gaining advantage or avoiding disadvantage. In an organisation as diverse as the Council fraud or corruption could be perpetrated in many different ways. Fraud or corruption can be perpetrated by many different parties too, including staff, benefits claimants, service users, tenants or contractors. Examples of potential fraud or corruption areas are included as Appendix A.

1.2 Definitions:

The Audit Commission defines 'fraud' and 'corruption' as follows:

Fraud is: 'The intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain'

Corruption is: 'The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.'

1.3 Those perpetrating frauds against the Council may feel fraud is victimless, or they may feel they are correcting an injustice that the Council has caused them. They are wrong. They are depriving the Community of resources and their actions may lead directly to already stretched services failing the Community. Monies lost through fraud result either in a reduction in services or an increase in Council Tax.

1.4 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and it will not be tolerated.

2. STRATEGIC POLICY

2.1 This Council has formulated a strategy which aims to:

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

It has been developed so that it is :

- Promoting an anti fraud **culture**
- Maximising **deterrence** of fraud

- Aimed at **preventing** fraud which cannot be deterred
 - Aimed at **detecting** fraud which cannot be prevented
 - Allowing those with concerns about fraud to **report** these concerns
 - Ensuring professional **investigation** of suspected fraud
 - **Sanctioning** those who are found to have committed fraud
 - Maintaining **intelligence** on those who are suspected of committing fraud
 - **Co-operating** with other agencies
 - **Publicising** our anti fraud activity to further re-enforce the anti fraud culture
- 2.2 The main strategic control is set in place by the establishment of rules and regulations by Members for the control of the Council's administration. These are embodied in the Constitution, Financial Procedure Rules and the Financial Framework which set out the main financial and managerial controls which have been devised to eliminate, as far as possible, the possibility of fraud or corruption within the Council.
- 2.3 The next level is that of the more detailed control wherein line managers from Group Directors, Heads of Service and Head teachers to service managers are required to ensure that the controls set by Members and School Governors are actually being complied with in every area of the Council's activities.
- 2.4 The final level of control is achieved by the provision of:
- An adequate Internal Audit function which aims to review the internal Control systems as a service to the Council. This Service will objectively examine, evaluate and report on the adequacy of internal controls to all levels of management. This function is also aimed to assist the Chief Financial Officer (CFO) who fulfils the Council's statutory role of ensuring that proper arrangements are made to administer its finances and financial systems. The function also assists the CFO to carry out her Section 151 responsibilities.
 - A Benefits Investigation Service (BIS) to deal with Housing benefits issues.
- 2.5 The purpose of this strategy is to assist managers to prevent abuse by explaining what mechanisms are in place to minimise fraud and corruption and to assist the Audit Commission in discharging its statutory duty to assess the effectiveness of our arrangements. This strategy is a reference document, which highlights the key principles of the Council's framework strategy and makes reference to the key documents (see Appendix B) supporting these principles.

3. REPORTING OF SUSPECTED IRREGULARITIES

- 3.1 Whilst the aim is to preclude any acts of fraud and corruption this may not always be “possible” or “achieved” and the Council acknowledges the important role which employees play in being the first people who may notice anything unusual in the Council’s financial dealings and the need to bring this to the attention of their managers.
- 3.2 This fact is enshrined in the Council’s Financial Procedure Rules which say:
“ It is the responsibility of every employee of the Council to notify his /her Executive Director and /or the CFO if s/he is aware of any suspected irregularity in the exercise of the functions of the Council”.
- 3.3 It is recognised that employees are concerned that they may be subjected to harassment, victimisation or discrimination, which directly results from their actions in reporting misconduct. The Government introduced the Public Interest Disclosure Act 1998 which gives rights to protection for persons who report suspected irregularities in good faith (commonly known as Whistleblowers) to an appropriate person. In line with the principles of the Act the Council has in place a “Confidential Reporting Policy” which addresses these concerns and sets out the rights and responsibilities of employees and management when matters of concern are raised.
- 3.4 A flowchart in Appendix C sets out in more detail the process for reporting suspected irregularities.

4. RESPONSIBILITIES

- 4.1 Managers will be required to establish anti fraud and corruption arrangements within the framework of corporate standards and demonstrate compliance with these standards. Employees will be duty bound to comply with corporate and local standards and will be able to raise concerns if these standards are not being met. Failure of employees or managers to comply with corporate standards may lead to disciplinary action being taken against them. Appendix D has been included to give advice on these issues.
- 4.2. The effectiveness of our financial arrangements has a major bearing on our ability to minimise fraud and corruption and therefore all managers should recognise their responsibility for these arrangements and for ensuring financial controls do not degenerate over time, thereby increasing the possibility that fraud and corruption may occur.
- 4.3 As stated above employees have a responsibility to report suspected irregularities.
- 4.4 Councillors have a responsibility to ensure that adequate procedures are in place to monitor the provision of the above.
- 4.5 **It is therefore important that all those involved in providing services know and understand their role in the prevention and detection of fraud.**

5. THE ROLE OF COUNCILLORS

- 5.1 As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by Government legislation, the Constitution and the Council's Code of Conduct for Members. They must also be aware of the need for confidentiality in matters pertaining to the Council's activities where disclosure could give an unfair advantage to another party /or disadvantage the Council.
- 5.2 Of specific relevance is the requirement for them to declare and register any interest they may have in companies, charitable organisations, voluntary groups or other organisations under the Code of Conduct . They are required to abstain from any debate or vote and leave the meeting room when any matter involving a prejudicial interest is being considered. If they have a personal, non-prejudicial interest, they must declare such interest but they may both speak and vote on the matter in question. They should also complete the "Members' Hospitality Register" to record any hospitality offered and whether accepted.
- 5.3 Should there be any allegations against Councillors in accordance with the Code of Conduct, they would be dealt with by the Standards Board for England and/or the Council's Monitoring Officer. The Police would be informed if and when appropriate, and if fraud is an issue, the Council's Section 151 officer would be advised who would liaise with the Client Manager Internal Audit.
- 5.4 The key role of Councillors is to take an overview of the anti-fraud and corruption policy and to ensure that the policy is well publicised, and its implementation monitored.
- 5.5 In fulfilling this role, Councillors are committed to ensuring that the Council:
- Develops and maintains effective controls to prevent fraud and corruption.
 - Requires Members, employees and contractors working for the Council to act with honesty and integrity at all times with all public funds.
 - Carries out vigorous and prompt investigation if there is a suspicion that fraud may be occurring.
 - Takes appropriate disciplinary and/or legal action against perpetrators of fraud.
 - Takes appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud.

5.6 Councillors discharge this role by:

- Considering annually at Cabinet and /or Audit Committee any matters raised by the Audit Commission in its Annual Audit Letter.
- Regularly considering any matters raised by Internal Audit at Audit Committee.
- Reporting to the Chief Executive any concerns about suspected fraudulent activity.

5.7 In addition, Councillors are committed to acting at all times with honesty and integrity so as to lead by example and promote a culture within the organisation of honesty and opposition to fraud and corruption. To support Councillors in this role, there is:

- A Code of Conduct for Members.
- A Standards Committee.
- Induction information and guidance.
- Guidelines for Members in dealing with staff.
- Training for Councillors in specific areas.
- The local code of Corporate Governance .

6. THE ROLE OF EMPLOYEES AND MANAGEMENT

6.1 Employees

6.1.1 All employees are required to adhere to the Council's:

- Employees' Code of Conduct and, when adopted, the National Employees' Code of Conduct.
- Disciplinary Procedure.
- Council's Constitution.
- Financial Framework, and Financial Procedure Rules.
- Whistle Blowing Policy
- Procedures regarding the acceptance of gifts and hospitality and completion of a register established for the recording of these
- Codes of conduct and ethics issued by professional bodies of which they may be members.
- Completion of the Employees Register of Interests whenever their personal affairs impact upon the Council's own interests.

6.1.2 Employees must ensure that they contribute to the establishment and maintenance of systems of internal control and ensure that all Council resources are properly applied on intended activities. This covers money, stocks, stores, information etc. and even to the use of their time. They must work the hours contracted and not abuse trust e.g. when they are allowed to work away from their administrative centre without direct supervision. More detailed information about these issues are contained in the Council's Constitution, Financial Framework and Financial Procedure Rules.

- 6.1.3 All employees have an important and valued role to play in preventing and tackling malpractice at work. The Council's Confidential Reporting Policy encourages employees not to ignore issues or remain silent but to accept their responsibilities for the Council's interests and voice genuine held concerns about possible fraud and corruption to the Council.
- 6.1.4 In return the Council is committed to investigating concerns in confidence and taking firm management action where malpractice is established. Normally such concerns will be made via the employee's line manager but if necessary, employees can raise concerns directly with a senior manager, Executive Director, Chief Executive or can contact the Client Manager Internal Audit, or the Audit Commission. The Council has a Confidential Reporting Policy which covers this matter.
- 6.1.5 All employees should be aware that failure to comply with any of the above may lead to disciplinary proceedings.

6.2 Managers

- 6.2.1 In addition to their responsibilities as employees managers have a direct responsibility for establishing and maintaining systems of internal control and for ensuring that all Council resources are properly applied on intended activities. In practice this responsibility means that managers are responsible for:
- Identifying the risks to which systems are exposed, minimise these wherever possible and, where not, ensure regular checking mechanisms are in place.
 - Developing and maintaining effective controls to prevent and detect fraud.
 - Ensuring that controls are being complied with and are appropriate.
 - Reminding employees periodically of their responsibilities and obligations in respect of public sector fraud.
- 6.2.2 Managers must also ensure that any matters, where there is a suspicion of fraud, other financial irregularities and/or corruption, which are brought to their attention by any source are fully documented, reported to their Group Director, Head of Service and/or the Chief Financial Officer and that parties giving information are safeguarded. It will be for their Group Director, Head of Service and/or the CFO to decide upon the level of investigation and whether the Monitoring Officer should be informed, Internal Audit be asked to assist in the investigation and/or the Police be notified.
- 6.2.3 Managers must take management action as necessary when alerted to issues and not refer matters to audit which should be addressed as normal management action.
- 6.2.4 If the information relates to Housing Benefits irregularities these would be reported to the Benefit Investigation Service rather than Internal Audit.

7. ROLE OF THE CONTRACTORS

- 7.1 The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Our employees will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and / or contracts include a clause to the effect that the contractor must co-operate with any investigation by Council officers.
- 7.2 Any persons employed either through an agency, as casual staff or temporary appointment, would also be covered by the same rules as affect other Council employees.
- 7.3 The Council is making arrangements to have designated employees who will arrange and control each contract in accordance with Contract Procedure Rules and Financial Procedure Rules.

8. ROLES OF INTERNAL AUDIT, BENEFITS INVESTIGATION SERVICE AND THE AUDIT COMMISSION

8.1 Internal Audit & Benefits Investigation Service (BIS)

- 8.1.1 Whilst it is the role of managers and their staff to prevent and detect fraud and corruption it is the role of Internal Audit to act as “an aid to management” and to test the arrangements that have been put in place. The prime responsibility remains at all times with managers.
- 8.1.2 Internal Audit’s role is a statutory one which is implied by Section 151 of the Local Government Act 1972 and as a specific requirement of the Accounts and Audit Regulations 1996 regulation 5 and the Accounts and Audit Regulations 2003. The role and responsibilities are set in Financial Procedure Rules and the Financial Framework and the whole of Internal Audit’s procedures are contained in their Audit Plan and Audit Manual.
- 8.1.3 Internal Audit and the BIS both have roles in investigating fraud either by proactive anti-fraud reviews or by investigating specific cases. BIS investigate all frauds in relation to Housing Benefits whilst Internal Audit will investigate all other frauds. Both work closely together in order to ensure that common procedures of investigation are followed.
- 8.1.4 All investigations undertaken by these staff follow the Council’s agreed policies and procedures whilst observing an individual’s rights under the Human Rights Act 1998. There are detailed fraud response plans in place.
- 8.1.5 Any investigation which may involve the use of surveillance will be undertaken in accordance with the Regulation of Investigatory Powers Act 2000 and only upon the written approval of a nominated authorising officer.
- 8.1.6 Internal Audit will support management where disciplinary hearings are required and will produce evidence to assist management in their presentation.

8.2 External Audit

- 8.2.1 The Audit Commission are the Council's external auditors. Under the Code of Audit Practice issued by the Audit Commission, it is the Council's responsibility to put in place proper arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption. The Audit Commission considers annually whether the Council has put in place adequate arrangements. The Audit Commission's work normally includes a review of the internal audit function, progress in areas such as implementing Codes of Conduct and standards of Corporate Governance, and may also include detailed reviews based on risk. The Audit Commission report their findings to management and summarise them in an Annual Audit Letter to the Members of the Council.
- 8.2.2 It is not The Audit Commission's function to prevent or detect breaches of proper standards of financial conduct or fraud and corruption. However, The Audit Commission are alert to the possibility of breaches of proper standards of financial conduct and of fraud and corruption in all aspects of their work and would draw any weaknesses promptly to the attention of the Council.
- 8.2.3 The Audit Commission has a duty to follow up indications or suspicion of improper standards of financial conduct or of fraud and corruption, from whatever source and whatever the likely amount involved. In most cases, the Audit Commission's responsibility will be met by informing the Council and recommending that it take the necessary action. This may include, for example, referral to the Police or other relevant agency or further investigation by Internal Audit.
- 8.2.4 It is important that the Audit Commission works closely with management, Internal Audit and BIS to achieve a co-ordinated audit approach on fraud. A separate protocol exists for the Audit Commission and for Internal Audit to ensure that this occurs.
- 8.2.5 The Audit Commission monitors the Council's response on other fraud initiatives such as the National Fraud Initiative data matching.
- 8.2.6 The Audit Commission are required to submit a monthly return to their headquarters summarising information about the number and types of fraud and corruption identified within the Council. All instances of corruption and all fraud and housing benefit fraud incidences over £10,000 must be reported by the Audit Commission to their headquarters. The Client Manager Internal Audit, provides the monthly AF 70 returns for general and housing benefit fraud to the Audit Commission.

9. PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

9.1 Fraud and corruption can come in many guises. The following exist to prevent and detect them.

9.2 Council Constitution and Policies

9.2.1 The key characteristics of the Council's Constitution and Policies are that they:

- cover all the key risk areas
- are available to all employees who should be made aware of them
- are reviewed regularly
- are maintained on the Council's Intranet

9.2.2 These must be followed and the Council's Employee Code of Conduct and Disciplinary Procedure clearly set out how breaches in relation to fraud and corruption will be treated. This strategy itself is another means.

9.3 Frameworks and Forms

9.3.1 There are various internal documents such as the "Email & Internet Policy" "The Procurement Framework", "The Human Resources Manual" and "Financial Procedure Rules and Financial Framework and Procedures for Schools" which give clear advice on the internal control procedures relating to financial matters. These have been issued to all relevant employees.

9.3.2 Where practical Council documentation highlights what might constitute frauds. Processes and forms are designed so there are clear declarations that the information given is correct. Where appropriate signatures (or equivalent) are required to attest to the correctness of statements. Forms are not processed without these declarations. However, the absence of such a warning will not negate the possibility of action being taken.

9.4 Management Risk Assessments

9.4.1 It is essential that these are effective and documented controls and it is the responsibility of managers to ensure that this is the case and that these are reviewed/spot checked.

9.4.2 Heads of Service are responsible for overseeing systems, managing projects and managing programmes, to enable the Council to meet its obligations and objectives. Systems, projects and programmes are subject to risk assessment, which includes consideration of fraud risks.

9.4.3 Managers are responsible for ensuring that systems are fully documented and that controls operate as intended. Managers keep systems under review, ensure risk assessments remain relevant and instigate changes to risk assessments as necessary.

9.5 **Quality systems**

9.5.1 Additionally internal controls are strengthened where quality management systems have been implemented which are externally accredited (e.g. under ISO 9002) or internally assessed. The quality route ensures processes are documented, are subject to management review and have customer feedback mechanisms.

9.6 **Audit**

9.6.1 Internal Audit review all financial systems on a cyclical basis and their reports encourage preventative measures including:

- tightening existing controls.
- recommending new systems and procedures.
- highlighting segregation of duties and the benefits of new technology.
- identifying weaknesses in performance management.

9.6.2 In addition to system reviews, Internal Audit undertakes proactive fraud audits with the specific aim of identifying fraud and actual control failures.

9.7 **Benefits Investigation Service**

9.7.1 In cases of possible Benefit fraud, the Benefits Investigation Service will investigate in accordance with the Social Security Administration Act 1992, various other regulations and its own Anti-Benefit Fraud Strategy and Prosecution and Sanctions Policy.

9.8 **Staff**

9.8.1 Specific staff are responsible for undertaking specific functions within systems to prevent frauds. They should alert management to potential fraud risks should they become aware of issues so that preventative controls can be strengthened.

9.9 **Other initiatives included in this strategy**

9.9.1 These include awareness and communication.

10. **ARRANGEMENTS FOR CONCERNS TO BE RAISED**

10.1 It is essential that formal arrangements exist for employees, Councillors and members of the public, to express their concerns.

10.2 The following procedures exist to support the needs of this key principle:

- Grievance Procedure.

The procedure codifies the steps to be taken to ensure problems or difficulties that employees encounter at work are satisfactorily resolved as speedily and informally as possible.

- Confidential Reporting Policy.

This code sets out the rights and responsibilities for employees raising issues of concern.

- Financial Procedure Rules

It is the responsibility of every employee of the Council to notify either his/her Group Director and/or the Finance and Commercial Group Director if s/he is aware of any suspected financial irregularity in the exercise of the functions of the Council.

- Corporate Complaints

The Council has a computerised system for recording and tracking all Corporate complaints made by members of the public to ensure that these are actioned and resolved.

10.3 A listing of contacts is attached for reporting problems – Appendix E

11. COMMUNICATION AND AWARENESS

11.1 The Council needs to ensure that employees are constantly reminded of the need to be vigilant against fraud. Measures which have been introduced include:

Team briefings

Posters

J C Decaux Advertising Boards

Leaflets

An external e-mail address

Fraud hot line

Fraud awareness training for relevant staff and members

Intranet and website information

Payslip reminders

Anti-Fraud Awareness articles for the local "Inside Havering" publication

Anti-Fraud Adverts in external publications delivered to Havering residents .

11.2 Regular articles will be produced as requested, for the monthly Financial Services Briefing publication, which will be sent via e-Mail, to staff advising of such things as:

- Frauds identified in other local authorities
- Local issues
- Points of principle
- Common control weaknesses

11.3 Employees will be advised of the strategy as part of their induction and a copy of this document will be kept on the Council's intranet.

12. RECRUITMENT, INDUCTION AND DISCIPLINARY PROCEDURES

12.1 It is essential that there are adequate recruitment and selection and disciplinary procedures.

12.2 The following procedures exist to support this key principle:

12.3 Councillors

12.3.1 All Councillors, on taking up their duties, are provided with a copy of the Members' Code of Conduct; and acknowledge in writing that they understand the Code and will comply with it.

12.3.2 Induction material is provided for all Councillors.

12.3.3 A statutory Members' Register of Interests is maintained.

12.4 Employees

12.4.1 The Council has a specified Recruitment and Selection Policy and any interview panel has to be compiled from employees all of whom have undertaken the Council's recruitment and selection training programme.

12.4.2 Where potential recruits work in certain vulnerable areas with children then Police checks are undertaken.

12.4.3 The Council's contract for agency staff to include details of what agencies are expected to check. Agency staff when inducted are to be made aware of expected standards.

12.4.4 Procedures have been set out for the following and copies of these can be obtained from the appropriate personnel unit :

- Hospitality, gifts or gratuities. The Guidance is supported by a register kept by each Directorate and advice issued on a regular basis.
- Private work
- Disciplinary procedure

- Poor work performance

12.4.5 Conflicts of Interest are expected to be declared in the official registers held within the Council. With regard to contracts the position is governed by the Local Government Act 1972 and also incorporated into the Council's Constitution.

12.4.6 The letter of appointment and statement of particulars also makes reference to the Council's disciplinary and grievance procedures.

13 INVESTIGATIONS

13.1 It is essential that investigations into fraud and corruption are well managed and based on adequate written procedures.

13.2 The following are the essential elements of an Internal Audit investigation:

- Detailed procedures for carrying out the investigation are included in the Internal Audit "Fraud & Corruption" manual response plan.
- Investigations will be managed by either a senior auditor or a more senior officer of the Council.
- A strategy including scope and employee resources is agreed at the referral stage. The progress on each investigation is monitored, at least once a month.
- General control issues are raised with the Service.
- Any surveillance required as part of the investigation will be carried out in accordance with the Regulation of Investigatory Powers Act. Any action which includes covert surveillance would have to be agreed by either the Chief Executive, a Group Director, the Head of Service Development and Building Control, the Assistant Chief Executive, Legal and Democratic Services, Divisional Fair Trading Officer, Trading Standards Manager, or the Environmental Health Manager.
- The Council's CFO and the Monitoring Officer (where appropriate) will be kept advised of the progress on fraud investigations.

13.3 BIS have the same essential elements

- Detailed in house procedures are maintained and reference is made to the LA Fraud Investigations Manual (DSS).
- Management and employees are experienced in fraud investigations and undergo training.
- With the level of fraud in Housing Benefit, a commercial computerised Fraud Investigation Management System (FIMS) is used for monitoring, analysis and statistics.

- The team complies with Benefit Fraud Inspectorate's recommendations/ Secretary of State directions.

14. **SANCTIONING**

- 14.1 As well as working with other agencies such as the Police, the Council will prosecute people and attempt to recover funds. The Council is a prosecuting Council with powers being derived under the Local Government Acts. It can use a range of criminal statutes, including the Theft Acts and Social Security Administration Act and in doing so will have regard to the rules on evidence and disclosure, the Police and Criminal Evidence Act (PACE), the Human Rights Act and the Regulation of Investigatory Powers Act. The precise route depends on the circumstances.
- 14.2 The Council will pursue the most severe penalty available against those committing fraud and corruption.
- 14.3 Depending on the actual fraud perpetrated this could lead to:
- Prosecution wherever possible
 - Recovery of monies/assets
 - Termination of employment
 - Recovery of loss from personal pension
 - Disciplinary action
 - Suspension (possibly successive periods)
 - Loss of benefits
 - Loss of tenancy
 - Barring from undertaking work
 - Barring individuals from access to service
 - Reporting Councillors to the Standards Board
 - Reporting individuals to all other appropriate organisations.
 - Publicising fraud and outcomes
- 14.4 Leniency will only be considered upon cases of prompt admission and full co-operation and will depend on the nature of the fraud.
- 14.5 All internal frauds are reported to the Council's Insurance Officer in case the Fidelity Guarantee Policy applies.
- 14.6 All employees involved with Housing Benefits should also refer to the Housing Benefit Anti-Fraud Strategy.

15 **MAINTAINING INTELLIGENCE**

- 15.1 The Client Manager Internal Audit should be informed of all frauds committed against the Council. These will be analysed to identify trends etc.

- 15.2 Where fraud is found to have taken place by one individual details will be circulated within the Council and to outside agencies to identify whether further frauds may be present.
- 15.3 Investigators should release details of information they have passed to other organisations, if requested to do so by the individual concerned as a subject access request.
- 15.4 Where fraud is suspected but cannot be proven details will be maintained, as intelligence.
- 15.5 Details of investigations, other than the outcomes, will not be routinely released as part of a subject access request, as there may be data protection issues and they may contain details of witnesses.

16. **USE OF TECHNOLOGY**

- 16.1 There are two key elements to the use of technology: -
- i) there must be satisfactory controls over information held on computers; and
 - ii) the Council must make best use of IT to pro-actively seek out fraud and corruption.
- 16.2 Information held on computers is governed by: -
- a) the principles of the Data Protection Act.
 - b) Information Security Policies of the Council which are held on the Intranet
- 16.3 Information Technology is used in the following ways to assist in seeking out fraud and corruption both within the Council and among the users of Council services.
- Internal Audit makes use of Business Objects to assist in its interrogation of computer data and our external auditors use dedicated computer software (CAAT's) to investigate the content of the Council's financial systems.
 - The Council is a subscriber to the National Fraud Initiative. This is a scheme whereby all local authorities submit computerised data to the Audit Commission, who then merge and issue reports on data-matches which may be fraudulent. All output is reviewed by Internal Audit and followed-up by them or by BIS.
 - The Council is a subscriber to the National Anti-Fraud Network (NAFN) who provide a computerised intelligence database.

- A dedicated remote-access terminal is set up in the Housing Directorate which enables Benefits employees to have access to the Benefits Agency database. BIS participates in the DSS Housing Benefit Data Matching Service for private sector benefits (the public sector will participate as soon as practicable). This is a scheme whereby BIS submit computerised data to the DSS. A report of inconsistencies between DSS and the Council's records is issued to BIS. All referrals are investigated by BIS and, where a fraud is found, additional subsidy is received by the Council.

17. LIAISON WITH POLICE AND OTHER AGENCIES

17.1 As stated above the Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption in the Public Sector.

17.2 Having good arrangements for liaison with the Police and other agencies enhances the effectiveness of fraud and corruption initiatives.

17.3 Both Internal Audit and BIS are actively fostering good relationships with both the local Police and the Public Sector Fraud Squad.

17.4 In addition, the Council actively fosters relationships with external agencies for the purpose of introducing new initiatives to help combat fraud and corruption. Liaison with other agencies is as listed:

- Benefits Agency - Liaison as per the National Service Level Agreement.
- NAFN - Provide intelligence on a wide-range of fraudulent activity and acts as a conduit for a wide number of other agencies interested in this area and the rest of the country.
- London Audit Group - In addition to giving training to Chief Internal Auditors this group acts as a liaison forum for exchanging information on recent frauds, and similar concerns.
- CIPFA - Issue an Audit Bulletin with a section on recently discovered frauds.
- The Audit Commission - Provide a variety of publications/fraud flashes etc. on recent frauds.
- Local Council Investigation Officers Group.
- London Boroughs Fraud Investigation Group.
- Essex Investigation Group.
- Better Governance Forum

19. PROCEEDS OF CRIME ACT & MONEY LAUNDERING REGULATIONS

18a Money laundering is defined to include possessing or doing anything with the proceeds (whether money or property) of any criminal conduct. There is no de minimus level as to either the amount involved or the type of crime. There are three money laundering offences under PoCA:

- (i) Concealment of possessing
- (ii) making arrangements for **Criminal Property**
- (iii) Acquiring using or

18b For those in the “regulated sector” there are two other offences:

- (i) Failure to report knowledge or suspicion of money laundering
- (ii) Disclosure of information that may prejudice an investigation where you should have suspected a report to the authorities may have been made (known as tipping off).

Both can lead to up to 5 years in prison and/or fines.

The Council has a separate Money Laundering Policy and Procedure Notes.

POTENTIAL TYPES OF FRAUD (a non exhaustive list)

Employees

- Theft of monies
- Theft of assets
- Theft of information
- False statements on job application
- Not working while being paid to work (e.g. falsely claiming sick leave, going AWOL, internet abuse)
- Making false claims for money (e.g. travel, overtime)
- Making false claims for time (flexi time abuse)
- Fraudulently writing off a debt that should remain outstanding
- Undertaking an assessment fraudulently (e.g. contract award, allocation of housing)
- Dealing unfairly with a potential contractor
- Accepting gifts and monies to show favour
- Using Council assets for non business activities
- Preparing incorrect statements about the achievement of targets
- Accessing systems on another person's password
- Misuse and abuse of Council computer systems and equipment
- Money Laundering (the Council has a separate Policy)

Council Tax Payers

- Claiming a discount that they are not entitled to
- Supplying incorrect details about a property
- Claiming to have made payment when have not

Benefit Claimants

- Supplying incorrect details on application
- Failure to notify change of circumstances
- Using a false identify
- Not declaring income or assets
- Claiming special circumstances that do not apply (medical condition)

Tenants

- Subletting
- Not truthfully reporting causes of damage
- Making false statements to be considered for (better) property (E.g. lack of partner)
- Using Right To Buy on behalf of a third party
- Applying for Right to Buy when not living at the property

Contractors

- Colluding with potential suppliers when submitting bids
- Submitting invoices for work not undertaken

- Completing works to lower standard than specified (e.g. with inferior components)
- Colluding with officers involved in award of contract
- Colluding with officers involved in monitoring of contract
- Misuse of privileged information

Partner Organisations

- Supplying false details about plans and projects
- Supplying false details about partner organisation contribution
- Supplying false details about third party assurances (e.g. altered accounts)
- Not disclosing close connection with supplier

Service Users

- Claiming a discount not entitled to (e.g. child or OAP rate)
- Trying to “piggyback” on legitimate service user (borrowed library card)
- Making false statements to dispute a charge (parking)
- Using a false identity where true identity should be known (e.g. internet access, debt blacklist)

General Public

- False claims of personal injury or damage
- Falsely representing advice given to gain advantage
- Money laundering

Members

- Improperly conferring an advantage or disadvantage for the Member or any other person.
- Misuse of resources for personal or political purposes.
- Misuse of information to give the Member or another person an advantage or disadvantage.
- Misuse and abuse of Council computer systems and equipment

KEY DOCUMENTS AND LEGISLATION

Constitution

Disciplinary Procedure

Contract Procedure Rules

Financial Procedure Rules and Financial Framework

Confidential Reporting Policy and Employee Code of Conduct

Code of Conduct for Employees

National Code of Conduct for Members

Accounts and Audit Regulations 2003

Internal Audit Manual

Housing Benefit Fraud Investigation Manual

Strategic and Annual Audit Plans

Grievance Procedure

Council Corporate Complaints Scheme

Information Security Policies –ISP/001, ISP/002 and ISP/003

Data Protection Act 1988

Prosecution Policy

Housing Benefit Referral Policy

Guidelines for Members dealing with staff

Police and Criminal Evidence Act 1984 (s66) – Codes of Practice

Nolan Report – Seven Principles of Public Life

Human Rights Act 1998

Regulation of Investigatory Powers Act 2000

Employment Rights Act 1966

Employment Relations Act 1999

Proceeds of Crime Act 2002

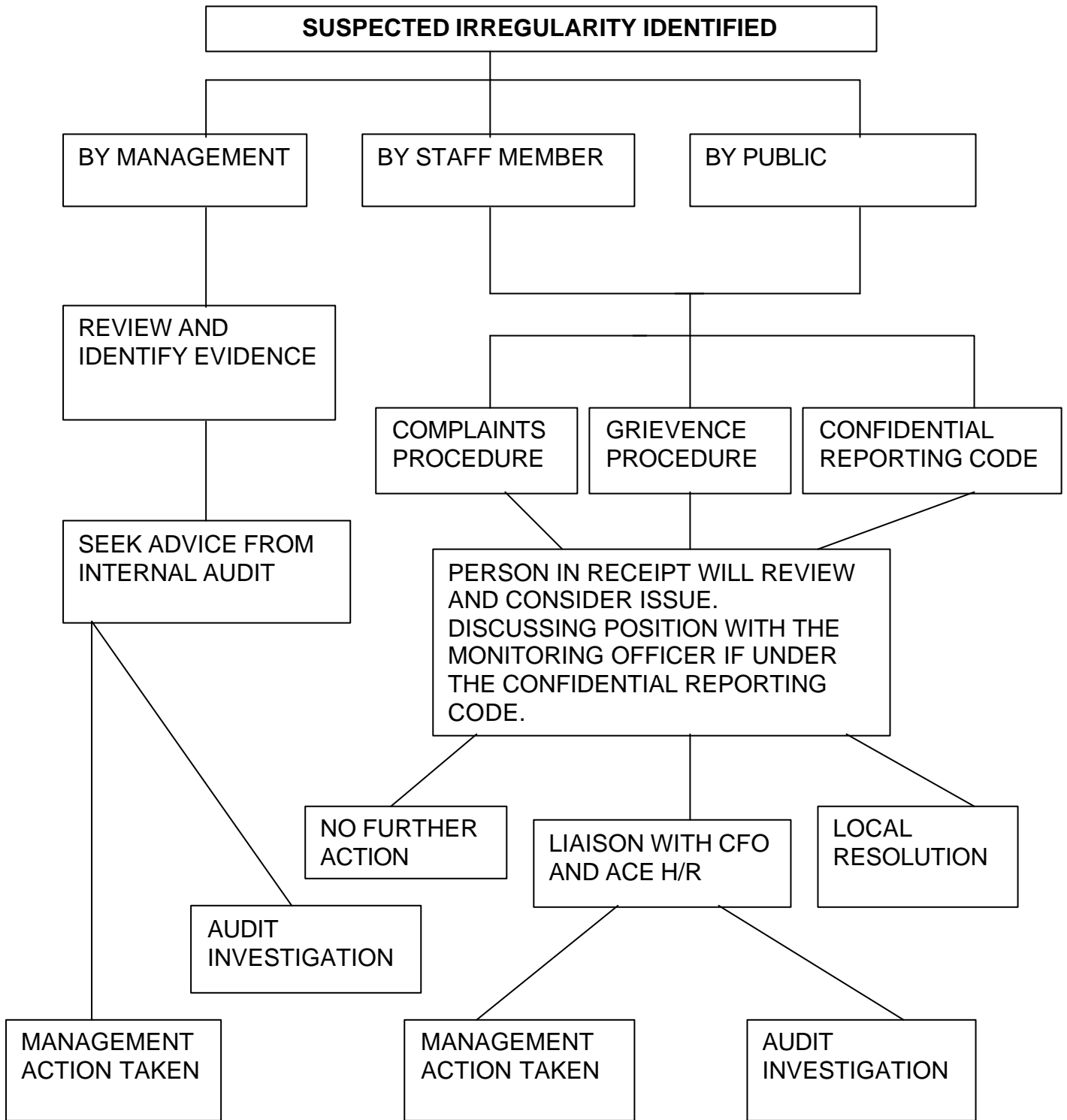
Money Laundering Regulations 2003

Gifts/ Hospitality registers

Register of Members' Interests

Register of Employees' Interests

Appendix C



NB. Confidential reporting incidents to be logged with Monitoring Officer including outcomes.

A CHECKLIST FOR MANAGERS AND SUPERVISORS

Considerations regarding employees

- Check references of new employees. Confirm existence of previous employers. Police checks should be carried out in certain instances.
- Verify that qualifications have been achieved.
- All Council employees are team players and should be treated as such.
- Disgruntled employees are more likely to feel aggrieved and as such may act against their employer's interests.
- Recognise employee commitment.
- Ensure your employees dealing with issues such as finances and giving a benefit in some way to the public where a bribe could be offered take their holiday entitlement with at least one period exceeding a week. Also ensure that other employees undertake these duties whilst they are on leave. Many frauds are discovered when employees take leave and someone else discovers discrepancies or is offered an inducement to give a "favour". The bigger and more sophisticated the fraud it is more likely that senior employees are involved.
- Ensure that employees know about and understand the implications regarding giving notification of receiving hospitality or having a personal interest e.g. financial in a matter, in which the Council is involved. They must be advised to make entries in either the Hospitality Register or the Register of Interests where applicable.
- Are life styles of employees compatible to their income? Whilst this is a very personal issue many frauds have been discovered where a person's life style far exceeded their known income and managers need to be aware of this.
- Does an employee have unusual work patterns, prefer to work alone or are they reluctant to provide documentation when requested.

Management Controls

- Investigate discrepancies early.
- Encourage employees to come forward if they suspect irregularities.

- Undertake regular reconciliations of financial systems and bank accounts and ensure that there is adequate separation of duties. However don't be predictable in your checking.
- Do not pre-sign documents.
- Ensure there is adequate separation of duties and that no single individual completes a whole process.
- Avoid having indispensable employees who are the only people that know their part of the business
- Ensure that employees are aware of the Council's Contract Procedure Rules and Financial Procedure Rules and Framework. Make sure up to date copies of these are readily accessible to all employees and they are advised how to access this information on the Intranet.
- Document the procedures used in your area so that they are clear to all. Keep these up to date.
- Carry out regular reviews of Registers of Hospitality and Interest to ensure that employees are complying with these requirements.
- Do not make full payment in advance for goods and services unless you have to.

Working Environment

- When selecting suppliers ensure Contract Procedure Rules Requirements re quotes and tenders have been followed and wherever applicable only corporate contracts are used.
- Consider whether it is advisable to depend on one or two major suppliers.
- Protect your position by ensuring payment is only made when goods and services have been received.
- Remember that gifts from suppliers and contractors are not normally acceptable. Investigate concerns about relationships between suppliers and your employees. If in doubt contact your Personnel Manager or Internal Audit to discuss your concerns. This can be informally if you wish.
- Don't leave sensitive documents on desks overnight.
- Take minutes of important meetings and retain them.
- Restrict access to safes and keep keys secure. Change combinations when employees leave.

- Ensure that Council monies are regularly banked intact. Do not leave cash in unlocked desks or in drawers. Make sure monies retained are only to a limit covered by the Council's insurance. Should you anticipate exceeding these limits contact the Council's Insurance Officer immediately. If in doubt find out what happens and ensure that satisfactory arrangements have been made.
- Report all suspected fraudulent activity and financial irregularities to the officers identified within this strategy document.
- Ensure relationships with suppliers are objective and transparent

Computer Safeguards

- You are responsible for security of your password. Change it regularly, if you think someone knows it or when an employee leaves make sure your employees do the same.
- Never write down your password and leave it near a computer or where others can easily access it.
- Do not allow employees to load a non-Council disc on work computers/laptops unless you are sure that it does not contain a virus. Ensure that the computer to be used has up to date virus checking installed and it is working correctly.
- Seek guidance from the Council's Corporate IT section before using unsolicited discs/shareware and software from the Internet.
- Always use current anti-virus software on standalone computers to check new files.
- Wherever possible ensure that files are maintained on a central server, which is backed up daily. Where this is not practical back-up important files regularly and store the back-up in a secure place, preferably a safe or remote location.
- If you are using a networked environment, ensure that authorisation and access levels are carefully reviewed.
- Pay attention to the physical safety of your computer equipment. Locate it away from prying eyes wherever possible. Ensure laptops are secure at night. If employees take them home make sure this is recorded and they are signed back when returned.
- Ensure that office software is properly licensed.
- Consider the use of Internet access by employees within your area of

responsibility and whether there could be concerns about potential misuse. If you have concerns then consider test checks on usage. You can contact IT Services and/or Internal Audit who would be able to supply you with print outs and information to assist in this process.

- Ensure Council equipment is not abused for private purposes. (See relevant Policies for further information)

KEY CONTACTS

Client Manager Internal Audit – Sheree Hamilton, ext. 2946

Fraud Investigator – Chris Nower, ext. 2617

Benefits Investigation Service – Leigh Stevens, ext. 2351

Information Technology – Paul Golland, ext. 2130

POLICY REVIEW DATE:

This policy was last reviewed by the Client Manager Internal Audit on 23rd November 2005. This policy is to be annually reviewed and updated.

Date of Next Review: By 30th November 2006.

ENDORSEMENT

This policy is backed by:

Stephen Evans
Chief Executive

Councillor Michael White
Leader of the Council

30th November 2005

APPENDIX C

HOW THE COUNCIL IS INCREASING FRAUD AWARENESS

2005/6

1. We placed an advert in the March/April 05 Havering Community Safety Booklet that will go to 85,000 Havering households.
2. The Chief Executive wrote to all staff and members, 11th April 2005
3. Produced a single paper for SMT on Anti-Money Laundering (May/June 2005)
4. We placed an advert in the September 05 Havering Community Safety Booklet that was delivered to 85,000 Havering households
5. We advertised for two weeks through J C Decaux (advertising boards around the borough) in September 2005
6. Produced an Identity Theft article for "Living in Havering (by 7th November 2005 deadline)
7. Produced a Hotline Article in "Talking Point" no. 19 to be used in Team Briefs for all staff (November 2005)
8. We held an internal control and money laundering presentation on 5th December 2005 for staff.
9. We held an anti-fraud training session in the Council Chamber for members on 5th December 2005
10. NAFN are to give a presentation to staff on 6th December 2005 as part of the registration process for their Intelligence and information service. Staff from Internal Audit, Housing Benefits, Housing and Trading Standards are to attend.

TO DO

- (i) Refresh the posters in council buildings
- (ii) Payslip message
- (iii) Annual assessment of the fraud campaign
- (iv) Produce a plan for 2006/7 for the RMG to discuss and approve based upon the success of the above measures implemented in the last two years

2004/5 - HOW THE COUNCIL IS INCREASING FRAUD AWARENESS

1. The Executive Director of Finance & Planning sent a letter 'Fraud and Corruption Strategy) to all Members
2. The Chief Executive wrote to all staff, with an anti-fraud leaflet in August 2004
3. We published an article in Living in Havering ('Help Stop Fraud' 24 August 2004)
4. We established a website for the public to get information at www.havering.gov.uk/tellusaboutfraud
5. We advertised for two weeks through JCDecaux in September 2004
6. We distributed to all HoS anti-fraud posters that were strategically posted in work areas
7. We held the following anti-fraud sessions:

| | | | |
|---------------|--|-----------------|---------------------|
| ● October 5 | Council Chamber (Members and Heads of Services) | Council Chamber | 7:00 pm – 7:45 pm |
| ● October 18 | Town Hall, Mercury House, Romford Office (Staff and Managers) | Council Chamber | 10:00 am – 12:00 pm |
| ● October 18 | Town Hall, Mercury House, Romford Office (Staff and Managers) | Council Chamber | 2:00 pm – 4:00 pm |
| ● November 29 | Broxhill, Whitworth Centre, Elm Park (Staff and Managers) | Upminster | 10:00 am – 12:00 pm |
| ● December 01 | Collier Row, Harold Hill, Gooshays Drive (Staff and Managers) | Gooshays Drive | 10:00 am – 12:00 pm |

APPENDIX D

LIST OF OUTCOMES OF ANTI-FRAUD ACTIVITY

TANGIBLE BENEFITS

Increased awareness of Stakeholders

Who know that there is an anti-fraud and a whistle blowing policy in place and that there is a fraud response plan. They know how to make disclosures and who to report to.

- Informed Management and employees (they know their duty)
- Informed members
- Informed residents
- Informed public
- Informed suppliers
- Informed partners
- Informed Contractors and sub-contractors

Anti-fraud Culture

Preventative measures in place and embedded throughout the Council

Improved risk management (lower risk as a result)

Investigations often result in improved internal controls and procedures, which provides greater protection for staff

Investigations often result in shared data with other local authorities and

Shared data with other networks e.g. NAFN

Disciplinary Hearings/Action

Employee Resignations of fraudsters

Staff Dismissal of fraudsters

Prosecution of fraudsters

Financial Savings (reduced costs to service provision following audit investigation)

Recovery of financial losses and/or restitution

Clear links to other anti-fraud and ethical policies e.g. Money Laundering, Whistle blowing policy, codes of conduct etc.

End malicious allegations and gossip

NON-TANGIBLE BENEFITS

Which collectively may result in a reduction in fraudulent activity and hence reports. For example, if you have a police car or a camera at the roadside, less people will speed and they will slow down and are likely to feel more guilty if they had been speeding.

AUDIT COMMITTEE
Supplementary
AGENDA

7.30pm

Thursday,
8 December 2005

Havering Town Hall
Main Road, Romford

5. **AUDIT COMMISSION PROGRESS REPORT DECEMBER 2005 – attached**

For information about the meeting please contact:
Debbie Okutubo (01708) 432432
E-mail: deborah.okutubo@haverling.gov.uk



Audit Committee, 8 December 2005