

# AUDIT COMMITTEE

## AGENDA

7.30pm

Thursday,  
9 June 2005

Havering Town Hall  
Main Road, Romford

Members 6: Quorum 3

### COUNCILLORS:

**Conservative Group  
(3)**

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

**Residents' Group  
(2)**

Gillian Ford  
Barbara Reith

**Labour Group  
(1)**

Wilf Mills

**Note: The membership shown is subject to changes that may be necessary as a consequence of decisions following the Annual Council meeting held 25 May 2005.**

For information about the meeting please contact:  
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# NOTES ABOUT THE MEETING

## 1. HEALTH AND SAFETY

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

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

## 2. MOBILE COMMUNICATIONS DEVICES

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

## 3. CONDUCT AT THE MEETING

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

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

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

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

**AGENDA ITEMS****1. MEMBERSHIP**

To note the Membership of the Committee and the appointment of Chairman and Vice-Chairman.

**2. 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.

**3. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS (if any) - receive.****4. 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.

**5. MINUTES**

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

**6. AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2005/06 – Report attached****7. AUDIT COMMISSION PROGRESS REPORT JUNE 2005 - Report attached****8. 2003/04 AUDIT REPORT OF GRANT CLAIMS AND RETURNS - Report attached**

Audit Committee, 9 June 2005

9. **INTERNAL AUDIT PROGRESS REPORT 1 APRIL 2005 – 30 APRIL 2005** - Report attached
  
10. **CLIENT AUDIT MANAGER'S REPORT 1 APRIL 2005 – 30 APRIL 2005** - Report attached
  
11. **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

Tuesday, 26 April 2005 (7.30pm – 8.40pm)

### Present:

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

**Residents' Group** Councillor Barbara Reith

Apologies for the absence were received from Councillors Eddie Cahill, Gillian Ford, Wilf Mills and Daryl Williams

No member declared an interest in any matter under consideration

All decisions were made with no member voting against

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

### **38. MINUTES OF MEETING HELD 26 JANUARY 2005**

The Minutes of the meeting of the Committee held 26 January 2005 were agreed as a correct record and signed by the Chairman.

### **39. MEMBERSHIP**

The appointment of Cllr Barbara Reith replacing Cllr Jeffrey Tucker was noted.

### **40. AUDIT COMMISSION PROGRESS REPORT APRIL 2005**

A report updating the Committee on work completed by the Audit Commission since January 26 2005 and of work to be completed for the rest of the Financial year was presented to the Committee.

Officers from the Audit Commission informed the Committee that the 02/03 *final report* had now been issued. The 2003/2004 would be available by the next Committee meeting.

It was noted that the quality of Council accounts had improved but the quality of working papers could be improved upon to aid the final report preparation.

Members requested to know why grant claims reported was for period 2002/2003 and why it had taken so long to publish the report. Officers responded that it was due to additional information being requested and a number of the grant applications ran into the next financial year. However, a Grants Co-ordinator has since been appointed and submissions should now be quicker. It was reiterated that timeliness of submissions was an issue that all sides were aware of and working together. Officers from the Audit Commission stated that a draft report for 2003/2004 had been sent to Officers and this should be ready for the next meeting.

Audit Commission representatives informed the Committee that they had set up a workshop to aid officers. It was noted that Havering had one of the highest number of stragglers. The target however was to be the best on grant processing. It was further noted that issues were being addressed as they were identified and officers were using it as a learning process.

With regards to the final accounts, Members were advised that an opinion would need to be given by the end of October 2005. Officers confirmed that there was a plan in place to ensure that close down timetable was reached. It was noted that the process of closing down started in December 2004. Sharing of information with colleagues in other Boroughs was also being used as a training programme to assist in the closing down process.

Regarding long term debtors, officers confirmed that this was in hand.

Members **noted** the report.

#### **41. PROGRESS REPORT 2002/2003 ACTION PLAN FOR GRANTS**

A report informing the Committee on progress and action taken since the production of the Audit Commission report on audit of grant claims and returns for 2002/2003 was presented to the Committee.

It was noted that the final version of the Audit Commission's 2002/2003 report on the audit of grant claims and returns had been produced in February 2005. Officers informed the Committee that there was now an action plan in place and this would improve performance.

Officers further confirmed that quality control had been built into the Council's internal processes. There were issues around working papers but this had been picked up and ways of improving on existing

practices was part of the action plan. Officers confirmed that an update report would be sent to the Committee.

Members **noted** the progress and action taken against the 2002/2003 action plan.

#### **42. INTERNAL AUDIT PROGRESS REPORT 1 JANUARY 2005 – 31 MARCH 2005**

A report advising the Committee of audit issues from internal audit activities for the period 01 January 2005 to 31 March 2005, including management summaries from the internal audit work was presented to the Committee.

Five schedules were included in the report, they were:

- Schedule 1 detailed the 2004/2005 work completed to the draft and final report stage as well as outstanding works for the mentioned period.
- Schedule 2 contained management summaries for audits completed to final report stage between 1 January and 31 March 2005.
- Schedule 3 contained management summaries for the follow-up audits completed between 1 January and 31 March 2005.
- Schedule 4 was a brief synopsis of the fraud and investigations work between the 01 December and 28 February 2005.
- Schedule 5 were responses given by PPS-Acit on queries raised at the last Committee meeting.

Officers confirmed that a vast number of work in progress reports were being worked on, including the reports on the BACs and Novell systems.

With regards to Council tax benefits, Members requested that it be clarified if claimants who got top-ups on their income and do not receive the full element of Income Support or Job seekers Allowance, have their Housing Benefit and Council tax paid for them. Officers agreed to send a response to Members.

Regarding road closures and crossovers, members requested to know if all monies owed had been recovered. Officers responded that more work was needed but recommendations had been taken on board and were in hand.

Officers confirmed that business continuity was now in hand the Emergency Planning Officer was now in post and a report had been produced on business continuity. Members recommended that it be referred to the lead member.

Regarding the Corporate Debtors System, Members noted that a qualified opinion had been given. Officers confirmed that recommendations had been accepted and were being addressed. Up to date charging on line was now the process and back logs were being cleared. In addition to that , a Litigation Officer had been appointed and this was proving to be very successful.

With regards to issuing variation orders, the Audit Commission gave a qualified opinion. Officers confirmed that recommendations were being taken on board and implemented.

On the Parking Collection and write-offs, officers informed Members that they were finding problems around accruals, but good progress had been made, as all recommendations had either been implemented or were being addressed.

Members **noted** the report.

#### **43. CLIENT AUDIT MANAGER'S REPORT 1 JANUARY 2005 – 31 MARCH 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
- Progress on the re-tendering of the internal audit contract
- Statement of Internal Control Action Plan
- Progress on Fraud and Corruption Action Plan
- Budget Analysis
- Benefits Investigation
- Risk Management issues

The Client Audit Manager asserted that a lot of improvement had been made since the last Committee and there are a lower number of outstanding recommendations.

Regarding high priority recommendations, the practice of inviting Heads of Service to the Committee to explain why recommendations had not being implemented would continue .

Lastly, Members were advised that work on the Statement of Internal Controls for 2004/2005 will be starting shortly. The risk register was also being updated and reviewed.

Members **noted** the report.



#### **44. AUDIT AND INSPECTION ANNUAL LETTER 2004**

The Audit and Inspection Annual Letter 2004 was presented to the Committee. An action plan was prepared to report progress on the recommendations contained within the Annual Letter.

It was noted that progress against the action plan will be reported to future meetings of the Committee.

Members **noted** the Annual Letter and **agreed** the action plan.

#### **45. 2003/2004 PERFORMANCE INDICATORS**

A report detailing the audit done by the Audit Commission on the Council's statutory performance indicators was presented to the Committee.

It was noted that best value legislation placed the Council under a duty to seek continuous improvement in the way in which it exercises its functions. Performance Indicators were meant to reflect the broad range of local services, to prevent performance or resources being skewed in favour of areas with a greater weight of indicators.

Members **received** and **noted** the Best Value Performance plan audit report.



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MEETING	DATE	ITEM
AUDIT COMMITTEE	09 June 2005	6

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

**SUBJECT: AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2005/2006 –**  
Report attached.

#### **SUMMARY**

This report informs the Committee, of the audit work that the Audit Commission propose to undertake during 2005/06.

#### **RECOMMENDATIONS**

To note the contents of the report.

#### **REPORT DETAIL**

See Attached report from the Audit Commission

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

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

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

None arising directly from this report

**Human Resource implications and risks:**

None arising directly from this report

**Equalities and Social Inclusion implications:**

None arising directly from this report.

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**STEPHEN EVANS**  
**Chief Executive**

**Background Papers**

None

# Audit and Inspection Plan

## London Borough of Havering

### INSIDE THIS PLAN

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- Appendix 2 - Audit and inspection fee
- Appendix 3 - Planned outputs
- Appendix 4 - The Audit Commission's requirements in respect of independence and objectivity

<b>Reference:</b>	HA025 Audit Plan
<b>Date:</b>	April 2005

## Introduction

This plan sets out the audit work that we propose to undertake in 2005/06. The plan has been drawn up from our risk-based approach to audit planning and reflects:

- the impact of the new Code of Audit Practice which comes into effect in April 2005;
- your local risks and improvement priorities;
- current national risks relevant to your local circumstances; and
- the impact of International Standards on Auditing (UK and Ireland) (ISAs).

Your relationship manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.

## Our responsibilities

In carrying out our audit and inspection duties we have to comply with the statutory requirements governing them, and in particular:

- the Audit Commission Act 1998 and the Code of Audit Practice (the Code) with regard to audit; and
- the Local Government Act 1999 with regard to best value inspection and audit.

The Code has been revised with effect from 1 April 2005. The key changes include:

- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
- a clearer focus on overall financial and performance management arrangements.

Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual Statement on Internal Control (SIC).

Further details for the new Code are set out in Appendix 1.

## The fee

The total fee estimate for the audit and inspection work planned for 2005/06 is £400,000 (2004/05: £435,000). The fee is based on the Audit Commission's fee guidance contained within its operational plan and reflects the Council's Comprehensive Performance Assessment (CPA) overall score of 'fair'.

Further details are provided in Appendix 2 including the assumptions made when determining the fee.

Changes to the plan and the fee may be necessary if our risk assessment changes during the course of the audit. We will formally advise you of any changes if this is the case.

## Summary of key audit and inspection risks

This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:

- provide an opinion on your financial statements;
- provide a conclusion on your use of resources;
- provide a scored judgment on the use of resources to feed into the CPA process; and
- provide a report on the Council's Best Value Performance Plan (BVPP).

Our planned work takes into account information from other regulators, where available. Where risks are identified that are not mitigated by information from other regulators, or your own risk management processes, including Internal Audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.

The expected outputs from this work are outlined in Appendix 3.

## CPA and inspections

Following the Council's classification as a fair council in the December 2004 CPA update, we have applied the principles of strategic regulation recognising the key strengths/weaknesses in Havering's performance. These include:

- improvements in planning, housing benefits, social care services and aspects of housing services (although from a low base in the case of housing);
- continued high performance in education;
- less progress in areas such as street services and libraries and leisure;
- improved clarity about priorities and where improvement is needed;
- greater involvement of partners in planning council services;
- continued investment in areas such as new technology to support further improvement and improved capacity with reserves being built up, more staff training and reduced sickness rates;
- improved risk and performance management arrangements, although these mechanisms need to be improved in specific services; and
- the need for further work to ensure better engagement with residents and the delivery of real improvements through partnerships.

As a consequence, our inspection activity will focus on environment (waste collection and recycling) or culture.

SUMMARY OF INSPECTION ACTIVITY	
Inspection activity	Reason/impact
Direction of travel statement.	To be included in CPA scorecard and to provide focus for continuous improvement.
Service inspection of culture.	Cultural services need to be improved as they score relatively poorly at present and have not been subject to any previous inspection.

## Use of resources

The new Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources. In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements.

We are also required to audit the Council's annual performance plan. To meet this responsibility we will consider, and report on, the Council's compliance with statutory requirements in respect of the preparation and publication of its Best Value Performance Plan.

Using our cumulative knowledge and experience, including the results of previous work and other regulators' work, we have identified the following areas of audit risk to be addressed. The majority of this work, with the exception of the review of partnerships, will comprise a brief follow-up review to assess progress on implementing previous recommendations in order to ensure our assessment of the Council's arrangements is accurate. Where this assessment is also required for the 2005 CPA scorecard, this work will need to be completed by September 2005 (as indicated in Appendix 3).

SUMMARY OF USE OF RESOURCES AUDIT RISKS	
Audit risk	Response
Given the likely direction of government policy in relation to adults' and children's services, effective partnership working arrangements need to be developed, in particular between social services and the health sector to facilitate delivery of the joined-up agenda.	Review of the effectiveness of partnership working through a number of probes. Possible probe areas include the Local Strategic Partnership, the North East London Partnership, information technology, community safety, older people's services and response to the Richard enquiry.
The Human Resources service is a 'fair', one-star service that has promising prospects for improvement. The service remains largely service focused rather than strategic and employee relations were a concern at the time of our inspection. The Council continues to experience difficulties in recruitment and retention.	Follow-up of previous Human Resource inspection and recruitment and retention review.
Performance management has been strengthened, but needs to be improved in specific services. There also needs to be better use of performance targets to focus scarce resources and to demonstrate improvements.	Follow-up previous performance management reviews using a number of probes.
Project management arrangements are being introduced although work is required to ensure that they are used consistently and effectively across the Council.	Follow-up previous review including testing the application of project management arrangements through a number of probes.

Audit risk	Response
Risk management is now embedded at the top of the organisation and work is continuing to cascade the new approach and system to all levels.	Review of risk management arrangements through a follow-up of our 2004/05 recommendations and testing embeddedness through probes into areas such as ALMO, single status and insurance.
A number of user-focus initiatives are already in place but there are a number of areas where the arrangements, and in particular the focus on community engagement, could be further strengthened.	Follow-up of implementation of recommendations from 2004/05 reviews of user focus and customer access follow-up.
Continued overspends in social services and the potential financial impact of the decent homes initiative on the HRA need to be addressed as part of the ongoing development of robust medium term financial planning.	Review of the Council's MFTS, including budget preparation and monitoring procedures across the Council and in specific areas such as social services and housing.
The need to comply with new legislation such as the Civil Contingencies Act, Disability Discrimination Act and Race Relations act.	Review of the Council's arrangements to comply with new legislation.
We need to understand your arrangements for ensuring value for money in order to give a sound conclusion on them. We therefore need to update our knowledge on areas that have not been subject to recent external audit review.	Review of arrangements for asset management (to feed into 2005 CPA).
Our audit of the Council's 2003/04 Best Value Performance Plan and associated performance information resulted in a large number of amendments and five reservations, of which three related to information provided by the metropolitan police. This position was only achieved through the considerable efforts of officers in the Performance Team and audit staff.	Additional audit work will be required to ensure the issues identified in our previous audit have been addressed and all performance indicators are accurately reported in 2004/05.

## Financial statements

We will carry out our audit of the 2005/06 financial statements and have regard to the newly introduced ISAs.

We are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the statement is misleading or inconsistent with our knowledge of the Authority.

On the basis of our preliminary work to date we have identified the following audit risks.

SUMMARY OF OPINION RISKS	
Opinion risks	Response
Failure to meet the earlier approval and audit deadlines imposed by the whole of government accounts.	We will continue to work with officers to further improve the processes supporting the production and audit of the accounts.
We need to document and review all the material systems that feed into the financial statements.	We will document and review the key controls within all material systems, relying on the work of internal audit where possible.



However, we have yet to undertake the audit of the 2004/05 financial statements and our 2005/06 financial statements audit planning will continue as the year progresses. This will take account of:

- the 2004/05 opinion audit;
- our documentation and initial testing of material systems; and
- our assessment of the 2005/06 closedown arrangements.

When we have finalised our risk assessment in respect of your financial statements, we will update our plan in advance of the audit detailing our specific approach, including any impact on the fee quoted above.

## Grant claim certification

We will continue to certify the Council's grant claims.

- Claims for £50,000 or below will not be subject to certification.
- Claims between £50,001 and £100,000 will be subject to a reduced, light touch, certification audit.
- Claims over £100,000 have an audit approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced audit approach for these claims.

## Voluntary improvement work

We are not proposing to undertake any voluntary improvement work.

## The team

Name	Title
Jon Hayes	Relationship Manager and Appointed Auditor
Debbie Hanson	Lead Audit Manager
Nick Beth	Audit Manager
Janette Whitfield	Area Performance Lead
Mohammed Kazi	Audit Team Leader
Ade Alabi	Audit Team Leader

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

In relation to the audit of your financial statements we will comply with the Commission's requirements in respect of independence and objectivity as set out at Appendix 4.

## Future audit plans

As part of our planning process, we have taken the opportunity to look at potential issues for future years' programmes. We will discuss these in more detail as the audit year progresses.

## 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.*

*ISA 260 ('Communication of audit matters to those charged with governance') requires us to report relevant matters relating the audit to those charged with governance. For the Council, we have previously agreed that this responsibility will be discharged by reporting relevant matters to the Audit Committee.*

## The new Code of Audit Practice

### The Audit Commission's objectives in revising the Code

The Commission's objectives in revising the Code are to achieve the following key outcomes:

- a more streamlined audit targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, with a focus on audited bodies' corporate performance and financial management arrangements; and
- better and clearer reporting of the results of audits.

The new Code has been developed on the basis of the Commission's model of public audit, which defines auditors' responsibilities in relation to:

- the financial statements of audited bodies; and
- audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources.

### The main changes being made through the introduction of the new Code

The main changes being introduced through the new Code are:

- auditors' three responsibilities under the old Code, in relation to the financial aspects of corporate governance, the accounts and performance management, will be replaced by two responsibilities in relation to the accounts and use of resources, thereby mirroring their statutory responsibilities under the Audit Commission Act 1998. Auditors' work in relation to the financial aspects of corporate governance will in future largely be covered by their work on the accounts – reflecting recent developments in auditing standards – with audit work in relation to financial standing carried out as part of the work in relation to the use of resources;
- a clear focus, in auditors' work on audited bodies' arrangements for the use of resources, on overall financial and performance management arrangements. This work supports a new requirement for an explicit annual conclusion by the auditor in relation to audited bodies' arrangements for securing value for money in the use of their resources;
- a more explicit focus on improvement (through the risk assessment process) and on the need for auditors to have regard to the risks arising from audited bodies' involvement in partnerships and joint working arrangements and, where appropriate, to 'follow the public pound' into and across such partnerships;
- an emphasis on clearer, more timely reporting based on explicit conclusions and recommendations; and
- a new style narrative audit report to meet statutory and professional requirements.

## Audit and inspection fee

Audit area	Plan 2004/05	Plan 2005/06
Accounts	*	205,000
Use of resources	*	137,000
<b>Total audit fee</b>	<b>304,000</b>	<b>342,000</b>
Inspection	131,000	58,000
<b>Total audit and inspection fee</b>	<b>435,000</b>	<b>400,000</b>
Grant claim certification	200,000	195,000
Voluntary improvement work	0	0

\* Comparative information is not available for 2004/05 due to the change in the Code of Audit Practice which has reduced the three areas under the old Code to two areas.

The total audit and inspection fee compared to the indicative fee banding equates to 16 per cent above mid-point.

The fee (plus VAT) will be charged in 12 equal instalments from April 2005 to March 2006.

## Assumptions

In setting the fee we have assumed:

- you will inform us of significant developments impacting on our audit;
- Internal Audit meets the appropriate professional standards;
- Internal Audit undertakes appropriate work on all material systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit recognising the shift in requirements introduced by the International Standards on Auditing (ISA);
- officers will provide good quality working papers and records to support the accounts;
- officers will provide requested information within agreed timescales; and
- officers will provide prompt responses to draft reports.

Where these requirements are not met, we will be required to undertake additional work which is likely to result in an increased audit fee.

Changes to the plan will be agreed with you. These may be required if:

- new risks emerge; and
- additional work is required of us by the Audit Commission or other regulators.

## Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Start date	Draft due date	Required for 2005 CPA	Key contact
Audit plan*	February 2005	31 March 2005	No	Audit Manager
Culture Inspection published report	August 2005	September 2005	Yes	Performance Lead
BVPP opinion and BVPI audit memorandum	July 2006	September 2006	No	Audit Manager
Audit opinion and report to those charged with governance (ISA 260)	August 2006	September 2006	No	Audit Manager
Final accounts memorandum	July 2006	October 2006	No	Audit Manager
Partnerships review report	January 2006	April 2006	No	Performance Lead
Human resource and recruitment and retention follow-up	February 2006	April 2006	No	Performance Lead
Performance management follow-up	July 2005	September 2005	Yes	Performance Lead
Project management follow-up	November 2005	January 2006	No	Performance Lead
Risk management follow-up	July 2005	September 2005	Yes	Audit Manager
Customer access and user focus follow-up report	March 2006	May 2006	No	Performance Lead
Key issues note from review of the MTFS	April 2005	April 2005	Yes	Audit Manager
Assessment of arrangements to comply with new legislations	July 2005	September 2005	Yes	Audit Manager
Summary of value for money conclusion for 2005 CPA	July 2005	October 2005	Yes	Audit Manager
Annual audit and inspection letter (including direction of travel assessment)	October 2006	16 December 2006	No	Relationship Manager

\* To be revisited during the year to reflect outcome of 2004/05 final visit and 2005/06 interim visit.

## The Audit Commission's requirements in respect of independence and objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with ISAs when auditing the financial statements. ISA 260 requires auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. Ethical standard 1 also places requirements on auditors in relation to integrity, objectivity and independence.

The ISA defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Board on matters which are considered to be of sufficient importance.

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director;
- audit staff are expected not to accept appointments as lay school inspectors;
- firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned;
- auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence;
- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;

- auditors are expected to comply with the Commission's policy for both the District Auditor/Partner and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements);
- audit suppliers are required to obtain the Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body; and
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.



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MEETING	DATE	ITEM
AUDIT COMMITTEE	09 June 2005	7

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## **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: AUDIT COMMISSION PROGRESS REPORT JUNE 2005**

### **SUMMARY**

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

### **RECOMMENDATIONS**

To note the contents of the report.

### **REPORT DETAIL**

See Attached report from the Audit Commission

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

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

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

None arising directly from this report



**Human Resource implications and risks:**

None arising directly from this report

**Equalities and Social Inclusion implications:**

None arising directly from this report.

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**STEPHEN EVANS**  
**Chief Executive**

**Background Papers**

None

Progress report:  
June 2005  
London Borough of  
Havering

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**Summary report**

- Introduction
- Finalised reports

PAGE 3

**Appendix 1**

- Progress in delivering the 2003/04 and 2004/05 Audit and Inspection Plans

**Appendix 2**

- Summaries of reports issued and action plans

<b>Reference:</b>	LB Havering Progress report - June 05 final
<b>Date:</b>	May 2005

## Introduction

The purpose of this report is to update the June 2005 Audit Committee on work completed since the last Audit Committee of 26 April 2005 and the work to be completed during the rest of the year.

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)
- detailed summaries from all audit and inspection reports issued since the last progress report along with completed action plans to address recommendations made in Appendix 2.

## Finalised reports

The following report has been finalised since the last Audit Committee:

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

The summary reports and action plans for the first two of these reports are included at Appendix 2. Although the 2003/04 grant claims report was not finalised in time for distribution with the Audit Committee papers, the report has been discussed at length with officers and the key messages and recommendations agreed. As the next relevant meeting of the Audit Committee is not until October 2005, it was agreed with officers that the summary report and action plan would be included in this progress report in order to provide members with a timely update on the 2002/03 position. The 2005/06 Audit and Inspection Plan was finalised in April and is included as a separate item on the Audit Committee agenda.

## 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 non-Executive Directors/Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Director/Member or officer in their individual capacity, or to any third party.*

## Progress in delivering the 2003/04 and 2004/05 Audit and Inspection Plans

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
<b>2003/04 A&amp;I Plan</b>					
<b>Planning and reporting</b>					
Annual Letter 2003/04	CE & EDF&P	October 2004	December 2004	January 2005	Draft discussed with CE, ACES&C and EDF&P on 20 December 2004. Final version issued in January 2005. Reported to the Audit Committee in April 2005 following presentation to Cabinet and lead members on 9 February and 31 January respectively.
<b>Accounts</b>					
Audit of Financial Statements 2003/04	EDF&P	August 2004	November 2004 (opinion and SAS 610 report)	30 November 2004 (opinion)  24 November 2004 (SAS 610 report)	Audit started in August 2004 and unqualified opinion issued on 30 November. SAS 610 issues reported to the Audit Committee on 24 November.
			December 2004 (report)	29 March 2005 (report)	Draft accounts report issued to officers on 7 February and meeting to discuss held on 25 February. Amended draft issued 4 March 2005 and final comments received 18 March.
<b>Grant claims</b>					
Report on 2002/03 claims	EDF&P	October 2003	March 2004	17 February 2005	Overall report delayed due to ongoing work on some claims. Draft report issued in August. Initial discussions were held with officers on 23 September and officers' detailed comments were received on 28 October. Report amended to include more detail and issued to officers on 13 December. Officers' response received on 14 January 2005 and meeting to discuss comments held on 2 February 05.

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
<b>2004/05 A&amp;I Plan</b>					
<b>Planning and reporting</b>					
Annual Letter 2004/05	CE & EDF&P	October 2005	December 2005		
<b>Accounts</b>					
Review of Core Processes 2004/05	EDF&P	March 2005	July 2005		Set up meeting held 15 March 2005 and work close to completion.
Audit of Financial Statements 2004/05	EDF&P	July 2005	October 2005 (Opinion and SAS 610 report) December 2005 (Report)		
<b>Financial aspects of corporate governance</b>					
Corporate governance arrangements	EDF&P	March 2005	August 2005		Work in progress
<b>Grant claims</b>					
Report on 2003/04 claims	EDF&P	November 2004	March 2005	June 2005	Draft report issued to officers on 21 March 2005. Meeting held on 28 April to discuss comments received on 15 April. Amended report issued to officers on 24 May following redrafting. Report agreed and action plan to be completed.
<b>Performance indicators/plan audit</b>					
BVPP compliance audit	ACES&C	August 2004	December 2004	21 December 2004	Work completed and checklist submitted for Regional quality assurance. Formal opinion issued on 21 December 2004.

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
BVPP PI audit	ACES&C	July 2004	September 2004 (Submission)  December 2004 (Report)	30 September 2004  4 February 2005	Work completed and final submission made on 6 September with seven qualifications to six PIs. Following extension to the deadline to 30 September to allow officers to provide further information to reduce the number of reservations, the number was reduced to two. In addition to this seven community safety PIs were qualified as a result of problems in obtaining accurate data from the Met police (this was a London wide issue).  Feedback meeting held to discuss key issues and draft report issued to officers on 7 January 2005. Final issued 4 February 2005.
<b>Comprehensive performance assessment</b>					
Qualitative assessment of continuous service improvement (Direction of travel report)	CE and ACES&C	September 2004	November 2004	7 January 2005	Early draft report issued on 25 November and discussed with CE and ACES&S in December. Final report issued January 2005 for internal purposes only.
<b>Performance work</b>					
User focus tool feedback	ACES&C/EDCA &C	June 2004	September 2004	13 December 2004	Work providing external challenge to BVR of Community Leadership and completing user focus tool largely completed and draft report provided to officers on 13 October. Final report delayed to enable comments on the Council's BVR report to be incorporated.
E-government follow up	Ray Whitehouse	July 04	November 2004	21 December 2004	Set up meeting held on 19 July. Final terms of reference issued on 9 July. Draft report issued to Head of E-Government Technology Services on 13 October. Response received late December.
Customer access inspection follow up	EDCA&C	November 2004	April 2005	4 May 2005	Has been linked to user focus work. Set up held on 24 November. Fieldwork completed and draft report issued 3 March. Feedback meeting held 8 April and amended report issued 8 April. Completed action plan provided by officers on 26 April. Final report issued 4 May.

Key Area of Audit Plan	Named Contact	Start	Target completion date	Final report Date	Comment
ICT review	EDCA&C	TBC	TBC		Preliminary risk assessment completed and detailed scope of work now to be agreed. Draft terms of reference sent to EDF&P on 10 Jan 05 and passed to EDCA&C on 13 Jan 05. Awaiting officer agreement.
Capital planning and management	EDF&P	N/A	N/A	N/A	Meeting held with Head of Financial Services in April and Audit Commission to provide good practice guidance where available as initial part of this review. Some limited guidance provided in July 2004. Further discussions have been held with officers and it has been agreed that no further support and guidance can be provided under the Code of Audit Practice. Time will be rolled forward to 2005/06 to support work required on asset management in use of resources judgement.
VFM follow up	ACES&C	N/A	N/A	N/A	No further work required as all previous studies followed up through specific pieces of work in the Audit and Inspection Plan.
<b>Inspections</b>					
Housing	EDH&R	January 2005	April 2005		On site 17 January 2005. Work completed and draft report sent to officers on 11 March 2005. Feedback meeting held with officers on 18 May and score confirmed as 'one star service with promising prospects for improvement'. Final report to be issued in early June.

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
EDF&P	Executive Director Finance and Planning
EDSS	Executive Director Social Services
EDCA&C	Executive Director Customer Access and Culture
ACEHR	Assistant Chief Executive Human Resources
EDH&R	Executive Director Housing and Regeneration

## Summaries of reports issued and completed action plans

### Customer Access to Services Follow-up

#### Introduction

Good customer access to services can make a significant difference to the quality of experience people have when using public services. Recognising the inherent weaknesses in accessing services, Havering Council (the Council) undertook a Best Value Review (BVR) of this service between May 2001 and February 2002. The BVR covered the customer, libraries, cultural and e-Government service directorate. The Audit Commission's subsequent inspection and report, published in summer 2003, identified the service as a 'fair one star' service with promising prospects for improvements. A number of strengths as well as weaknesses were identified. This follow-up review, agreed as part of the Audit Commission's 2004/05 external risk based audit and inspection plan, has assessed improvements made by the Council since the publication of our final report and recommendations.

#### Background

There are a number of drivers that influence provisions of access to services. These include electronic access (e-government), the Race Relations (Amendment) Act 2000, requiring local authorities to publish a Race Equality Scheme by 31st May 2002, and the Disability Discrimination Act (DDA) 1995 requiring services and facilities to be accessible to people with physical or sensory impairments or other special needs by 1 January 2004.

There are also local influences particular to Havering such as a growing ageing population and a thriving local economy. Since undertaking the BVR the Council has opened its Public Advice and Service Centre (PASC) in partnership with the Havering Local Strategic Partnership. This is a multi agency customer service centre which was highly commended by the 2004 Municipal Journal Customer Services Awards. Work has also continued to develop the Customer Relationship Management (CRM) information technology system and to improve customer services.

#### Scope and objectives

We agreed with the Council that the scope of our follow up review would be to identify its progress in delivering continual service improvements related to the key areas of focus identified in our initial review. These are the CRM system, the PASC and the corporate Call Centre.

Our key objectives were to assist the Council by:

- providing an objective assessment of the robustness of the current customer access arrangements, and progress made since our previous inspection
- identifying the strengths and areas for further improvements of the overall current arrangements
- contributing to ongoing risk management in customer access services.



## Audit approach

The audit techniques used during this follow up review consisted of:

- re-visiting recommendations from our previous inspection report to assess the Council's progress with their implementation as evidenced by their submitted self assessment
- undertaking a data analysis of national and local performance indicators
- examining qualitative measures such as user satisfaction surveys
- undertaking a 'reality check' visit to the PASC to observe the service user experience
- undertaking a 'reality check' visit to the new advice and service centre at Upminster library
- review of key documentation
- interviews with nominated staff, managers, lead Councillors and voluntary sector representatives.

The fieldwork for our follow up review was undertaken between December 2004 and mid February 2005. We also ensured that the results of our User Focus and e-Government reviews informed our follow up review.

## Main conclusions

The Council has, within the context of a changing environment, demonstrated an active willingness and commitment to implement the key recommendations from our initial review. This is evidenced in the Council's self assessment, included in the detailed report grid section, and supported by a wide range of documentary evidence.

Good progress has been made in a number of key areas. These include:

- opening the Romford Public Advice and Service Centre (PASC) in June 2003 and the Upminster Library, Advice and Service Centre in January 2005
- focusing on improving the quality of customer services through the development of highly trained and motivated staff
- development and ongoing implementation of a clear strategic direction for customer services
- considerable effort to improve the collection and analysis of performance information in the key areas of customer services
- comprehensive arrangements put in place for monitoring standards against key performance indicators (PIs)
- significant attention given to addressing equality and diversity issues with designated 'champions' at Councillor and officer levels and Council-wide training for all staff.

However, the following key areas of improvement still need to be addressed:

- establishing a baseline for measuring savings
- consistent measurement and monitoring of published customer standards and targets
- agreeing and accelerating the timetable for services transferring to the Call Centre and PASC
- sustained focus on achieving the requirements of the DDA 1995
- further development of the website to enable electronic transactions and improve accessibility

- ongoing focus on diversity to maximise customer access to services.

Detailed findings and conclusions are included in the report grid in the next section. Below are conclusions for the main themes assessed in our review linked to the key areas of focus: CRM, PASC and the Call Centre.

## Strategic commitment

The strategic objectives for customer services are clearly identified in key corporate and directorate documents. These include an updated customer services strategy and an overall strategic plan with core values and priority objectives. Service management and reporting arrangements have been strengthened in line with the Council's improved application of performance management. This includes regular formal reporting to the Director, Chief Executive and Cabinet.

Funding has been identified in the medium term financial strategy and efficiency savings have been achieved although a baseline for measuring savings is not yet in place. It is expected that further savings will be realised with the migration of additional services to the Call Centre although a timetable for this has not yet been agreed.

## Operational focus

Revised performance standards for customer services were launched in October 2003 and widely publicised on posters, via team briefings and produced as mini information cards for staff. Standards were also widely available to service users through the customer services plan, website and council tax leaflets and posters in accessible outlets including the PASC. Monitoring of the new standards is undertaken by service user surveys and telephone call monitoring for staff training and development. A formal mechanism for ensuring compliance with performance against the agreed standards is, however, not yet in place.

Each service within the directorate has a business plan with direct links to the corporate and customer services strategies. These plans also specify targets with milestones most of which are currently on schedule to be achieved within agreed timescales. The migration of all services to the single corporate Call Centre and the PASC is underway but a timetable for this process is not yet in place.

A programme of work, supported by approved funding, has been agreed to meet the Council's DDA requirements and staff awareness training has also been undertaken. The principal customer services access points are fully accessible and improvements are evident to other Council buildings. A major libraries' refurbishment programme is underway and this will result in more Council buildings becoming fully accessible. However, overall progress to make Council buildings accessible to disabled people is slow in comparison with other London boroughs.

The Council has made good progress with its plans to open information and advice centres. The first PACS was opened in June 2003, and exit and other customer feedback suggest this service is highly regarded by users. Well advanced plans are in place to open other local advice and service centres in accessible locations across the Borough. The first of these, sited in the refurbished Upminster library, opened in January 2005.

The size of the corporate Call Centre continues to increase with the inward migration of services which has led to cost reductions. It is anticipated that the addition of more services will lead to further reductions. The Centre now includes a range of useful services in line with customer requirement such as Streetcare Services, housing repairs, environmental health, debit card payments and corporate complaints.

The Council is aware of the need to measure service user satisfaction and has put in place a programme of monthly and annual surveys and complaints system in all key customer areas.

Feedback is included in the formal performance reporting and monitoring to senior management and Councillors.

The CRM system continues to support the front office function with instant access to user information. It will be rolled out across the Council to assist with the monitoring and management of complaints and correspondence handling by 31 March 2005. However further work is required for further additions to the website to enable electronic on line payments.

## Performance management

The Council has strengthened its collection and use of performance information to improve key areas of service delivery. Performance information is collected, reported to Councillors and reviewed by Cabinet on a regular basis. Internal standards for customer services have been implemented and communicated to users, partners and staff. To encourage performance improvement staff are regularly trained and customers are actively encouraged to contribute to the service user surveys. Performance of customer services is discussed at regular meetings with the Chief Executive, Councillors, Director and Heads of Service. Monitoring of demands for services needs to continue to ensure delivery reflects user needs.

The Council still needs to address areas of performance where improvements are required. Data analysis indicates that although there has been sustained improvement for enabling electronic interaction with service users, work is still required to improve performance against DDA requirements and overall waiting time in the Call Centre. Analysis of the Council's comparative performance for public buildings with facilities for people with disabilities (BV156), and percentage of e-enabled interactions (BV157), between 2001/02 and 2003/04 showed that for BV156 performance had slipped each year from 23<sup>rd</sup> to 28<sup>th</sup>. Encouragingly however, performance for BVPI157 has improved from 30<sup>th</sup> to 15<sup>th</sup>.

The Council belongs to the London-wide customer services benchmarking group. However, it continues to experience difficulty in capturing the true transaction costs of other councils' for comparison purposes. Further work is required within this group to address this.

## Equality and diversity

In line with good practice the Council has appointed a Councillor and lead officer to 'champion' equality and diversity issues. Customer services are represented at head of service level on the corporate equality and diversity group. Council-wide training of staff is well advanced. The customer services directorate has recently agreed to commission further mandatory race awareness staff training.

A profile of service users is monitored through the monthly satisfaction surveys. An equalities impact assessment has also been completed and work is progressing well to agree an action plan. Arrangements for translation and interpretation services are in place and well publicised. Local performance indicators have been set to measure progress.

The Council is keenly aware of its role in developing community cohesion. It acknowledges that this will require a sustained focus on equality and diversity to maximise customer access to services. The use of a recognised framework such as the Equality Standard and PIs will support the Council in delivering equality for employment and service delivery.

## Priority recommendations

Below are the priority recommendations. Recommendations for each of our review's key themes follow in the detailed report section.

Priority recommendations	
R2	Develop a formal process to ensure consistency and compliance of performance measurement and monitoring against published customer standards and targets.
R3	Agree and accelerate the timetable for the migration of services to the corporate Call Centre and PASC.
R4	Ensure the achievement and ongoing monitoring of top quartile performance for improving access to public buildings to meet DDA deadlines.
R8	Continue to use benchmarking comparisons and incorporate in performance reporting in key areas particularly: <ul style="list-style-type: none"> <li>• BVPI 156 Percentage of buildings accessible for disabled people</li> <li>• cost comparisons</li> <li>• average waiting times for calls.</li> </ul>
R9	Continue to fulfil the community cohesion custodian role by maintaining a sustained focus on equality and diversity to maximise customer access to services in key areas particularly: <ul style="list-style-type: none"> <li>• BVPI 2a Equality standards for local government</li> <li>• BVPI 2b Duty to promote race equality</li> <li>• BVPI 3 Percentage of citizens satisfied with the overall service provided</li> <li>• analysis of service users' profiles to inform future patterns of services.</li> </ul>

## Way forward

This is a final report following consultation on the draft report during March and approval of the final draft report in April. It includes an action plan completed by the Council's lead officers. We will follow up progress with the action plan's implementation during 2006 as part of our external audit plan.

## Action Plan – Customer Access to Services Follow-up

Page	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Strategic commitment</b>						
6	R1 Establish a baseline for measuring savings as the customer access to service strategy is implemented.	2	Head of Customer Services	Yes	<ul style="list-style-type: none"> <li>To be monitored through monthly performance pack</li> <li>Best practice to be developed and shared with Customer Services for London Group</li> </ul>	Ongoing  Ongoing
7	R2 Develop a formal process to ensure consistency and compliance of performance measurement and monitoring against published customer standards and targets.	3	Head of Customer Services	Yes	<ul style="list-style-type: none"> <li>Monthly monitoring to be established within Monthly Member Performance Pack</li> <li>Monitoring mechanisms to be established through Customer Services Strategy Board</li> </ul>	December 2005 October 2005
<b>Operational focus</b>						
9	R3 Agree a timetable for the migration of services to the corporate Call Centre and PASC.	3	Head of Customer Services	Yes	<ul style="list-style-type: none"> <li>Timetable for call centre service migration to be devised by Telephone Services Project Board</li> <li>Timetable for migration of services to the PASC to be devised by Face to Face Services Project Board</li> </ul>	July 2005  October 2005

Page	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R4 Ensure the achievement and ongoing monitoring of top quartile performance for improving access to public buildings to meet DDA deadlines.	3	Director of Housing and Regeneration	No	<p>It is noted that BVPI 156 does not relate specifically to public areas within buildings and does not specifically measure whether buildings are accessible as defined by the DDA Act, or whether reasonable management adjustments had been implemented.</p> <p>It is noted that good progress in improving performance against BVPI 156 is expected.</p> <p>It is proposed that a single schedule of public buildings be agreed (to include the PASC, libraries, sports centres, area offices and receptions) and progress in achieving BVPI 156 be measured.</p>	Ongoing
11	R5 Develop and implement web transaction capabilities that will enable on-line payments.	2	Head of Customer Services	Yes	Implementation is taking place at present. Internet payments for Council Tax will be accepted from June 2005. Internet payment facilities for other services will roll out on a phased basis after this	December 2005

Page	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Performance management</b>						
12	R6 Ensure targets across services are consistent and agree to those publicised.	2	Head of Customer Services	Yes	To be achieved through Customer Services Strategy Board	December 2005
14	R7 Continue to monitor opening hours on an ongoing basis to ensure they are in line with service users' stated needs.	2	Head of Customer Services	Yes	To be achieved through monthly satisfaction monitoring questionnaires	Ongoing
15	R8 Continue to use benchmarking comparisons, and incorporate in performance reporting, in key national and local areas, particularly: <ul style="list-style-type: none"> <li>• BVPI 156 per cent of Buildings accessible for disabled people;</li> <li>• cost comparisons; and</li> <li>• average waiting times for calls.</li> </ul>	3	Executive Director, Regeneration and Housing Head of Customer Services	Yes	Will be achieved through existing performance monitoring arrangements and participation in the Customer Services for London Group	Ongoing

Page	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Equality and diversity</b>						
18	<p>R9 Continue to fulfil the community cohesion custodian role, by maintaining a sustained focus on equality and diversity to maximise customer access to services in key areas particularly:</p> <ul style="list-style-type: none"> <li>• BVPI 2a Equality standards for local government;</li> <li>• BVPI 2b Duty to promote race equality;</li> <li>• BVPI 3 per cent of citizens satisfied with the overall service provided; and</li> <li>• analysis of service users' profiles to inform future patterns of services.</li> </ul>	3	<p>Executive Director, Social Services</p> <p>Head of Customer Services</p>	Yes	<p>This work will continue to be led by the Corporate Diversity and Equality Group which is led by the Executive Director (Social Services) and supported by the Diversity and Equality Consultant.</p> <p>Work specifically relating to customer contact will be led by the Head of Customer Services who leads the Directorate Diversity and Equality Group</p>	on-going



## Audit of grant claims and returns (2003/04)

### Introduction

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

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

### Background

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

The key features of the arrangements are as follows:

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

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

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

## Audit approach

In agreement with the grant paying bodies, the Audit Commission issues Certification Instructions (CI's) to all appointed auditors, setting out the required audit approach to each claim or return. Once received, the CI's are also made available to the grants coordinator to ensure grant compilers are made aware of the audit process.

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

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

## Main conclusions

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

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

### **Timeliness of submission and certification**

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

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

Even though 76% of grants were submitted to audit by the deadline, 73% remained uncertified by the audit certification deadline (summarised in exhibit 1 below). Significant delays resulted from inadequate working papers being initially submitted, then officers providing additional information at a late stage in the audit process in an attempt to avoid qualifications. Whilst this demonstrates a positive and enthusiastic approach, it is important that the Council also endeavours to ensure the timely certification of claims.

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

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

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

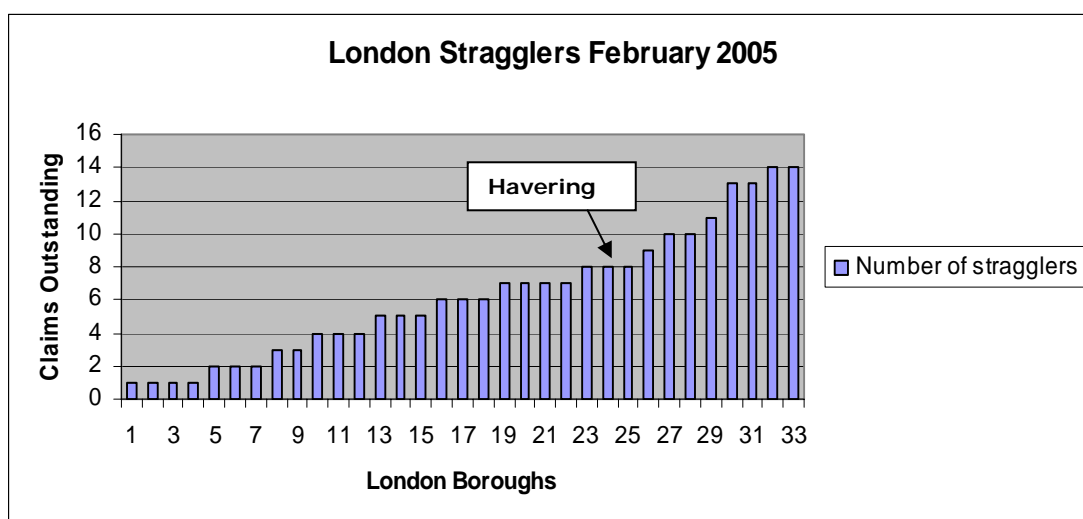
**Timeliness of submission and certification**

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

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

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

**EXHIBIT 2: COMPARATIVE NUMBER OF STRAGGLERS IN LONDON BOROUGH**



### Quality of working papers

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

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

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

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

### Performance by Service area

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

## EXHIBIT 3: SUMMARY OF PERFORMANCE BY SERVICE AREA

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

## Previous year recommendations

Last year's report has only recently been finalised as a result of requests for more information from the Council leading to redrafting and changes to the format of the report. Consequently most of the 2002/03 recommendations have yet to be implemented. These recommendations have been repeated where necessary. The Council should continue to implement the recommendations raised in last year's report in conjunction with new recommendations made this year.

## The way forward

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

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

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

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

## Action Plan – Audit of grant claims and returns (2003/04)

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1 Ensure claims are submitted by the audit deadline.	3				
R2 Ensure all officers are aware of working paper requirements, including the terms and conditions of schemes, and that the latest copies of correspondence between the grant paying body and the Council are included in the working paper file.	3				
R3 Ensure senior officer review of files prior to submission to audit is robust to ensure completeness, accuracy and compliance with grant instructions.	3				
R4 Ensure the checklist accompanying claims submitted to audit is properly completed including specific references to working papers provided and N/A where the requirement does not apply to that claim.	2				

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R5 Ensure an analytical review is included in the working paper file, comparing both year on year expenditure and income and budgeted to actual figures. All analytical reviews should include appropriate explanations for significant variances.	3				
R6 Ensure the reasoning behind all apportionments to claims are fully documented and that administration sums claimed can be fully supported.	3				
R7 To enable certification by the audit deadline, ensure officers are aware of the need to provide full responses to audit queries on a timely basis.	2				
R8 Ensure an adequate audit trail is prepared and maintained, thus facilitating the audit process and enabling a smooth hand over where claim compilers change during the audit year.	3				
R9 Ensure all officers have a clear understanding of capital and revenue expenditure classifications.	2				



Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R10 Produce an action plan to address all qualification and other issues identified in Sections one to six of this detailed report.	3				



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MEETING	DATE	ITEM
AUDIT COMMITTEE	9 JUNE 2005	8

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## **REPORT OF THE CHIEF EXECUTIVE**

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

#### **SUMMARY**

This report should be considered in conjunction with item 6 on this agenda – Audit Commission report ‘Progress Report: May 2005’ - Report on 2003/2004 grant claims.

This report informs the Committee of the Authority’s position regarding the latest version of the 2003/2004 audit report of grant claims and returns and the corresponding action plan recommendations.

#### **RECOMMENDATIONS**

To note the Audit Commission’s progress report on 2003/2004 grant claims, which only contains the summary and action plan recommendations.

To note that this report has not yet been considered and agreed by officers.

To consider whether the committee wishes to see:

- The full 2003/2004 report when finalised, together with the Authority’s action plan/progress report. Or,
- Only the Authority’s action plan/progress report.

## REPORT DETAIL

The draft version of the Audit Commission's 2003/2004 report on audit of grant claims and returns was produced in March 2005; only one month after the 2002/2003 version had been finalised.

The Authority has responded to the draft report and a number of amendments were requested. Officers have had a meeting with the Audit Commission regarding the draft 2003/2004 report and the way forward was discussed.

The latest version of the 2003/2004 report and the Audit Commission's action plan was received on the 24 May and has not yet been considered and finalised by officers.

Due to the late finalisation of the 2002/2003 action plan a number of recommendations have been repeated in the 2003/2004 report. Officers will therefore consider the 2003/2004 report and the recommendations and produce their own action plan combining recommendations/actions from the 2002/2003 and 2003/2004 reports.

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

In 2003/2004 specific grant claims provided £120M in funding for the Authority and poor performance in submitting claims puts the Authority's Comprehensive Performance Assessment (CPA) and income at risk.

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

None arising directly

### **Human Resource implications and risks:**

None arising directly

### **Equalities and Social Inclusion implications:**

None arising directly

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**STEPHEN EVANS**  
**Chief Executive**

**Background Papers**

**Audit Commission's 2002/2003 Audit of grant claims & returns**

**Audit Commission report 'Progress Report: April 2005'**

**Audit Commission's 2003/2004 audit report of grant claims and returns.**



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MEETING	DATE	ITEM
AUDIT COMMITTEE	9 June 2005	9

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## **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: INTERNAL AUDIT PROGRESS REPORT 01 April 2005 – 30 April 2005**

### **SUMMARY**

This report advises the Committee of audit issues from internal audit activities for the period 01 April 2005 to 30 April 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. 2004/2005 Audits**

- 1.1 Schedule 1 details the progress on 2004/2005 audits which were outstanding at 31 March 2005.
- 1.2 Schedule 2 contains the management summaries for audits completed to final report stage between 01 April and 30 April 2005.
- 1.3 Schedule 3 contains the management summaries for the follow up audits completed between 01 April and 30 April 2005.

#### **2. Fraud and Investigation Work**

- 2.1 A brief synopsis of the fraud and investigations work between the 01 March and 30 April 2005 is at Schedule 4. Included in the summary are the results of the investigations and actions taken.
- 2.2 PPS-Acit have responded to a query raised at the last audit committee. Their response is shown at Schedule 5.

**3. Financial Implications and risks:**

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

**4. Legal Implications and risks**

None arising directly from this report

**5. Human Resource Implications and risks**

None arising directly from this report

**6. Equality and Social Inclusion implications**

None arising directly from this report

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**STEPHEN EVANS**  
Chief Executive

**Background Papers**

Internal Audit reports  
Internal Audit database

## Audits Completed To Final Report Stage, Outstanding as at 31.03.05

Report	Issued	Internal Auditor's Opinion	Recommendations				Ref
			High	Med	Low	Total	
Parking Enforcement	08.04.05	Qualified	0	11	3	14	Sch 2 (a)
Housing Rents Collection/Arrears	28.04.05	Qualified	1	3	0	4	Sch 2 (b)
Lessees Charges	11.05.05	Unqualified	0	0	0	0	Sch 2 (c)
Anti-Virus Protection	12.05.05	Unqualified	1	5	1	7	Sch 2 (d)
Internet and E-mail Protection	16.05.05	Unqualified	0	3	0	3	Sch 2 (e)
<b>Total</b>			<b>2</b>	<b>22</b>	<b>4</b>	<b>28</b>	

## Pro-Active Audits Completed To Final Report

Report	Issued	Recommendations				Ref
		High	Med	Low	Total	
PC Abuse/Telephone Abuse Land/Mobile	11.05.05	0	0	3	3	Sch 2 (f)
Homecare Providers	25.04.05	0	1	1	2	Sch 2 (g)
<b>Total</b>		<b>0</b>	<b>1</b>	<b>4</b>	<b>5</b>	

**Follow Up Audits Completed as at 30.04.05**

<b>Report</b>	<b>Issued **</b>	<b>Progress Towards Implementation</b>	<b>Ref</b>
BACS: Follow up 03/04 Report	15.04.05	Significant Progress	Sch 3 (a)
Novell Follow up 03/04 Report	22.04.05	Good Progress	Sch 3 (b)
CRM Review: Follow up 03/04 Report	15.04.05	Good Progress	Sch 3 (c)

**Audits Completed to Draft Report Stage as at 30.04.05**

<b>Report</b>	<b>Draft Issued</b>	<b>Head of Service</b>	<b>Executive Director</b>
Partnership Arrangements	29.10.04	Mike Robinson	Heather Bonfield
Oracle Financials	22.04.05	Ray Whitehouse	Cynthia Griffin
Write Off Checking in Parking/Housing	13.04.05	Andrew McKenzie	Heather Bonfield

**2004/2005 OUTSTANDING AUDIT WORK (ALL 03/04 AUDIT WORK COMPLETED)**

**Audits In Progress, or Completed to Draft or Consultation Report Stage**

<b>Report</b>	<b>Stage</b>
Contract & Quality Management in the care of the elderly	Consultation draft sent 28.02.05
Monitoring & Co-ordination of Voluntary Sector & Carer Services	Consultation draft sent 24.03.05
Partnership Arrangements	Formal draft sent 29.10.04
BS7799 information Security	Work in progress
Oracle Financials	Work in progress
Flexi/annual leave & Overtime/TOIL	Work in progress
Write off checking in Parking/Housing	Consultation draft sent 30.03.05
<b>Total 7 audits</b>	



## **MANAGEMENT SUMMARIES SYSTEM AUDITS**

## **SCHEDULE 2(a)**

### **PARKING ENFORCEMENT**

#### **1.1 Introduction**

**1.1.1** Penalty Charge Notices (PCN's), better known as parking tickets, are Issued by the Council's Parking Attendants under the decriminalised 1991 Road Traffic Act. Parking tickets may be issued to any vehicle seen parked illegally on the borough's roads or in Council operated car parks.

**1.1.2** A vehicle may be liable for a parking ticket if parked:

- On a yellow line during the restricted period.
- On a footway (unless parked in a specially marked out footway exemption bay).
- On grass verges or flowerbeds.
- On "School Keep Clear" markings.
- In a Council car park without displaying a valid pay & display voucher, or for parking beyond the bay markings or beyond the maximum period specified.
- In a Meter bay indicating penalty time.
- In a Disc Parking bay without displaying a valid parking disc set at the time of arrival.
- In a restricted bus stop.
- On a designated parking bay without a valid parking permit.
- With any of the vehicles wheels substantially outside of the white bay markings.

**1.1.3** For vehicles parked illegally on a yellow line a parking ticket is £100.00 but for all other offences it is £80.00.

Parking ticket amounts were increased London-wide on 01 April 2003.

If payment is received within 14 days of receiving the parking ticket and you do not appeal, the penalty charge will be discounted by 50%.

**1.1.4** Havering Council is currently not required under the 1991 Road Traffic Act to accept early representations against the issue of a parking ticket.

The ticket holder must either:

- Pay the discounted penalty charge within 14 days from the date of issue, or
- Wait until the Council issues a 'Notice to Owner' to the registered owner/keeper. This is the document which should be used to challenge the parking ticket.

It should be noted that:

- The discounted penalty charge is no longer available after the 14 day discount period.
- Payment of the parking ticket will remove the statutory right to make a formal appeal to the council.

**1.1.5** If Havering has not received payment after 28 days from the date of the parking ticket, they will send the DVLA registered keeper/owner a form called a 'Notice to Owner'.

They must then either:

Pay the ticket at its full amount of £100.00 or £80.00 within a further 28 days, or appeal by completing the back of the Notice to Owner document with details and documentary evidence, where applicable, and return to the representations address on the document.

**1.1.6** If a formal representation is made against the issue of a parking ticket, the Council will put the case on hold until the appeal has been considered and a reply sent.

If a representation appeal is rejected by the Council, a formal 'Notice of Rejection of Representations' (challenge) will be sent advising the appellant of the Council's decision and the reason why the challenge has been rejected.

If the ticket holder disagrees with the Council's decision, they can appeal to the adjudicator at the London Parking and Traffic Appeals Service.

**1.1.7** If a payment or appeal within 28 days of the Notice to Owner is not received, the Council will be within its rights to issue a Charge Certificate. This will increase the original penalty by 50% to £150.00 or £120.00 payable within 14 days.

**1.1.8** Parking tickets that remain unpaid will be subject to county court action. The court can allow the council to pursue the debt by issuing a bailiff warrant for recovery.

The council has a contract with Crichton's (bailiffs) for the recovery of unpaid parking tickets. Once the warrant has been passed to the bailiff, the registered keeper of the vehicle should deal directly with the bailiff. It should be noted that court and bailiff costs will be added to the amount owed and will increase the amount of the debt.

**1.1.9** The audit will concentrate on examining the controls applied by the Parking Service to address the risks identified (See attached schedule). We will:

- identify the internal controls and checks in operation and appraise their adequacy, reliability and effectiveness within the established systems;
- test the system to ascertain that it operates as documented and that the internal controls and checks are effective; and
- draw conclusions and make recommendations as appropriate and to report to management.

From data supplied by the Parking Service the following analysis on PCN's issued and income received are as follows:

PCN'S ISSUED

MONTH	2002-03	2003-04	2004-05	TARGET
April	4285	3037	4050	3987
May	5223	4038	3456	3987
June	3812	3300	3348	3987
July	3719	3801		3987
August	4591	2814		3987
September	3578	2997		3987
October	4474	3883		3987
November	3632	3274		3987
December	3635	3319		3987
January	4453	4137		3987
February	3592	3358		3987
March	3626	3353		3987
<b>totals</b>	<b>48620</b>	<b>41311</b>	<b>10854</b>	<b>47844</b>

PCN INCOME RECEIVED

	£('000)	£('000)	£('000)
	<b>1.436</b>	<b>1.529</b>	<b>0.5</b>

**1.2 Significant Issues**

- 1.2.1 Service need to maintain a level of resources in order to enforce the borough effectively. This will ensure enforcement is undertaken regularly in all areas and may result in increased PCN's being issued thus resulting in exceeding targets.
- 1.2.2 A tracking mechanism needs to be in place to ensure PA's are monitored on the completion of their allocated duties. The current system provides no aid to monitoring. This would ensure that the PA's are working in accordance with their beat schedules and it can be determined if and when they deviate from the expected routes. Explanations can then be sought by the supervisors.
- 1.2.3 Details relating to all evaders of payment of their PCN's (3 tickets or more outstanding) need to be contained within the hand held machines. This will ensure that the PA's will identify these cases sooner and progress recovery by the aid of clamping etc.
- 1.2.4 The analysis of cancellations needs to include manual ones as without this the supervisor is unaware of the totals involved and the data cannot be used as an effective management monitoring tool. The introduction of a local indicator relating to these would also provide an effective measurement of performance.

### **1.3 Recommendations**

**1.3.1** This report contains eleven medium and three low priority recommendations which should help improve control and address risks.

### **1.4 Audit Opinion**

**1.4.1** Based on the findings of the audit review we would need to give a qualified opinion due to the following issues:

- the lack of a responsive service to enforce the borough,
- the lack of monitoring over allocated duties,
- the unavailability for PA's to know whether a vehicle is subject to a number of unpaid parking tickets,
- Incomplete analysis over cancellations.

## **HOUSING RENTS COLLECTION/ARREARS**

## **SCHEDULE 2 (b)**

### **1.1 Introduction**

1.1.1 At 1<sup>st</sup> April 2004 the housing stock comprised 11,175 properties. There have been 173 properties sold to date during the current financial year and there are also 3,047 garages.

The valuation of these assets as at 1<sup>st</sup> April 2004 was £563.4m.

1.1.2 At 1<sup>st</sup> April current tenant arrears totalled £1.1m (£0.7m - 2003).

1.1.3 At 1<sup>st</sup> April 2004 void properties numbered 280, which represents 2.5% of the housing stock. Of these void properties 48 are classed as being long term void i.e. where they are difficult to let or have structural problems.

1.1.4 Housing Rents are administered using the Anite Housing Management System.

1.1.5 The audit has concentrated on examining the implementation of the recommendations made following the previous audit, and examining any changes in control which may have occurred since the last review.

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

1.2.1 This audit reviewed the following key risk areas:

- Financial procedures and relevant housing legislation not adhered to;
- Council rent not charged in respect of all properties leading to subsequent loss of rental income;
- Council tenants not legally notified of rent increases leading to loss of rental income;
- Correct level of housing rent not applied and housing benefit rebates and rent-free weeks not recorded;
- Inadequate segregation of duties between collection and recording of rents resulting in an increased risk of errors and misappropriation of funds;
- Failure to accurately record rent collected and monitoring of collection rates;
- Rents charged and income received not accurately reflected in the Authority's accounts;
- Void properties not dealt with in a timely and efficient manner resulting in a loss of rental income;
- Rent arrears not identified/monitored and recovery action taken in accordance with internal procedures and relevant legislation;
- Authorised documentation not retained to support tenant refunds;
- Procedures for dealing with the write-off of outstanding rent not established.

1.2.2 The following areas were not reviewed during the audit:

- A review of Former Tenant Arrears (FTA) and write off procedures was not conducted. A separate pro-active audit review of this area was conducted during March 2005. However, procedures relating to current tenant arrears were examined and assurance was obtained that adequate controls are in place;
- A review of the procedures relating to the provision of the Supporting People grant was not conducted. A separate review of this area was completed by the Audit Commission during February 2005;
- IT Interface procedures between the Council's cash receipting system and the finance module in Anite (Housing Management System) were not examined. A separate audit report on the application controls within Anite was issued in October 2004.
- The administrative procedures relating to the re-letting of void properties was not reviewed. However, the procedures for informing Housing Benefit personnel of void properties and the transfer of tenants between Council properties was carried out. Assurances were obtained that adequate controls are in place to ensure the accurate updating of the Academy (Housing Benefit) and Anite (Housing Management System) systems.

### **1.3 Significant Issues**

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

- Amendments to the Anite Housing database for the 2004/05 financial year were not reviewed for accuracy and completeness by a Senior Finance Officer.
- A reconciliation of tenant notification letters and council properties was not carried out for the 2004/05 financial year;
- The reconciliation of cash collected at housing area offices and lodgments to the Council's business bank account has not been carried out since the middle of November 2004. This break down in control procedures arose because area office staff were not issued with procedures regarding the completion of bank giro credits in respect of the new Securicor cash collection contract;
- There is no automatic interface between the finance module on Anite (Housing Management System) and the Council's FIS General Ledger.

1.3.2 Audit is pleased to note that external management consultants (Ringwoods) are currently preparing a procedure manual regarding the operation of the Housing Rent Accounting System. The introduction of the procedure manual will address the majority of the audit recommendations outlined in the previous audit report.

1.3.3 The Housing Rent Accounts Manager has recently completed a spreadsheet reconciliation of all Council properties recorded within the 'Net Rent ' account shown on the weekly Anite Financial Statement. Future property changes and associated rents are now communicated directly to the manager in order that the spreadsheet reconciliation and Anite records can be updated. Audit was informed that Property Services do not maintain an independent record of Council properties.

- 1.3.4 The monitoring and recovery of debts relating to ground rent in respect of Shared Leasehold Properties will shortly transfer to Estates Services. The Estates Services Manager has informed audit that debt recovery procedures relating to this area will be introduced in June 2005.
- 1.3.5 The Council has in place a partnership arrangement with the Citizens Advice Bureau for the provision of a rent arrears project. The project contributes to the overall aim of reducing rent arrears and the need for possession proceedings.
- 1.3.6 Audit has noted that a report on Improving Payment Services was presented to Cabinet in January 2005. Cabinet has agreed that a direct debit payment facility should be introduced for the payment of housing rents and that a tenant consultation exercise will be undertaken to investigate support for alternative payment services.

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

- 1.4.1 The report contains four recommendations, one high category and three of a medium category.

The High category recommendations states:

- Anite database amendments should be reviewed for accuracy and completeness by a Senior Finance Officer and supporting documentation should be signed and dated as evidence that this procedure has been completed.

- 1.4.2 The following recommendation made in the last audit report had not been implemented at the time of the current audit review:

- A full reconciliation between the number of notification letters produced and the number of properties should be produced with discrepancies being investigated and resolved.

- 1.4.3 The recommendation has again been reported to Housing Finance in Section 2 - Detailed Audit Findings.

#### **1.5 Audit Opinion**

- 1.5.1 A qualified audit opinion is given, because audit was unable to obtain assurances that amendments to the Housing Management System (Anite) database had been reviewed for accuracy and completeness by a Senior Finance Officer.

## **LESSEES CHARGES**

## **SCHEDULE 2 (c)**

### **1.2 Introduction**

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

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

#### **1.2.1 This audit reviewed the following key risk areas:**

- Right to buy leaseholders are omitted from recharging service charges.
- Leaseholders may not have been advised of impending repairs.
- Service charges may not be collected.
- Service charges may be incorrectly calculated.
- Repairs may not be checked for completion.



### **1.3 Significant Issues**

There were no significant issues found within the audit.

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

1.4.1 The report contains one medium recommendation.

### **1.6 Audit Opinion**

1.5.1 An unqualified audit opinion can be given as Audit is satisfied that there is a strong control environment within the Home Ownership Section. However the lack of charges being placed upon a property and defaults on leases may result in arrears not being collected and costs being borne by the authority rather than the leaseholder, but this has not invalidated the audit opinion.

## **ANTI-VIRUS PROTECTION**

## **SCHEDULE 2 (d)**

### **1.1. Introduction**

- 1.1.1 Viruses and other malicious code can cause severe disruption to corporate networks and to the integrity of corporate data. It is essential that the Council has appropriate arrangements in place to deal with the evolving threats which such programs contain. The organisation requires suitable policies, practices and procedures to ensure that the security of the network is maintained.
- 1.1.2 This review will provide a systematic examination to determine whether the network is appropriately protected against viruses and malicious code in such a way that risks to the Council network and its data are minimised.

### **1.2. Significant Issues**

- 1.2.1 The audit review established that there is one significant issue associated with the anti virus protection in place:-
- There is no patch management process being used to ensure that the latest service packs and updates are applied to equipment

### **1.3 Recommendations**

- 1.3.1 This report contains 3 medium priority recommendations.

### **1.4 Audit Opinion**

- 1.4.1 The audit demonstrated that there are strong controls and processes in place to ensure that the internal network is protected against viruses and other malicious code, and as such an unqualified opinion can be given.

## **INTERNET AND E-MAIL PROTECTION**

## **SCHEDULE 2 (e)**

### **1.1. Introduction**

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

### **1.2. Significant Issues**

- 1.2.1 The audit review established that there is one significant issue associated with the email protection in place. This is :-
- User mailboxes are being set up without password protection.

### **1.3 Recommendations**

- 1.3.1 This report contains 7 recommendations, 1 is of a high priority, 5 are of medium priority and 1 is of a low priority. We have agreed implementation dates and these have been included in the report.

The recommendation categorised as “High” states:

ICT should ensure that procedures are in place to set up users with a password protected mailbox. A further global email should be distributed to staff to ensure that they are aware of how to set their own passwords

## **1.4 Audit Opinion**

- 1.4.1 An unqualified opinion can be given as the audit demonstrated that internet and email controls are being significantly developed at Havering, with the introduction of new equipment and control software. A dedicated Bluecoat proxy server has been installed and this will provide user authentication via passwords and user ids when fully implemented. There have been problems with the service since it has been installed due to conflicts with the Intrusion Detection software. Authentication provides the added benefit of logging and reporting options, which should be further developed in due course. Surfcontrol software provides the ability to restrict access to web sites, the downloading of certain file types and to check emails for inappropriate content and attachments. It was noted that the auditor was able to download certain executable files from the internet and this will be investigated by the administrator.
- 1.4.2 There are policies in place with respect to the internet service and the email service, and these are complemented by user guides. However, Council departments should supplement the Records Management Policy with policies with respect to data retention. Currently it is policy to delete emails after 84 days, although this is not currently being implemented. Additionally, user mailboxes should be set up with password protection to ensure against unauthorised access. A global email will be distributed to all staff to ensure that passwords can be changed.

## **MANAGEMENT SUMMARIES OF PROACTIVE AUDITS**

### **PC ABUSE/TELEPHONE ABUSE LAND/MOBILE**

### **SCHEDULE 2 (f)**

#### **1.1 Introduction**

**1.2.1** The 2004/2005 Internal Audit plan includes a pro-active audit into Telephone Abuse.

#### **1.6. Key Areas Reviewed**

**1.2.1** A list of current mobile users was obtained from the Telecommunications Services Manager.

**1.2.2** From this list a sample of thirty employees, was selected from Council Directorates and members, for the month of November 2004. The audit sample was reviewed to ensure that:

- Mobile telephone protocols signed by employees;
- Mobile telephone applications signed by authorised Heads of Service/Executive Directors;
- Premium rate services, over 18 lines and chat lines not accessed via calls or text messaging;
- Mobile telephone accounts not incurring a high level of usage, including 'out of hours'; and
- Council employees reimbursing personal telephone calls.

**1.2.3** Audit also selected a sample of seven call logger reports from the Council's main BT landline switchboard for the quarter ended 31<sup>st</sup> December 2004, and carried out a review to ensure that:

- Premium rate services, over 18 lines and chat lines not accessed;
- Calls to mobile accounts not excessive; and
- Council employees reimbursing personal telephone calls.

**1.2.3** The Telecommunications Service Manager informed audit that there are premises within the Council (i.e. Schools, Streetcare depots) which are external to the main BT landline switchboard.

**1.2.4** Audit selected a sample of eight external locations and reviewed telephone accounts for the period ended November 2004, to ensure that premium rate numbers were not being accessed.

**1.2.5** During November 2004, BT forwarded a Call Data report to the Telecommunications Service Manager as part of a marketing exercise to demonstrate reporting capabilities available to commercial clients. The report provides telephone activity analysis for all Council telephone accounts under various categories of which the following are examples:

- Top 10 premium rate numbers called;
- Top 40 itemised calls to premium rate numbers;
- Forty most expensive international calls;
- Forty most expensive calls;
- Forty most frequently called numbers daytime/evening/weekend; and
- Fraudwise calls summary;

1.2.6 Audit reviewed the Call Data report for expensive calls, expensive international calls, premium rate numbers and the Fraudwise calls summary.

### **1.3 Significant Issues**

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

- The Council is not recouping significant income with regards to the personal use of Council telephone extensions. Income received as at 15<sup>th</sup> March 2005 amounted to £2,142. Heads of Service need to be reminded of the importance of monitoring telephone activity in order that private calls can be identified.
- Senior management should investigate the cost effectiveness of subscribing to the monthly BT Call Data report. The advantage of the report is that it can highlight inappropriate telephone activity throughout the Council. At present, the Telecommunications Services Manager has no authority to review or investigate telephone usage at departmental level. If the Council adopted the BT Call Data report, clear reporting guidelines and procedures would need to be established.
- Procedures have not been established regarding external consultants accessing Council BT lines for Internet access.
- Senior managers, when certifying telephone accounts external to the Council's BT landline switchboard, do not appear to be checking the validity of premium rate entries.

1.3.2 A top '50' mobile phone user's report is issued on a monthly basis to the Senior Management Team (SMT). The report identifies officers incurring high mobile costs and Heads of Departments are requested to provide appropriate explanations.

1.3.3 The Telecommunications Service Manager informed audit that T-mobile (Council's Mobile Service Provider) are to introduce a Call Analysis report later in the year. As outlined above the manager has currently no authority to review or investigate telephone usage at departmental level. Procedures regarding the monitoring and reviewing of this report would need to be established

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

1.4.1 The report contains four recommendations, all of a medium category.

#### **1.7 Audit Opinion**

1.7.1.1 From the examinations undertaken it would appear that:

- Mobile telephone accounts are being conducted in accordance with laid down procedures and protocols;
- Landline telephone calls are being conducted in accordance with laid down procedures and protocols. However, audit was unable to confirm whether calls to mobile phones are business related.

## **HOME CARE PROVIDERS**

## **SCHEDULE 2 (g)**

### **1.3 Introduction**

**1.3.1** The 2004/2005 Internal Audit plan includes a pro-active audit into Home Care Providers.

### **1.7. Key Areas Reviewed**

**1.2.6** A sample of five (5) Home Care Providers invoices were selected, all of which covered a four (4) week period. From each of these invoices the names of five (5) clients were obtained.

**1.2.7** Copies of timesheets for the four (4) week period, retained by the Purchasing and Commissioning Unit, were then obtained for all twenty five (25) clients.

**1.2.8** The Home Care Providers were then contacted in order to obtain copies of Care Notes completed by the carers in respect of the four (4) weeks shown on the invoices. It should be noted that the Care Notes are kept by the client's at the home and therefore this audit has been reliant on the carers obtaining photocopies of these notes. It has not been possible to get all the Care Notes for nine (9) clients.

**1.2.9** The above documentation was then compared and analysed to ascertain if:

- The London Borough of Havering was being charged in accordance with that agreed and per the hours recorded as being worked by the carers; and
- The clients were receiving the correct amount of care time as that authorised on the Service Agreement.

**1.2.10** This review has not checked that the Purchasing and Commissioning Unit are checking invoices to ensure they are correct and if not obtaining credit notes or supplementary invoices.

### **1.4 Significant Issues**

**1.3.1** There were no significant issues noted during the current audit review:

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

**1.4.2** The report contains two (2) recommendations, one (1) being of a medium category and one (1) being of a low category.



## **1.8 Audit Opinion**

- 1.8.1** From the examinations undertaken it would appear that clients are receiving care in accordance with that agreed. However, there are instances where the agreed care was for half an hour or hour but only twenty to twenty five minutes and forty to fifty minutes care was given. In the majority of cases the Council was being charged as per the Service Agreement and not for the hours actually worked.
- 1.8.2** It is understood that this matter is already being addressed by the Purchasing and Reviewing Manager.

**MANAGEMENT SUMMARIES FOLLOW UP AUDITS**

**SCHEDULE 3 (a)**

**BACS**

**1.1 Introduction**

- 1.1.1 The BACS system allows the automatic credit of payments to the London Borough of Havering's creditors and employees.
- 1.1.2 The responsibility for the control and monitoring of the system lies with Customer Services within the Information and Communication Services Directorate.
- 1.1.3 The review documented and tested each stage of the BACS process to ascertain whether the system of control ensures that only authorised payments are made and that such payments are accurate, complete and not duplicated.
- 1.1.4 29 transactions were tested at each stage of the process to ensure that the system operates as advised by interviewed staff.

**1.2 Progress Implementing Recommendations**

- 1.2.1 The audit found some control 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 provided regarding the progress made to address the concerns raised during the audit.

Recommendation Category	Number	Present position
Medium	3	Two recommendations have been implemented, and the remaining one needs no further action.
Low	7	All recommendations have been fully or partially implemented.

**1.3 Audit Opinion**

- 1.3.1 Significant progress has been made. All recommendations have been addressed either fully or partially.

## **NOVELL NETWARE**

## **SCHEDULE 3 (b)**

### **1.1 Introduction**

- 1.1.1 Novell Netware organises a network into a tree like structure, where users gain access to different branches of the tree depending upon their requirements. Netware refers to user accounts, printers, servers and other items relating to the network as objects.
- 1.1.2 Havering recently upgraded their servers on to Netware version 6. An external company, Telemon was contracted to assist with the implementation, although the bulk of the physical upgrading was undertaken by the Network Support team.

### **1.2 Progress Implementing Recommendations**

- 1.2.3 The audit found control weaknesses within the control environment, which have been set out in detail in the attached schedule.
- 1.2.4 A follow up audit has now been carried out to check on the information already provided regarding the progress made to address the concerns raised during the audit.

Recommendation Category	Number	Present position
Medium	8	Four of the recommendations have been implemented, two partially implemented, one has not been implemented and one requires no further action.
Low	8	One of the recommendations has been implemented, three partially implemented, one has not been implemented and three require no further action.

### **1.3 Audit Opinion**

- 1.3.1 Good progress has been made. Most recommendations have been addressed either fully or partially, or circumstances have changes and they are no longer relevant.

**1.1 Introduction**

1.1.1 The Customer Relationship Management System was purchased to improve service delivery to Havering's customers. It forms part of the e-business suite, which is intended to fulfil the requirements of e-Government, and improve service delivery to Havering's customers.

1.1.2 The CRM system runs on the IBM P670 machine, located in the main machine room near the Town Hall. It uses AIX UNIX as its operating system and is an ORACLE database.

1.1.3 The system went live in December 2002 and the database supports the following functions: Streetcare; PASC and Chief Executives Correspondence. The system will be expanded this year to include: Freedom Passes and Complaints.

1.1.4 The focus of this audit was to ensure that there were sufficient controls in place to ensure that:

- the system would remain available in the event of minor or major disaster;
- the application will meet future business requirements;
- the application was secure from unauthorised access;
- data is accurate and complete;
- changes are tested and implemented in a controlled manner;
- legislation is complied with.

**1.3 Progress Implementing Recommendations**

1.2.5 The audit found some control weaknesses within the control environment, which have been set out in detail in the attached schedule.

1.2.6 A follow up audit has now been carried out to check on the information already provided regarding the progress made to address the concerns raised during the audit.

Recommendation Category	Number	Present position
High	1	The recommendation has been partially implemented.
Medium	5	One recommendation has been implemented, three have been partially adopted and the remaining one is being addressed as part of another audit review of the shared database.

Low	4	Two recommendations have been implemented, one has been partially implemented and the remaining recommendation is being addressed as part of another audit review of the shared database.
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### 1.3 Audit Opinion

- 1.3.1 Good progress has been made. All recommendations have been addressed either fully or partially. Those that have not been implemented are being addressed as part of another review of the shared Oracle database with Oracle Financials.

**FRAUD AND INVESTIGATION WORK****SCHEDULE 4****Work completed during period 01 March 2005 – 30 April 2005**

<b>Ref</b>	<b>Description</b>	<b>Result of audit/Action taken</b>
1.	(T8daax) Fraud Allegation	Allegation not proven. Adequate systems of control and accountability for tickets sold are operated.
2.	(T8eaad) Press Release	Case, reported at last audit committee by Steve Vinall.
3.	(T8eaai) Release of Confidential Information	Insufficient evidence. Recommendation to management to implement improve computer access controls.
4.	(T8daao) Annual Leave Dispute/Overpayment	Inadequate records maintained to gain sufficient evidence. Improved records now maintained.
5.	(T8daav) Alleged Mis-use and Abuse of PC	Allegation not proven. Non evidence of mis-use.
6.	(T8daaj) Fraudulent RTB Application	Case proven that property was no longer tenants principal home. Application cancelled. Keys returned by tenant and property re let.
7.	(T8daam) Fraudulent RTB Application	Case proven that property was no longer tenants principal home. Application cancelled. Keys returned by tenant and property re let.
8.	(T8eaae) Fraudulent RTB Application	Case proven that property was no longer tenants principal home. Application cancelled. Keys returned by tenant and property re let.
9.	(T8eaaf) Fraudulent RTB Application	Applicant informed that as property was not his principal home (previously occupied by mother) application cancelled and NTQ served.
10.	T8eaac) Clients Money Service	Review of procedures and internal check and controls recommended.

**As at 1<sup>st</sup> May 2005, the following cases were being progressed**

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<b>Ref</b>	<b>Description</b>
T8caai	NFI 2004/5
T8caao	Allegation re Contractor Payments
T8caav	Fraud Hotline Reports
T8daab	Review Firewall Introduction For Network
T8daae	Mis-use of Laptops
T8daai	Review of Parking Enforcement Notices
T8daap	Alleged Abuse of Council Time
T8daat	Alleged Mis-use and Abuse of the Internet
T8daaw	Alleged Mis-use and PC Abuse
T8eaab	Groupwise Proxy Facilities
T8eaag	Fraud Hotline – Purchase Disposal and Leasing Equipment
T8eaah	Fraud Hotline – Planning Application
T8eaaj	Marriage Rooms Licence Renewal

## **SCHEDULE 5. RESPONSE TO QUERIES RAISED AT THE LAST AUDIT COMMITTEE**

At the last Audit Committee Councillor Price raised a query in relation to the housing benefit audit report. The report stated that if a person received income support or job seekers allowance they would normally get full housing benefit and their council tax would be paid for them.

Councillor Price said “that some claimants got top-ups” on their income and did not receive the full element of Income Support or Job Seeker Allowances” and asked if such people would still have their housing benefit and council tax paid for them.

Set out below is the response that has been received from the Council’s Housing Benefits Manager.

“Providing Job Seekers Allowance or Income Support are in payment regardless of it being a top up or less than the full element of same then maximum housing benefit and council tax benefit will be payable by the Authority. These rules apply only if there are no non-dependent deductions for other adults living in the property and the rent is determined as reasonable by the Rent Officer. “





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MEETING	DATE	ITEM
AUDIT COMMITTEE	9 <sup>th</sup> June 2005	10

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## **REPORT OF THE CHIEF EXECUTIVE**

**SUBJECT: CLIENT AUDIT MANAGER'S REPORT – 01 April 2005 – 30 April 2005.**

### **SUMMARY**

This report contains information on:

- The Audit Commission's Audit and Inspection Plan 2005/6
- The Audit Commission's Progress Report – June 2005
- Internal Audit Key Performance Indicators
- Comparative Analysis of the Internal Audit plan
- Progress on the Re-Tendering of the Internal Audit Contract
- Statement of Internal Control
- Anti-Fraud and Corruption Strategy
- Budget Analysis
- Risk Management issues

### **RECOMMENDATIONS**

1. To note the contents of the report.
2. To raise any issues of concern
3. To consider and agree any further training needs

### **REPORT DETAIL**

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

The Audit Commission has issued one plan and one report since the 26<sup>th</sup> April 2005 Committee meeting. The Audit and Inspection Plan for 2005/2006, contains no recommendations, it merely sets out the work they will be undertaking during 2005/6. The June 2005 Progress Report updates the Committee on work completed by the Audit Commission since the last meeting and work to be carried out during the rest of the year.

**2. Performance Indicators (as of April 2005)**

2.1 Committee members will note that there are 10-Key Performance Indicators (KPI). These indicators are focused on measuring the efficiency and effectiveness of Internal Audit activities. An extract from these is shown below.

2.1.1 An analysis of the KPI's shows the percentage of completed audit days (KPI 01) and reviews (KPI 02), 2% and 0% respectively. The total number of audit briefs issued (KPI 03) and input days resourced (KPI 04), are 15% and 5% respectively.

2.1.2 The following table shows Internal Audit's performance for the month of April 2005.

	Definition	Annual Cumulative Target	Performance as of 30th April '05.
KPI 01	Number of total actual audit days completed as a percentage of total planned annual days (1250).	100 %	2%
KPI 02	The number of audit reviews completed as a percentage of the total annual number of planned reviews (100).	100 %	0%
KPI 03	The total number of audit briefs agreed as a percentage of the total annual number of planned reviews (100)	100 %	15%
KPI 04	The total number of input days on audits as percentage of the total number of planned days (1250)	100 %	5%
KPI 09	Survey Forms Assessed for the system audits	100%	0%
KPI 10	Survey Forms Assessed for the fraud audits	100%	0%

2.1.2 As at the end of April 2005, 0% of the plan had been completed, 1% of the plan was at draft or formal report stage, 14% was being actively worked on. It is normal for audits to take more than a month to complete hence the 0% of the plan being completed. April is also the time for resolving problems with management such as requested changes to audit briefs and re-arranging the timing of audits.

2.1.3 The Client Manager expects the 7 outstanding audit reviews to be completed by internal audit by the end of June. However, this assumes that service area managers will comply with the Internal Audit protocol, to ensure that the 2004/5 reviews are expediently conducted and reports timely completed.

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

3.1 The comparative analysis compares quarterly information and will therefore be reported at the next audit committee.

**4.0 Progress on the re-tendering of the internal audit contract**

4.1 So far the Council is progressing as follows:-

- A forward plan of key decisions has been produced.

- Progress with the re-tendering of the audit contract was discussed with the Executive Director of Finance and Planning and with the Council's Procurement Team.
- A single tender would require the Authority using the EU route to identify in advance the Authority's requirements and to accept prices submitted against the specification at the point of contract award. The Council has substantial experience in letting single contracts.
- The 2<sup>nd</sup> option is to procure from an established audit consortium. Usually a consortium will be established by a group of authorities for the benefit of consortium members (non-members may purchase from the consortium and pay an admin fee for any procurement). Whilst non-members/customers may derive benefit as customers, other commercial benefits, including surpluses and rebates etc. are distributed to consortium members only, but not to non-members.
- The third option is to set up an audit consortium and procure in partnership with other public authorities. There has been some interest in a joint arrangement from Waltham Forest and on 24.05.05 a meeting has been set up with Malcolm Goringe from Hackney who is interested in setting up an audit consortia of London Boroughs. Details of this meeting will be reported to members in due course.
- The fourth option is to set up a local framework agreement. The EU in June 2003 changed their rules to encourage greater use of framework agreements and a number of boroughs now procure services this way. In a framework agreement for audit the Council would along with possible partners, carry out an EU tender and establish prices and specifications for a range of services. As and when specific batches of services were needed, the Council would then have a mini-competition using pre-agreed terms and conditions. The Framework Agreement would last for a specified period. It would not commit the Council to a specific volume of purchase or indeed purchases from a specific supplier within the framework, (although rebates would be a legitimate commercial decision for the Council). The benefits of a framework agreement are that it would allow the Council to cope with individual supply and demand and allow for smaller procurements using the overall competitive procedure of the framework. The Council will still need to monitor the volume and value of the contracts placed.
- Form A has been produced (approval to tender for the audit contract) and signed off. The Council has not yet made a decision about which of these options will be chosen, as we are still holding discussions with Waltham Forest and Hackney.
- E-mails have been exchanged with other local authorities interested in joint procurement or audit consortia arrangements.

## **5. Progress on the Statement of Internal Control for 2004/5**

- A meeting of the Corporate Governance Working Group was held on 19.05.05. (The Section 151 Officer, the Council's Monitoring Officer and the CMIA are members of this group).
- Outstanding actions from the previous SIC were identified for members of the group to take ownership of and action.
- Work also began on the production of a new gap analysis; i.e. a self-assessment of the Council's governance arrangements in accordance with the 2001 CIPFA/SOLACE guidance "Corporate Governance in Local Government: A keystone for Community Governance".

- The CMIA and the Executive Director of Finance and Planning discussed the approach that will be taken to compile the SIC for 2004/5 and forms of evidence and assurance that must be compiled to support it.
- The Council will be drawing on the CIPFA Finance Advisory Network guidance, “A Rough Guide for Practitioners” issued in 2005.

## 6. Anti-Fraud and Corruption Strategy

6.1 In September 2004, the Council started its anti-fraud campaign. The objective was to raise awareness of the Council’s efforts to prevent, detect and investigate frauds, within or outside the organisation. The public, staff and Members were the target group. Most of the actions have been completed. A few remaining activities that are planned to take place during 2005/6 are as follows :-

- Sustaining the anti-fraud message will continue to remain a high priority for 2005/06. In September 2005, the RMG plans to re-launch the anti-fraud poster using the JC Decaux boards.
- An annual reminder is due to be issued with staff payslips.
- The 2005/06 anti-fraud sessions will be arranged to directly address the needs of high risk service areas.
- The anti-fraud campaign has succeeded in raising awareness within and outside the council. The number and quality of cases under investigation, and relationship with the Metropolitan Police have all improved. The campaign will be sustained by future advertising and by ensuring that serious cases are successfully investigated and prosecuted.
- Posters on staff notice boards will be reviewed.

6.2 Summary of calls on the fraud hotline log (From 1<sup>st</sup> April to 30<sup>th</sup> April 2005)

<u>Source of calls</u>	<u>No.</u>	<u>Actions</u>	<u>Status</u>
Anonymous	0		
General Staff	2	2 cases are to be investigated by Internal Audit.	In progress
HB Fraud Team	1	1 Internal Audit are carrying out preliminary work on council records.	In progress
Public	0		

- There are currently 13 special investigations in progress (2 from the hotline above).

## 7. Year to Date (YTD) Budget Analysis

7.1 The revised budget figure for Internal Audit (2005/06) is £419,740. Appendix 1 provides a graphic summary of Internal Audits YTD expenditure from 01 April to 30 April 2005. As of 30 April 2005, YTD actual (£5,520) is below the budgeted amount (£37,619). This is due to outstanding invoices still to be received and or processed; the account is within budget.

## **8. Risk Management Issues**

- The current corporate risk register is being agreed and will be circulated separately as Appendix 2.
- A review of the service risk registers is also currently in progress to ensure key risks are covered and monitored.
- Preparation is taking place for a Zurich Municipal Health Check of risk management in preparation for the Audit Commission Review.
- Risk owners have been assigned to the risks in the Corporate Risk Register and a review by them is now taking place. Graphical presentation of risk registers is aimed for.
- A key paper for inspection “what has risk management delivered in outcomes” e.g. improved performance, improved delivery. We need contributions from all along with lateral thinking.
- Good work is taking place with health and safety to integrate approaches eg. risk assessment forms.
- General promotion of risk management continues so that all staff are aware how this assists the managing of services at all levels.

## **9. Financial Implications and risks:**

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

## **10. Legal Implications and risks**

The Council will need to rapidly decide which option it is to take for the re-tendering of internal audit, otherwise there is a substantial risk that there will be insufficient time to carry out the procurement process before the new contract is due to start in April 2006. This is particularly so if the procurement is to be carried out jointly with other Councils.

## **11. Human resource Implications and risks**

As indicated in the 26 April 2005 Committee report, there will be T.U.P.E. implications for the re-tendering of the internal audit contract.

## **13. Equality and Social Inclusion implications**

None arising directly from this report

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**STEPHEN EVANS**  
**Chief Executive**

**Background Papers**

Internal Audit reports & database

Audit Commission's Audit and Inspection Report for 2005/6

Havering's Local Code of Corporate Governance

CIPFA/SOLACE "Corporate Governance in Local Government" (A Keystone for Community Governance) Guidance Note

CIPFA Finance Advisory Network "A Rough Guide For Practitioners"

### Appendix 1 Budget Analysis

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

	April	May	June
Year to Date Budget	37,619		
Year to Date Actual	5,520		
Variance	32,099		

