AUDIT COMMITTEE

AGENDA

7.30pm	Thursday, 9 February 2006	Havering Town Hall Main Road, Romford

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (3)	**Residents' Group (2)**	**Labour Group (1)**
Graham Price (Chairman) Eddie Cahill (Vice Chairman) Roger Ramsey	Gillian Ford Malvin Brown	Wilf Mills

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 8 December 2005 and to authorise the Chairman to sign them.

5.   **AUDIT COMMISSION PROGRESS REPORT FEBRUARY 2006 –** attached

6.   **INTERNAL AUDIT PROGRESS REPORT I NOVEMBER 2005 – 31 DECEMBER 2005** - attached

7.   **CLIENT MANAGER'S REPORT 1 NOVEMBER 2005 – 31 DECEMBER 2005** - attached

8.   **AUDIT STRATEGY 2006/2007** - attached

Audit Committee, 9 February 2006

9.   URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specified in the 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
8 December 2005 (7.45pm – 8.30pm)

Present:

Conservative Group — Councillors Graham Price (in the Chair) Wendy Brice-Thompson and Steven Kelly

Residents' Group — Councillor Malvin Brown and Gillian Ford

Labour Group — Councillor Wilf Mills

Apologies for absence were received from Councillors Eddie Cahill and Roger Ramsey

+Substitute Member: Councillor Wendy Brice-Thompson (for Eddie Cahill) and Steven Kelly (for Roger Ramsey)

No member declared an interest in any matter under consideration

All decisions were made with no member voting against

The Chairman apologised for the late start of the meeting and advised everyone present of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

31. MINUTES

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

32. AUDIT COMMISSION PROGRESS REPORT DECEMBER 2005

A report updating the Committee on work completed by the Audit Commission since the last meeting held in October and of the work to be completed during the rest of the Financial Year was presented to them.

With regards to finalised reports, it was noted that the report on Direction of Travel judgement was presented to the Council meeting held 28 November 2005. The risk management report was presented at the October Committee meeting. However, the use of resources assessment report was still under review, hence no finalised reports had been presented.

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

33.   INTERNAL AUDIT PROGRESS REPORT OCTOBER 2005

A report advising the Committee of audit issues from internal audit activities for the month of October, including management summaries from internal audit work was presented.

It was noted that Schedule 1 detailed the progress on work completed to the draft and final stages during the month.

Schedule two contained the management summaries for audits completed to final report stage during the same month.

Schedule three contained the management summaries for the follow-up audits completed during October 2005.

Schedule four had a synopsis of the fraud and investigations work conducted between 1 September to 31 October 2005. Also included in the summary were the results of completed investigations, actions taken and work that was still in progress.

Officers commented that during this financial year, only 6% of audits carried out were qualified which was an improvement on last year's figure of 20%.

Members sought information regarding Marriage Rooms Licence Renewal. The Group Director Finance and Commercial agreed to take this further with the Group Director Public Realm and ensure that Members are given a separate briefing.

In response to a question on the Housing Aid report, Head of Housing and Health confirmed that this was being progressed.   All recommendations had been taken on board, with the appropriate procedures in place.

Regarding the recommendations, Members requested that in future a summary of what the failings were and what recommendations had been put forward should be supplied to Members for them to have a full picture of what had taken place. Officers agreed to consider how to take this forward. The Internal Auditors commented that part of their process was to track recommendations to Services to see what actions had taken place. If there was substantial failings on the part of the Service this was then reported to the Audit Committee.

Officers confirmed that due to extensive external auditing in the various Services, Service Managers took recommendations from Internal Audit very seriously.

The Group Director Finance and Commercial stated that Managers were responsible for ensuring adequate control systems were in place and reports were drawn up in consultation with Service Managers, who

agreed with the recommendations before they got to the final stage. She further commented that Service Managers had all being trained in risk management and would be responsible for considering and accepting the level of risk they were willing to take should recommendations not be progressed or agreed.

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

34. **CLIENT MANAGER'S REPORT 1 SEPTEMBER 2005 – 31 OCTOBER 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
- Budget analysis
- Benefits Investigation and the
- Forward Plan

was presented to the Committee.

Members stated that there was evidence in the reports that Officers were not implementing or acting on recommendations.

Head of Housing and Health responded that with regards to those relating to his Service, the recommendations had been implemented but due to a timing difference it had not yet been reported to Finance for it to be reported back to the Committee.

Regarding recommendations relating to Physical Security, Head of Business Systems responded that those that appeared to have not been implemented were long term development plans, hence the delay in implementation. However, in future, where this was to occur it would be taken off the short term recommendation list.

Members wanted to know why there were so many outstanding recommendations relating to the Service area of the Assistant Chief Executive, Legal and Democratic Service and were advised that the reasons were contained in the Schedule.

The Contract Manager, Internal Audit informed Members that the Council had successfully registered with National Anti-Fraud Network (NAFN) to provide an information and intelligence reporting Service. Furthermore Deloitte Touché was coming in to carry out some Computer Audit work.

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

35. INTERNAL AUDIT STRATEGY AND PLAN FOR 2006/2007

A report showing the risk based Internal Audit Plan for the forth coming financial year, putting the strategy into action by showing how the plan would be delivered and resourced was presented to the Committee.

Officers commented that the plan was based on the three-year strategic plan which was presented to the Committee at the 26 January 2005 meeting. Furthermore, that they were now working in their second year of the strategy document. It was noted that the plan had been formulated using the Council's risk registers to determine the risk areas that would require reviewing.

Officers suggested to Members to receive the plan in principle, the Officers would then go back to Service Managers to agree an operational plan.

> Members **noted** the content of the report and **further noted** that a final agreed plan would be presented to the February meeting of the Committee.

36. ANNUAL REVIEW OF FRAUD AND CORRUPTION POLICY

A report updating Members on Anti-Fraud and Corruption issues as well as a review of the Fraud and Corruption Strategy was presented to the Committee.

It was noted that a number of initiatives had taken place to raise awareness of Anti-Fraud and Corruption activities. There had also been a number of successful outcomes which were manifested in a variety of ways.

Officers reported that there was a counter fraud and corruption policy applying to all aspects of the council's business which had been communicated throughout the Council. Furthermore, as part of the Council's induction programme, Managers received a comprehensive outline of policies that were in existence and were referred to the relevant site on the intranet. Training for Councillors also got rolled out to new Officers. Annually, all staff and Members get a letter setting out what their responsibilities and duties are.

> Members:
> - **approved** the revised Fraud and Corruption Strategy
> - and **noted** the importance of Fraud and Corruption in the CPA.

Progress Report

London Borough of Havering Council

Audit 2005-2006

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

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

- auditors are appointed independently from the bodies being audited;

- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and

- auditors may report aspects of their work widely to the public and other key stakeholders.

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

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

Status of our reports to the Council

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

Copies of this report

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

Contents

London Borough of Havering Council

Introduction

1   The purpose of this report is to update the February 2006 Audit Committee on work completed since the last Audit Committee of 8 December 2005 and the work to be completed during the rest of the year.

2   This report includes:

- details of those reports issued since the last progress report;

- a summary of progress in delivering the plan in Appendix 1 (excluding completed items that have already been reported to the Audit Committee in previous progress reports); and

- a summary of the position on the audit of the 2004/05 grant claims compared to 2003/04 in Appendix 2 (in advance of the full report which should be issued to the next Audit Committee).

Finalised reports

3   The following work has been finalised since the last Audit Committee:

- overall CPA assessment; and

- Annual Audit and Inspection Letter - this has been agreed with officers but has not yet been presented to Cabinet and is therefore not included in this progress report, but will be reported to the next Audit Committee.

4   The use of resources scores and Direction of Travel judgement were completed before the last Audit Committee and have now been fed into the overall CPA assessment, which assessed the Council as a one-star council that is improving well. Further detail on this assessment and the individual use of resources scores is included in the Annual Audit and Inspection Letter which will be reported to the next Audit Committee.

London Borough of Havering Council

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

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
2004/05 A&I Plan					
Planning and reporting					
Annual Audit Letter 2004/05	CE & GDF&C	October 2005	December 2005	January 2006 (estimate)	Discussed with the CE, ACES&C and GDF&C on 19 January 2006.
Accounts					
Audit of financial statements 2004/05	GDF&C	July 2005	December 2005 (Report)		Draft report issued to officers on 16 November. Revised report reflecting officers' comments issued on 23 December.
Performance work					
ICT review (baseline IT risk assessment)	GDPR	July 2005	October 2005	December 2005	Key issues discussed and agreed at meeting on 23 August and draft report sent on 6 September 2005. Comments received on 22 September and discussed with officers. Amended version issued on 18 October. Response received from officers in December and final report issued 23 December.

London Borough of Havering Council

Key area of audit plan	Name contact	Start	Target completion date	Final report date	Comments
2005/06 A&I Plan					
Planning and reporting					
Annual Letter 2005/06	CE & GDF&C	September 2006	December 2006		Dates may be subject to change.
Accounts					
Audit of financial statements 2005/06	GDF&C	June 2006	September 2006 (Opinion and SAS 610 report) November 2006 (Report)		
Performance indicators/plan audit					
BVPP compliance audit	ACES&C	September 2005	December 2005	February 2006 (estimate)	Draft issued to officers in November. Meeting to discuss comments held in January 2006 and amended report issued to officers. Awaiting completion of the action plan.

London Borough of Havering Council

Key area of audit plan	Name contact	Start	Target completion date	Final report date	Comments
Comprehensive performance assessment					
Overall CPA assessment	CE	August 2005	December 2005	12 December 2005	Overall assessment of one star reported.
Use of resources assessment	GDF&C	August 2005	November 2005	2 December 2005	Overall score of two reported to Council on 14 November. Review requested and completed which confirmed score of two on 2 December.
Qualitative assessment of continuous service improvement (Direction of Travel report)	CE and ACES&C	September 2005	November 2005	28 November 2005	Council self-assessment completed and submitted on 4 October. Overall assessment of improving well reported to the Council on 28 November.
Performance work					
Partnerships review report	TBA	February 2006 (estimate)	TBA		
Human resource and recruitment and retention follow-up	ACEHR	May 2006 (estimate)	TBA		
Performance management follow-up	ACES&C	TBA	TBA		

London Borough of Havering Council

Key area of audit plan	Name contact	Start	Target completion date	Final report date	Comments
Project management follow-up	ACES&C	TBA	TBA		Start date deferred until the new year due to work on Direction of Travel and use of resources.
Customer access and user focus follow-up report	GDPR	March 2006	TBA		
Assessment of arrangements to comply with new legislations	ACEL&DS	July 2005	October 2005	February (estimate)	Work set up in August and work completed during August and September. Draft report issued 21 October and discussed at meeting on 7 November. Officers response and completed action plan awaited (was to be provided by 9 December).
Inspections					
Culture	GDPR	February 2006	May 2006		
Grant claims					
Report on 2004/05 claims	GDF&C	January 2006	February 2006		

London Borough of Havering Council

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

Appendix 2 – 2004/05 grant claims position (as at January 2006)

	Total number of claims	Late claims Number/(%)	Amended claims Number/(%)	Qualified claims Number/(%)	In progress/ not started or not received	Not certified by deadline
Summary 2004/05						
Regeneration and Partnership	3	3 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Education	9	1 (11%)	3 (33%)	1 (11%)	2 (22%)	3 (33%)
Finance and Planning	4	1 (25%)	2 (50%)	1 (25%)	0 (0%)	2 (50%)
Housing	4	0 (0%)	2 (50%)	2 (50%)	0 (0%)	0 (0%)
Social Services	5	0 (0%)	1 (20%)	0 (0%)	0 (0%)	0 (0%)
Total for each criteria	**25**	**5 (20%)**	**8 (32%)**	**4 (16%)**	**2 (8%)**	**5 (21%)**
Summary 2003/04						
Regeneration and Partnership	4	3 (75%)	3 (75%)	1 (25%)		3 (75%)
Education	10	4 (40%)	4 (40%)	5 (20%)		7 (70%)
Finance and Planning	3	0 (0%)	2 (67%)	3 (100%)		1 (33%)
Housing	4	0 (0%)	3 (75%)	3 (75%)		3 (75%)
Social Services	11	1 (9%)	3 (27%)	4 (36%)		9 (82%)
Customer Access and Culture	1	0 (0%)	0 (0%)	0 (0%)		1 (100%)
Total for each criteria	**33**	**8 (24%)**	**15 (45%)**	**16 (48%)**		**24 (73%)**

London Borough of Havering Council

MEETING	DATE	ITEM
AUDIT COMMITTEE	**9 February 2006**	**6**

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT 1st November – 31st December 2005

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 1st November 2005 to 31st December 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 from 1st November 2005 to 31st December 2005.

1.2   Schedule 2 contains the management summaries for audits completed to final report stage from 1st November 2005 to 31st December 2005.

1.3   Schedule 3 contains the management summaries for the follow up audits completed from 1st November 2005 to 31st December 2005.

2.   Fraud and Investigation Work

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

3.   Audit

The management summaries provide a level of detail in order that Members can pursue significant control weaknesses with representatives whilst not causing a mass of paperwork, which would see the committee papers triple in size. This would likely cause the committee difficulty in undertaking all the business needed at a committee and dialogue with other London boroughs has indicated that our process is comparable. At the last Audit Committee, Members requested assurance that they were being advised of service failings with regard to control systems.

The process currently is that the committee receive the management summaries of all audits and this shows the audit opinion and any substantial/significant control failings.

4.   Financial Implications and risks:

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

5.   Legal Implications and risks

None arising directly from this report

6.   Human Resource Implications and risks

None arising directly from this report

7.   Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Sheree Hamilton
                        Client Manager Internal Audit

Telephone: (01708) 432946

E-mail: sheree.hamilton@havering.gov.uk

                                                STEPHEN EVANS
                                                Chief Executive

Background Papers

Internal Audit reports
Internal Audit database

2005/2006 AUDIT PROGRAMME (1ˢᵗ November to 31ˢᵗ December 2005)   **SCHEDULE 1**

Audits Completed To Final Report Stage

Report	Issued	Internal Auditor's Opinion	Recommendations				Ref
			High	**Med**	**Low**	**Total**	
Freedom of Information Act	10.11.05	Unqualified	0	2	0	2	Sch 2 (a)
Codes of Conduct and Accountability (Hospitality Register)	17.11.05	Unqualified	0	0	3	3	Sch 2 (b)
Street Care Management (Environmental Management)	28.11.05	Unqualified	0	2	0	2	Sch 2 (c)
Climate Change	06.12.05	Qualified	1	2	0	3	Sch 2 (d)
Personnel Arrangements	19.12.05	Unqualified	0	2	0	2	Sch 2 (e)
Housing Grants & Allowances (Redecoration Allowances)	19.12.05	Qualified	0	11	0	11	Sch 2 (f)
Voids	20.12.05	Unqualifed	0	6	0	6	Sch 2 (g)
Total			**1**	**25**	**3**	**29**	

Pro-Active Audits Completed To Final Report

Report	Issued	Recommendations				Ref
		High	**Med**	**Low**	**Total**	
Stock & Plant	15.12.05	1	5	0	6	Sch 2 (h)
Sickness	15.12.05	0	0	0	0	Sch 2 (i)
Total		**1**	**5**	**0**	**6**	

Follow Up Audits Completed as at 31st December 2005

Report	Issued	Progress Towards Implementation	Ref
Regeneration	03.11.05	Excellent	Sch 3 (a)
Petty Cash	21.11.05	Excellent	Sch 3 (b)
Youth Service	07.12.05	Good	Sch 3 ©
Oracle Financials	09.12.05	Excellent	Sch 3 (d)
BS7799 Information Security	23.12.05	Good	Sch 3 (e)
Tendering Procedures	23.12.05	Good	Sch 3 (f)

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

Report	Draft Issued	Head of Service	Group Director
Grants Review	06.07.05*	Mike Stringer	Rita Greenwood
Oracle Databases	06.10.05	Ray Whitehouse	Rita Greenwood
Project Assessment & Management	07.11.05	Mike Robinson	Cynthia Griffin
Placements SEN & Social Services	11.11.05	Andrew Lillington	Mark Gaynor
Network Security f/up	21.12.05	Ray Whitehouse	Rita Greenwood

*this is to be a two part review with the second element being carried out in January 2006.

Management Summaries Systems Audits

Freedom of Information Act	Schedule 2(a)

Management Summary

1.1 Introduction

1.1.1 The Freedom of Information Act was passed on the 30th November 2000 and came into full effect in January 2005. The Act gives anyone the right to know about the work, activities and decisions of all public bodies. These include: Central Government; Local Authorities; NHS Services; Schools and public services such as Police, Fire and Ambulance.

1.1.2 From January 2005 the Council must reply to any request for information bound by the rules of the Act. The Council is required to provide information in accordance with the Act within 20 days and, where applicable, to make a suitable financial charge for the provision of such information.

1.1.3 In addition to observing the classification of material and information that may be released the Council must consider any potential breach of the Data Protection Act 1988.

1.1.4 Under the current guidelines a request must be made in writing, however the person making the request does not have to stipulate that they are making a request under the requirements of the FOI Act. Therefore all written requests for information have to be treated as though they are Freedom of Information Requests.

1.1.5 The objective of the audit was to establish whether there are adequate procedures and processes in place to ensure that the Council complies to the Freedom of Information Act.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Council is fined for failing to comply with the FOI Act by not meeting time response requirement.

- Council is fined for failing to withhold information that should not be released in the public interest.

- Council is fined for failing to withhold information in accordance with the Data Protection Act 1998

- Council suffers financial loss by failing to charge for the provision of information

- Council fails to provide adequate financial stewardship for funds collected in respect of responses to requests made under the FOI Act

- Council suffers financial loss as a result of failing to manage its income and expenditure in respect of its responses to requests made under the FOI Act

- Council fails to implement the Act due to inconsistencies in approach of staff in carrying out their responsibilities

- Council may be criminally prosecuted in cases where it can be proven that records and or information has been deliberately destroyed

- Adequate procedures are not in place to store records in a manner that ensures they can be retrieved if required. Staff have not been adequately trained in the procedures to be followed for the provision of information under the Freedom of Information Act.

1.3   Significant Issues

There are no significant issues to be reported.

1.4   Summary of recommendation(s)

The report contains 2 medium priority recommendations.

1.5   Audit Opinion

An unqualified audit opinion is given as there were no serious weaknesses detected in the control environment during the review. However procedures need to be put in place to ensure that policy for maintaining records is being adhered to as the failure to provide requested documentation could have implications for the Council.

Hospitality Registers	Schedule 2(b)

Management Summary

1.1 Introduction

1.1.1 The conduct of everyone in local government (Councillors & Council employees) needs to be of the highest standard. To this end the government introduced a new ethical framework, in Part 3 of the Local Government Act 2000, requiring the establishment of a Standards Committee, Code of Conduct for Councillors and a Code of Conduct for Employees.

1.1.2 The Council's Constitution (part 5) has established the following codes of conduct for Members and Council Employees:

- Members Code of Conduct;

- Staff Code of Conduct - a policy document on Employee Code of Conduct has been established on the Council's Intranet under HR Corporate Information. A draft Code of Conduct for Local Government Employees was issued by the ODPM in August 2004 and a formal response to the document was made by the Assistant Chief Executive Legal & Democratic Services on the 19th November 2004. At the conclusion of the audit a revised code had not been issued by the ODPM;

- Protocol on probity in planning matters;

- Protocol on member-officer relations

1.1.3 The Council has also established a Standards Committee in accordance with the requirements of the Local Government Act 2000. Although the Council has no corporate liability for individual misconduct, it does have a clear corporate role, led by the Standards Committee, to promote and maintain high standards of conduct.

1.1.4 An audit of Codes of Conduct and Responsibility was initially scheduled to be undertaken as part of the 2005/06 audit plan. However, as a result of a recent audit of Personnel Arrangements and a 2004/05 audit of the Council's Constitution, which reviewed many of the above issues, it was decided to restrict the audit to a review of Directorate Hospitality and Gifts Registers. A review of the Members Hospitality and Gifts Register was also undertaken during the audit assignment.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Policies and procedures regarding Hospitality & Gifts Register not established;

- Declarations of Hospitality & Gifts not made by Council Staff and Members while undertaking their official duties;

- Hospitality & Gift registers not maintained by each Directorate;

- Hospitality & Gifts policies and procedures not reviewed by HR and registers not reviewed on annual basis by Executive Directors.

1.2.2 Audit noted that a review of Council Hospitality & Gift Registers was conducted by the Executive Director, Finance and Planning during 2004 in order to comply with a request from the Audit Commission. The conclusions of the review were that: acceptances of hospitality were being sent for approval after hospitality accepted; there were time lags between issue of forms and dates sent to Executive Directors; lack of senior management entries; inconsistencies in summary schedules; and individuals taking blocks of controlled stationery.

1.2.3 A memo was issued by the Executive Director, Finance and Planning on the 16th March 2005 to SMT, the Chief Executive and officers responsible for Hospitality/Gift registers. The memo requested that SMT review their individual Directorate registers and to consider issuing reminders to staff regarding the procedures to be followed with respect to Hospitality and Gifts.

1.2.4 Amended procedures for maintaining Hospitality registers were also attached to the memo from the Executive Director, Finance and Planning which stated that the overall co-ordination and issuing of Hospitality/Gifts controlled stationery is now the responsibility of the Corporate Services Manager. The procedures also stated that excel spreadsheets should be maintained for recording all details relating to Hospitality/Gifts.

1.2.5 The audit review of Hospitality/Gifts confirmed that registers are being maintained by appointed officers and that supporting documentation is filed in respect of entries. However, there were instances noted of staff requesting Hospitality forms but failing to return them for inclusion. The audit also highlighted instances where some registers had not been initialled and dated by Directors as evidence of an annual review having been completed. The Group Director of Finance & Commercial (previously Executive Director, Finance and Planning) however, informed audit all Directorates had completed the reviews for 2004/05 but acknowledged that some details had not always been retained. Other audit findings included Directorates holding blocks of controlled stationery, and a low number of entries recorded in some Directorate registers.

1.2.6 Audit established that School Financial Regulations have a specific policy on Hospitality and Gifts. The policy applies to all governors and employees as well as contractors and those in partnership roles working on school premises. A review of Hospitality and Gifts school registers was not undertaken as part of the current audit exercise as school audits are undertaken by a separate audit provider.

1.2.7 The Council has recently completed a management restructure. Responsible officers have been appointed to maintain registers in the new Group structure

and Hospitality and Gift procedures on the Corporate HR intranet site should be amended in line with current practices.

1.3 Critical issues that require immediate management attention

There were no audit weaknesses identified during the audit which were of a critical nature requiring immediate management attention.

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

There were no audit weaknesses identified during the audit which were of a significant nature requiring management attention.

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

- There was evidence identified to indicate that some SMT members had regularly issued reminders to staff and Members regarding compliance with Hospitality and Gifts procedures. Audit would recommend that the Group Directors should continue to issue such reminders to staff regarding the procedures to be followed in respect of Hospitality and Gifts. The Assistant Chief Executive should also continue to issue similar reminders to Council Members;

- Audit noted during the review that Hospitality and Gifts registers had not always been initialled and dated by Directors, or details retained as evidence of the completion of an annual review. The Group Directors therefore need to be reminded that they are to initial and date their registers when they complete their annual review.

- There are procedures currently being carried out which have not been recorded in the Hospitality and Gifts procedure notes i.e. Corporate Support Services Manager is responsible for issuing controlled stationery. Audit would recommend that HR obtain a copy of the memo issued by the Group Director Finance and Commercial on the 16th March 2005 and make the necessary amendments to the procedures.

1.6 Summary of recommendation(s)

The report contains three recommendations of a low category .

1.7 Audit Opinion

An unqualified audit opinion can be given as Audit is satisfied that there is a strong control environment operating within Directorates with regard to the maintenance of Hospitality and Gifts registers.

The main risk in this area is that Council employees and Members are not declaring all gifts and hospitality offered to them in the course of their duties. Therefore, reminders should continue to be issued to all officers setting out clearly the Council's procedures in relation to Hospitality and Gifts and the fact that the highest standards of propriety are expected from them.

Streetcare	Schedule 2(c)

Management Summary

1.1   Introduction

1.1.1   The audit examined the following areas within Environmental Maintenance:

- Street Cleaning - annual expenditure £3.2m
- Grounds Maintenance - annual expenditure £0.8m; and
- Trees on the Public Highway - annual expenditure £0.2m.

1.1.2   Street Cleaning is managed in-house and strives to maintain levels of cleanliness set out in the Environmental Protection Act 1990. The Act describes four grades of cleanliness. Grade A: no litter or refuse, Grade B: mainly free from litter and refuse apart from some small items, Grade C: widespread distribution of litter and refuse with minor accumulations and Grade D: heavily littered with significant accumulations. Two cleaning programmes are in place in relation to the cleaning of general areas and roads in order to achieve the levels of cleanliness referred to above. The service seeks to achieve Grade A and where this is not possible Grade B.

1.1.3   **Grounds Maintenance:** This service is also managed in-house and it covers maintenance of grass verges and grass cutting. The council is required to keep verges safe and unobstructed, particularly at road junctions where clear visibility for motorists and pedestrians is important. In addition, grass cutting is carried out to ensure that the roads and pavements can be used safely.

1.1.4   **Trees on the Public Highway:** This service is provided by an external contractor; however there is a small 'client-side' team who instruct the contractor on every aspect of their work. There are some 24,000 trees on the streets of Havering and pruning programmes have been put in place to manage the growth of these trees. The contractors are also required to respond to emergencies such as storm damage and damage caused by vehicles.

1.1.5   These areas have been subject to a Street Improvement Project (SIP) which critically examined the authority's approach in these areas. This was supported by BV199 and MORI satisfaction polls that indicated a poor performance by the authority. This review will examine procedures now in place in relation to 1.1.2 to 1.1.4 above.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Contracted-out and in-house services are not effectively managed;
- Absence of an in-house specification and pre-set targets, within the "Trees on the Public Highway" contract, could result in poor value for money;

- Effective procedures are not in place to ensure that the quality of work completed is of the required standard;

- Performance information relating to the 'Trees on the Public Highway' contract and in-house services is not produced on a regular and timely basis;

- Nuisance/injury to the public or their property (including claims against the Council) regarding the condition of highways, lighting, railings and footways.

1.2.2 The Streetcare Improvement Project was established on 1st August 2004 to identify ways of improving working practices in order to provide a more efficient and effective service. The project undertook a detailed analysis of practises and procedures throughout the Borough which has resulted in the establishment of a street database, the realignment of cleaning depots, the rescheduling of street cleaning rounds and the introduction of improved cleaning mechanisms.

1.2.3 A formal performance monitoring framework has been established leading to an increase in the amount of cleaning work completed and the quality of the work meeting Environment Protection Agency (EPA) standards. Independent confirmation of the success of the project has been reflected in the ENCAMS (Environmental Campaigns) BV 199 score and the increase in the public perception of street cleanliness standards as recorded by BV 89 (MORI survey). The BV199 score for Havering has fallen from 43% (2003/04) to 37% (2004/05) which represents the most improvement of any London Borough. It is anticipated that this score will improve when the results for the first four months of 2005/06 are published.

1.2.4 A report on additional funding for the Streetcare Improvement Project was presented to Cabinet in June 2005. It was agreed that that the continuity of the project be considered as part of the 2006/07 Medium Term Financial Strategy (MTFS) and that a report evaluating the project be presented later in the year. It was further agreed that additional funding be provided to enable enhanced services to be provided during 2005/06 including the purchase of new cleaning machinery.

1.2.5 Monthly financial monitoring of key variables is undertaken by management and forecasting procedures have been introduced to monitor the year-end out turn position based on service activity. Existing internal performance indicators for environmental maintenance are to be summarised and a work programme setting out service milestones and successes is to be established.

1.2.6 A review of transport recharges was not undertaken during the current audit exercise.

1.3 Critical issues that require immediate management attention

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

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

1.4.1 Environmental Maintenance budget reports should be restructured to reflect the current operational structure of the business area;

1.4.2 A fully resourced and approved education and enforcement programme, aimed at discouraging litter and improving street cleanliness should be established.

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

1.5.1 There were no matters identified during the audit that required management attention to ensure "good practice" within the control environment.

1.6 Summary of recommendation(s)

1.6.1 The report contains two medium recommendations.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion can be given as Audit is satisfied that there is a strong control environment operating within Environmental Maintenance.

1.7.2 There have been discernible Improvements in the delivery of service resulting from restructuring of street cleaning procedures and practices and the establishment of a robust performance monitoring framework. This improvement in service has resulted in a marked improvement in the 2004/05 BV199 score.

1.7.3 Further improvements in service and cost savings are anticipated with the imminent introduction of a new fleet of street cleaning vehicles and a further realignment of street cleaning programmes. At present management have in place review procedures to monitor key controllable areas (i.e. staffing/agency, transport and supplies) and monthly forecasting procedures have been established to monitor the year-end out turn position based on service activity. The continued success of Environmental Maintenance is therefore dependent on a constant appraisal of working practices and the effective use of financial and manpower resources.

1.7.4 Further improvements in street cleanliness would be achieved with the establishment of an education and enforcement programme directed towards changing the public's behaviour towards litter.

Climate Change Levy	Schedule 2(d

Management Summary

1.1 Introduction

1.1.1 Following the Kyoto Protocol the UK government has introduced various measures intended to address the environmental problems resulting from energy production and consumption. One of these measures is the Climate Change Levy (CCL), an additional tax on businesses which is added to their energy bills. The intention of the tax is to encourage businesses to reduce their polluting energy consumption as part of a campaign to reduce greenhouse gas emissions.

1.1.2 The Government intends to return the revenue collected from CCL to the non-domestic sector, principally through a cut in the rate of Employers National Insurance of 0.3%.

1.1.3 The CCL is applied as a specific rate per nominal unit of energy. There is a separate rate for each category of taxable commodity:

Electricity	£0.0043 per Kilowatt hour
Gas supplied by gas utility	£0.0015 per Kilowatt hour
Petroleum Gas supplied in liquid state	£0.0096 per Kilogram
Any other taxable commodity	£0.0117 per Kilogram

1.1.4 The CCL will not apply to fuels used by the domestic or transport sector, or fuels used for the production of other forms of taxable commodity (e.g. electricity generation) or for non-energy purposes. It will not apply to oils, which are already subject to excise duty.

1.1.5 HM Revenue & Customs have ruled that Vocational Controlled Schools, Foundation Schools, Technology Colleges and Voluntary Controlled Schools are eligible to pay 'Vat' at the Lower Rate of 5% and consequently will be exempt from the CCL on energy supplies. The current audit exercise will not review LBH educational establishments, as their audit service is provided by a separate external audit provider.

1.1.6 A supply is excluded from the levy if it is for 'domestic use' or for use by a charity for its non-business activities. Homes for the elderly and disabled as well as children's homes are classified as 'domestic use'.

1.1.7 There are several exemptions from CCL of which the following are relevant to LBH:

- Electricity generated from new renewable energy (e.g. solar and wind power; and

- Electricity qualifying as Good Quality Combined Heat and Power used onsite or sold direct to other users (Good Quality CHP – certified via the CHP Quality Assurance Programme CHPQA).

1.1.8   The audit will confirm whether the CHP unit at Central Park Leisure Centre has been registered, self-assessed and certified by DEFRA under the CHP Quality Assurance (CHPQA) programme. Where a CHPQA Certificate has been issued the Council can apply for a Secretary of State (combined heat & power) certificate which demonstrates legal entitlement to CCL exemption. A valid Secretary of State exemption certificate is also the evidence of eligibility required to request exemption from CCL in respect of CHP Plant & Machinery.

1.1.9   An audit of Climate Change was initially scheduled to be undertaken as part of the 2005/06 Audit Plan. However, as the Council is to take part in the Carbon Trust's Local Authorities Carbon Management Programme, this audit has been restricted to a review of the Climate Change Levy.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Finance departments within the council have not received guidance regarding the introduction and application of the Climate Change Levy (CCL).
- Climate Change Levy (CCL) rates not correctly applied to energy invoices.
- CHPQA Certificate not obtained in respect of Combined Heat & Power Plant (CHP) resulting in failure to obtain CCL exemption and reduction in Business Rates.

1.3   Critical Issues that require immediate Management attention

1.3.1   The audit found that the Council has no procedures in operation to monitor CCL. This could result in the Council being over charged for CCL or the Council not claiming the relevant allowances and discounts. Procedures and training therefore needs to be put into place to ensure that this weakness is addressed.

1.3.2   The following recommendation has been made to address this issue:-

The Heads of Financial Services and Land & Property Services need to liaise and introduce control procedures on the Climate Change Levy. These procedures should cover issues such as: -
- Responsibilities of staff to administer the scheme
- Training of relevant staff in these duties
- Undertake checks on invoices to ensure that the CCL is being calculated correctly

- Suppliers are notified of all changes to premises fuel requirements and instances where exemptions may reply

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

1.4.1   The Council has one CHP unit that has yet to be CCL assessed. This needs to be undertaken to determine whether the Council is entitled to any CCL exemptions.

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

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

1.6   Summary of recommendation(s)

1.6.1   The report contains one high and two medium risk recommendations so as to introduce procedures and control in this area. The high risk recommendation concerns the introduction of procedures, controls and training staff in respect of CCL.

1.7   Audit Opinion

1.7.1   A qualified audit opinion has to be given due to the lack of awareness and controls in this area. Further the Council is missing out on the opportunity of a possible reduction in power costs due to no assessment being undertaken on the CHP unit at Central Park Leisure Centre.

Personnel	Schedule 2(e)

Management Summary

1.1 Introduction

1.1.1 Until 2003 the Council had operated a decentralised model of Human Resources Management, with a small Corporate Human Resources unit, together with a number of 'cluster' Human Resources units providing generalist support to directorates. As part of the realignment of the management responsibilities that came into effect in September 2003 the management of the Human Resources Function was centralised under the Assistant Chief Executive for Human Resources.

1.1.2 Due to accommodation difficulties, the new organisational structure has only been in place since February 2005. These timeframes contribute to uniform practices and working papers not being in place across the Human Resources function.

1.1.3 The HR Function is transforming, over two years, under the leadership of a new Head of HR Policy, although the business case for the transformation has not yet been agreed. As part of this transformation a new computer system is in the pipeline, which should enable employees and managers to update employees' details by directly logging onto the system.

1.1.4 A complete overview of the HR policy and procedures is being undertaken. The objective of the overview is to produce a user friendly 'tool kit' for managers and employees to use. Effectiveness and Efficiency are the main goals and the time consuming processes are being replaced with a new streamlined approach that will be facilitated by the new computer system. These changes will only be possible when combined with a change in the culture of the HR function.

1.1.5 The Talent and Diversity team has introduced standard terms and conditions, a 'Talent and Diversity Appointment Check List' and a 'Health and Safety and other procedures' acknowledgement form that will be placed on the Personnel Files in the future as part of the development of uniform practices.

1.1.6 The new single status contractual terms and conditions are being developed for the March 2007 implementation statutory deadline. The project aims to merge the differences that previously existed between white and blue collared personnel, placing all staff onto a single pay spine.

1.1.7 It was agreed, with the Head of HR Policy and Advisory Services, that the audit would also look at the proposals for the introduction of the Single Status Project. The aim was to assist the service to ascertain the issues and risks that would be inherent in the new system and the ways that these could be controlled. It was felt that this course of action would enhance the audit and

add value to the work that was being carried out on behalf of Human Resources.

1.2   Key Risk Areas reviewed

1.2.1   This audit reviewed the following key risk areas:

- Single Status contractual terms and conditions not developed and implemented

- Non-compliance to legislation

- Inadequate record keeping

- Failure to recruit and retain suitable staff

- Not making the best use of staff

- Staff Absence or Illness or shortage due to service overload

- Injury or accident to staff members

- Inadequate staffing levels, Workload Increases and Workload Decreases

- Staff absence due to industrial action

- Violence to staff

- Staff employment tribunal

1.3   Significant Issues

1.3.1   There were no significant issues identified during the course of the audit of the existing service and recommendations have been made to further enhance the control environment

1.3.2   Action is being progressed to implement "Single Status" and this is covered in section 1.6 of this report

1.4   Summary of recommendation(s)

1.4.1   The report contains 2 medium priority recommendations.

1.5   Audit Opinion

- An unqualified audit opinion is given due to the fact that the present systems of controls are in place and management are already taking action in areas where changes are required.
  - No opinion is provided in respect of Single Status as the project is still in its early stages but management would appear to be aware of the issues and taking action where required. The audit work in this area should assist to ensure the smooth implementation of the scheme

1.6   Single Status

1.6.1   The auditor looked at the guidance available for the introduction of the Single Status Project and project planning in place and on the 13th July provided Management with an evaluation sheet which set out the following:

- Questions & Issues relating to the implementation
- An audit reference to show where evidence has been obtained that action has already been taken or what actions need to be taken

1.6.2   Management would have been able to use this document to check that the fundamental requirements of the implementation have been covered and that all required action is being taken

1.6.3   During the audit the Auditors found the following areas where they felt that action should be taken to enhance the implementation:

- Individual Strand plans should be monitored formally. The current status and progress of the action points should be documented in the plans as part of the Single Status Project Group meetings. This should be added to the agenda.

- The Risk register needs to be reassessed to include all the risks and counter measures for all the risks identified and it needs to be updated regularly and fed into the HR risk register.

Housing Redecoration Vouchers	Schedule 2(f)

Management Summary

1.1 Introduction

1.1.1 Prior to the allocation of a void property its condition is assessed and where the need for re-decoration is identified the relevant inspector will make a financial assessment of the cost of redecorating.

1.1.2 The inspectors then pass their report to the allocations team who will allocate vouchers, redeemable against a specific list of products from a specified list of suppliers, to be used for the purpose of redecorating the property.

1.1.3 Redecoration is carried out by the tenant and this therefore frees up valuable resource from the maintenance team. It is important to note that the scheme is only available for General Needs as the Council would normally provide a decoration service to Elderly, Supported Housing or Special Needs residents directly.

1.1.4 The Council moves approximately 800 void properties through its housing stock every year and although not every property qualifies for redecoration vouchers the total amount of funding can be substantial.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Variations in assessments occur
- Vouchers issued without proper controls will expose the Council to an unknown liability
- Fraudulent claims
- Counterfeiting vouchers leading to fraud
- Goods purchased are used for other purposes
- Work fails to be carried out or is carried out to a poor standard
- Opportunity of internal fraud

1.3 Critical issues that require immediate management attention

1.3.1 There are no issues deemed to be critical within this audit review that would give rise to a high category recommendation.

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

1.4.1 Cost assessment documentation does not contain explanations as to why some costings allocated to properties, do not match the schedule of agreed costs.

1.4.2   A record is not maintained of the redecoration vouchers that are ordered, received, issued and used. Without this record in place, adequate budget monitoring cannot be undertaken if the unpresented / expired redecoration vouchers are not accounted for.

1.4.3   Sales remittances are received prior to the invoice. Once the invoice and corresponding vouchers (used by the tenant to purchase items) have been received, the two documents are attached together and filed away. There is currently no system in place to easily locate the sales remittance, invoice and used vouchers for each individual case, as these documents are filed in no specific order, other then when they are received. It is not possible to identify how many of the vouchers the tenant has used, without checking every invoice / sales remittance and accompanying vouchers to identify the relevant voucher numbers.

1.4.4   Follow up inspections of properties where redecoration vouchers have been issued have not been undertaken for 18 months.

1.4.5   Procedures are not in place to identify the process for carrying out follow up inspections of properties where redecoration vouchers have been issued.

1.4.6   There are no written procedures in place setting out the process for issuing redecoration vouchers to tenants.

1.4.7   It is not clear from records reviewed that documentation identifying the tenant had been seen at the time that the redecoration vouchers were issued.

1.4.8   There is no evidence to support the claim that regular spot checks of cost assessments are being undertaken by management.

1.4.9   When the voids budget was profiled for the 2005/2006 financial year, allowances were not made for redecoration expenditure, in relation to redecoration vouchers.

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

1.5.1   There were no matters identified under this section.

1.6   Summary of recommendation(s)

1.6.1   The report contains eleven medium recommendations.

1.7   Audit Opinion

1.7.1   A qualified audit opinion has been given due to the fact that, whilst the system is generally operating correctly, procedural weaknesses have been identified where controls in place are not functioning as intended or procedural guides are not in existence.

Voids	Schedule 2(g)

Management Summary

1.1 Introduction

1.1.1 Voids are properties that do not have current tenants. The period that the property is vacant should be kept to a minimum in order to reduce the loss of income to the Council.

1.1.2 In most cases, when a property becomes void, maintenance and repairs are required to get the property to a suitable standard for occupation.

1.1.3 At the time of preparing this report there were 353 void properties in the Borough. Since the beginning of April 2005, 285 properties that were void have been let.

1.1.4 Anomalies in the filing of variation orders and notices have been noted during the review. It is understandable that the provision and retention of paper copies of authorisations and notifications could be challenging in an environment where the vast majority of the work is performed on different sites. Management should therefore investigate the technologies available for moving to a completely electronic environment with remote access.

1.1.5 The Anite system does not provide a suitable platform for performance monitoring and does not integrate with all the other systems completely. Updates or new systems that will be able to meet all the information requirements should be considered. There is room for efficiency savings as currently almost all data is duplicated for performance monitoring purposes.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- Poor quality Service Voids/ Repairs (Risk Register) and cleaning and maintenance are not carried out in a timely manner

- Ineffective Financial Management (Risk Register) as properties are void for long periods of time leading to loss of rental income.

- Inadequate Tenancy Management (Risk Register) and insufficient control over the voids process

- Inefficient allocation/letting process

- Ineffective computer systems and integration with FIS

1.3 Critical issues (that require immediate management attention)

1.3.1 There are no critical issues.

1.4   Significant Issues (that require management attention to improve the control   environment).

1.4.1   There are no significant issues.

1.5   Other Matters (identified that need attention to ensure "best practice" within the control environment.

1.5.1   In total, 6 recommendations have been made to enhance the service delivery and to ensure "best practice".

1.6   Summary of recommendation(s)

1.6.1   There are 6 recommendations of a medium priority which should assist to improve the control environment.

1.7   Audit Opinion

- An unqualified audit opinion is given, although recommendations have been made to improve the controls and to increase efficiency.

Management Summaries of Pro-active Audits

Stock & Plant Pro-Active	Schedule 2(h)

Management Summary

1.1 Introduction

1.1.1 The 2005/2006 Internal Audit plan includes a pro-active audit into Stock and Plant.

1.1.2 Stock relates to goods or materials stored for use, which would then need to be replaced. Items of this nature would not be recorded in an inventory. However a record of stock and stock levels should be maintained

1.1.3 Plant can be defined in two ways, light tools and large plant. Light tools would describe smaller items such as strimmers and power tools. Larger items of mobile plant would cover such items as generators and pedestrian mowers.

1.1.4 An inventory must be maintained to ensure that an establishment has a detailed record of all the plant it has custody of. The general rule is that any items such as furniture, tools and electrical equipment with a value exceeding £250 must be recorded, although it is possible for items with a lower value to be included if it is felt necessary to do so. All of the Authority's vehicles are recorded on a Fleet List. This ensures that all vehicles are covered by the Authority's insurance arrangements as well as recording details of the vehicles for other management purposes.

1.2 Key Areas Reviewed

Plant – Light Tools (Streetcare Environmental Maintenance)

1.2.1 An excel spreadsheet of light tools is held centrally within Streetcare. The spreadsheet identifies;
- the make and model;
- description;
- stock level;
- location; and
- responsible manager.

1.2.2 In order to select a sample for audit review purposes the spreadsheet was sorted into responsible managers and locations. From this information three areas were selected for audit review. These were:

- Upminster Depot – Recorded as having thirteen items of light tools;
- Upminster Court – Recorded as having four items of light tools; and

- Cherry Tree Depot – Recorded as having twenty four items of light tools.

1.2.3   The light tools at each of these sites were then examined to ensure that:

- All items of light tools were included within the inventory records, including all relevant information i.e. serial numbers were correctly recorded;
- The physical existence of the item could be verified;
- All items of light tools were adequately security marked and stored in a secure location;
- All items of light tools were adequately safety checked on at least an annual basis;
- Items of light tools are adequately insured.

Stock

1.2.4   A review of Transport stock was undertaken. A record of all stock is maintained on Servitor. The Servitor system has the facility to record all items of stock identifying a specific code for each type of stock item. In addition, the Servitor system identifies the current stock level and will flag warnings when stock levels are low. The audit review concentrated on stock items of an attractive nature. In total a sample of 63 various items of stock were selected. Each item of stock was then examined to ensure that:

- The stock records produced from Servitor correctly recorded the current stock   level;
- All deliveries and issues of stock are adequately recorded and bona fide;
- Issues are confirmed with the recipient;
- Stock is stored in a secure area where it should not be affected by climatic conditions and can be protected against theft; and
- Stock can be identified as belonging to the London Borough of Havering.

Vehicles

1.2.5   A fleet list is maintained within Transport. The Fleet List identifies the make, model and registration number of each vehicle. In addition, each vehicle has a unique fleet number. The list records where the vehicle is currently stored, the registration date, service date, disposal and replacement dates as well as whether the vehicle is leased or owned.

1.2.6   From the Fleet list a randomly selected sample of six vehicles was selected for the audit review. Each of the vehicles was then reviewed to ensure that:

- The physical existence of the vehicle could be verified;
- All vehicles were adequately security marked and parked in a secure location;
- All vehicles were adequately safety checked;
- All vehicles are being maintained in a manner required under the leasing   conditions, where applicable;
- Leases are on the correct payment level; and
- All vehicles are adequately insured.

1.3   Significant Issues

1.3.1   The following significant issues were noted during the audit review:

Light Tools

- The central inventory retained within Streetcare does not include the serial number of each light tool.
- A review of the inventory retained by Streetcare compared to each of the inventories for the three sites identified a number of discrepancies between the inventories.
- Light tools are not consistently visibly marked as being the property of the London Borough of Havering.
- Documentary evidence could not be located to support the service history or safety checks of each light tool reviewed as part of the audit.
- There is no annual check of inventories retained by the sites.

Vehicles

- The Financial Framework does not set out requirements in regards to the maintenance of the Authority's fleet list, specifically regarding the Authority's insurance arrangements in respect of vehicles not included on the Fleet List.

1.4   Summary of recommendation(s)

1.4.1   This report contains six recommendations, one (1) being of a high category and   five (5) being of a medium category. The high recommendation is as follows:

- The need for there to be a central record of each light tool, clearly showing its servicing and health and safety check history, to ensure that any claims made against the Authority can be appropriately defended.

1.5   Audit Opinion

1.5.1   The review found that the areas of stock and plant (light tools) are generally well controlled. However, there is a concern that the absence

of adequate records on the servicing and health and safety checks of light tools would mean that the Authority would be exposed to a high risk should a third party make a claim for injury caused by faulty Council equipment.

Sickness Pro-Active	Schedule 2(i)

Management Summary

1.1 Introduction

1.1.1 The 2005/2006 Internal Audit plan includes a pro-active audit into Sickness.

1.2 Key Areas Reviewed

1.2.1 A list of employees who have had sickness absence between the 01/07/04 to 31/07/05 was obtained from Human Resources. From this list a sample of twenty five (25) employees of differing sickness levels was selected.

1.2.2 Personnel records were then examined to ensure that Sickness Certificates are being obtained where applicable and Sickness Procedures are being followed.

1.2.3 Five (5) of the twenty five (25) files were being used by either Legal or Personnel and therefore were not available to be checked during this audit.

1.3 Significant Issues

1.3.1 There are no significant issues within this report.

1.4 Summary of recommendation(s)

1.4.1 Since the issue of the draft report Management have addressed the findings within the report and therefore there are no recommendations to be made.

1.5 Audit Opinion

1.5.1 The review has highlighted that the procedures for managing both short term frequent absence and long term sickness absence were, in some cases, not being followed.

1.5.2 If Return to Work interviews are being undertaken the interview form was not always being forwarded to Personnel.

Management Summaries of Follow up Audits

Regeneration Projects	Schedule 3(a)

Management Summary

1.1 Introduction

1.1.1 The Regeneration Section undertake a wide range of projects which generally involve funding from external parties to help improve the Borough. These projects range from roundabout improvements, riverside paths, highway projects and community improvement schemes. The value of these projects can range from £10,000 to £1,000,000. Procedures therefore need to be sound so as to ensure that officers comply with the Council's rules & procedures as well as the requirements of the funding bodies.

1.1.2 There is also a need for close liaison with the relevant sections within the Council as well as the need for management responsibilities for the scheme to be clearly defined. Projects need to be well managed throughout the project lifecycle including project development, approval, implementation, monitoring, evaluation and review and to be sustainable thereafter.

1.2 Progress Implementing Recommendations

1.2.1 The audit found a number of minor administrative 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	R1	This recommendation has been fully implemented.
2	Medium	R2	This recommendation has been fully implemented.
3	Medium	R3	This recommendation has been fully implemented.
4	Low	R4	This recommendation has been fully implemented.

1.3 Audit Opinion

1.3.1 It is considered that there has been excellent progress has been made in this area and that the four audit recommendations have been fully implemented.

Petty Cash Follow up	Schedule 3(b)

Management Summary

1.1 Introduction

1.1.1 The Authority has 277 Petty Cash Imprests as at the 1st April 2004 with a joint imprest of £51,206. Petty cash imprests currently range from £5 to £8000 and cover a wide range of services including:
- All cashiers within the borough
- All Education (ranging from Youth Clubs to Youth Base);
- Environment
- Housing;
- Libraries; and
- School Cafeterias.

1.1.2 Petty cash is covered within the Authority's Financial Framework and Financial Procedure Rules.

1.1.3 The original audits final report was issued on the 16th September 2004.

1.2   Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category & Responsible Party	Rec No	Present Position
1	**Medium**	**R1**	
	Children in Need	R1a	This recommendation has been fully implemented.
	Assessment & Care	R1b	As above R1a. The Children in Need and Assessment & Care petty cash function has been merged.
	Europa Centre	R1c	This recommendation has been fully implemented.
	Adult College	R1d	This recommendation has been fully implemented.
	Sports Centre	R1e	This recommendation has been fully implemented.
2	**Medium**	**R2**	
	Financial Services Manager	R2a	Implementation of this recommendation remains ongoing, pending the presentation / training session being arranged.

3	**Medium**	**R3**	
	Adult College	R3a	This recommendation has been fully implemented.
4	**Medium**	**R4**	
	Europa Centre	R4a	This recommendation has been fully implemented.
5	**Medium**	**R5**	
	Cemeteries & Crematorium	R5a	This recommendation has been fully implemented.
6	**Medium**	**R8**	
	Sports Centre	R8a	This recommendation has been fully implemented.
7	**Medium**	**R9**	
	Children in Need	R9a	This recommendation has been fully implemented.
	Assessment & Care	R9b	As above R9a. The Children in Need and Assessment & Care petty cash function has been merged.
	Sports Centre	R9c	This recommendation has been fully implemented.
8	**Medium**	**R10**	
	Children in Need	R10a	This recommendation has been fully implemented.
	Assessment & Care	R10b	As above R10a. The Children in Need and Assessment & Care petty cash function has been merged.
	Europa Centre	R10c	This recommendation has been fully implemented.
	Sports Centre	R10d	This recommendation has been fully implemented.
9	**Low**	**R6**	
	Assessment & Care	R6a	This recommendation will be implemented once all officers responsible for dealing with the petty cash have signed to accept responsibility.
	Cemeteries & Crematorium	R6b	This recommendation has been fully implemented.
	Europa Centre	R6c	This recommendation has been fully implemented.
	Adult College	R6d	This recommendation has been fully implemented.
	Sports Centre	R6e	This recommendation has been fully implemented.
10	**Low**	**R7**	
	Europa Centre	R7a	This recommendation has been fully implemented.
	Sports Centre	R7b	This recommendation has been fully implemented.
11	**Low**	**R11**	
	Assessment & Care	R11a	This recommendation has been fully implemented.
	Sports Centre	R11b	This recommendation has been fully implemented.
12	**Low**	**R12**	
	Group Accountant	R12a	This recommendation has been fully implemented.
	Children in Need	R12b	This recommendation has been fully implemented.
	Assessment & Care	R12c	As above R12b. The Children in Need and Assessment & Care petty cash function has been merged.
13	**Low**	**R13**	
	Assessment & Care	R13a	As above R12b. The Children in Need and Assessment & Care petty cash function has been merged.
	Europa Centre	R13b	This recommendation has been fully implemented.

1.3 Audit Opinion

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

* As the original audit consisted of a review of petty cash within several different directorates the follow up report has set out each recommendation and the progress made by the relevant area to ensure that the status of each areas recommendation can be easily identified.

Youth Services Follow up	Schedule (3c)

Management Summary

1.1 Introduction

1.1.1 The Authority provides a dynamic and diverse informal education and support service to work with targeted groups and individual young people between 11-25 years of age, with priority to those 13-19 years of age. Designated to meet the key Government targets, the service offers young people a wide range of informal education and support services to encourage their personal development. It primarily targets those young people who are "at risk" or in need of "support" whilst on their journey through adulthood. The service works alongside other key providers or services in order to maximise the support on offer to individuals and groups of young people.

1.1.2 The Youth Support Service is organised into four clusters so that it can best respond to the needs of young people;-
   ▪ Education Support Services;
   ▪ Connexions and Contracted Services;
   ▪ Youth at Risk Services, and
   ▪ Central Youth Services.

1.1.3 Each Centre is called a Youth House. A Youth House only relates to the actual building. Within each Youth House there may be a number of clubs or organisations using the facilities as a meeting point. One of these groups is the Youth Club.

1.2 Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category	Rec No	Present Position
1	High	R1	This recommendation has been implemented.
2	High	R4	**Albermarle –** This recommendation has been implemented.
			Robert Beard - This recommendation has been implemented.

3	High	R5	**Albermarle -** This recommendation remains outstanding pending the re opening of the Youth Club.
			Robert Beard – This recommendation has been implemented.
4	High	R7	**Albermarle -** This recommendation remains outstanding pending the re opening of the Youth Club.
			Robert Beard – This recommendation has been implemented.
5	Medium	R2	This recommendation has been implemented.
6	Medium	R3	**Albermarle -** This recommendation remains outstanding pending the re opening of the Youth Club.
			Robert Beard – This recommendation remains outstanding pending the development of stock reconciliation procedures.
7	Medium	R6	This recommendation has been implemented.

1.3 **Audit Opinion**

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

Oracle Financials Follow up	Schedule 3(d)

Management Summary

1.1 Introduction

1.1.1 Oracle Financials is Havering's financial information system. It comprises the General Ledger and Account Payables. It forms part of the e-business suite using an Oracle database.

1.1.2 The application runs on the P670 machine and although the system is owned by Finance, much of its day to day operation is the responsibility of ICTS.

1.1.3 The version of Oracle used had to be upgraded from 10.7 to 11i. This upgrade necessitated many changes and the upgrade was generally well managed, with user training being well structured, and a post implementation review undertaken to identify areas for improvement for future projects.

1.2 Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R3	This recommendation has been fully implemented.
2	Medium	R4	This recommendation was not implemented, however it is no longer applicable as the contact with Fujitsu has ended and a signed contract would now be superfluous.
3	Low	R1	This recommendation has been fully implemented.
4	Low	R2	This recommendation has been fully implemented.

1.3 Audit Opinion

1.3.2 Excellent progress has been made as three recommendations have been fully implemented, however the remaining recommendation (recommendation 4) is no longer applicable as the Fujitsu contract has ended and a signed contract would now be superfluous.

BS7799 Follow Up	Schedule 3(e)

Management Summary

1.1 Introduction

1.1.1 The British Standards Institute (BSI) standard BS7799 – Code of Practice for Information Security Management Systems is a guide for business managers and staff to provide a model for setting up and managing and effective Information Security Management Systems.

1.1.2 We have used the controls set out in the standard as a baseline to review and assess the general information system security controls currently in place at Havering.

1.1.3 As an aid to management we have also tried to identify which departments or sections have responsibility for the specific control under review.   We have provided a full copy of the control matrix to the ICT Security Manager.

1.1.4 The audit found that overall the controls operating over information security are improving. There are areas of weakness; however we have tried to focus the recommendations on those areas which are not under active review or consideration by senior management.

1.1.5 The audit also noted that the physical security of areas containing critical information could be improved and it was ascertained that the Authority are already taking action to improve the main security access in Mercury House. CCTV cameras are to be installed at the Computer Room and at the rear of Mercury House and the new accommodation review will give the opportunity to further review the security of critical information. The only point that the Authority needs to be aware of is that unaccompanied public access to different offices within buildings should not be allowed as this would negate the effectiveness of perimeter controls.

1.2 Progress Implementing Recommendations

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

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

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

Ref	Recommendation Category	Rec No	Present Position
1	Medium	R1	Pending the draft Commitment Statement and Information Governance Strategy being issued to Group Director Finance & Commercial by 31.01.06. Then to SMT for approval.
2	Medium	R2	Pending the draft Commitment Statement and Information Governance Strategy being issued to Group Director Finance & Commercial by 31.01.06. Then to SMT for approval.
3	Medium	R3	Pending appointment of Project Management Consultants to carry out the work.
4	Medium	R4	Pending development of the Incident Management policy and Procedures 31.03.06.
5	Medium	R5	Pending implementation of the Governance , production of the Business Case and Investigation of new technology 31.08.06.
6	Low	R6	This recommendation has been fully implemented.

1.3   Audit Opinion

1.3.1   Good progress has been made to progress all of the recommendations.

Tendering Procedures	Schedule 3(f)

Management Summary

1.1 Introduction

1.1.1 The tendering process is one of the most important stages of a contract as it determines who will provide, and how much the Council will pay for the service. Adequate procedures therefore need to be in place for the issue, receipt, custody, opening and evaluation of tenders. This review concentrated on the tenders sought by the Corporate Procurement Section.

1.1.2 The original audit was undertaken in the 2004/05 financial year with the final report issued in August 2004.

1.2 Progress Implementing Recommendations

1.2.1 The original audit, in 2004/05, 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	High	R2	This recommendation has been fully implemented.
2	Medium	R3	This recommendation has been fully implemented
3	Medium	R5	This recommendation has been fully implemented
4	Medium	R6	This recommendation has been partially implemented.
5	Low	R1	This recommendation has been fully implemented.
6	Low	R4	This recommendation has been fully implemented.

1.3 Audit Opinion

1.3.1 Good progress has been made with 5 of the six recommendations being fully implemented and action taken to implement the sixth.

FRAUD AND INVESTIGATION WORK   **SCHEDULE 4**

Work completed during period 1st November – 31st December 2005

Ref	Description	Result of audit/Action taken
1.	(T8eaak) Fraud Hotline- Abuse of Council's Computer System by Home Users.	Gershon savings identified with a reduction in line rental following reduction in users with the implementation of IP Stream facilities.
2.	(T8faal) Register of Interest- Employee	No case to answer. Improvement in system controls, maintaining of records to ensure an adequate audit trail in the future.
3.	(T8faan) Alteration of Travel Warrant	Refund received and system controls improved.
4.	(T8gaaa) Greenwich Pilot Partnership	The London Borough of Greenwich employed a full time Detective Constable working with the Corporate Anti Fraud Team assisting with prosecutions, arrests, house searches etc. The Fraud Squad, New Scotland Yard are proposing to make a number of Detective Constables available to London Boroughs. Initial details of scheme to be discussed.
5.	(T8eaaw) Fraudulent RTB and sub letting	Legal Services informed Housing Services unable to serve NTQ and cancel RTB due to lack of evidence although reliable evidence received regarding children's education.
6.	(T8faar) Brick Wall – Stratton Road	Confirmation that cost of work completed acceptable. System controls improved in order to establish future audit trail.
7.	(T8faax) Access to Confidential Information SWIFT	Case cancelled. Member of staff interviewed by Management and Human Resources.
8.	(T8eaaj) Marriage Rooms Licence Renewal	System controls implemented in order to improve the audit trails and accountability.
9.	(T8faas) HB Groupwise – Inappropriate Material	Problem areas identified and "surf controls" implemented to "bar" sites delivering inappropriate material
10.	(T8eaan) Fraud Hotline Allegations – School Overtime Payments	Case cancelled – Responsibility of cleaning contractors.
11.	(T8faaf) Review out of Date Salary Cheques	System control implemented in order to improve audit trails and avoid backlog in the future.
12.	(T8faau) Agency Questionnaires	No additional findings identified following pro-active work.
13.	(T8faaw) Tracing Overpayment of Pension	Daughter of deceased pensioner traced and repayment of pension received.
14.	(T8gaab) NAFN Registration and Presentation	Membership commenced 1 November 2005. Additional tracing facilities now available to auditors and investigators.

As at 1st January 2006, the following cases were being progressed

Ref	Description
T8caai	NFI 2004/5
T8eaah	Planning Application
T8eaam	Fraud Hotline AF 70 Reports
T8faab	Allegation re illegal cash payments
T8faag	Complaint/Allegation re Payment of Personal Allowances at Residential Home
T8faah	Request From Agencies for Information
T8faak	Suspected Subletting and Fraudulent RTB Application
T8faam	Missing Laptops
T8aao	Contract Payment Abuse
T8faap	Review Flexi, Annual Leave, Toil (following pro-active)
T8faaq	Overtime ICT Employee
T8faav	Payment of TOIL UkPro
T8faay	Allegation of occupancy Mawley Road, Hotline Report
T8faaz	Allegation re Cash Payments to staff

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 November 2005 – 31 December 2005.

SUMMARY

This report contains information on:
- Internal Audit Key Performance Indicators
- Comparative analysis of Internal Audit plan
- Statement of Internal Control Action Plan
- Budget Analysis
- Benefits Investigation
- Forward Plan

RECOMMENDATIONS

1.   To note the contents of the report.

2.   To raise any matters of interest.

REPORT DETAIL

3.   Performance Indicators (as of December 2005)

3.1   Committee members will note that there are 10-Key Performance Indicators (KPI) in Appendix 1. 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), 49% and 45% respectively. The on-target total number of audit briefs issued (KPI 03) and input days resourced (KPI 04), are 81% and 73% respectively.

3.3   The following table shows Internal Audit's performance for the third quarter, October to December 2005:-

		Definition	Annual Cumulative Target	Performance December 2005
KPI 01		Number of total actual audit days completed as a percentage of total planned annual days (1250).	100 %	49%
KPI 02		The number of audit reviews completed as a percentage of the total annual number of planned reviews (102).	100 %	45%
KPI 03		The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (102)	100 %	81%
KPI 04		The total number of input days on audits as percentage of the total number of planned days (1250)	100 %	73%
KPI09		Survey Forms assessed for the system audits	100%	58%
KPI 10		Survey Forms assessed for the fraud audits	100%	57%

3.4 As at the end of December 2005, 44% of the plan had been completed, 6% of the plan was at draft or formal report stage, and 30% have received audit briefs. (See 5.2)
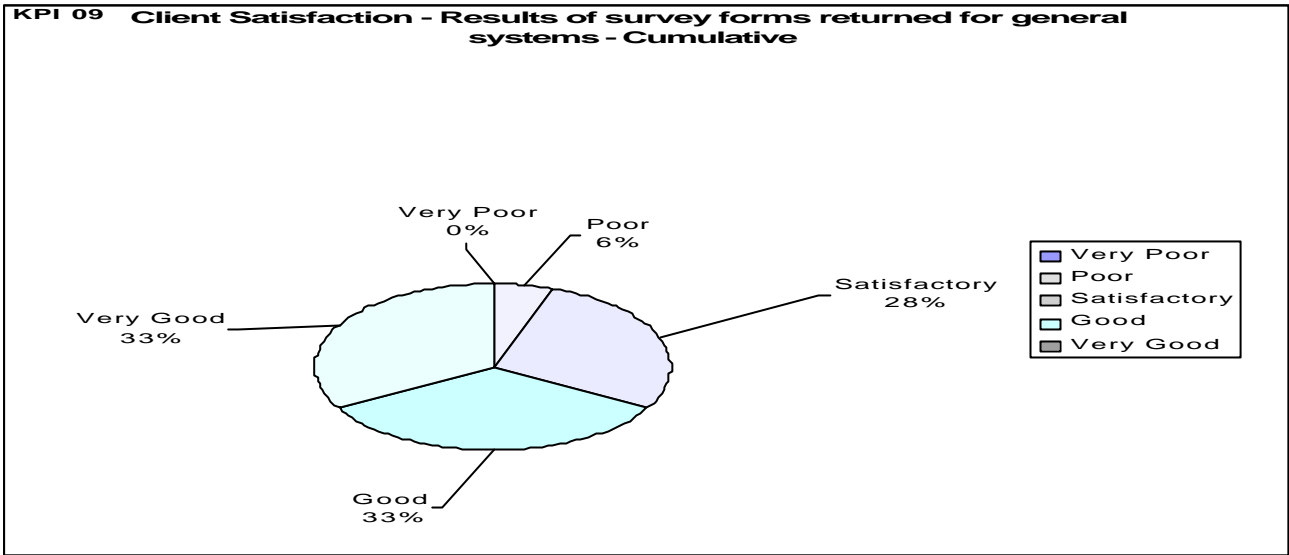
4. Survey Questionnaire Analysis

4.1 The general system audit 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 2005/6 general systems work

28% of the survey returns reported a satisfactory review, 33% reported a good review and 33% 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 6% was not. This officer felt that after the audit, that the timing was inappropriate. This was somewhat surprising as the timing had been agreed prior to the audit taking place.

The following chart shows the results for 2005/06.

Client Satisfaction – Results of survey forms returned for general systems - Cumulative

Very Poor
0%

Poor
6%

Satisfactory
28%

Very Good
33%

Good
33%

Legend:
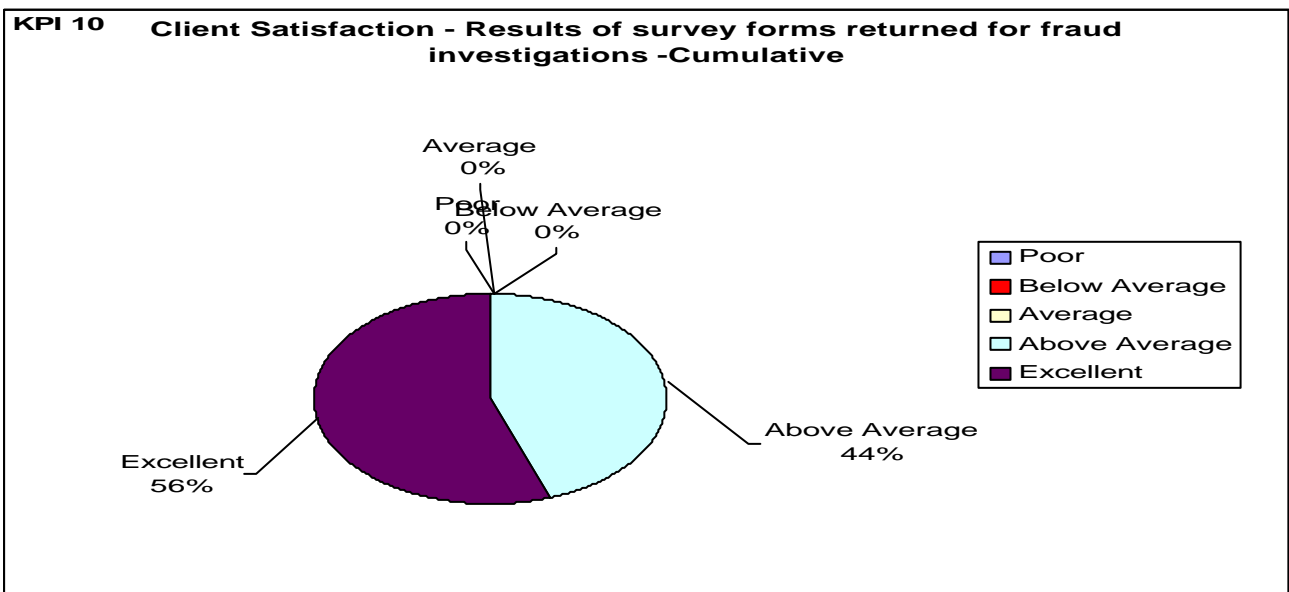- Very Poor
- Poor
- Satisfactory
- Good
- Very Good

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

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

4.4   Survey Analysis of Internal Audit's 2005/6 Fraud work

44% of the survey returns reported an above average review, whilst 56% reported an excellent review. It is pleasing to note that all of the managers are satisfied with the fraud investigations. The following chart shows the results for 2005/06.

KPI 10   Client Satisfaction - Results of survey forms returned for fraud investigations -Cumulative

Average
0%

Poor
0%

Below Average
0%

Above Average
44%

Excellent
56%

Legend:
- Poor
- Below Average
- Average
- Above Average
- Excellent

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

5.1   Appendix 2 provides the status of Internal Audit's efforts in implementing the 2005/06 annual plan, and data from 31st December 2004 which provides valuable comparative information. (The comparative data for previous years is produced on a quarterly basis).

5.2   As of 31 December 2005, Internal Audit has completed 45 reviews (44%), while 6 reviews (6%) are at the consultation/final draft stage. In December 2004, 55 audits (49%) were completed to the final and 22 (19%) to consultation/final draft stage. Although (57) 56% of the annual plan is still to be completed, at December 2004, (58) 51% 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 was 5% lower than in 2004/5 for the completed audits. This is entirely due to non-completion of the computer audits. This trend is being reversed in the last quarter, as the computer resource available has been greatly increased. This is a result of engaging staff from Deloittes. However, audit planning has improved as shown by the greater number of audit briefs which have been issued and agreed.

6.0   International Standards of Auditing – ISA (UK&I)

6.1   External auditors are required to follow the UK and Ireland's version of the International Standards on Auditing for all periods commencing on or after 15th December 2004 (effectively 2005/6). There are a number of significant differences from the existing standards. One of the most important is the emphasis on gaining an understanding of the audited body to identify risks of material misstatement in the financial statements, particularly on understanding the audited body's internal controls. This means that they will move away from their current core-process review approach and start to look at each of the main information systems, that drive the balances and disclosures within the financial statements.

6.2   For all material systems they need documentation describing how transactions are initiated, recorded in the information system, processed through the system into the general ledger and then reported from the general ledger into the financial statements.

6.3   They also need documentation of the controls that are in place in this flow of transactions that prevent and detect material misstatements. This evaluation will then assist their opinion risk assessment (i.e. their assessment of the risk of material misstatement with the financial statements).

6.4   <ins>What does this mean for Internal Audit?</ins>
        Quite simply this means more work, especially in this first year. During 2005/6 it is estimated that this will take one auditor approximately 12 weeks to complete this work to the satisfaction of the Audit Commission. However, in future years this task will be far less time consuming, as all of the systems will have been identified and all of the records should be in place. Documentation will only need to be reviewed and updated by the system administrators/owners, on an annual basis. The audit plan for 2005/6 has been amended to incorporate this new requirement and impact upon resources. Provision has also been made within the audit plan for 2006/7.

6.5   There are four stages for Internal Audit to complete as follows:-

        Stage 1 internal audit are required to map the systems and work with external audit to agree which are the material systems.

Stage 2 internal audit are to document each material system and associated internal controls by producing flowcharts, narrative notes, procedure notes or control questionnaires. External Audit need to understand how transactions are initiated, recorded, processed and reported, and which controls prevent and detect material misstatement in these processes. Manual and automated controls must be identified.

Stage 3 Internal Audit must obtain evidence that these controls have been implemented (via walk through tests).

Stage 4 For External Audit to evaluate the risks for material misstatement – they need to review and discuss the results of Stages 1 – 3 with internal audit and assess the risks from the evaluation of the design of controls.

It is expected that Internal audit will complete the work required by the ISA's by the end of the first week in February 2006. However, as this is the first year the Audit Commission may require some manipulation or changed presentation of the data etc in order to satisfy Stage 4.

7. **Statement of Internal Control Action Plan**

7.1   Appendix 3 presents the Statement of Internal Control (SIC) action plan as at 31 December 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.

8. **Anti-Fraud and Corruption**

8.1   Summary of calls on the fraud hotline log (as of 31st December 2005)

Source of calls	No.	Actions	Status
Anonymous	5	(a) 1 case investigated further by Council Tax.	(a)Allegation was malicious. Completed and signed off.
		(b) 1 case to be investigated further by NNDR staff.	(b) In progress
		(c) 3 cases are being further investigated by Internal Audit.	(c) In progress.
Staff	4	(a) 3 cases are to be further investigated by Internal Audit.	(a) 3 investigations In progress
		(b) An agency employee was dismissed.	(b) Signed off and financial loss was recovered (calls & labour charge).
HB Fraud Team	1	Preliminary enquiries were made	Completed and signed off and established as claimant error and benefits were suspended.
Public	1	Preliminary enquiries were made	Completed and signed off. No involvement by the LB Havering but allegations were forwarded to the Home office
HOTLINE TOTAL	**11**		

- There are currently 19 special investigations in progress (4 from the hotline above) and 46 have been completed during 2005/6.

9. Progress on Implementing Audit Recommendations

9.1 Progress was reported in December '05. However, the timing of this committee has meant that it has not been possible to provide a further update. Progress is reported by Heads of Service quarterly. The Corporate timetable is such that, progress information was not available at the time of finalising this report. The Committee timetable is being aligned for 2006/7 to ensure such reporting can take place and the Committee will receive a full update on 4th April 2006.

10. Year to Date (YTD) Budget Analysis

10.1 The revised budget figure for Internal Audit (2005/06) is £419,740. Appendix 4 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 31st December 2005. As of 31 December 2005, YTD actual (£209,595) is below the budgeted amount (£303,914). 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 there will be no adverse variance.

11. Benefits Investigation

11.1 A report on Benefits Investigations is shown at Appendix 5.

12. Audit Committee Work Plan

12.1 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 6.

13. 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.

14. Legal Implications and risks

None arising directly from this report

15. Human resource Implications and risks

None arising directly from this report

16. Equality and Social Inclusion implications

None arising directly from this report

Staff Contact: Sheree Hamilton
                          Client Manager Internal Audit

Telephone: (01708) 432946

E-mail: sheree.hamilton@havering.gov.uk

STEPHEN EVANS
Chief Executive

<u>**Background Papers**</u>
2005/6 Internal Audit reports & database
2004/05 Statement on Internal Control
International Standards of Auditing – ISA (UK&I)

APPENDIX 1   **Internal Audit Key Performance Indicators (KPI)**

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

APPENDIX 2   Comparative Analysis of Internal Audit Plans

This financial years position as at 23rd December 2005.

Detail	Systems	Contract	Computer	Pro-Active	Follow ups	Totals	%age
Original number of audits	37	9	11	17	25	99	100
Final Number of Audits	38	11	11	17	25	102	100
Audits Completed to date	22	3	1	3	16	45	44.12
Audits at Formal draft stage	0	1	0	0	0	1	0.98
Audits at Consultation draft stage	1	1	2	1	0	5	4.90
Briefs issued	13	2	5	5	6	31	30.39
Still to be started	2	4	3	8	3	20	19.61
Total	38	11	11	17	25	102	100.00

Last years position as at 31st December 2004

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

APPENDIX 3 – STATEMENT ON INTERNAL CONTROL 2004/05 ACTION PLAN

| Significant Issue	Action	Responsibility	Timescale	Progress
1. Continue to improve the recovery of debt	• 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	• 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	• 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 & Business Continuity Manager	Ongoing	• 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	• Implement the consultation strategy developed by Communications. • Ensure that the consultation strategy contains effective monitoring and reviewing procedures.	ACE Strategy & Communications	Ongoing	• Completed. • Cabinet agreed strategy October 2005. • Purchase of e-consultation tools underway. • Communications

all sections of the community / other stakeholders and to put in place proper monitoring and reviewing processes to ensure that the strategy operates effectively.				• champions network established and being reviewed. • Review & monitoring arrangements/principals in the strategy and these are being set up. • Monthly customer satisfaction report in place. • Monthly corporate complaints report proposed. • User focus review completed and out for consultation. • 'Getting Involved' page operational.
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.	• Implement a single corporate system for monitoring complaints	Head of Customer Services	March 06	• A roll out of CRM functionality to support complaints monitoring has begun and a review is being undertaken by Barry Howlett.
5. There is a need to address the underlying difficulties in balancing the Social Services budget.	• Continue with special monitoring. • Progress actions identified to reduce overspends. • Assess the position for 2006/07 budget process.	Group Director Sustainable Communities Group Director Children's Services	Ongoing	• This plan now needs to be addressed by two Directorates: Adult and Children's Social Services. • Meetings continuing

				• Special reporting in place • Actions being monitored
6. Improve performance on specific grant returns.	• Awareness training. • Clear responsibilities. • Monitoring and reporting arrangements.	Head of Financial Services	Ongoing	• Protocol in place • Clear timescales exist and are monitored • Awareness training completed, further training planned for 2006 • 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 4   2005/2006 Budget Analysis

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

	April	May	June	July	August	September	October	November	December
Year to Date Budget	37,619	70,365	103,163	135,894	169,356	172,470	201,215	271,186	303,914
Year to Date Actual	5,520	34,705	46,174	101,449	106,102	108,922	108,922	183,157	209,595
Variance	**32,099**	**35,660**	**56,989**	**34,445**	**63,254**	**63,548**	**92,293**	**88,029**	**94,319**
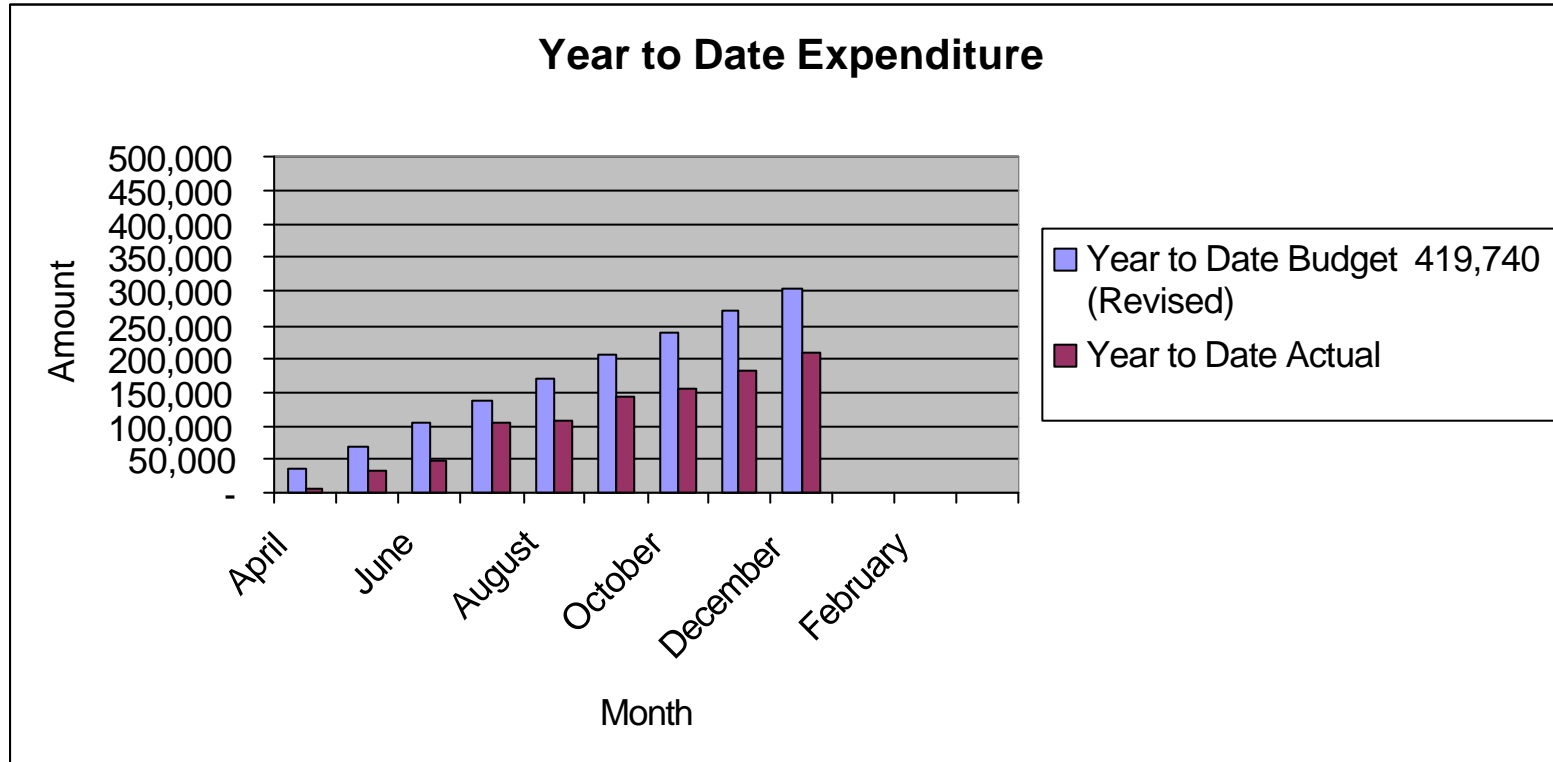
Appendix 5 Benefit Investigations 1st April 2005 – 31 December 2005

The 31 December 2005 results against targets are:

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

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

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

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

APPENDIX 6   AUDIT COMMITTEE – FORWARD PLAN/TRAINING

AUDIT COMMITTEE – FORWARD PLAN/TRAINING   BOLD = COMPLETED

FORWARD PLAN	TOPIC
9 February 2006	• **Audit Plan Agreed** • **DA Progress/Work** • **IA Client Report** • **Internal Audit Work** • Annual Letter Progress
4 April 2006 Check annual review of ongoing recs. in place.	• DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Report on activity to release to full Council • Receive Annual Letter 2004/05 • Training Programme inc RM
29 June 2006	• Annual Accounts • DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress
28 September 2006	• DA Progress/Work • IA Client Report • Internal Audit Work • Annual Letter Progress • Annual Grants Performance • Annual School Report • SAS 610 • Annual Review of Risk Management Arrangements
28 November 2006	• Annual Review of Anti Fraud and Corruption Arrangements • DA Progress

	- IA Client Report - Internal Audit work - Annual Letter Progress - Audit Plan Strategy
1 March 2007	- Agree Audit Plan - Annual Letter Progress - IA Client Report - Internal Audit work - DA Progress/work
24 April 2007 Check annual review of ongoing recs in place	- Agree Committee Annual Report - Receive Annual Letter 05/06 - DA Work Plan

MEETING	DATE	ITEM
AUDIT COMMITTEE	9 February 2006	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT STRATEGY AND PLAN FOR 2006/07

SUMMARY

A draft of the second year, of a three year strategic plan, was presented to Members at the last Audit Committee meeting held on the 8th December 2005. The draft has now been submitted to officers and comments received. As a result various amendments have been made which have resulted in an overall increase of 12 days . (See Appendix 1)

This report shows the risk based Internal Audit Plan for 2006/07 and puts 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 organisation's governance arrangements, risk management arrangements and key internal control systems, will be delivered.

RECOMMENDATIONS

1.   To approve the 2006/07 Internal Audit Strategy and Plan

REPORT DETAIL

1.   INTERNAL AUDIT PLAN 2006/07

1.1   The original three-year strategic plan was presented to and approved by the Audit Committee on the 26th January 2005. The compilation of the plan was based on the Council's risk registers, core systems audits and areas of the Council's activities where it was felt there were possible financial risks which should be subject to audit.

1.2   The Council has a duty under the Accounts & Audit Regulations 2003 to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control" . The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003, requires that Internal Audit should prepare a risk based audit plan. Finally, CIPFA's " Audit Committees: Practical Guidance for Local Authorities" issued in 2005, requires that the Audit Committee should formally approve the overall strategy and approve the annual programme of audits. The compilation of this plan and approval by the Audit Committee, demonstrates how the Authority is meeting these requirements.

1.3   The plan submitted to Members in December 2005 showed that there would be a requirement for 1253 audit days. As a result of discussions with officers, changes have been made which have increased the plan by a further 12 days. The annual plan is set out in Appendix 1 and a table showing amendments is set out in Appendix 2.

1.4   The audit plan is allocated into the following categories. The Core systems are shown in BOLD type on the plan and these total 72 days:

Audit area	Audit Days 06/07
Corporate Audits (cross-cutting reviews)	**99**
Systems Audits (by Directorates):	
Children's Services	**41**
Sustainable Communities	**86**
Public Realm	**37**
Finance & Commercial	**147**
International Standards on Auditing	**20**
Contract Audits	**134**
Computer Audits	**145**
Follow-up Audits	**58**
Pro-active Audits	**150**
Fraud Audits	**300**
Contingency	**48**
Total audit days	**1265**

1.5   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. These reviews are selected based on a risk assessment basis.

1.6   The Council is currently in the process of setting up the Housing ALMO which will be required to appoint appropriately qualified auditors to audit its "company accounts". The Interim Chief Executive has not, at this point in time, considered what audit services he will need and how this will be resourced. Should Internal Audit be asked to provide the service this will necessitate the appointment of temporary additional staff, the costs for which would be recharged to the ALMO.

1.7   There may be similar resourcing requirements for the Leisure Services and the Head of Culture & Leisure has been contacted regarding this matter but at the present time the resource requirement , if any, is not known.

1.8   It is intended that a full review of the original 3 year strategic plan will be undertaken during the summer of 2006 and rolled forward in order that a 3 year plan continues which :

•   Reflects the requirements of the Council's risk registers
•   Continues to focus resources on areas where any failures in financial or managerial control would most affect the Council in meeting its corporate objectives
•   Ensures strategic issues such as the CPA, Use of Resources , Statements of Accounts upon which our external auditors place reliance for "opinion" purposes are reviewed annually.

1.10   In accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2003, the Audit Manager prepares an annual audit report which shows the services performance against the annual plan and the overall opinion formed as to the effectiveness of the systems of internal control. This information feeds into the Council's Annual Statement on Internal Control.

1.11   The risk assessment for the routine audit work has been based on four criteria :

- Corporate importance
- Corporate Sensitivity
- Inherent Risk
- Control Risk

1.12   The risk assessment for pro-active audits has been based upon the :

- Likelihood from previous experience and audits
- Significance and impact of carrying out pro-active reviews

2.   Financial Implications and risks.

2.1   The service will be provided by the five in-house staff and additional resources to meet the total resource requirement will be provided by agency staff. Costs will be carefully monitored and reviewed to ensure that the budget is not exceeded. The budget for the Internal Audit service for 2006/7 is £476,590.

2.2   The audit plan reflects the minimum audit service that is required to provide assurance to Managers and to enable the external auditors to place reliance on the work of Internal Audit in order to form their "opinion " on the accounts. If for any reason external audit requires any additional assurance they may need to carry out additional work, the cost of which would be charged to the Authority.

3.   Legal Implications and risks:

None arising directly from this report

4.   Human Resource Implications and risks:

Agency staff will need to be appointed to supplement the In –house resources in order that the requirements of the plan may be met.

5.   Equality and Social Inclusion implications:

None arising directly from this report

Staff Contact: Sheree Hamilton
                         Client Manager Internal Audit

Telephone: (01708) 432946

E-mail: Sheree.Hamilton@havering.gov.uk

                                             STEPHEN EVANS
                                             Chief Executive

Background Papers

Risk Based Internal Audit Plan Year 2006/07
Accounts & Audit Regulations 2003
Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA 2003)
Audit Committees: Practical Guidance for Local Authorities (CIPFA 2005)

APPENDIX 1

HAVERING 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 including hospitality	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
ACE's	J Owen	Annual Review of BVPI's	20
Sub Total for Corporate Issues			**99**
Childrens Services	Ruth Jenkins	Child Protection	12
Childrens Services	Sue Allen	Commissioning of Transport Services within Childrens Services	17
Childrens Services	Sue Allen	Special Educational Needs	12
Sub Total for Children's Services			**41**
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**	**Housing Rents Collection / Arrears**	**10**

HAVERING RISK ASSESSED AUDIT PLAN FOR THE YEAR 2006/07			
Sustainable Communities	Peter Brennan	Vehicle Workshops	15
Sustainable Communities	Barry Kendler	Homelessness & B & B Accommodation	10
Sub Total for Sustainable Communities			**86**
Public Realm	Dylan Champion	Central Library	10
Public Realm	Mike Robinson	Management of car parks and parking meters	15
Public Realm	Mike Robinson	Building & Technical Services: Commissioning of works	12
Sub Total for Public Realm			**37**
Finance & Commercial	**Jeff Potter**	**Housing Benefits**	**10**
Finance & Commercial	**Jeff Potter**	**Council Tax**	**10**
Finance & Commercial	**Jeff Potter**	**NNDR**	**10**
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

HAVERING RISK ASSESSED AUDIT PLAN FOR THE YEAR 2006/07			
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	Income Controls	15
Finance & Commercial	Mike Stringer	Review of Statement of Internal Control	3
Sub Total for Finance & Commercial			**147**
Finance & Commercial	Mike Stringer	Review of systems to ensure we comply with International standards of Auditing	20
Sub Total for International Standards of Auditing			**20**
Contract Audits	Barry Kendler	Tendering Processes	15
Sustainable Communities	Various	Certificate Payments	12

APPENDIX 1

HAVERING RISK ASSESSED AUDIT PLAN FOR THE YEAR 2006/07			
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
Sustainable Communities	Various	Post Completion Assessment (Major works contracts)	12
Various	Various	Partnership Arrangements	12
Various	Various	Capital Monitoring	22
Sustainable Communities	Various	Contract management	12
Sub Total for Contract			**134**
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

APPENDIX 1

HAVERING RISK ASSESSED AUDIT PLAN FOR THE YEAR 2006/07			
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	Ray Whitehouse	GIS	15
Computer Audit	Mike Robinson	computer controls re the processing of parking tickets	15
Sub Total for Computer			**145**
Follow ups			58
Sub Total for Follow Ups			**58**
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	Unauthorised payments or in excess of entitlement		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	Incorrect payments, not authorised		15
Asset Control	No control on our assets		15
Renovation Grants	Incorrect grants given , work not carried out		10
Payroll Specific	Incorrect allowances		15
Council tax	Incorrect allowances		15
Sub Total for Pro-Actives			**150**
FRAUD INVESTIGATION CONTINGENCY			**300**
GENERAL CONTINGENCY			**48**
GRAND TOTAL			**1265**

ITEMS SHOWN IN BOLD ARE CORE FINANCIAL SYSTEMS

Appendix 2

Service	Audit	Original Days	Revised days	Plus/minus
ACE's	Annual Review of BVPI's will be required to assist the external auditors in their work	0	20	20
TOTAL CHANGES				**20**
Childrens Services	Pupil Forecasting. This work is now undertaken electronically and checked by the DfES	10	0	-10
Childrens Services	The Head of Service has requested that the scope of the audit be expanded to cover the commissioning of transport services within Childrens Services	12	17	+5
TOTAL CHANGES				**-5**
Sustainable Communities	Services to Housing Residents (Warden Services, Concierge, Caretaking & Anti Graffiti Teams) This work will be undertaken by the ALMO	15	00	-15
Sustainable Communities	Assessments & Allocations. This work will be undertaken by the ALMO	15	0	-15
Sustainable Communities	Homelessness & B & B Accommodation. It has been agreed with the Head of Service that due to the size of this activity the time allocation may be reduced	15	10	-5
Sustainable Communities	Vehicle Workshops moved from Public Realm to this service	0	15	15
TOTAL CHANGES				**-20**
Public Realm	Vehicle Workshops moved to Sustainable Communities	15	0	-15
TOTAL CHANGES				**-15**
Finance & Commercial	Council Tax. Due to the requirement for detailed testing by the Audit Commission and the use of test material for the ISA work resource requirement raised	7	10	3
Finance & Commercial	NNDR. Due to the requirement for detailed testing by the Audit Commission and the use of test material for the ISA work resource requirement raised	5	10	5
Finance & Commercial	Review of preparation of Statement of Internal Control.	0	3	3

Appendix 2

Service	Audit	Original Days	Revised days	Plus/min us
	Governance and Audit Committee procedures. Need to ensure that our documentation and statements meet required standards			
Finance & Commercial	Review of International Standards of Auditing. We need to ensure that the systems documentation and flow charts remain up to date and that there is sufficient testing of systems for the external auditors to place reliance upon our procedures and controls	10	20	10
TOTAL CHANGES				**21**
Contract Audits	Partnerships. Part of CPA needs to be covered thoroughly could include ALMO at year end	12	22	10
TOTAL CHANGES				10
Contingency	Time taken from the original time assessment for Children's services	0	5	+5
Contingency	Roundings to bring annual plan to a round figure	0	-1	-1
TOTAL CHANGES				+4
Follow Ups	Reduction in estimated audits that will require a follow up.2 further audits have received an unqualified opinion since the December audit committee	62	58	-4
TOTAL CHANGES				**-4**
GRAND TOTAL				**12**