



# Havering

L O N D O N B O R O U G H

## AUDIT COMMITTEE AGENDA

**7.30 pm**

**Tuesday  
4 December 2012**

**Town Hall, Main Road,  
Romford**

Members 6: Quorum 3

**COUNCILLORS:**

**Conservative Group  
( 4)**

**Residents' Group  
( 1)**

**Labour Group  
( 1)**

**Independent  
Residents' Group  
( 0)**

Georgina Galpin  
(Chairman)  
Frederick Osborne  
(Vice-Chair)  
Roger Ramsey  
Frederick Thompson

Clarence Barrett

Denis Breading

**For information about the meeting please contact:**

**James Goodwin 01708 432432**

**email: [james.goodwin@havering.gov.uk](mailto:james.goodwin@havering.gov.uk)**

## AGENDA ITEMS

### 1 CHAIRMAN'S ANNOUNCEMENTS

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

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

(if any) – received.

### 3 DISCLOSURE OF PECUNIARY INTERESTS

Members are invited to declare any pecuniary interest in any of the items on the agenda at this point of the meeting.

*Members may still disclose any pecuniary interest in any item at any time prior to the consideration of the matter.*

### 4 MINUTES OF THE MEETING (Pages 1 - 6)

To approve as correct the minutes of the meeting held on 25 September 2012 and authorise the Chairman to sign them.

### 5 JACOBS CONTRACT UPDATE

An oral report will be given.

### 6 LEASEHOLDER VALUATION TRIBUNAL UPDATE

An oral report will be given.

### 7 ANNUAL AUDIT LETTER (Pages 7 - 16)

Report attached.

### 8 ACCOUNTS CLOSURE TIMETABLE (Pages 17 - 22)

Report attached.

**9 INTERNAL AUDIT PROGRESS REPORT QUARTER 2** (Pages 23 - 48)

Report attached.

**10 FRAUD PROGRESS REPORT QUARTER 2** (Pages 49 - 60)

Report attached.

**11 GOVERNANCE UPDATE INC WHISTLEBLOWING** (Pages 61 - 68)

Report attached.

**12 EXCLUSION OF THE PUBLIC**

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

**13 TREASURY MANAGEMENT QUARTERLY REPORT**

**Ian Buckmaster  
Committee Administration &  
Member Support Manager**

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# Public Document Pack Agenda Item 4

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3B - Town Hall  
25 September 2012 (7.30 - 8.50 pm)**

**Present:**

**COUNCILLORS:**

**Conservative Group** Georgina Galpin (in the Chair), Steven Kelly (in place of Frederick Osborne), .

**Residents' Group** Clarence Barrett

**Labour Group** Denis Breading

An apology was received for the absence of Councillor Frederick Osborne .

Councillor Murray was also present as an observer.

1 member of the public was present.

Unless otherwise indicated all decisions were agreed with no vote against.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

## **14 MINUTES OF THE MEETING**

The minutes of the meeting of the Committee held on 25 June 2012 were agreed as a correct record, subject to the addition of Councillor Barrett's name in the list of those members who sent their apologies, and signed by the Chairman.

## **15 ANNUAL STATEMENT OF ACCOUNTS**

The Statement of Accounts 2011-12 were submitted for the Committees approval. Officers drew Members' attention to the Statement of Movements in Reserves 2011/12, the Comprehensive Income and Expenditure Statement 2011/12, the Balance Sheet as at 31<sup>st</sup> March 2012 and the Cash Flow Statement as at 31<sup>st</sup> March 2012. The accounts also included the Pension Fund Accounts and Housing Revenue Fund Account.

The Committee raised a number of minor issues regarding declarations and membership of organisations which officers agreed to amend for the future.

The Committee:

1. **Approved** the Statement of Accounts confirming the no amendments were required to be made to the accounts in respect of the items set out in the auditors report, and
2. **Noted** that the Annual Accounts must be published by 30<sup>th</sup> September 2012.

## 16 **REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)**

PricewaterhouseCoopers (PWC) - the Council's external auditors submitted their report to those charged with governance as required by ISA 260. The auditors had identified a number of significant risks when they carried out their risk assessment, these risks were:

- Recognition of Income and Expenditure – i.e. the risk of material misstatement in relation to revenue;
- Management override of controls;
- New Financial System – Oracle E-suite.

The auditors had nothing to report in these areas.

The auditors brought to the Committee's attention a number of significant audit and accounting matters. These included:

- Government and non-government grants – a question of how these were treated in the accounts;
- Component accounting – this issue had been raised in last year's audit and the Council's officers had responded to the matters in their treatment this year.
- Separation of bank accounts – Pension Fund – the auditors reported that the Pension Fund had failed to comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Officers explained to the auditors and the Committee why they had been unable to comply at this time.

The auditors confirmed they would be signing an unqualified opinion.

With regard to future fees officers advised that it was likely there would be a 40% reduction in 2012/13.

The Committee **noted** the contents of the report and the draft Letter of Representation.

## 17 **RESPONSE TO ISA 260**

Officers provided the Committee with details of their responses to the matters raised by the external auditors. With regard to the separation of bank accounts this would be implemented in 2012/13. All pension fund transactions were currently recorded in a separate ledger account and were

properly reconciled. Interest was allocated on the net balance in accordance with a formal agreement between the Fund and the Council.

Officers had adopted a cautious approach in 2011/12 to give the new Oracle E-suite an opportunity to bed down. The ability of the system to allow more than one bank account to be linked to the Accounts Payable, Accounts Receivable and Payroll Systems was being investigated.

The Committee considered and **noted** the responses from management and raised no issues.

## 18 **INTERNAL AUDIT PROGRESS REPORT (QUARTER 1)**

Officers submitted their progress report on the work of the Internal Audit Team during quarter 1. Two systems audits had been completed and these had received either a Full or Substantial opinion. Details of the work in progress were provided.

Two school audits had also been completed in the same period both receiving substantial opinions. Officers advised the Committee that they were working on a campaign to encourage Academies to use Internal Audit's services.

The Committee raised no issues of concern and **noted** the report.

## 19 **I-EXPENSES AND PURCHASE CARDS - FOLLOW UP REPORT**

Officers submitted a report, as requested, on progress in implementing the recommendations of the systems audit in respect of iExpenses and Purchase Cards. The audit had given rise to five high, three medium and one low priority recommendation. All the recommendations were agreed at the time of issuing the final report and deadlines for all but two (one low, one medium) were prior to 30 August 2012.

The Committee had first considered the report in June 2012 and they had requested a report back as a number of the recommendations had not been implemented.

Internal Audit had followed up with management and at the time the report was written three of the recommendations had been completed, although the Committee were advised that in two cases no action had been taken to improve control. These risk areas would be revisited in 2012/13 when the other control improvements had been embedded.

Three recommendations were in progress with extended implementation dates identified.

One recommendation had not been progressed at all and management had now rejected the recommendation and accepted the risks.

The other two recommendations were due to be implemented by 30 September 2012.

Recommendation 7 which had now been rejected related to cost effective risk based monitoring activity which should be undertaken by Internal Shared Services to ensure that claims were compliant and bona fide. Management had decided that this was the role of line management under the principles of Self Service following the implementation of Oracle using the vanilla t-gov solution.

The Committee had asked what happens when a recommendation is rejected. Officers advised that in this instance guidance would be issued to all managers and when managers had had the time to absorb the implications the system would be reviewed. In addition the Internal Audit Team would be undertaking some pro-active fraud work in this area.

The Committee **noted** the report.

## 20 **OUTSTANDING AUDIT RECOMMENDATIONS REPORT**

Officers submitted the quarterly update on outstanding audit recommendations. They explained that any recommendations needed to be affordable, achievable and efficient.

The Committee expressed their concern that there were still two high priority recommendations outstanding from audits completed in 2008/9. The first related to the Commissioning of works and the failure to sign a contract with the successful contractor - Jacobs in respect of the Architectural and Surveying (Property) contracts. The original date for completion was February 2009 and the revised date suggested by management was March 2013. The revised date followed an update report to this committee earlier this year. The Committee were especially concerned that the Council had been committing work against an unsigned contract. They asked officers to take the issue back to management and ensure the matter was resolved by the next meeting. If the contracts were not signed by the next meeting officers would need to report back on why not.

The second issue of concern related to IT security and Data Management. This recommendation was supposed to have been fully actioned by March 2010. A revised date of March 2013 had been set by management. This delay was not acceptable to the Committee and management was requested to expedite matters, and fully implement before the next meeting, or report back to the next meeting as to why they had failed to fully implement this recommendation by the original deadline.

Although the medium priority recommendation on Cemeteries and Crematorium was now scheduled for completion by April 2013 as compared to the original date of March 2010 Members did not consider this to be a priority.



Officers explained to the Committee that under new systems in place in Internal Audit officers followed up outstanding recommendations on a monthly basis. Furthermore the Annual Report would include summaries of all the sections work and details of all outstanding recommendations

The Committee **noted** the report.

## 21 **FRAUD PROGRESS REPORT**

The Committee received a report on the work of the Investigation Team and Internal Audit Fraud Team from 2 April 2012 to 29 June 2012.

The Committee were provided with details of the restructure of the Investigations Team which had been launched in June 2012. Since the report had been written the manager of the Investigations Team had been seconded to the Department of Work and Pensions for 6 months to assist with the establishment of the Single Fraud Investigation Service. This will enable the Manager to have an impact on the proposals.

Following the restructure there would be two Senior Investigator posts in the Team and between them they should be able to cover the work. The Internal Audit & Corporate Risk Manager indicated that she would be taking this opportunity to take a more proactive role in the management of the team, which had only recently fallen within her remit.

The Committee were advised that the Department of Works and Pensions would be covering the salary of the seconded officer during this period.

Concerns were expressed about the impact of this secondment and the Committee indicated they wished management to ensure they looked seriously at the impact of secondments on the Council in this time of reduced staffing levels.

The Committee looked at the Revenue Budget for 2012/13 and felt that this failed to give a correct picture of the actual costs of the work to combat fraud. Officers explained that the figures do not include the full income being generated by the proceeds of crime work. As indicated later in the report in one specific case it was possible the Council could receive as much as £100,000 if not more. The financial investigator had seven open cases which had resulted in nine properties, eight vehicles, two speedboats and three bank accounts being restrained.

The income from Administrative Penalties was included but this would only be forthcoming when any over payments had been cleared.

The income from over payments did not get credited to this budget heading.

The Committee asked officers to find some way of demonstrating the financial viability of the current system.

The report was **noted**.

22 **TREASURY MANAGEMENT QUARTERLY REPORT**

*The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.*

The Financial Services Manager presented the report that set out the context that was part of the Chartered Institute of Public Finance and Accountancy (CIPFA) revised Code of Practice for Treasury Management. The revised Code suggested that Members would be informed of Treasury Management activities at least twice a year or preferably quarterly. The report ensured the Council was embracing Best Practice in accordance with CIPFA's revised Code of Practice.

The details of the report were outlined to the Committee, including that the Council had remained within its prudential indicators limits. Details of the Council's investments were made available together with the interest rates they attracted. The Committee were informed the new format provided current and relevant information for its consideration.

The report was **noted**.

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**Chairman**

# AUDIT COMMITTEE

4 December 2012

**Subject Heading:**

**Annual Audit Letter**

**Report Author and contact details:**

Contact: Mike Board  
Designation: Corporate Finance and Strategy Manager  
Telephone: (01708) 432217  
E-mail address:  
Mike.Board@havering.gov.uk  
Audit Committee responsible for approving accounts.

**Policy context:**

**Financial summary:**

N/A

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

Our external auditors PricewaterhouseCoopers will present their annual audit letter to the committee summarising the results of their 2011/12 audit.

**RECOMMENDATIONS**

To note the contents of the letter and consider any issues raised by the external auditor.

**REPORT DETAIL**

The purpose of the letter is to provide a high level summary of the results of the 2011/12 audit. The letter is included at Appendix A.

**IMPLICATIONS AND RISKS**

**Financial Implications and Risks:**

There are no financial implications or risks arising directly from this report. There are no financial consequences arising from the outcome of the audit of accounts. The issues raised in the letter are consistent with the matters raised in their earlier "Report to those charged with Governance" (ISA260) and have been addressed as part of 2012/13 closure planning.

**Legal Implications and risks:**

On the basis that there are no specific issues raised by the external auditor, there are no legal implications arising directly from this report.

**Human Resources Implications and risks:**

None arising directly

**Equalities and Social Inclusion Implications and risks:**

None arising directly

**BACKGROUND PAPERS**

Working papers for the statement of accounts.

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*Government and Public Sector*

***London Borough of  
Havering***

Annual Audit Letter

2011/12 Audit

October 2012

# Introduction

## The purpose of this letter

This letter is a public document which summarises the results of our 2011/12 audit for members of the Authority and other stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- LB Havering Audit Plan 2011-12
- LB Havering Pension Fund Audit Plan 2011-12
- Audit report for the 2011/12 Statement of Accounts, incorporating the value for money conclusion
- Report to those charged with Governance (ISA (UK&I) 260)

We shall also report to management an 'insights' report on our testing of journals during the audit and a summary of less significant issues noted during the course of the audit.

The matters reported here are the most significant for the Authority. Appendix A summarises our recommendations for the year.

## Scope of work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we issued on 29 February 2012 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

<b>Audit responsibility</b>	<b>Result</b>
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&amp;I)).</i>	We reported our findings to the Audit Committee on 25 September 2012 in our 2011/12 <i>Report to those charged with governance (ISA (UK&amp;I) 260)</i> . On 28 September 2012 we issued an unqualified audit opinion.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	We reported our findings to the National Audit Office on 5 October 2012.
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	On 28 September 2012 we issued an unqualified value for money conclusion.
<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with</i>	There were no issues to report in this regard

<b>Audit responsibility</b>	<b>Result</b>
<i>CIPFA / SOLACE guidance.</i>	
<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	There were no issues to report in this regard
<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	There were no issues to report in this regard
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	We have not been able to issue our audit certificate because the Council has not yet prepared its Pension Fund Annual Report and Accounts on which we are required to give an audit opinion and there is an outstanding matter in relation to an objection on the 2009/10 financial statements (see below for detail).

We also provide an audit report on the separate Annual Pension Fund Report and Accounts. The Council is currently completing and once this is done we will then issue our Audit Report. There are no matters to draw to your attention in relation to this.

### **Objection to 2009/10 accounts**

We explained in our 2010/11 Annual Audit Letter that our work was still continuing to address the objection to the 2009/10 accounts. As such, we had not issued our completion certificate on either the 2009/10 or 2010/11 audits.

The objection relates to certain leaseholder service charges and is similar in nature to the objection we received to the 2008/09 accounts, for which we issued a report to management in August 2010. Since that time, the Head of Housing has provided reports to the Audit Committee summarising the work the Council has done to address the recommendations in our report.

We have issued our statement of reasons to the objector and the objector has now appealed against our decision.

Due to the pending appeal, at the time of drafting this letter, we remain unable to issue our completion certificate for the 2009/10 and 2010/11 audits, and hence will be unable to issue our completion certificate for the 2011/12 audit.

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# ***Audit Findings***

## ***Accounts***

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 28 September 2012.

We identified the following key issue from our audit of accounts:

- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* as interpreted and adapted in the Local Authority Accounting Code (the 'Code') states that Grants should not be recognised until there is reasonable assurance that the Authority will comply with the conditions attached to them, and the grants or contributions will be received.
- Our testing of government grants included in the Authority's financial statements identified a number of exceptions where conditions and restrictions had not been correctly identified and thus the treatment in the financial statements did not comply with the Code. There was no impact on the resources available to the Council as a result of the changes made by the Council to correct this matter in the accounts.

## ***Economy, efficiency and effectiveness***

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion.

## ***Whole of Government Accounts***

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 5 October 2012. We found no areas of concern to report as part of this work.

## ***Grant Claims and Certification***

We presented our most recent Annual Certification Report for 2010/11 to the Audit Committee on 29 February 2012. We certified 10 claims worth £201.9m. In 1 case a qualification letter was required to set out significant issues arising from the certification of the claim. These details were also set out in our Annual Certification Report for 2010/11. We will issue the Annual Certification Report for 2011/12 in December 2012.

## ***Annual Governance Statement***

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.



## Appendix A – Summary of recommendations

A summary of the significant recommendations we have made to the Authority during 2011/12 is included below:

Source Document	Recommendation	Management's response	Target Implementation Date
ISA 260 Report to those charged with governance, page 18.	<p><b>Listing of creditor and accruals from Oracle system</b></p> <p>As part of our testing of the Accounts payable balance, we requested a list of the creditors making up the balance of £41.9m in the accounts split by trade payables and accruals.</p> <p>Management were unable to provide us with the information to support this request, therefore we had to adopt alternative audit procedures which involved identifying listings for specific TB codes and manually netting off debits and credits in order to identify the actual year end position and the in year movement. This listing was then used as the basis for sample testing.</p> <p>We recommend that this situation is addressed for the 2012/13 financial statements closedown.</p>	Options to produce the report will be investigated and explored to determine the most appropriate way forward.	As part of the planning for 12/13 Corporate Finance are working closely with ISS to ensure that the relevant reports will be made available to PwC by the end of 12/13.
ISA 260 Report to those charged with governance, page 18.	<p><b>Monthly payroll reconciliations did not operate as intended throughout the financial year</b></p> <p>During the 2011/12 financial year the Authority was unable to perform monthly payroll reconciliations between the payroll system and the main accounting Oracle R12 system.</p> <p>From discussion with management we understand the control deficiency is due to an Oracle report issue which is being investigated and corrected.</p> <p>A year end payroll reconciliation was produced for the purpose of the audit. The payroll reconciliation included non payroll costs that resulted in a £850,000 difference between the payroll system and the general ledger.</p> <p>Additional audit procedures were</p>	Reconciliations are taking place on a regular basis. The evidence log for 12/13 is available. An automated report for the Gross to net to General Ledger reconciliations is being developed.	Already implemented.

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	undertaken to reconcile the balance. We recommend that reconciliations between the payroll system and the main accounting Oracle R12 system are undertaken regularly.		
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Where we have made other recommendations during the year these have been reported to management.



### **Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers 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.*

### **Other Matters**

*In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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<p><b>AUDIT COMMITTEE</b> 4 December 2012</p>	

<b>Subject Heading:</b>	Closure of Accounts Timetable 2012/13
	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk
<b>Policy context:</b>	This report advises the Audit Committee of the progress to date in preparing for the Closure of Accounts 2012/13
<b>Financial summary:</b>	There are no direct financial implications to the report. However, the increased disclosure requirements relating to Infrastructure assets may require additional costs to be incurred in relation to the valuation and review of those assets.

**The subject matter of this report deals with the following Council Objectives**

- Clean, safe and green borough
- Excellence in education and learning
- Opportunities for all through economic, social and cultural activity
- Value and enhance the life of every individual
- High customer satisfaction and a stable council tax

**SUMMARY**

This report advises the Audit Committee of the progress to date in preparing for the closure of Accounts 2012/13.

**RECOMMENDATIONS**

The Committee is asked to note the report and the actions taken to date to prepare for the 2012/13 closure of accounts.

**REPORT DETAIL**

**1. Background**

The Council successfully closed its accounts and prepared its Financial Statements on an IFRS (International Financial Reporting Standards) basis for the second time in 2011/12.

There are a number of technical changes required under The Code of Practice in 2012/13. The priority for the closure programme is to ensure that all key activities have been captured in the timetable and roles and responsibilities identified and understood.

**2. Key Issues**

The key issues to be addressed during the 2012/13 closedown are as follows:

**2.1. Infrastructure Assets**

Infrastructure assets include roads, highways, bridges and street furniture. These assets are currently recorded on the Balance Sheet on a Depreciated Historic Cost (DHC) basis. The Whole of Government Accounts guidance includes a requirement to record such assets on a Depreciated Replacement Cost (DRC) basis in 2012/13. It will be necessary to identify all such assets, with appropriate measurements and then establish the cost of replacing these assets at current prices (in accordance with The Code of Practice on Transport Infrastructure Assets). Valuations would need to be updated regularly in order to ensure compliance with The Code.

The phasing is expected over a two year period as set out below. In 2012/13 the Council can opt to make a minimum disclosure by way of a note to the accounts with full disclosure in 2013/14. However, the 2012/13 prior year comparatives will need to be re-stated in the 2013/14 accounts to reflect the changed valuation basis.

In 2013/14, the Council's Balance Sheet valuation will increase significantly as would the annual depreciation and impairment charges to the related service revenue accounts. However, there would be no impact upon the Council's revenue out-turn as depreciation and impairment charges are reversed out through the

Capital Adjustment Account. The precise requirements are currently being evaluated by officers.

<b>Year</b>	<b>Requirement</b>
2012/13	Voluntary note to the Statutory Accounts
2013/14	Full disclosure

## **2.2. Homes in Havering**

The re-integration of the Arms Length Management Organisation requires a number of changes to the accounting disclosures and ultimately the Council would no longer be required to produce Group Accounts. From an operational viewpoint, HiH relied heavily on agency staff which brings with it additional risks associated with high staff turnover and continuity of service.

## **2.3. Oracle Phase 2 - I-Procurement**

Implementation of Oracle phase 2, i-proc, is an additional call on staff time involved in the closure process. Systems shut down of i-proc will involve a two tier shutdown as go live is planned to take place on 1st Jan 2013.

## **2.4. Public Health Transfer**

Public Health services in Havering are being transferred to the Council in April 2013. The timing of this merger will affect closedown between 1st April and 30th June as staff involved in normal closedown activities may be diverted to the project.

## **2.5. Council Tax Benefit System reform**

The Welfare Reform Act 2012 will abolish the national Council Tax Benefit scheme from April 2013 and the Local Government Finance Bill currently making its way through Parliament will enable Local Authorities to design their own local council tax support schemes. Preparation and implementation of the new scheme may impact upon the ability to deliver a successful closedown programme.

## **2.6 Local Government Financial Settlement**

Major changes in Local Government Funding are expected to be confirmed in the Government's autumn statement including the localisation of Business Rates. Staff time has been prioritised towards understanding the implications of the proposals for budget setting purposes, public consultation and the implementation of new systems and processes. These matters inevitably impact upon the ability to plan and resource the closure timetable.

## **3. Progress to Date**

The final year end closure of accounts timetable has been issued and is being monitored. Regular meetings have been scheduled until the end of June 2013.

The guidance notes have been consulted upon and are being updated. The final documentation will be issued in early January 2013.

The closedown planning process began in earnest in November 2012. The process will be monitored routinely by Corporate Finance. Regular reports will be made to both Corporate Management Team and Audit Committee.

**4. Progress against matters raised by the external auditors in the Report to Management (ISA 260)**

**a) Listing of creditor and accruals from the Oracle system**

As part of Auditors' testing of the Accounts Payable balance, they requested a list of the creditors making up the balance in the accounts split by trade payables and accruals. Options to produce the report will be investigated and explored by ISS to determine the most appropriate way forward for 12/13.

**b) Monthly payroll reconciliations did not operate as intended throughout the financial year**

During the 2011/12 financial year the Authority was unable to perform monthly payroll reconciliations between the payroll system and the main accounting Oracle R12 system.

From discussion we know that the control deficiency is due to an Oracle report issue which is being investigated and corrected. A year end payroll reconciliation was produced for the purpose of the audit.

**Financial Implications and risks:**

The technical accounting changes arising from the revisions to The Code of Practice do not give rise to any direct financial implications. However, the more complex accounting and valuation requirements associated with infrastructure assets will generate additional work and may give rise to increased cost pressures. In particular, it will be necessary to introduce a regular valuation programme for all infrastructure assets in order to value them on a Depreciated Replacement Cost (DRC) basis instead of Depreciated Historic Cost (DHC).

**Legal Implications and risks:**

Section 21 of the Local Government Act 2003 requires that accounting practices including the Statement of Accounts be undertaken in accordance with proper practices set out in relevant regulations. The Local Authority must also have regard to the code of Practice on Local Authority Accounting for 2011/12 (based upon International Financial Reporting Standards) which sets out the proper practices applicable with effect from 1<sup>st</sup> April 2011.



**Human Resources Implications and risks:**

None arising directly.

**Equalities and Social Inclusion Implications and risks:**

None arising directly

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

[Background Papers List](#)

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## AUDIT COMMITTEE

4 December 2012

<b>Subject Heading:</b>	Internal Audit Progress Report
<b>Report Author and contact details:</b>	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
<b>Policy context:</b>	To inform the Committee of progress to deliver the approved audit plan in quarter two of 2012/13.
<b>Financial summary:</b>	N/a

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

### SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 2<sup>nd</sup> July 2012 to 28<sup>th</sup> September 2012.

### RECOMMENDATIONS

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

**REPORT DETAIL**

This progress report contains an update to the Committee regarding Internal Audit activity presented in seven sections.

**Section 1 Background and Resources**

Some information about resources is included for information.

**Section 2 Audit Work 2<sup>nd</sup> July to 28<sup>th</sup> September 2012**

A summary of the work undertaken in quarter two is included in this section of the report.

**Section 3 Management Summaries**

Summaries of all final reports issued in the period.

**Section 4 Schools Audit Work**

A summary of schools final reports issued in the period.

**Section 5 Key Performance Indicators**

The actual performance against target for key indicators is included.

**Section 6 Changes to the Approved Audit Plan**

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

**Section 7 Outstanding Audit Recommendations**

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

**Legal implications and risks:**

None arising directly from this report

**Human Resources implications and risks:**

None arising directly from this report

**Equalities implications and risks:**

None arising directly from this report

**BACKGROUND PAPERS**

None

**Section 1 Background and Resources**

- 1.1 During quarter two all posts in the establishment have had a permanent post holder in place.
- 1.2 At the end of September £40,828 of the £50k income target relating to the systems audit team has been achieved.
- 1.3 The forecast outturn for 2012/13 is currently within the allocated budget.

**Section 2 Audit Work 2<sup>nd</sup> July to 28<sup>th</sup> September 2012.**

- 2.1 At the end of September 37% of the audit plan had been delivered. This was against a target for the period of 45%.
- 2.2 At the end of September thirteen assignments had been completed and eighteen were in progress but had not reached the final report stage. One assignment related to a follow up of the I expenses audit and the results were reported to the Committee at September meeting.
- 2.3 Four reports were issued to Homes in Havering's Resources Committee prior to 28<sup>th</sup> September. The remainder of the audit plan has been reviewed and priority has been given to two audit areas that will be beneficial to Homes and Housing around Tenancy Management and Capital. The remainder of the plan will be completed if required by the Homes in Havering External Auditors as an assurance regarding the 2012/13 accounts.
- 2.4 At the request of the Chief Executive work has also been completed on PDR Compliance.
- 2.5 Schedule 1 details the final reports issued in quarter two. Details are listed in the table below and management summaries under Section 3 starting on the next page.

**2.6 SCHEDULE 1: 2012/2013 – Systems Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Ingrebourne Children's Centre	Limited	3	4	2	9	3 (1)
Elm Park Children's Centre	Limited	0	0	0	0	3 (2)
South Hornchurch Children's Centre	Limited	0	0	0	0	3 (3)
Education Computer Centre Follow Up	Limited	2	7	0	9	3 (4)

- 2.7 Recommendations for Ingrebourne Childrens Centre were not re raised within the other audit reports but applied to all Children's Centres visited.

**2.8** Work in progress includes:

- Risk Based Systems Audits – Contracts & Procurement, Agency Worker Contract, Debt Management, Information Governance – Service Area Control & Compliance, Information Governance – Provider Compliance, Parking, Transport, i-Recruitment, i-Procurement, Looked After Children – Performance Information & Data Quality, Looked After Children – Placements, Traded Services, Telecom, Network Permissions, Release of Software, Oracle eBusiness and Appointeeship & Deputyship follow up.
- School Audit – Newtons Primary.

## Section 3 Management Summaries

Ingrebourne Children's Centre	Ref 3 (1)
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### 3.1 Background

**3.1.1** Children's Centres were originally set up using Sure Start funding. These centres provided a place within the community for parents and carers of children under five years of age to access services and support. Centres provided universal services to all families.

**3.1.2** This funding has now been withdrawn and replaced by a reduced Early Intervention Grant.

**3.1.3** Changes in the Council's statutory duties are driving changes to the way centres operate. Proposals are out to consultation to restructure the centres and scale back on the provision of universal services to provide more focused support to targeted families.

**3.1.4** There are 13 centres within Havering. The 2012/13 budget for Children's Centres is approximately £3m.

### 3.1.5 Summary of Audit Findings

**3.1.6** This report highlights issues identified during the audit of this Centre, but also raises issues that may be relevant to all of the borough's Children's Centres. Where applicable action has been agreed with management to implement recommendations across all Centres.

**3.1.7** Attendance at sessions run by the Centre should be recorded on E Start for monitoring purposes.

**3.1.8** Training undertaken by staff is recorded locally, although this document was found to be incomplete. Work is underway centrally to collate all training information for staff within centres into one central spreadsheet.

**3.1.9** Children Centre budgets are held on a central code before being allocated to individual centres. At the time of the audit, Centres had not been allocated their budgets due to the changes to the structure of children's centre's occurring.

**3.1.10** Payroll errors are being made by the borough. These issues have already been picked up and reported by the Centre.

**3.1.11** Errors in i-Procurement hierarchy's means that the Centre has been unable to use the system. This has already been raised with Internal Shared Services. The previous purchasing process continues to be used and whilst issues in relation to the audit trail were noted during testing, these issues will be resolved by the use of i-Procurement.



- 3.1.12** Centre Managers were found to be set up on i-Procurement with a financial limit of only the £100 self approve limit and without the ability to approve their staffs purchases. Action was taken during the audit to rectify this.
- 3.1.13** Annual declarations of interest are being completed, but are not being submitted as required for central collation.
- 3.1.14** Since the introduction of i-Expenses petty cash accounts are no longer used to claim expenses. However, there is a need for Centres to be able to provide some element of financial support to families if necessary. There lacks procedures in administering this support within the Centre's through the use of the petty cash imprest.
- 3.1.15** There are no controls in place to ensure agency employees IT access is removed once they have left the Council / service area.
- 3.1.16** Cleaners working on site within Centres are not subject to CRB checks as standard, which varied from Managements understanding of the situation.
- 3.1.17** An inventory is in place, although this is not consistently completed and the format of this document varies from page to page.
- 3.1.18** Evidence of annual inventory checks and reporting of the outcome of these checks are not maintained.
- 3.1.19** Children's Centres sit outside of the Council's Landlord Model and as such receive limited support at a corporate level to manage buildings and statutory compliance. The review raised concerns as to the level of training / information provided to Centre Managers to take on this level of responsibility.
- 3.1.20** A lack of understanding as to the reason for requiring business cover on staff car insurance was identified.
- 3.1.21** Documented agreements have not been set up between the Council and organisations delivering services within the Centres. Work is underway by management to rectify this.
- 3.1.22** Limited management information is being produced within the centre.
- 3.1.23 Audit Opinion**
- 3.1.24** As a result of this audit we have raised three high, four medium and two low priority recommendations.
- 3.1.25** Recommendations related to the need for:
- Attendance information to be updated onto E-start for monitoring purposes (Low);
  - Declarations of Interest to be completed and submitted centrally (Medium);
  - A process for administering financial support to be produced (Medium);

- Controls to be established for removing access for agency leavers (High);
- A decision to be made as to the need for cleaners to be CRB checked (High);
- A standard inventory template to be introduced (Low);
- Inventory checks to be evidence and approved (Medium);
- Discussions to be held over inclusion to Corporate Landlord Model (High); and
- Clarification over the reason business use insurance (Medium).

**3.1.26 A Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

**3.1.27** The above opinion is based on the weaknesses identified that pose significant risk to all centres and is not on the findings of this centre alone.

Elm Park Children's Centre	Ref 3 (2)
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## **3.2 Background**

**3.2.1** Children's Centres were originally set up using Sure Start funding. These centres provided a place within the community for parents and carers of children under five years of age to access services and support. Centres provided universal services to all families.

**3.2.2** This funding has now been withdrawn and replaced by a reduced Early Intervention Grant.

**3.2.3** Changes in the Council's statutory duties are driving changes to the way centres operate. Proposals are out to consultation to restructure the centres and scale back on the provision of universal services to provide more focused support to targeted families.

**3.2.4** There are 13 centres within Havering. The 2012/13 budget for Children's Centres is approximately £3m.

### **3.2.5 Summary of Audit Findings**

**3.2.6** A review of Ingrebourne Children's Centre resulted in a number of issues being highlighted at service level. These issues were:

- Lack of details relating to training undertaken by staff;
- No allocation of budgets to individual centres;
- Central payroll errors are being made;
- Management approval restrictions on i-Procurement;
- Missing or out of date declarations of interests;
- Lack of a documented process for administering financial support to families;
- Lack of controls to remove access to systems for agency employees leaving the Council / service;
- Inconsistent and incomplete inventory;
- Lack of evidence to support annual checks on inventory;
- Insufficient training of Centre Manager to carry out building maintenance related tasks ;
- Cleaners are not automatically subject to CRB checks;
- Misunderstandings over purpose "Business Use" insurance and the required checks;
- Lack of agreements between the Council and relevant partner organisations using the Centre; and
- Limited management information being produced.

**3.2.7** Recommendations were raised to rectify the above issues with the exception of the following:

- The centralised training matrix;
- Budget allocations;
- Payroll errors;

- I-Procurement changes;
- Petty cash audit trails;
- Partnership agreements; and
- Management information.

**3.2.8** In the above instances action already taken by management at the time of the audit or work undertaken in other areas will rectify these issues going forward.

**3.2.9 Audit Opinion**

**3.2.10** No recommendations have been raised as part of this report as all relevant weaknesses identified will be resolved through the implementation of recommendations raised as part of the previous Ingrebourne Children's Centre report or action that has already been taken by management.

**3.2.11 A Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

**3.2.12** The above opinion is based on the weaknesses identified at a service level that pose significant risk to all centres and is not based on the findings of this centre alone.

South Hornchurch Children's Centre	<b>Ref 3 (3)</b>
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- 3.3** The management summary for South Hornchurch Children's Centre is the same as the one for Elm Park detailed in 3 (2). No additional risk areas were identified during this audit and action had commenced prior to the visit to address the issues raised in the prior audit work.

Education Computer Centre	Ref 3 (4)
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### **3.4 Background**

**3.4.1** In September 2011 an audit of the Education Computer centre commenced. The objective of the audit was to provide assurance regarding the internal controls around the services provided to schools.

**3.4.2** The audit reviewed the following key risk areas:

- Compliance, inc Policies and Procedures;
- Financial / Reputational; and
- Access to Information / Management Information (including Data Quality) & Reporting.

**3.4.3** As a result of the audit three high and six medium priority recommendations were raised and a 'Limited Assurance' was provided to management. All of the recommendations were agreed at the time of issuing the final report and deadlines for all but one were prior to the 30<sup>th</sup> September 2012. The remaining recommendation is not due until 31<sup>st</sup> March 2013.

### **3.4.4 Progress on Implementation**

**3.4.5** A formal follow up has just been completed and progress against all actions was reviewed. Where actions had been completed by management evidence to support this was gathered.

**3.4.6** The results are summarised below:

- Two recommendations were stated as having been completed at the time of the follow up (1 & 3), however no evidence could be provided to support this status;
- Four recommendations have been partially implemented and further work is required to fully mitigate the risks (4, 5, 6 and 7);
- Two recommendations are yet to be progressed (8 and 9); and

Extended implementation dates have been identified for the six recommendations that are overdue and outstanding.

### **3.4.7 Conclusion**

**3.4.8** The follow up indicates that limited progress has been made in implementing recommendations and therefore limited action has been undertaken to address the risks identified by the original audit.

**3.4.9** A further follow up will be scheduled for April 2013.

**Section 4 Schools Audit Work**

- 4.1** During quarter two the team have worked to review the schools audit programme to ensure it focuses appropriately on risk areas. Meetings have been held with the Schools Finance Team in Learning and Achievement to ensure a joined up approach.
- 4.2** By March 2013 each School will complete a self assessment against the new Schools Financial Value Standard (SFVS). Unlike the previous Financial Management Standard in Schools (FMSiS) SFVS does not require formal sign off with a pass or fail outcome. The audit programme has been tailored to ensure that the team support both the school and Council in having confidence in the assurances that are produced and provided at year end.
- 4.3** Three Schools audits were finalised by the end of September. Results of the audits are included in Schedule 2 below.
- 4.4** Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

**Schedule 2: 2012/13 – School Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Parklands Infant School	Substantial	1	5	2	8	N/A
The Mawney Primary School	Substantial	0	3	1	4	N/A
Frances Bardsley School for Girls	Limited	4	12	0	16	4 (1)

<b>Frances Beardsley School for Girls</b>	<b>ref 4 (1)</b>
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#### **4.1 Previous Recommendations**

**4.1.1** There were four priority one and eight priority two recommendations made at the Annual Audit Health Check undertaken in November 2010 of which, at the time of the audit, seven had been implemented.

**4.1.2** The recommendations still to be implemented relate to:

- Terms of Reference for all Governing Body Committees to be ratified by the full Governing Body;
- Details of the schools purchase card holders etc to be included in the schools Business Manual;
- The schools Pay Policy to be ratified by the Governing Body;
- Virements to be appropriately authorised; and
- Monthly budgetary cost centre reports to be produced.

#### **4.1.3 Summary of Audit Finding**

**4.1.4** The updated Schools Financial Management Standards and Guidance did not include a Scheme of Delegation.

**4.1.5** Terms of Reference could not be located for the Premises and Health & Safety, Pay Policy and Working Party and Curriculum Committees.

**4.1.6** A documented and approved Charging Policy could not be located.

**4.1.7** The revised Schools Financial Management Standards and Guidance does not include a Lettings Policy.

**4.1.8** No formal documented Grants Policy or School Journey Subsidy arrangements could be located.

**4.1.9** No documented and approved Write-Off Policy for equipment could be located.

**4.1.10** No documented, approved and up to date Pay Policy could be located.

**4.1.11** Documented approval from the Governing Body to operate a purchase card or a documented policy for the usage of purchase cards could not be located.

**4.1.12** No formal approval of the School Improvement / Development Plan by the Governing Body could be identified and no timetable had been constructed.

**4.1.13** Risk Management is not currently included as part of the School Improvement / Development Plan and there is no formal approach or review by the school or Governing Body toward Risk Management.



- 4.1.14** LBH Social Care and Learning Risk Assessment Schedule and the Emergency Planning for Children's Services Establishments policies were not located.
- 4.1.15** There are no business continuity plans currently in place at the school.
- 4.1.16** There is no 'grab bag' system or procedures in place.
- 4.1.17** A School Development Plan (SDP) was only put into place in January 2012 to cover the period from January to September 2012. An SDP prior to this could not be located and no clear timetable for developing the SDP could be identified.
- 4.1.18** The SDP had identified some financial resources but in a sample of three identified resources only one could be clearly identified in the budget development.
- 4.1.19** Monthly budget monitoring reports are not currently produced.
- 4.1.20** Significant delays were identified in the updating of the SIMS accounting systems.
- 4.1.21** Virements were not being approved by the Finance Committee prior to being processed.
- 4.1.22** An accruals report could not be provided at the time of the audit and no evidence could be located for all accruals made at the previous financial year end.
- 4.1.23** Bank account reconciliations have been undertaken on a termly basis but best practice would be to ensure that reconciliations are carried out monthly.
- 4.1.24** The bank account mandate currently states that only one signatory is required.
- 4.1.25** There is no formal evidence or record to confirm that independent checks are undertaken to ensure income due is fully and promptly banked following receipt.
- 4.1.26** The charges for lettings remain at the rate approved in April 2007.
- 4.1.27** The Lettings Policy is not provided to the hirer upon application.
- 4.1.28** Invoices for the lettings are submitted after the letting has taken place and it is difficult to tie up the Site Manager records with the Office records.
- 4.1.29** No formal procedures for the costing and reconciling school journey income and expenditure could be located. A spreadsheet for income due and received was maintained but was incomplete

- 4.1.30** There is no formal grants policy in place for assisting pupils with financial difficulties in attending school journeys.
- 4.1.31** Purchases are being made without the use of Official orders. Delivery notes were not being retained or there was no evidence of checks to confirm delivery of goods.
- 4.1.32** Segregation of duties for the procurement process could not be tested due to the Scheme of Delegation being out of date.
- 4.1.33** No evidence could be located to determine if the HMRC checks had been carried out on individuals.
- 4.1.34** The LBH Charge Card and Credit Card Procedure and User Guide is not followed for the use of the School's purchase card.
- 4.1.35** No consistent and / or central record of equipment loaned out could be identified during the audit.
- 4.1.36** Income is not being regularly banked.
- 4.1.37** A member of staff who had since left the school was still an authorised user on the SIMS system.
- 4.1.38** No payroll checks are being carried out by the Head Teacher or any other designated officer.
- 4.1.39** There are currently no procedures in place to carry out checks on staff car insurance, license and MOT arrangements for those members of staff driving on school business.
- 4.1.40** It was not possible to follow income collection through to banking for the Private School Fund and no regular, timely, authorised and accurate reconciliations of income collected through the Private School Fund could be located during the audit.
- 4.1.41** The Head Teacher informed the auditors that:
- He took headship of the school in September 2011 and the new Business Manager took up post in November 2011;
  - Both the Bursar and Finance Officer, who had been on long term sick, left at the end of December 2011;
  - With the absence of the Finance Officer and then the Bursar, since January 2012, the school has been short of finance staff;
  - The processes currently used within the school have been inherited;
  - The Business Manager has started to review policies and procedures; and
  - At the time of the audit they were recruiting for the Finance Officer post and once filled procedures were to be reviewed.

#### **4.1.42 Audit Opinion**

**4.1.43** This audit report contains sixteen recommendations, four high priority and twelve medium priority.

**4.1.44** Recommendations relate to the need for:

- An updated Scheme of Delegation to be included in the Financial Management Standards and Guidance and Terms of Reference to be put in place for all sub-committees (Medium);
- A Charging, Lettings, Grants, Equipment Write-off and Pay Policies to be created and / or updated and included in the Financial Management Standards and Guidance (Medium);
- Purchase Cards to be formally approved by Governing Body and relevant procedures for their use included in the Financial Management Standards and Guidance (Medium);
- Risk Management to be adopted as part of the Governing Body role and included within the School Development Plan (SDP) which include:
  - A number of policies to be incorporated into the School's current Risk Management arrangements;
  - Business Continuity Plans to be developed with the assistance of the Governing Body;
  - A 'Grab Bag' system to be introduced and maintained (High);
- Timetables, Governing Body approval and some improvements to be put in place for the SDP (Medium);
- Formal processes and procedures to be put into place surrounding budget monitoring (Medium);
- Amendments to be made to the bank mandate and bank reconciliations to take place on a regular basis for all school bank accounts (Medium);
- Processes to be put in place to strengthen the controls surrounding school lettings (Medium);
- A procedure to be put in place for the planning, recording expenditure and collecting income for residential school journeys (High);
- Improving the processes involved for the procurement of goods and services (Medium);
- A central or standardised record to be kept for the loan of school equipment (Medium);
- Regularly banking cash to ensure levels in the safe are kept to a minimum (High);
- Prompt removal of staff leavers from SIMS access (Medium);
- Spot checks to be carried out on payroll data (Medium);
- Checks to take place on relevant documentation for staff using their cars on school business (High); and
- Income collection through the Private School Fund to be reconciled on a regular basis (Medium).

**4.1.45 Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.



**Section 5 – Key Performance Indicators**

**5.1** The tables below detail the profiled targets for the year and the performance to date at the end of September and the targets for the rest of the financial year.

<b>5.2 Audit Plan Delivered (%)</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	16	22	30	37						
Cumulative Target	20	30	37	45	53	63	70	80	90	99

**5.3** At the end of September 2012 the team is just behind target. This is due to one post being vacant for quarter one and the computer audit plan being profiled later in the year than usual.

<b>5.4 KPI 01 - Briefs issued</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	16	17	20	32						
Cumulative Target	12	19	25	32	40	48	53	55	60	60

**5.5** At the end of September the team were on target for briefs issued.

<b>5.6 KPI 02 – Draft Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	7	7	8	15							
Cumulative Target	8	15	21	26	32	39	44	50	57	60	

**5.7** At the end of September the team were 11 draft reports behind target. This is due to more demand to support by services when implementing new systems and because a number of larger audits are programmed at the start of the year.

<b>5.8 KPI 03 – Final Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	3	6	8	13							
Cumulative Target	5	10	15	21	26	32	39	44	50	57	60

**5.9** At the end of September the team were eight final reports behind target. There are no concerns regarding completion of the plan at this time. Due to changes in the audit plan the total number of deliverables is likely to change from 60 the final total for the year will be known in December.

**Section 6 – Changes to the Approved 2012/13 Audit Plan**

- 6.1** In April 2012 the Audit Committee approved an Annual Audit Plan for the 2012/13 financial year totalling 1576 days.
- 6.2** The table below provides a summary of the audits removed from, and added to, the 2012/13 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.
- 6.3** The impact on the total days in the plan has been managed by adjusting other budgets for the year. The totalled planned days remain at 1576.

<b>6.4 Plan Changes</b>				
<b>Audit Title</b>	<b>Days</b>	<b>Revised Days</b>	<b>Directorate</b>	<b>Reason</b>
Data Quality & Risk Management	15	11.5	Corporate	Audit completed in less than budgeted days.
Petty Cash / Pre Paid Cards	20	0	Corporate	Audit cancelled as the implementation of pre paid cards has been delayed. To be included in next years audit plan.
Income Management incl. Cash	15	25	Corporate	Additional work required when scope of audit work defined.
Information Governance-Service Area Control & Compliance	15	25	Corporate	Budget increased when scope of audit work identified.
Housing & Council Tax Benefits	20	0	Culture & Community	Audit cancelled as new schemes will not come into force until next year. To be included in next years audit plan.
Children's Centre Probity Programme	15	30	Children's Services	Additional work identified during audit.
Youth Service	15	0	Children's Services	Audit cancelled due to transfer of the Youth Service from Children's Services to Culture & Community, To be included in next years plan.

## Section 7 – Outstanding Recommendations Summary Tables

### Categorisation of recommendations

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

#### 7.1 Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Commissioning of Works	ACE – Legal & Democratic Services	1			1		
IT Security & Data Management	ACE – Legal & Democratic Services	1			1		
Cemeteries & Crematorium	Housing & Public Protection		1		1		
	<b>Total</b>	<b>2</b>	<b>1</b>		<b>3</b>	<b>0</b>	<b>0</b>

**7.2 Outstanding Internal Audit Recommendations – 2009/10**

Review in 2009/10	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Climate Change	Culture & Community		1		1		
Government Connect GCSx	ACE – Legal & Democratic Services		1		1		
Contract Completions	Asset Management		1	1	2		
	<b>Total</b>		<b>3</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>



**7.3 Outstanding Internal Audit Recommendations – 2010/11**

Review in 2010/11	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Corporate Support Team	Asset Management			1	1		
Tranman	Asset Management	1			1		
Payroll	Business Systems			1	1		
Pensions	Shared Services			1	1		
IT Security	Business Systems		1		1		
IT Security	ACE – Legal & Democratic Services		3				3
	<b>Total</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>3</b>

**7.4 Outstanding Internal Audit Recommendations – 2011/12**

Review in 2011/12	HoS Responsible	Outstanding			Position as at end September 12		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Microsoft Exchange Server & Outlook Email	Business Systems		1		1		
Public Protection	Housing & Public Health			1	1		
Remote Working	Business Systems		1		1		
Oracle Financials	Business Systems		3		3		
Crematorium – Grave Allocations & Record Keeping	Housing & Public Protection		4		4		
Education Computer Centre	Business Systems	3	4		7		
Appointeeship & Deputyship	Adult Social Care	1			1		
Network Infrastructure	Business Systems	2			2		
Pensions	Internal Shared Services		1		1		
i-Expenses & Purchase Cards	Group Director – F&C	1			1		
i-Expenses & Purchase Cards	Internal Shared Services	1	1	1	3		
Main Accounting	Internal Shared Services		1		1		
	<b>Total</b>	<b>8</b>	<b>16</b>	<b>2</b>	<b>26</b>	<b>0</b>	<b>0</b>

7.5 Outstanding Internal Audit Recommendations – 2012/13

Review in 2012/13	HoS Responsible	Outstanding			Position as at end September 12		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Information Governance	ACE – Legal & Democratic Services	1	2				3
Ingrebourne Children’s Centre	Children’s Services	1			1		
	<b>Total</b>	<b>2</b>	<b>2</b>		<b>1</b>	<b>0</b>	<b>3</b>

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# AUDIT COMMITTEE

4 December 2012

**Subject Heading:**

Fraud Progress Report

**Report Author and contact details:**

Vanessa Bateman – Internal Audit & Corporate Risk Manager  
ext: 3733 email:  
vanessa.bateman@havering.gov.uk

**Policy context:**

To advise the Committee of the work and performance of the Council’s anti fraud and corruption resources.

**Financial summary:**

This report details information relating to fraud investigations.

**The subject matter of this report deals with the following Council Objectives**

- |  |     |
|--|-----|
| Clean, safe and green borough  | [X] |
| Excellence in education and learning                                 | [X] |
| Opportunities for all through economic, social and cultural activity | [X] |
| Value and enhance the life of every individual                       | [X] |
| High customer satisfaction and a stable council tax                  | [X] |

**SUMMARY**

This report advises the Committee of the work of the Investigations Team and the Internal Audit Fraud Team from 2<sup>nd</sup> July 2012 to 28<sup>th</sup> September 2012.

**RECOMMENDATIONS**

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of the officers where required, either with regards the cases highlighted or the performance of the respective teams.

**REPORT DETAIL**

This report contains two sections; the content of each section is outlined below:

Section 1. Resources & Direction of Travel

Section 2. HB/CTB Fraud Work, Housing Tenancy & Internal Audit Fraud Work

- A) Case Load
- B) Referrals & Fraud Reports
- C) Current Case Load
- D) Outcomes
- E) Case Studies and Proactive Work
- F) HB/CTB fraud overpayments
- G) Savings & Losses

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. The work of the Benefit Investigation Team regularly identifies benefit to which claimants are not entitled which are to be recovered by the Council. There are however, no direct financial implications or risks arising directly from this report.

**Legal implications and risks:**

There are no legal implications from noting the contents of this Report.

**Human Resources implications and risks:**

There are no HR implications from noting the contents of this Report.

**Equalities implications and risks:**

There are no Equalities implications from noting the contents of this Report.

**BACKGROUND PAPERS**

None.

**Section 1 Resources & Direction of Travel**

- 1.1 A restructure of the Investigations Team was finalised at the end of September the process to recruit has commenced with agency resources in place to cover the post until a permanent post holder starts.
- 1.2 The Principal Investigator has been seconded to Department of Work and Pensions for six months to work on the Single Fraud Investigation Service Team. His managerial responsibilities are being shared by the Internal Audit and Corporate Risk Manager and the two Senior Investigators. The Investigators have taken on an increased role in administering sanctions and preparing prosecution files to support the seniors over the period of the secondment.
- 1.3 The level of resources available in the team is being reviewed again in light of this secondment and the generation of more referrals following data matching activity.
- 1.4 The Internal Audit teams established fraud posts are fully resourced. Due to the high level of referrals and the significant proactive work planned the resource available is currently being evaluated the cost benefit of seconding additional resources to this team.
- 1.5 The forecast outturn for 2012/13 is within the allocated budget. The Investigations Team has an income target of £51,740 at the end of September and £21,154 had been achieved from payments of administrative penalties. In addition there are a number of Proceeds of Crime cases which should generate income to the team before year end.

2 Para 2.26 can we also include year to date value as well.

**Section 2     Fraud Cases July to September**

**A) Case Load**

2.1 The table at para. 2.2 provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

2.2

<b>Caseload Quarter 3 2012/13</b>						
<b>Team</b>	<b>Cases At start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Cases Fraud not Proven</b>	<b>Cases Successful</b>	<b>Cases at end of period</b>
HB/CTB	486	100	17	102	39	428
HT	100	19	1	25	9	84
Corporate	18	15	-	6	9	18
<b>TOTAL</b>	<b>604</b>	<b>134</b>	<b>18</b>	<b>131</b>	<b>57</b>	<b>530</b>

**B) Referrals & Fraud Reports**

2.3 The table 2.4 provides the sources of fraud referrals for the respective sections.

2.4

<b>Source of Referrals &amp; Fraud Reports Quarter 2 2012/13</b>				
<b>Number of Referrals/ Type</b>	<b>HB/CTB Referrals</b>	<b>HT Referrals</b>	<b>IA Fraud Reports</b>	<b>Overall Total</b>
Anonymous	14	0	0	14
External Organisations / Members of the Public	12	2	1	15
Internal Departments Whistleblowers	42	8	12	62
Social Landlords (inc HiH)	14	9	0	23
Data Matching / Proactive initiative	18	0	2	20
<b>Total</b>	<b>100</b>	<b>19</b>	<b>15</b>	<b>134</b>



2.5 The table at para. 2.6 shows the categories of the potential Housing Benefit/Council Tax Benefit fraud referrals from July 2012 to September 2012.

2.6

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
Capital	5
Contrived Tenancy	5
Income from Other Sources	3
Living Together	43
Non-Dependant	5
Non-Resident/vacated	10
Other welfare benefits	0
Working	5
Non Commercial Tenancy	0
Other	5
Single Person Discount	0
Tenancy Fraud	19
<b>Total</b>	<b>100</b>

2.7 The table at para. 2.8 shows the categories of the potential Corporate Fraud reports from July 2012 to September 2012.

2.8

<b>Reports by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
PC – misuse and Abuse	2
Misuse of Council Time	2
Misuse of Council Asset	1
Misuse of Council Vehicle	-
Breach of Code of Conduct	2
Breach of Council Procedures	3
Falsification of Records	-
Theft of Cash	2
Receipt of Bribe	1
Direct Payment Fraud	
Safeguarding	2
Overcharging by Supplier	-
Fraudulent use of Credit Card	-
Overpayment Recovery	-
<b>Total</b>	<b>15</b>

2.9 The table at para. 2.10 shows the categories of the potential Housing Fraud reports from July 2012 to September 2012.

2.10

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 2 12/13</b>
Subletting	6
Not main/principal home	10
Obtained tenancy by deception	-
False claim for Succession	-
Fraudulent assignment	1
Fraudulent RTB	-
Unlawful Mutual Exchange	-
Fraudulent Housing Register Application	2
Fraudulent Homeless Application	-
<b>Total</b>	<b>19</b>

**C) Current Caseload**

2.11 The table at para. 2.12 shows the current caseload by category.

2.12

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of Sept 2012</b>
Capital	35
Contrived Tenancy	14
Income from Other Sources	25
Living Together	162
Non-Dependant	17
Non-Resident/vacated	63
Other welfare benefits	0
Working	33
Non Commercial Tenancy	6
Other	13
Single Person Discount	19
Tenancy Fraud	41
<b>Total</b>	<b>428</b>

2.13 The table at para. 2.14 shows the current caseload by category.

2.14

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of Sept 2012</b>
PC – misuse and Abuse	3
Misuse of Council Time	2
Misuse of Council Asset	3
Breach of Code of Conduct	1
Breach of Council Procedures	3
Accepting Bribe	1
Theft of Cash	2
Safeguarding	1
Direct Payments	1
Overpayment Recovery	1
<b>Total</b>	<b>18</b>

**D) Outcomes**

2.15 The number of successful outcomes for the benefits investigations team from July 2012 to September 2012 is detailed in Table 2.16 below.

2.16

<b>Successful Outcomes</b>			
<b>Sanction/ Offence Type</b>	<b>Administrative Penalties</b>	<b>Cautions</b>	<b>Prosecutions</b>
Capital	2	1	-
Working and Claiming	-	2	-
Tenancy	1	1	-
Living Together	2	1	3
Income from other sources	2	1	2
Vacated	2	-	-
Non Dependants	-	-	-
<b>Total</b>	<b>9</b>	<b>6</b>	<b>5</b>

2.17 The following are two summaries from cases successfully prosecuted within the period of the report. Both cases resulted in trials and the defendants in each case appealed against their guilty conviction.

2.18 Mrs G had been in receipt of benefit as a lone parent since March 2009. She was visited by officers of the Investigation Team and subsequently investigated following a referral that a male was residing at the property. The investigation uncovered evidence to establish that her husband, Mr G had actually never left the claim address and continued to reside there. The total fraud resulted in an overpayment of £14,100 Housing and Council Tax benefit in addition to £2,300 Income Support. At Basildon Crown Court in January 2012 the jury found Mrs G guilty and she was ordered to carry out 100 hours of unpaid work and pay £350 costs. Mrs G appealed against her conviction. The case was then heard at Snaresbrook in July 2012. The Judge dismissed the appeal and ordered Mrs G to pay a further £450 towards costs.

At Romford Magistrates Court in December 2011, the magistrates found Miss C guilty of failing to advise LBH that she had been living together as husband and wife with her partner whereas she had claimed benefit on the basis that she was a lone parent. The fraudulent claim had continued for almost 3 years resulting in an overpayment of £12,400 Housing and Council Tax benefit. Miss C immediately appealed against the conviction. Her appeal was heard at Snaresbrook in August 2012 where the case was dismissed. Miss C was sentenced to an 8 week curfew. She was ordered to pay £850 in costs in instalments from December when she was originally convicted.

2.19 The case outcomes for the Internal Audit Fraud Team from July to September are detailed in table 2.20 below.

2.20

<b>Case Outcomes</b>	
<b>Outcome</b>	<b>Qtr 2</b>
Management Action Plan	2
Contract ended	2
Insufficient Evidence	6
No case to answer	2
Refund received	2
Property Recovered	1
<b>Total</b>	<b>15</b>

2.21 The case outcomes for the Housing investigations from July to September. are detailed in table 2.22 below.

2.22

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Q2 12-13</b>
Tenancy Relinquished voluntarily (keys handed in)	7
Property recovered via court action	1
Succession / assignment / Mutual Exchange prevented	-
RTB stopped	-
Homeless Duty discharged	-
Housing Register application withdrawn	1
Temporary accommodation withdrawn	-
Prosecution	-
<b>Total</b>	<b>9</b>

**E) Case Studies and Proactive Work**

2.23 Following Consultation with H&H, a Tenancy Audit has been scheduled for October. The audit will be carried out on council tenants in New Plymouth House, Napier House, Cherry Tree Lane and Dunedin Road.

2.24 Successful cases

Tenancy Officers had been suspicious for a considerable amount of time that Mr and Mrs K did not actually reside in their Harold Hill flat and actually lived in Cyprus. However, the couple would always reappear when repossession action was instigated. The case was referred to the Investigation Team who, after visits to the property and failing to obtain a response from Mr K, suspended benefits. Mr K then made contact regarding the cancellation of benefit and accumulating rent arrears. A visit was arranged to the property which was very sparsely furnished and clearly not compatible with the home of an elderly couple. Mr K claimed that his benefit was paid into his daughter’s account and she would supply him with a cheque which he would cash at the post office. A copy of the daughter’s bank statement showed this was not the case. Regular withdrawals of cash in Cyprus along with stamps in Mr and Mrs K’s passports indicated that the couple spent long periods of time there. Prolonged correspondence between the Council and Mr & Mrs K’s legal advisors including the CAB took place and excuses were made by Mr K as to why they were unable to attend interviews under caution. The Council refused to reinstate housing benefit and pursued a notice seeking possession in Court. The couple failed to attend a hearing in June and H&H obtained the flat in September.

The Housing Department referred a case where Miss T had stated that she was residing at her mother’s address with her partner and children.

However, as Miss T moved higher in the bidding process, Housing were suspicious that she was residing at another address. After carrying out preliminary checks, the Investigation Officer established that Miss T had moved to another property. Miss T was interviewed and the evidence put to her. She admitted that she had been untruthful in completing her recent review form and agreed to voluntarily withdraw from the Housing Register.

Information was received from the local Police regarding a flat which appeared to be sub-let. An investigation established that the property was being sub-let to a Mr W who was interviewed. During the interview, Mr W explained how he came to sub-let the property and provided a tenancy agreement between himself and the legal tenant Mr M, to whom he was paying rent. Mr M, who was receipt of benefit at the property, attended an interview under caution. He claimed that he had been staying with his sick mother and gave the key of the property to a friend who (unbeknown to him) passed it onto the sub-tenant. Mr M also claimed to be residing back in the flat. After the interview the officers contacted Mr W the sub-tenant and went back to the property. It was the apparent the sub-tenant was still in situ and that Mr M had blatantly lied throughout the interview. Mr M was evicted from the property in August and accepted an Administrative Penalty as an alternative to prosecution.

**F) HB/CTB Fraud Overpayments**

2.25 The value of fraudulent housing benefit overpayments generated by the team for the second quarter of the 2012/13 year are contained in table 2.26. Year to date values are contained in 2.27.

2.26

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Qtr 2</b>
Rent Rebate	£98,410.69
Rent Allowance	£74,989.84
Council Tax Benefit	£34,095.91
<b>Total</b>	<b>£207,496.44</b>

2.27

<b>Fraudulent Overpayment</b>	
<b>Type</b>	<b>Year to date</b>
Rent Rebate	£225,644.90
Rent Allowance	£115,224.39
Council Tax Benefit	£68,381.53
<b>Total</b>	<b>£409,250.82</b>

**G) Savings and Losses**

2.28 When a fraud is committed there may be two elements to the financial consequences. The table below details the savings and losses identified in the period 2nd July 2012 to 28th September 2012.

Definitions of terms in table:

**Losses** - These are the sums of money that the audit determined have been lost or stolen.

**Savings** - refer to the amounts of money that the detection of the fraud has prevented being lost. A prime example of this would be the discount on a right to buy. If we prevent the sale then we prevent the discount being given and thereby we save the Council money.

**Management to recover** - These are the actual sums of money which management can take action to recover from those "lost".

2.28

Case details	Savings identified	Losses Identified	Management to recover	Details
Timesheet Abuse		845		Agency worker working for another organisation but Agency refused to refund.
Electricity Proactive	29,000		29,000	EON credited Council accounts.
Pension Overpayment	2,092		2,092	Reimbursement of overpayment.
Fraudulent Use of Credit Card	1,027		1,027	Reimbursement of fraudulent use.
Theft of cash		1,500	1,500	Referred to police for prosecution.



# AUDIT COMMITTEE

4 December 2012

<b>Subject Heading:</b>	Corporate Governance Update
<b>Report Author and contact details:</b>	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 433733. E-mail : <a href="mailto:vanessa.batemen@havering.gov.uk">vanessa.batemen@havering.gov.uk</a>
<b>Policy context:</b>	To update the Committee on the progress with regards the Annual Governance Statement including the 2011/12 Action Plan.
<b>Financial summary:</b>	N/a

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

**SUMMARY**

This report aims to update Members regarding embedded arrangements with regards to Corporate Governance and the production of the Annual Governance Statement (AGS); the progress to address the issues identified in the 2011/12 AGS; and the work of the officer Governance Group to date in 2012/13.

**RECOMMENDATIONS**

1. To consider the contents of the report.
2. To note the progress made in addressing issues identified within the 2011/12 AGS.

**REPORT DETAIL**

- 1.1 Members of Audit Committee are responsible for the approval of the AGS. The Audit Committee are required as part of their role to consider any Corporate Governance related issues that need to be referred to the Governance Committee for review.
- 1.2 The framework and process to produce the AGS is fully embedded within the governance group's annual timetable and agenda.
- 1.3 The Officer Governance Group chaired by the Group Director Finance and Commerce, has continued to meet quarterly. During the year the actions taken to address the issues identified in the 2011/12 AGS have been captured and reported to Governance Group. Appendix 1 details the action plan as at November 2012 and good progress is noted in all areas. The action plan will be updated again at the end of March 2013 at which time a decision will be taken as to whether each issue has been sufficiently addressed and can be removed.
- 1.4 A review of the membership of the Governance Group has been completed and invites extended to relevant colleagues across the organisation to make sure all Directorates are appropriately engaged with the Corporate Governance Agenda.
- 1.5 The process to draft the 2012/13 AGS is underway; the timetable has been reviewed by the Governance Group. The actions planned for the next couple of months include a review of:
  - our governance arrangements against the updated CIPFA/SOLACE - 'Delivering Good Governance in Local Government' framework due to be issued in December 2012;
  - Assurances from external bodies;
  - Issues coming out of audit work; and
  - Mini Assurance Statement templates.
- 1.6 The Whistle-Blowing Policy has been updated and ownership reviewed this is due to be discussed with unions prior to being presented to the Governance Committee in January for approval.

- 1.7 A new, more comprehensive Declaration of Interest form has been produced and implemented following a review at Governance Group. The group will continue to review this implementation and any issues that arise going forward.
- 1.8 There are no significant issues arising to report to members at this time. Once all sources of assurance have been reviewed at the end of the financial year, a draft version of the AGS will be presented to the Committee in June for approval as part of the Council's Statement of Accounts. If necessary any significant issues will be highlighted to the Committee at the May meeting.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are none arising directly from this report. The risks of our arrangements not complying with best practice may lead to the Council not being viewed as open and transparent by stakeholders. Failure to produce a robust AGS could result in the Council's Accounts being qualified.

### **Legal implications and risks:**

None arising directly from this report

### **Human Resources implications and risks:**

None arising directly from this report

### **Equalities implications and risks:**

None arising directly from this report. Equality and social inclusion are key factors to consider in the Council's Governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed in order to ensure the impact is appropriately identified.

## **BACKGROUND PAPERS**

Annual Governance Statement 2011/12.  
CIPFA/Solace – current 'Delivering Good Governance in Local Government' framework.

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<b>Significant Issue in 11/12 AGS</b> ➤ action already taken & future planned action as at June 2012	<b>Current Status</b> As at November 2012	<b>CMT Lead</b>
<p><b>1. Information Governance</b></p> <ul style="list-style-type: none"> <li>➤ Officer Governance Group monitored work of Information Governance Group during 2011/12.</li> <li>➤ Action plan in place.</li> <li>➤ Included on Corporate Risk Register.</li> <li>➤ Audit work underway.</li> </ul> <p>Increased participation in Information Governance Group.</p> <p>Achievement of compliance with recognised Information Governance Toolkit.</p> <p>Awareness campaign and training.</p> <p>Further Audit work planned for 2012/13.</p>	<p>Increased directorate participation in Officer Governance Group.</p> <p>Submission of compliance against toolkit completed as part of the Public Health preparations.</p> <p>One audit completed on Corporate Information Governance. Three more planned – Electronic Document Management; Service Compliance and Provider Compliance.</p> <p>PI and Data Quality audit provided full assurance.</p> <p>Information Governance Road Map created and reviewed by Information Governance Group.</p> <p>Monitoring of breaches and lessons learned internally but also those publicised via the Information Commissioner relating to other organisations.</p> <p>Governance Group have asked Information Governance Group to particularly focus on the risks brought about by joint working.</p>	<p>Group Director Finance &amp; Commerce</p>

<b>Significant Issue in 11/12 AGS</b> ➤ action already taken & future planned action as at June 2012	<b>Current Status</b> As at November 2012.	<b>CMT Lead</b>
<p><b>2. Austerity – having to maintain services with fewer resources.</b></p> <ul style="list-style-type: none"> <li>➤ Transformation 2014 has established a range of corporately managed, programmes to deliver savings.</li> <li>➤ Ongoing financial modelling and a risk-based approach to budget monitoring.</li> <li>➤ Robust Risk Management and Governance processes have been implemented for transformation.</li> <li>➤ Impact is assessed as part of process to achieve of savings.</li> </ul> <p>Re launch of Risk Management approach for Service Areas to increase efficiency and communication of risk.</p> <p>Intelligence gathering leading to assessment of impact of proposed change to local government funding on corporate financial position</p>	<p>New Risk Management approach launched.</p> <p>CMT reviewing one Corporate Risk at every Strategic Business Meeting. Financial Challenges was first on agenda.</p> <p>Equalities Analysis training rolled out.</p> <p>Planned programme of savings is monitored. Regular reports to Corporate Management Team and Cabinet.</p> <p>Soft Audit reviews of savings delivery completed on a quarterly basis as part of the governance process around transformation, and now raised in parallel with quarterly revenue monitoring reports.</p> <p>Financial risk analysis reviewed and updated for 7th November cabinet report</p> <p>Peer review completed recently has produced a good report.</p> <p>Working groups on impact of academies to our financial position.</p> <p>Fraud e-learning available to staff. Focus on fraud prevention via risk assessment and action plan.</p>	<p>Group Director Finance &amp; Commerce</p>

<b>Significant Issue in 11/12 AGS</b> ➤ action already taken & future planned action as at June 2012	<b>Current Status</b> As at November 2012.	<b>CMT Lead</b>
<p><b>3. Pace of Organisational Change – ensuring governance arrangements are revised and remain appropriate given the significant changes in the organisation.</b></p> <ul style="list-style-type: none"> <li>➤ People and Change programme part of Havering 2014 Transformation.</li> <li>➤ Focus groups established to monitor and assess impact of significant changes (Public Health, Homes in Havering).</li> <li>➤ Corporate Management Team assessing impact of legislative changes to ensure organisation is prepared.</li> </ul> <p>New Ways of Funding group set up to assess impact of changes in local authority funding</p> <p>Review for Officer Governance Group to provide assurance.</p> <p>Work to continuously improve the Internal Shared Service.</p>	<p>New Ways of Funding group continues to meet.</p> <p>Governance streams to the work plan for Public Health and Homes in Havering transition to pick up issues.</p> <p>New Risk Management Approach launched. Operational Risk Management Group formed.</p> <p>Customer Advisory Board being set up to oversee continuous development of Oracle suite.</p> <p>Regular meetings taking place between ACE Legal &amp; Democratic and Head of Finance &amp; Performance on governance related issues.</p>	<p>Chief Executive</p>

<b>Significant Issue in 11/12 AGS</b> ➤ action already taken & future planned action as at June 2012	<b>Current Status</b> As at November 2012.	<b>CMT Lead</b>
<p><b>4. Fraud – ensuring new and existing systems and processes are not vulnerable to fraud risks.</b></p> <ul style="list-style-type: none"> <li>➤ Investigation and management action regarding 2011/12 incident.</li> <li>➤ E Learning of Fraud and Corruption launched.</li> <li>➤ Fraud Risk Assessment and action plan produced.</li> <li>➤ Training Plan produced.</li> </ul> <p>Implementation of training plan.</p> <p>Monitoring and review of Risk Assessment.</p> <p>Targeted proactive work.</p> <p>Restructure of fraud resources.</p>	<p>Developments made to Oracle system.</p> <p>Training has commenced.</p> <p>Risk Assessment reviewed six months on and in light of latest publication by Audit Commission ‘Protecting the Public Purse’.</p> <p>Increased fraud resources business case agreed.</p>	<p>Group Director Finance &amp; Commerce</p>