



Havering

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

AUDIT COMMITTEE AGENDA

7.30 pm	Tuesday 3 December 2013	Town Hall, Main Road, Romford
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Members 6: Quorum 3

COUNCILLORS:

Conservative (3)	Residents' (1)	Labour (1)	Independent Residents' (0)
Georgina Galpin (Chairman) Frederick Thompson (Vice-Chair) Roger Ramsey	Clarence Barrett	Denis Breading	TBC

**For information about the meeting please contact:
James Goodwin
01708 432432 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 26 September 2013 and authorise the Chairman to sign them.

5 CLOSURE OF ACCOUNTS

To receive an oral report on progress with the Closure of Accounts.

6 INTERNAL AUDIT PROGRESS REPORT (Pages 7 - 20)

To consider the attached report.

7 SUMMARIES OF INTERNAL AUDIT REPORTS ISSUED DURING THE PERIOD 29 JUNE, 2013 TO 30 SEPTEMBER, 2013 (Pages 21 - 40)

To consider the attached report.

8 SUMMARIES OF SCHOOL AUDIT REPORTS ISSUED DURING THE PERIOD 29 JUNE, 2013 TO 30 SEPTEMBER, 2013. (Pages 41 - 48)

To consider the attached report.

9 FRAUD PROGRESS REPORT. (Pages 49 - 60)

To consider the attached report.

10 GOVERNANCE UPDATE (Pages 61 - 68)

To consider the attached report.

11 ONE ORACLE

To receive an oral report on the Implementation of One Oracle.

12 URGENT BUSINESS

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

13 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.

14 SURTEES CONTRACT

To receive an oral report on the current position with the Surtees contract.

15 TREASURY MANAGEMENT

To consider the attached report.

**Andrew Beesley
Committee Administration
Manager**

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
26 September 2013 (7.30 - 9.15 pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (in the Chair) Roger Ramsey and Frederick Thompson

Residents' Group Clarence Barrett

Labour Group Denis Breading

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

14 CHANGES TO THE COMMITTEE MEMBERSHIP

It was noted that Councillor Osborne was no longer a member of this Committee and that the Independent Residents' had yet to nominate a member to fill the seat offered to them.

Council needed to appoint a Vice-Chairman to fill the vacancy left By Councillor Osborne.

15 MINUTES OF THE MEETING

The minutes of the meeting held on 25th June 2013 were agreed as a correct record and signed by the Chairman.

16 OUTSTANDING AUDIT RECOMMENDATIONS

Further to minute 7 of the previous meeting officers advised the Committee that the majority of the outstanding recommendations following the audit of the Crematory and Cemeteries section had now been completed. Digitalised maps had been prepared for all four cemeteries and a Business Plan was being developed to enable the outstanding recommendations to be actioned.

With regard to Appointeeship and deputies officers had spoken to the Manager who had advised that 99% of the accounts had been transferred. There were five exceptions, accounting for about £50,000. In each of these

cases either probate was involved or benefit payments by the government. These issues would be resolved shortly.

The report was **noted**.

17 ONE ORACLE

At the last meeting we had been advised that a number of issues involving oracle had not been resolved. Officers advised that these had not been implemented due to the One Oracle Programme. It was not considered worthwhile to make changes until the new system was implemented early in December.

Officers were asked to provide an update at the next meeting.

18 ANNUAL STATEMENT OF ACCOUNTS 2012/13

We have agreed to take agenda items 6, 7 and 8 as one item.

We were given a run through the accounts by officers and subject to minor amendment we have approved the Statement of Accounts, noting that these must be published by 30 September, 2013.

The Council's external Auditors PricewaterhouseCoopers (PwC) had issued their report which showed:

- They had completed the majority of their audit work and expected to be able to issue an unqualified audit opinion on the Statement of Accounts in September 2013.
- That the key outstanding matters, where their work had commenced but was not yet finalised, were:
 - Certification work on the Housing and Council Tax Benefits grant claim is subject to completion;
 - The review of their certification grant claim work on business rates;
 - Review of the final draft of the Statement of Accounts;
 - Approval of the Statement of Accounts and letters of representation;
 - Completion procedures including subsequent events review; and
 - Audit procedures on the Whole of government accounts return.

PwC identified two matters which they wished to draw to the Council's attention. These were:

1. Treatment for construction and transfer of academies,
2. Accounting standards issued but not adopted.

The treatment of Academy Schools was subject to on-going consideration by CIPFA/LASAAC. PwC had considered an alternative approach to that adopted by the Authority, but were not minded to challenge the accounting procedure adopted by the authority given that the difference in approach was not material to the financial statements. Officers pointed out that the approach they had adopted was consistent with the approach of a number of local authorities.

The auditors also draw the authority's attention to the treatment of Valuation of property, plant and equipment and investment properties. The Committee's attention was drawn to the following in relation to the assumptions:

1. Useful Economic Lives (UEL) – some of the assumptions on the remaining lives were considered to be simplistic and should reflect the specific characteristics of the property.
2. Apportioning land values – the external valuer has used an approach of apportioning land values as a percentage of building costs in their valuation. However, PwC valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.

Officers advised that these matters had been reviewed and considered by Management, including the Council's Internal Property team, who were comfortable that the assumptions and methodology adopted by WH & E do not materially misstate the financial statements.

PwC have considered the approach adopted by WH&E and the Authority and, in the context of the truth and fairness of the accounts as a whole, were not minded to challenge. However, they recommend that management, WH&E, and their internal valuers discuss the approach to be adopted for the 2013/14 valuations. Officers indicated that they would arrange such a meeting.

PwC also raised some concerns re Payroll Reconciliation.

'The payroll reconciliation was not completed for the year end on a timely basis. We understand from payroll team that payroll reconciliations have been produced throughout the year, but with issues needing to be resolved. PwC worked together with the payroll team to determine the right payroll report needed for the purpose of reconciling the payroll system to the General Ledger. We received the payroll reconciliation after five weeks from the start of the audit.

The remains a small difference on the payroll reconciliation which should be reconciled jointly by the payroll and finance teams.'

Management's response was as follows:

'ISS Management have discussed with PwC the format of reconciliations and agreed a revised format to be put in place for 2013/14. Separate monthly reconciliations will be in place during this year (2013/14) in the agreed format. The automation of the payroll reconciliation report is still in development therefore ISS is still reliant on Business Systems resources to produce adhoc reports.'

We are not aware of any

1. instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority and the group conducts its business and which are central to the authority's and the group's ability to conduct its business or that could have a material effect on the Statement of Accounts, and
2. irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Nor have we changed our view of fraud risk or been aware of any additional matters which have arisen which should have been brought to our attention.

We have **approved** the Statement of Accounts confirming that no amendments are required to be made to the accounts in respect of the items set out in the auditor's report.

19 **FRAUD PROGRESS REPORT**

We have received a report outlining the work of the Investigations Team and Internal Audit Fraud Team from 1 April to 28 June 2013. During the period 214 fraud cases had been dealt with, 21 successfully. We have asked officers to provide more detail, especially of those cases shown as Referrals rejected/overloaded.

In reviewing details of the different category of referral we wish to see details of how many 'Living Together' cases were proceeded with and how many dismissed.

The results of the work of the Housing Investigations team in the quarter were considered. We noted the successful outcome in 5 cases.

We have **noted** the report.

20 **INTERNAL AUDIT PROGRESS REPORT**

We have received an update on the work of the Internal Audit Team during the period 1 April to 28 June 2013. During the period the Team completed

three system audits, two of which received Limited Assurance and one Substantial Assurance.

The first audit related to the Mayrise application system. The report had generated 14 recommendations, five given high priority and nine medium priority. Management had accepted thirteen of the recommendations but contested one. A limited assurance had been given because there was evidence of non-compliance with the controls that do exist. In the auditors opinion the level of risk exposure was not acceptable.

We felt that the recommendations, especially relating to IT were very technical. We have **asked** officers to review how they submit reports to show their recommendations in context. We would also like to be **reminded** how the team classify their recommendations.

In addition to the system audits the team had completed three school audits, all of which had received substantial assurance.

We have **noted** the report.

21 **OUTSTANDING AUDIT RECOMMENDATIONS**

As requested at our last meeting we received a full review of all outstanding recommendations from 2011/12. In a number of cases all recommendations had not been actioned because management were waiting for the introduction of One Oracle.

The Committee **noted** the report.

22 **ANNUAL REVIEW OF AUDIT COMMITTEE TRAINING**

Officers provided details of the training provided to members of the Committee, and substitute members over the last 12 months. This had included Housing Fraud, General Fraud update, Risk Based Verification and a briefing on the Single Fraud Investigation Service.

Officers had proposed a programme of training to cover the period up to the elections in May, 2014. Having considered officers recommendations we have agreed the suggested programme subject to one minor change. Rather than have further training on fraud in December, we have asked for training on Risk Management with Treasury Management to be covered in February.

Accordingly we have approved the following training programme:

- 3 December, 2013 – Risk Management
- 19 February, 2014 - Treasury Management
- 8 April, 2014 - Governance

23 **EXCLUSION OF THE PUBLIC**

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.

24 **SURTEES CONTRACT**

The Committee was advised that agreement had been reached to go to arbitration to resolve the outstanding issues. The Council wished to divide the contract into two elements door entry systems and aerials. This had been agreed. The problem remaining was with the aerial contract and we have asked officers to provide a verbal update to our next meeting.

25 **TREASURY MANAGEMENT UPDATE - QUARTER 1 2013/14**

The Committee noted details of the Councils investments for the quarter ended 30 June, 2013. They were pleased to note that the Council had complied with its legislative and regulatory requirements, and continued to achieve a rate of return in excess of that budgeted for.

The report was **noted**.

Chairman



Havering
LONDON BOROUGH

AUDIT COMMITTEE

3 December 2013

Subject Heading:

Internal Audit Progress Report

Report Author and contact details:

Kate Brunning, Internal Audit & Corporate Risk Manager ext 3733

Policy context:

To inform the Committee of progress to deliver the approved audit plan in Quarter Two of 2013/14.

Financial summary:

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 29th June 2013 to 30th September 2013.

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 five sections.

Section 1 Background and Resources

Some information about resources is included for information.

Section 2 Audit Work 29th June to 30th September 2013

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

Section 3 Key Performance Indicators

The actual performance against target for key indicators is included.

Section 4 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 5 Outstanding Audit Recommendations

The details regarding status of all outstanding recommendations are included within tables for information.

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 Excluding the Internal Audit & Corporate Risk Manager the established structure consists of eight full time equivalent (FTE) posts. Three dedicated to proactive and reactive fraud and special investigations and five to systems, schools, follow up etc. Two members of staff work reduced hours, one being 0.66 FTE and the other 0.8 FTE. This is reflected in the number of days in the approved plan for 2013/14.
- 1.2 The Auditor (fraud) in the Audit Team left the team in March. Following a recruitment process a member of staff from the systems team was seconded to work within the fraud and special investigations team. The systems team post was filled by an ex-Homes in Havering employee at the beginning of June 2013. The appointee took up a permanent post in the Finance department. The post is now vacant and is likely to remain vacant for 2013/14 as the permanent Audit Fraud post will be filled in early 2014/15.
- 1.3 This report relates to the work of the five audit posts, the outputs from the fraud resources are reported in the fraud progress report along with the results of the investigations team.
- 1.4 The table below includes budget information. This budget includes both the Internal Audit and Insurance Teams. The Insurance Team has 4.2 FTE. The current service budget is for 3.2 FTE salaries. The budget for the 1.0 FTE insurance officer redeployed from Homes in Havering had not been added to the Internal Audit and Insurance budget at the end of September 2013.
- 1.5 Income is generated by audit by selling services to Schools, other income relates to Insurance.

REVENUE BUDGET FOR 2013/14		
Expenditure	Income	Non-controllable
£573,560	-£102,700	£470,840

- 1.6 The forecast outturn for 2013/14 is currently within the allocated budget.

Section 2: Audit Work 29th June to 30th September 2013.

- 2.1 At the end of September 42% of the audit plan had been delivered. This was against a target for the period of 45%.
- 2.2 The status of each audit included in the 2013/14 Internal Audit Plan as at the 30 September 2013 is shown in the table below.
- 2.3 Thirteen final reports were issued during the period 29th June to 30th September 2013. The reports and level of assurance provided comprise:

SYSTEMS AUDIT	ASSURANCE
Fees and Charges	Limited
Tenancy Management	Limited
Freedom of Information	Limited
Information Governance: Service & Provider Compliance	Limited
Adult Social Care (ASC): Administration Of Client Income	n/a
Troubled Families Assurance	n/a
Performance Development Reviews (PDRs)	n/a
Public Health Grant 2013/14	n/a
SCHOOL AUDIT	ASSURANCE
Crownfield Junior School	Substantial
Gidea Park Primary School	Full
Mead Primary School	Full
St Mary's Catholic Primary School	Substantial
Wykeham Primary School	Substantial

- 2.4 Summaries of the 8 systems reports and 5 school audit reports are provided in Agenda Items 4 and 5.

Section 3: Key Performance Indicators

- 3.1 The table below details Internal Audit's performance against KPIs for the delivery of the 2013/14 Internal Audit Plan.

KPI	Actual End Qtr2	Target End Qtr2
Percentage of Plan Delivered	42%	45%
Briefs Issued	33%	32%
Draft Reports Issued	17%	24%
Final Reports Issued	15%	18%

- 3.2 Recipients of audit reports are requested to complete a post-audit satisfaction survey on completion of an audit and the issue of a final report. The survey enables report recipients to score the following elements of the audit process using a score of 1, very poor, to 5, very good:

- Audit Planning
 - Awareness of Forthcoming Audit
 - Timing of Audit
 - Adequacy of Audit
 - Helpfulness of Initial Discussions
- Quality of the Draft Report
 - Clarity of the Report
 - Accuracy of the report
 - Understanding of Risks & Priorities
 - Balance and Fairness of Report
 - Usefulness / Cost Effectiveness of Recommendations
- Communication
 - Feedback on the Progresso of the Audit
 - Usefulness of the Exit Interview
 - Took Account of Concerns about Disruption to Staff
- The Auditor
 - Helpfulness
 - Professionalism
 - Understanding of the Area being Reviewed

- 3.3 Seventeen completed surveys were returned during the period April to September 2013 for systems audits and school audits completed by Internal Audit and the ICT audits completed by LB Newham.

	Systems Audits	Schools Audits	ITC Newham
Total Number of Questionnaires Received	7	8	2

- 3.4 The table overleaf details the overall levels of satisfaction for the 17 audits and indicates that auditees found the systems and school audits to be very

good and the ICT audits completed by LB Newham's Internal Audit team to be good.

Opinion	No of Systems Audits	No of Schools Audits	No of ITC Newham
Very Poor (0% - 20%)	0	0	0
Poor (21% - 40%)	0	0	0
Satisfactory (40% - 60%)	0	0	1
Good (61 - 80%)	5	0	0
Very Good (80 - 100%)	2	8	1
Total Core Achieved	421	559	112
Total Score Possible	525	600	150
% Total Score Actual / Possible	80%	93%	75%

- 3.5 Officers completing satisfaction surveys are also able to record comments and we are pleased to report that during the period we received a number of positive responses including:
- 'The auditor was knowledgeable, professional, courteous and helpful!'
 - 'Thank you, a very useful and productive audit which was reassuring and beneficial.'
 - 'I very much valued the rigour of audit applied to our area of work. I feel more confident knowing that we are following correct processes, and that we have adopted the correct checks and balances.'

Section 4: Changes to the Approved 2013/14 Audit Plan

- 4.1 In April 2013 the Audit Committee approved an Annual Audit Plan for the 2013/14 financial year totalling 1435 days.
- 4.2 As the Systems team post will be held vacant for 2013/14 until the Audit Fraud post is filled with a new permanent post holder the number of days in the plan has reduced by 120 days to 1315.
- 4.3 The table below provides a summary of the audits removed from, and added to, the 2013/14 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

Audit Title	Original Days	Revised Days	Directorate	Reason
School Placements –	0	15	Children, Adults and Housing	Deleted from Plan as CMT will be looking at this from a Risk

Audit Title	Original Days	Revised Days	Directorate	Reason
Systems review				Management perspective
School Placements – Forensic Audit	0	20	Children, Adults and Housing	Original allocation reduced when scope set. However additional compliance audit has been identified.

Section 5: Outstanding Recommendations Update

- 5.1 Internal audit follows up all recommendations with management as and when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.
- 5.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any High priority recommendations.
- 5.2 The current level of implementation is shown in table in paragraph 5.4 on the following page.
- 5.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:
- High: Fundamental control requirement needing implementation as soon as possible
 - Medium: Important Control that should be implemented
 - Low: Pertaining to Best Practice

5.4 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	No. of Recommendations in the Original Report				Position as at end Sept 2013			
			Assurance Level	H	M	L	Complete	In Progress	Not Due	Rejected
08/09	Cemeteries & Crematorium	Regulatory Services	Qualified	2	4	4	9	1 M	0	0
2008/09 Totals				2	4	4	9	1	0	0
11/12	Public Protection	Regulatory Services	Substantial	0	0	2	1	1	0	0
11/12	Oracle Financials	Internal Shared Services (ISS) / Business Systems	Limited	0	24	0	21	3♦	0	0
11/12	Crematorium – Grave Allocations & Record Keeping	Regulatory Services	Substantial	0	6	0	2	4	0	0
11/12	Education Computer Centre	Business Systems	Limited	3	6	0	4	5◇	0	0
11/12	Appointeeship & Deputyship	Adult Services	Limited	6	5	0	11	0	0	0
11/12	Network Infrastructure	Business Systems	Limited	4	5	1	10	0	0	0
11/12	Pensions	ISS	Limited	0	1	0	0	1	0	0
11/12	i-Expenses & P Cards	ISS	Limited	5	3	1	5	4♦	0	0
11/12	Main Accounting	ISS	Substantial	0	1	0	0	1	0	0
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1 M	0	0
2011/12 Totals				18	54	4	56	20	0	0
12/13	Information Governance	Legal & Democratic Services	Limited	1	2	0	3	0	0	0
12/13	Oracle Financials	Business Systems / ISS	Limited	0	11	3	11	3♦	0	0
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	5	2	0	0
12/13	i-Expenses	ISS	Limited	2	1	0	1	1♦	0	1 H
12/13	i-Procurement	ISS	Limited	0	2	1	0	2♦	1 L	0
12/13	Pensions	Group Director, Resources & Governance Group	Substantial	0	2	0	0	1	1	0
12/13	Payroll	Group Director, Resources & Governance Group	Limited	0	5	0	3	1	1	0
12/13	i-Recruitment	ISS	Limited	3	2	0	0	5♦	0	0

5.4 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	No. of Recommendations in the Original Report			Position as at end Sept 2013				
			Assurance Level	H	M	L	Complete	In Progress	Not Due	Rejected
12/13	Transport	Asset Management	Substantial	1	4	2	4	1	2	0
12/13	Release of Software	Business Systems	Limited	3	0	0	3	0	0	0
12/13	Modern Governance	Business Systems	Substantial	3	7	2	9	3	0	0
12/13	Operating Systems	Business Systems	Limited	4	2	0	6	0	0	0
12/13	Council Tax	Exchequer Services	Substantial	0	3	2	2	1 L & 1 M	1 L	0
12/13	Accounts Receivable	Group Director, Resources & Governance Group	Substantial	0	2	1	0	1	2	0
12/13	Traffic & Parking Control – Cancellation of Penalty Charge Notices	Streetcare	Substantial	1	5	1	3	0	4	0
2012/13 Totals				18	55	12	50	22	12	1
13/14	Mayrise	Streetcare	Limited	5	9	0	11	2	1	0
13/14	Tenancy Management	Housing & Public Protection	Limited	0	14	0	4	9	0	1
13/14	Information Governance	Legal & Democratic Services	Limited	0	1	0	0	1	0	0
2013/14 Totals				5	24	0	15	12	1	1
Totals				43	137	20	130	55	13	2

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- ◆ Implementation of recommendations is dependent on the implementation of the One Oracle system. These will be picked up in the post implementation reviews in March 2014.
- ◇ Implementation of recommendations is dependent on the outcome of Project Romulus.

APPENDIX A: STATUS OF 2013/14 INTERNAL AUDIT PLAN AS AT 30.09.2013

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Report to Audit Comm
		Original	Revised				
Corporate	IG - Service Area Control & Compliance	0	11	Q1	Consolidated Final Report Issued	Limited	Dec-13
	IG - Provider Compliance	0	5	Q1			
	Grants	15	15	Q1	Drafting Report		
	Compliance with Corporate Fees & Charges Policy	20	10	Q1 / 2	Drafting Report		
	Fees & Charges	15	5	Q1 / 2	Final Report Issued	Limited	Dec-13
	Information Governance - FOI	20	20	Q2	Final Report Issued	Limited	Dec-13
	PDR Assurance	0	8	Q2	Final Report Issued	n/a	Dec-13
	Project Management	15	15	Q3			
	Use of Volunteers	15	15	Q3	Planning		
	Corporate Governance	0	15	Q3	Planning		
	Risk Management	20	20	Q3 / 4	Planning		
	Petty Cash/Pre Paid Cards	15	15	Q4			
	Use of Consultants	20	15	Q4			
	Safeguarding	10	10	Q4			
Compliance with Corporate Sickness Absence Policy	0	10	Q4	Brief Issued			
Culture, Community & Economic Development	Housing Capital	20	15	Q1	Fieldwork Commenced		
	Tenancy Management	0	27	Q1	Final	Limited	Dec-13
	Housing Rents	0	20	Q2	Fieldwork Commenced		
	Carbon Reduction Commitment Scheme	0	3	Q3	Drafting		
	Council Tax Support Administration	15	15	Q3			
	Housing Allocations	20	15	Q3	Fieldwork Commenced		
	Housing Benefits	15	15	Q3			
	Youth Service	15	15	Q3			
	Council Tax	10	10	Q3 / 4			
	Business Rates Administration	15	15	Q4			

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Report to Audit Comm
		Original	Revised				
Resources (Finance & Commerce)	Agency Worker Contract	20	20	Q2	Fieldwork Commenced		
	Main Accounting (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Creditors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Debtors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Payroll (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Pensions (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Bankers Automated Clearing System	10	10	Q3	Brief Drafted		
	Budgetary Control incl Collaborative Planning	10	10	Q4			
	Main Accounting (Post One Oracle Implementation)	0	5	Q4			
	Creditors (Post One Oracle Implementation)	0	10	Q4			
	Debtors (Post One Oracle Implementation)	0	10	Q4			
	Payroll (Post One Oracle Implementation)	0	10	Q4			
Pensions (Post One Oracle Implementation)	0	10	Q4				
Children, Adults & Housing	Looked After Children Placements	0	15	Q1	Fieldwork Commenced		
	Troubled Families Programme	15	10	Q1	Final	n/a	Dec-13
	Local Welfare Assistance	20	15	Q1 / 2	Planning		
	ASC Income Work	0	10	Q1 / 2	Final	n/a	Dec-13
	Public Health Grants	0	5	Q2 / 3	Final	n/a	Dec-13
	TMO's	0	10	Q3	Brief Issued		
	Self-Directed Support	20	15	Q4			
	Contracts and Procurement	15	15	Q4	Drafting Brief		
School Allocations	0	15	Q3				

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Reported Audit Comm
		Original	Revised				
Schools	Branfil Primary	4	4	Q1	Final	Substantial	Sep-13
	Gidea Park Primary	4	4	Q1	Final	Full	Dec-13
	Squirrels Heath Junior	4	4	Q1	Final	Substantial	Sep-13
	St.Albans Catholic Primary	4	4	Q1	Final	Substantial	Sep-13
	Wykeham Primary	4	4	Q1	Final	Substantial	Dec-13
	Crownfield Junior	4	4	Q2	Final	Substantial	Dec-13
	Mead Primary	4	4	Q2	Final	Full	Dec-13
	St.Marys Catholic Primary	4	4	Q2	Final	Substantial	Dec-13
	Benhurst Primary	4	4	Q3			
	Brookside Infant	4	4	Q3			
	Engayne Primary	4	4	Q3			
	Harold Court Primary	4	4	Q3			
	Towers Junior	4	4	Q3			
	Whybridge Junior	4	4	Q3			
	Broadford Primary	4	4	Q4			
	Crownfield Infant	4	4	Q4			
	Scargill Infant	4	4	Q4			
	Squirrels Heath Infant	4	4	Q4			
	St.Edwards CE Primary	4	4	Q4			
Dycorts School	4	4	Q4				
Computer Audit	Mayrise	0	15	Q1	Final	Limited	Sep-13
	AXIS Pension System	100	15	Q1	Draft		
	LACHS		15	Q1	Draft		
	Follow Ups		5	Q1 / 4			
	Service / Support Desk		15	Q2	Draft		
	Security Over Spreadsheets (Replaces Backups)		15	Q2 / 3			
	ICT Inventory Controls		8	Q3 / 4			

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Reported Audit Comm
		Original	Revised				
	Tranman		15	Q4			
Follow Ups	Traded Services	0	1.5	Q1	Final	Substantial	Sep-13
	Education Computer Centre	0	1.5	Q1	Final	Limited	Sep-13
	Audit Recs	0	15	Q1-4			
	Traffic & Parking Control - Cancellation of PCN's	0	3	Q2 / 3	Planning		
	One Oracle Contingency	0	16	Q2 / 4			
	i-Expenses	3	3	Q3			
	CRC Scheme Follow Up & Sign Off	0	1				
Other Work	Contingency	25	0	-			
	Advice to Directorates	10	10	Q1 / Q4			
	Sign off of Grant Claims	10	10	Q1 / Q4			
	Governance	25	24	Q1 / Q4			
	Risk Management	50	28	Q1 / Q4			
	Schools Management /Administration	20	20	Q1 / 4			



AUDIT COMMITTEE

3 December 2013

Subject Heading:

Internal Audit Systems Report Summaries
29 June 2013 to 31 September 2013

Report Author and contact details:

Kate Brunning, Internal Audit & Corporate
Risk Manager ext 3733

Policy context:

To inform the Committee of the findings
and recommendations made in systems
audit reports issued during Quarter Two of
2013/14.

Financial summary:

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 provides the Audit Committee with summaries of internal audit reports issued during the period 29th June 2013 to 30th September 2013. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

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

1. INTRODUCTION

- 1.1 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 1.2 For each risk based audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:
 - Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
 - Substantial:** While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 - Limited:** 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.
 - No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant noncompliance with basic controls leaves the system open to error or abuse.
- 1.3 Recommendations are made to mitigate weaknesses identified in the system of control. Recommendations are categorised into three levels of priority to ensure that those addressing areas of significant risk are implemented as a priority. The three categories comprise:
 - High:** Fundamental control requiring implementation as soon as possible.
 - Medium:** Important control that should be implemented.
 - Low:** Pertaining to best practice.

- 1.4 Eight systems audits were finalised during the period 29th June 2013 to 30th September 2013. The eight systems and the level of assurance provided are shown below:

SYSTEM	ASSURANCE
Fees and Charges	Limited
Tenancy Management	Limited
Freedom of Information	Limited
Information Governance: Service & Provider Compliance	Limited
Adult Social Care (ASC): Administration Of Client Income	n/a
Troubled Families Assurance	n/a
Performance Development Reviews (PDRs)	n/a
Public Health Grant 2013/14	n/a

- 1.5 Summaries of the eight systems audit reports are included in Sections 2.1 to 2.8 below.

2. REPORT SUMMARIES

2.1 FEES AND CHARGES

- 2.1.1 Fees and charges represent an important source of income, providing finance to enable the Council to achieve its objectives although this creates conflicts between raising additional income by increasing charges and promoting access and usage of local services. Many of the services the Council charges for are required by statute but others are discretionary.

The audit found:

- (i) The Corporate Charging Policy included on the intranet does not include certain information such as the policy owner, version etc.
- (ii) There is limited involvement by finance to ensure that service charging policies have been completed or are compliant.
- (iii) There is no direct access to the Corporate Charging Policy on the internet.

- 2.1.2 Limited Assurance was given as the audit found that limitations in the systems of control were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

- 2.1.3 The audit made one high, one medium and one low priority recommendation. The three recommendations were agreed by management.

- 2.1.4 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – Medium Priority	Management Response
<p>The Corporate Charging Policy shown on the Intranet should include:</p> <ul style="list-style-type: none"> • Policy Owner; • Approving Body; • Date Approved; • Effective Date; • Review Date; and • Version. 	<p>Agreed. The Policy document will be amended to include the information listed and the Policy will also be subject to an annual review as part of the budget setting process. Any amended versions will be uploaded accordingly.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of October 2013
Recommendation – High Priority	Management Response
<p>A process should be built in at the annual budget setting stage to:</p> <ul style="list-style-type: none"> • Provide assurance on local charging policies; • Ensure that Fees & Charge are compliant with both legislation and the Corporate Charging Policy; and • The fees and charges shown on the Internet/Intranet are those approved by Cabinet. <p>The Corporate Charging Policy should be amended to include the above process and approved by Cabinet.</p>	<p>Agreed. As indicated above, there will be an annual review, with the Policy subject to formal approval by Cabinet, at an early stage in the budget setting cycle. Guidance will be issued to heads of service, reminding them of the need to ensure compliance with the Policy, and finance business partners will be asked to confirm that local policy statements are in place. There will be a separate check – possibly via Internal Audit – to ensure that the schedule of fees & charges approved by Cabinet are reflected in the appropriate places on the Council’s website, and in any other publications.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of February 2014
Recommendation – Low Priority	Management Response
<p>The Corporate Charging Policy should be placed on the Councils Internet site so it is easily accessible to members of the public.</p> <p>Service charging policies should then be linked to the Corporate Charging Policy.</p>	<p>Agreed. The Policy will be uploaded onto the website once it has been approved by Cabinet. Any amended versions will be uploaded accordingly. Appropriate links will be included to local service charging policies.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of January 2014

2.2 TENANCY MANAGEMENT (2012/13 PLAN)

- 2.2.1 The Arm's Length Management Organisation, Homes in Havering, was transferred back to the Council on 1st October 2012. The new service, Homes and Housing, brings together the retained and previously arm's length functions into one service area. However, in advance of the planned restructures, teams and officers continue in their former roles.
- 2.2.2 Management of tenancies and the role the various teams involved play in this is considered important in terms of helping to prevent and detect potential housing fraud. There has recently been some joint working initiated between the Investigations Team and the Tenancy and Neighbourhood Services (T&NS) Team to carry out 'blitz' tenancy audits on specific areas in order to identify cases of fraud.
- 2.2.3 The audit aimed to provide assurances over the processes and controls that are in place regarding tenancy management to ensure that processes and procedures are robust, while also identifying any weaknesses in controls. Particular attention was paid to where weaknesses may decrease the organisations chances of preventing or detecting Housing Fraud.
- 2.2.4 The audit found:
- (i) Some staff are not complying with new, updated procedures and associated paperwork.
 - (ii) Lack of checks to confirm tenant's identity during contact outside of specific checks such as the Settling in Visits (SIV) and Tenancy Checks / Audits was noted. However, at the time of writing this report communication had been issued to staff with regard an Information Governance Campaign which may help to address some of these concerns and a Document Verification Project is in initial consideration stages which may further address these concerns.
 - (iii) A programme is yet to be finalised to support the introduction of risk-based approach to Tenancy Checks / Audits, although checks have been taking place in the absence of this such as the recent 'blitzes' carried out in conjunction with the Investigations Team.
 - (iv) The current form in use for Tenancy Checks / Audits does not meet all the expected objectives.
 - (v) There are opportunities to identify further possible fraud training needs from monitoring what has already taken place.
 - (vi) Annual and legally required visits are not utilised across the service as an opportunity to carry out random Tenancy Checks / Audits.
 - (vii) There is confusion regarding the circumstances for instigating a six or nine month check and no supporting procedures to guide staff carrying out the checks or for carrying out Settling in Visits (SIV).
 - (viii) The placement of the Tenancy Sign-Up process requires review.
 - (ix) The updated TMO Management Agreement requires formal sign off by both parties.
 - (x) Clear direction with regard on-going monitoring and proactive involvement with the TMOs will be required for the TMO Liaison Officer role to provide an efficient use of resources.

- (xi) The Empty Homes Team often received incomplete risk assessments from the Lettings Team, potentially putting Officers and prospective tenants at risk.
- (xii) Some officers are saving documents onto the personal 'U' drives which is against ICT Policy, despite previous reminders.

2.2.5 Limited Assurance was given as the audit found that limitations in the systems of control were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

2.2.6 The audit made 17 medium priority recommendations to address the weaknesses in control identified. Sixteen recommendations were agreed and management agreed to review the feasibility of the 17th recommendation.

2.2.7 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – Medium Priority	Management Response
Succession procedures, and the requirement to comply with these, for both the old AND the new tenancy agreements should be reiterated to all staff who might require them (including, but not limited to; Home Ownership Team, Contact Centre, Benefit & Investigations Team and; Tenancy & Neighbourhood Services Officers) and continued non-compliance addressed.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 September 2013
Recommendation – Medium Priority	Management Response
Staff should be further reminded that there are new, reviewed procedures in place and that only the updated forms that may need to be completed in association with such procedures are used. In addition, any 'old', blank, template paper versions should be destroyed.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	31 st August 2013

Recommendation – Medium Priority	Management Response
Management review of successions to include ensuring correct documentation has been completed and copies of relevant evidence retained for the succession prior to authorisation.	Form to be reviewed to ensure sufficient assurance exists for management review and a complete audit trail.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Standard checks should be implemented, where possible, during contact with the tenant to prevent data protection breaches and identify possible instances of sub-letting / other Tenancy Fraud.	An Information Governance Campaign commenced in July 2013 within Homes & Havering and is addressing these issues.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	September 2013
Recommendation – Medium Priority	Management Response
A proactive and forward-looking action plan should be completed to support the introduction of a risk based approach to tenancy checks / audits. This plan should clearly indicate key decisions to be made, timescales and responsibilities as well as ensuring that appropriate policies and procedures are documented.	A risk based tenancy audit programme for 2013/14 is now complete. A tenancy audit procedure is already in place.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	Completed
Recommendation – Medium Priority	Management Response
The Tenancy Check / Audit form and approach should be reviewed to ensure that it achieves the objectives for which it is intended.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Existing opportunities to identify potential training needs regarding Fraud Awareness should be utilised to ensure all officers have the appropriate skills to carry out their duties.	This will be undertaken as part of re-structure.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	31 st March 2014
Recommendation – Medium Priority	Management Response

Utilise the booking of required annual visits (such as gas safety checks and imminent building inspections) to carry out random Tenancy Checks / Audits.	Feasibility of this to be explored.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	October 2013
Recommendation – Medium Priority	Management Response
Procedures for Settling in Visits and where a six or a nine month check might be required should be formally documented and communicated to staff.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Consideration should be made of the risks/benefits regarding the placement in the structure of the Tenancy Sign up procedure.	This area is currently being looked at as part of the Customer Transformation Programme and will be reviewed at HHPP. However, it should be noted that Tenancy Sign-up is currently undertaken by the Empty Homes Team which is not subject to restructure.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	August 2013
Recommendation – Medium Priority	Management Response
The updated Management Agreement with TMOs to be formally agreed and signed off by all relevant parties.	There are on-going negotiations regarding a small number of outstanding matters but these are in hand and is anticipated that the draft agreement will be completed by the end of September 2013. Thereafter it will require Council and TMO Board / Committee sign off before being implemented in the final quarter.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	January 2014
Recommendation – Medium Priority	Management Response
Clear direction should be provided for the TMO Liaison Officer role with regard to expectations surrounding proactive involvement with the TMOs and regular on-going monitoring.	The role will be recruited within the restructure timescales. A Job Description has been drafted which will be supported by a guidance / expectation document.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	1 November 2013
Recommendation – Medium Priority	Management Response

Discussions should be instigated with the Lettings Team regarding incomplete Risk Assessments. If issues continue then incomplete assessments should be returned to the Lettings Team for full completion.	Representatives from Lettings, Empty Homes and Tenancy Management are to meet to address this recommendation.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	September 2013
Recommendation – Medium Priority	Management Response
As part of one to one's staff should be referred to the ICT Policy and reminded that work related documents should not be stored on personal 'U' drives. This should remain an ongoing item on one to one's until management are confident this is being adhered to.	An Information Governance Campaign commenced in July 2013 within Homes & Housing and is addressing this issue.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	August 2013

2.3 FREEDOM OF INFORMATION

2.3.1 The Freedom of Information Act 2000 came into force in January 2005. The legislation allowed the public a right to access various types of recorded information held by public authorities.

2.3.2 There are two key risks associated with delivering the FOI function, these comprise: non-compliance with FOI legislation, leading to significant financial penalties being incurred and the reputational risks associated with releasing sensitive / confidential data that breaches Data Protection legislation. The London Borough of Havering (LBH) set up the Access to Information Team to deliver the requirements of the Act.

2.3.3 The purpose of the audit was to gain assurance that robust processes and internal controls are in place, across the whole organisation, to ensure compliance with the requirements of the Freedom of Information Legislation.

2.3.4 The audit found:

- (i) The Council's FOI strategy dated 2004, is out of date and no longer fit for purpose. Useful links and key contacts listed are neither applicable nor available. The Council's existing strategy does not determine clear accountability for key decisions and as a result there is a lack of corporate approach or consistency in the control environment.
- (ii) The Council's current arrangements for administering the FOI process is a manual process that is heavily reliant on resources both centrally and within services to manage on behalf of the whole organisation. The approach, as well as resources within the central team and out within the services to administer this function, has not increased over the years to meet the increase in the number or complexity of the requests being received.
- (iii) A reliance on manual records to monitor deadlines and provide some central controls, is dependent on the information recorded being accurate. Discrepancies identified on the spreadsheets, such as date received and deadline dates impact on the ability to rely on the information recorded and the effectiveness of these controls.
- (iv) There is no consistency across the organisation in how FOIs are administered or where the key controls in service areas come as part of the process. There is also a lack of evidence that resources are deployed based on the workload for the service area/directorate or that risk is considered in work allocation.
- (v) Training has been made available to DIOs, although often responsibility sits with individuals who have not had the necessary training with no evidence of quality review within the service area. There are controls over quality within the Access to Information Team however these may mitigate the risks at the end of the process and therefore mean that resources in service areas have already been expended on the task unnecessarily.
- (vi) The absence of a functional automated system and no resolution in sight means that management of this process is resource intensive and risks harder to mitigate including non-compliance with legislation. The work to resolve the issues identified with the CRM system will take time. Discussions indicated that a timely resolution is unlikely.

- Although manual process can have additional controls embedded to mitigate risks this is not an efficient use of people resources at a time when austerity is reducing the number of the non-front line resources.
- (vii) It is evident that the Councils current approach to FOIs is not meeting its objectives. Management information generated as part of the audit found that 36% of the requests received since March 2013 were either issued after the deadline, or were still to be issued at the time of the audit, albeit that the deadline had already passed. It must also be noted that there are requests that were received prior to March 2013, that were still outstanding at the time of this review including one received in June 2012.

2.3.5 The audit provided Limited Assurance as 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.

2.3.6 The audit made four high priority and one medium priority recommendations to address the weaknesses in control identified. The recommendations were agreed by management and deadlines for their implementation were set.

2.3.7 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – High	Management Response
The Council's FOI strategy and procedures including roles and responsibilities should be reviewed and updated to reflect corporate expectations of services based on risk. This review should incorporate input from Corporate Leadership Team	The need for a FOI strategy now will be reviewed given that it is now a standard business function for the Council. The published procedures including roles and responsibilities will be updated to reflect changes within the Council and guidance from the information Commissioner's Office.
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	January 2014
Recommendation – High	Management Response
All Heads of Service must review the arrangements in their own service areas and provide assurance to Corporate Management Team that the corporate expectations are embedded into their own process and procedures.	Agreed. Particularly needed given the major transformation changes which have been implemented over the last 2-3 years and the potential for such changes to impact on performance.
Responsible Officer	Target Date
Corporate Management Team	June 2014

Recommendation – Medium	Management Response
Targeted and proportionate training based on responsibility within the process, should be provided to all those identified as having a role within the revised structure for processing FOIs.	Agreed. While training has been provided on an ad-hoc basis, it is an appropriate time to refresh in a structured manner the knowledge of all involved.
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	June 2014
Recommendation – High	Management Response
Management should look at the cost/benefit of using alternative operating systems that may be suitable for the processing of FOIs in the interim while the longer term solution is developed or ensure an automated solution for FOI is given sufficient priority within the relevant programme.	Agreed. Historically the funding of computerisation of the FOI process has been not been a priority for the Council. The possibility of adapting an existing software application purchased for other purposes is being examined as is the enhancement of the existing spreadsheet database.
Responsible Officer	Target Date
Group Director Resources	January 2014
Recommendation – High	Management Response
Management information should be regularly produced and distributed to Corporate Leadership Team for information purposes.	Agreed. Historically the overall performance level on FOI responses was sufficiently good not to require the distribution of Service level data. Recent performance levels justify the provision of performance ratings to Heads of Service
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	February 2014

2.4 INFORMATION GOVERNANCE: SERVICE & PROVIDER COMPLIANCE

2.4.1 Information Governance is a risk on the Council's Corporate Risk Register and has been an issue on the Annual Governance Statement in recent years. In a recent review of the Corporate Risk it was deemed to be high and CMT have requested a report back to consider mitigation.

2.4.2 The aim of the audit was to assess the level of understanding and compliance within services in relation to:

- Information Governance in everyday business activities; and
- Within contractual relationships with other organisations where the service areas may share data.

2.4.3 Three service areas were selected for the review due to the sensitive nature of the information they collect and retain. These were:

- Internal Shared Services (Inc. HR and Payroll),
- Homes and Housing (Inc. Private Housing Solutions Team);
- Exchequer Services (Housing Benefits).

2.4.4 The audit found:

Service Compliance

- (i) Services are storing information in various formats. Increasingly information is being held electronically, scanning hard copy documents into the system and destroying the hard copies through confidential waste bins located on site.
- (ii) A 2004 Records Retention document is available on the Council's intranet. Local retention periods are in place in some cases, although this is often a general understanding and not part of a documented policy. Where specific audits conducted by Internal Audit identify weaknesses in this area, recommendations have been raised within the subsequent audit report to mitigate these risks.
- (iii) This review identified positive indications that services have a general understanding of Information Governance, although this largely focuses on the Data Protection element of IG. Services understand that the information they are collecting and retaining is of a sensitive / confidential nature and so should be protected; however, it was evident from the responses given that awareness has been raised through general discussions / team meetings and not through the provision of specific training.
- (iv) There are inconsistencies in the way that services deal with the transfer of information. GCSx Secure email accounts can be set up via the online E-Access Forms. However in order to obtain this type of account, the individual must complete a training course and achieve a pass mark of 80%. Discussions during the audit noted one team that has been unable to achieve this pass mark and so continue to send information through their day to day email accounts.

Providers

- (i) Whilst the short terms and conditions refer to confidentiality, this relates to the disclosure of information relating to the contract or the Council. No reference is made to restrictions surrounding data passed to the providers.
- (ii) There is a risk that there are no control mechanisms in place that could prevent a service from signing up to an agreement without the appropriate contractual arrangements in place, including where the contract requires the provision of confidential Council data.

2.4.5 A Limited Assurance was provided as the audit found limitations in the systems of control were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

2.4.6 The audit made 1 medium priority recommendation to address the weaknesses identified. The recommendation was agreed by management and implementation scheduled for 30 September 2013.

2.4.7 The management action plan for the implementation of the audit recommendation comprises:

Recommendation – Medium	Management Response
The wording contained within the Council's Short Terms and Conditions should be reviewed to ensure appropriate cover in relation to the provision of confidential / sensitive data to external organisations.	Agreed. There is an issue that if a contract involves the handing of Council data, particularly personal data over to a contractor, the officer should be considering the desirability / need for a proper data processing agreement.
Responsible Officer	Target Date
Monitoring Officer / Legal & Democratic Services	30th September 2013

2.5 ADULT SOCIAL CARE (ASC): ADMINISTRATION OF CLIENT INCOME

- 2.5.1 The audit was undertaken in response to a request from management. Significant variances between forecast and outturn were identified at 2011/12 closedown which were largely due to variations in income. The service reviewed its procedures and implemented a large number of changes during 2012/13 and the variance between forecast and actual was reduced to a £200k deficit.
- 2.5.2 The purpose of the audit was to gain assurance regarding the process and internal controls in place and ensure that procedures are robust for the administration of client income.
- 2.5.3 The Business Objects reconciliation report run by the Financial and Business Analyst highlights discrepancies that are not picked up as part of the reconciliations and checks carried out within the Financial Assessment and Benefits Team. The reconciliation report is therefore a key control. Responsibility for the control and the siting of the control does not appear to provide the most efficient or best use of resources in the longer term. It was therefore recommended that management should review the placement of this role and the associated work and decide if a specific financial resource is required within the Financial Assessment and Benefits Team or if existing resources can be utilised.

2.6 TROUBLED FAMILIES ASSURANCE

- 2.6.1 The Troubled Families (TF) Programme was set up to help Local Authorities and other agencies encourage children back into school, reduce youth crime and anti-social behaviour, put adults on a path back to work and reduce the high costs these families place on the public sector each year. A wider aim is to facilitate and embed a culture of more joined-up working to reduce the number of contacts these families have with the Council and avoid duplication.
- 2.6.2 At the time of the report Havering had identified approximately 380 families that fit into the Troubled Families criteria of a total target of 415 over the course of the programme. For each family there is an element of up front funding provided by central government which is paid on a reducing balance in the second and third years, dependent on meeting set performance thresholds.
- 2.6.3 The new processes and procedures implemented by the Data Analyst should provide an effective control with regards data quality and an adequate audit trail but this will require a review by the TF Team once these processes have had some time to embed. Some analysis of evidence provided by services / agencies should be carried out by the TF Team.
- 2.6.4 There is a concern that reporting is a little excessive and some consideration should be given to amalgamating reports to some agencies to reduce the burden on the TF team.
- 2.6.5 The TF Team are currently a key control in bringing the data together for the TF funding and as such are the central point for ensuring some key checks are carried out and the various agencies / services are linking in with each other. Based on the assumption that the TF Team may only last as long as the funding there is a need for this joined up working to be implemented within the services / agencies themselves, requiring little involvement from the TF Team as a final outcome. This is in line with the wider objective of this process becoming business as usual.

2.7 PERFORMANCE DEVELOPMENT REVIEWS (PDRs)

2.7.1 A new approach to performance appraisal, including a module of Oracle, was launched in April 2012.

2.7.2 The review was undertaken to gain assurance regarding the completeness of management information, available to Senior Management, from the Oracle system. The audit tested compliance with the Authority's agreed procedures and was undertaken to provide management with assurance regarding the controls within the PDR process.

2.7.3 Audit contacted appraisees to confirm whether:

- PDR meetings have taken place regarding 2012/13
- The appraisee and manager are confident they understood the new PDR process

2.7.3 The telephone survey found that 90% of the office based employees had had a PDR at the time of the audit and that some employees and managers surveyed did not have a full understanding of the PDR process.

2.8 PUBLIC HEALTH GRANT 2013/14

2.8.1 The public health grant, made under Section 31 of the Local Government Act 2003, is provided to local authorities to fund their new public health responsibilities. The terms and conditions of the grant govern its use and restrict its use to the fulfilment of the new public health responsibilities which comprise:

- To improve significantly the health and wellbeing of local populations;
- Carry out health protection functions delegated from the Secretary of State;
- Reduce health inequalities across the life course, including within hard to reach groups; and
- Ensure the provision of population healthcare advice.

2.8.2 The terms and conditions also require that monies are spent appropriately and accounted for properly. There is an expectation that funds will be utilised in-year however end of year underspends can be carried over as part of a public health reserve into the next financial year. Monies carried forward will need to be utilised in accordance with the grant conditions. There is a risk that the Department of Health will consider reducing future allocations to Councils that repeatedly report large underspends.

2.8.3 The ring fenced public health grant awarded to the London Borough of Havering was £8,833,400 for 2013/2014.

2.8.4 The audit was undertaken to provide assurance that the public health grant is managed in accordance with the grant terms and conditions.

2.8.5 The audit found:

- A robust system of internal control is in place.
- Compliance with the system of internal control.
- Appropriate records are being maintained.
- Sufficient evidence is maintained to provide assurance that the grant is being managed in accordance with the scheme.

2.8.6 Internal audit will complete additional work at year end. This work will verify whether the grant conditions have been complied with, prior to the Chief Executive signing the annual Revenue Outturn and the 'Statement of Assurance: Ring-fenced Public Health Grant Determination 2013/14' being sent to Public Health England.

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

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AUDIT COMMITTEE

3 December 2013

Subject Heading:

Internal Audit School Final Report
Summaries, 29 June 2013 to 31
September 2013

Report Author and contact details:

Kate Brunning, Internal Audit & Corporate
Risk Manager ext 3733

Policy context:

To inform the Committee of the findings
and recommendations made in school
audit reports issued during Quarter Two of
2013/14

Financial summary:

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 provides the Audit Committee with summaries of school internal audit reports issued during the period 29th June 2013 to 30th September 2013. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

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

1.1 School Audit Programme

- 1.1 Local Authority maintained schools are subject to triennial audit. The purpose of the audit is to provide the Governing Body and Head Teacher with audit assurance on the appropriateness and effectiveness of the systems of internal control in operation within the school.
- 1.2 In order to assess the systems of internal control, the audit team has developed a risk based audit programme covering the following key risk areas:
 - Corporate Governance & Risk Management;
 - Strategic Planning;
 - Information Governance;
 - Safeguarding;
 - Financial Management; and
 - Procurement & Capital Projects.
- 1.3 The audit programme includes a follow up of recommendations raised at the schools most recent Audit Health Check, which is available to schools as a tradable service from the LMS Team.
- 1.4 Five school audits were finalised during the period July to September 2013. The five schools and the level of assurance provided comprise:

SCHOOL	ASSURANCE
• Crownfield Juniors	Substantial
• Gidea Park Primary	Full
• Mead Primary	Full
• St Mary's Catholic Primary	Substantial
• Wykeham Primary	Substantial
- 1.5 Summaries of the five school audit reports are provided in Sections 2 to 6 below.

2. CROWNFIELD JUNIOR SCHOOL

2.1 The Internal Audit review found:

- (i) Whilst approval to key documents has been obtained from the Governing Body, decisions are not clearly minuted.
- (ii) Checks to ensure staff have adequate insurance cover to use their car for work purposes remain outstanding in a number of cases.
- (iii) Expired CRB's were identified on the Single Central Record.
- (iv) Independent checks on income banked are not being carried out.
- (v) The schools Finance Policy & Procedures requires updating to accurately reflect the current authorised signatories.
- (vi) Retrospective orders are being placed in instances where it was possible for the order to be raised prior to the invoice being received.
- (vii) Charge Card Transactions Logs without signatures from key signatories in the process were found.
- (viii) Petty cash vouchers are completed by the Finance Assistant and are being paid out prior to authorisation to reimburse being obtained.
- (ix) Timesheets were found without key information such as the date in which the hours were incurred.
- (x) Since April 2013 Payroll reports have not been submitted to the Head Teacher for sign off.

2.2 The audit provided Substantial Assurance on the basis that whilst there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

2.3 The audit made 9 medium and 1 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

2.4 The Audit Health Check undertaken by the LMS Team in September 2012 made two Priority One and ten Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all but two of these recommendations have been implemented.

2.5 The two recommendations yet to be implemented are:

- A Priority Two recommendation to ensure that independent checks are being undertaken on monies received / banked; and
- A Priority One recommendation that the school keep governors fully informed of progress with the school inventory records.

3. GIDEA PARK PRIMARY SCHOOL

3.1 The Internal Audit review found:

- (i) Annual declarations of interest could not be found for all governors.
- (ii) Details regarding access to the SIMS finance system included in the Finance policy do not match current access rights held on the system.
- (iii) The current scheme of delegation does not detail the authorisation limits of the Deputy Head.
- (iv) Petty cash receipts were not being signed by an authorised signatory at the point of reimbursement.

3.2 The audit provided Full Assurance on the basis that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

3.3 The audit made 4 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

3.4 The Audit Health Check undertaken by the LMS Team in September 2012 made one Priority One and five Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been implemented.

4. MEAD PRIMARY SCHOOL

4.1 The Internal Audit Review found:

- (i) A large number of staff have declared that they are not covered on their car insurance for business use. Whilst a recommendation is not being made, the increased risk of non-compliance must be highlighted as a concern. The school must be vigilant when staff without such cover are asked to attend external training by ensuring that they are aware they are not covered to use their car to attend.
- (ii) Responsibilities around certain aspects of Personnel, such as promotions and terminations are not documented within the Finance Policy & Procedure document.
- (iii) Whilst segregation of duties in the approval of orders and invoices is in place, this is masked by the signature of two cheque signatories on all critical documents.
- (iv) VAT invoices for on-line purchases may be difficult to obtain from suppliers. The school had not set a minimum threshold determining the value at which obtaining a VAT invoice becomes a cost effective exercise.

4.2 The audit provided Full Assurance on the basis that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

4.3 The audit made 1 medium and 2 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

4.4 The Audit Health Check undertaken by the LMS Team in October 2012 made three Priority Two and one Priority Three recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been implemented.

5. ST MARY'S CATHOLIC PRIMARY SCHOOL

5.1 The Internal Audit review found:

- (i) There is no Emergency Pack / Grab Bag in place.
- (ii) Absence of procedures to carry out checks on staff car insurance, driving licence and MOT for those members of staff using their cars on school business.
- (iii) A comprehensive list of valuable equipment held on site is not maintained.
- (iv) A comprehensive equipment on loan register is not maintained
- (v) Personnel responsibilities are not detailed within Finance / Pay policy
- (vi) Volunteers helping with swimming are not CRB checked.
- (vii) The template form for the hire of school premises does not facilitate the signature of a representative of the school to approve the requirements of the letting.
- (viii) The Scheme of Delegation does not allow for cheque signatories to sign cheques over £10,000.
- (ix) Petty cash receipts were not being signed by an authorised signatory at the point of reimbursement.

5.2 The audit provided Substantial Assurance on the basis that whilst there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

5.3 The audit made 2 high, 5 medium and 2 low priority recommendations to address the weaknesses identified in the system of internal control. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

5.4 The Audit Health Check undertaken by the LMS Team in October 2012 made eleven Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that 9 recommendations have been implemented.

5.5 In the two remaining cases the need for the school to update the inventory records and report the findings to Governors was still to be implemented. The risks were reiterated within the Internal Audit Report. In the remaining recommendation the school was asked to review the authorised cheque signatories and removed the Finance Assistant as a signatory. The school did review the existing arrangements and decided to keep the Finance Assistant as an authorised cheque signatory.

6. WYKEHAM PRIMARY SCHOOL

6.1 The Internal Audit review found:

- (i) Absence of checks to ensure staff are appropriately covered on their insurance for business use have not been completed.
- (ii) Locations detailed on inventory are not clarified as to what room each relates to.
- (iii) The paying in book is not completed with the date the income is banked.
- (iv) Lettings are not authorised by an appropriate school officer.
- (v) Valid hirer documents are not retained on file.
- (vi) Orders are not raised on the SIMS finance system before invoices are received.
- (vii) The procurement process showed a lack of segregation of duties between invoices and cheques

6.2 The audit provided Substantial Assurance on the basis that whilst there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

6.3 The audit made 1 high, 7 medium and 2 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

6.4 The Audit Health Check undertaken by the LMS Team in September 2012 made nine Priority Two and two Priority One recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been implemented.

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management, Head Teachers and Governing Bodies 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 Head Teachers and Governing Bodies have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, Head Teachers and Governing Bodies are obligated to consider financial risks and costs associated with the implications of the recommendations. Head Teachers and Governing Bodies 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

AUDIT COMMITTEE

3 December 2013

Subject Heading:

Fraud Progress Report

Report Author and contact details:

Kate Brunning: Internal Audit & Corporate Risk Manager
ext: 3733
email: kathleen.brunning@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 and special 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 Internal Audit Corporate Fraud Team and the Benefit Investigations Team from 1st July 2013 to 30th September 2013.

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 DETAILS

- 1. CORPORATE FRAUD TEAM: UPDATE JULY TO SEPTEMBER 2013**
- 1.1 Delivery of the Anti-Fraud and Corruption Strategy**
- 1.1.1 Work has been delivered to further develop a fraud aware workforce through an on-going programme of training. During Quarter 2 training was provided to 4 teams of staff from Adult Services. The training was delivered to raise staff awareness of the Council's zero tolerance to internet and timesheet abuse.
- 1.1.2 The Corporate Fraud team have also put in place a fraud and corruption e.learning programme that is provided by Meritec. A large number of other local authorities also purchase the Meritec e.learning programme which can be tailored to meet each authority's needs and contain actual cases of fraud. The e.learning training programme contains 7 modules and a test. The modules comprise:
 1. What is Fraud and Corruption?
 2. What is the Council doing about it?
 3. Common types of Fraud
 4. Spotlight on Adult Social Care: Personal Budgets
 5. Spotlight on Money Laundering
 6. Spotlight on Single Person Discount on Council Tax
 7. What can you do about it?
- 1.1.3 60 employees from the Children, Adults and Housing, Public Health and Resources departments completed the fraud and corruption e.learning training programme during Quarter 2.
- 1.1.4 The corporate fraud team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.
- 1.1.5 The corporate fraud team also participates in the learning and sharing of best practice through the National Anti-Fraud Network and actively works with neighbouring boroughs to share learning and appropriate data.

1.2 Proactive Fraud Investigations

1.2.1 The Corporate Fraud Team's proactive fraud work comprises three elements:

- A programme of proactive fraud audit investigations;
- Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

1.2.2 The proactive work plan for 2013/14 is shown in the table in Appendix A. During Quarter 2 progress was made in three proactive investigations: staff expenses; the reemployment of staff previously made redundant or dismissed and grants made by the Authority.

1.2.3 The team's data matching work for the National Fraud Initiative (NFI) is on-going and it is anticipated that the results will be presented to the April 2014 Audit Committee.

1.3 Reactive Fraud Cases: July to October

1.3.1 The table below provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

Caseload Quarter 2 2013/14						
Team	Cases at start of period	Referrals received	Referrals rejected/overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	15	17	0	4	10	18

Key:

Referrals rejected/overloaded: DWP passported benefit referrals 'overloaded' to DWP for initial investigation as Income Support, JSA etc primary benefit
 Cases of fraud not proven: Insufficient evidence of fraud obtained.

1.3.2 The table below provides information on the sources of fraud referrals to the Corporate Fraud team.

Source of Referrals & Fraud Reports Quarter 2 2013/14	
Number of Referrals/ Type	IA Fraud Reports Qtr 2
Anonymous Whistleblower	4
External Organisations / Members of the Public	0
Internal Departments	13
Total	17

1.3.3 The table overleaf shows the number and categories of the potential Corporate Fraud cases reported in the Quarter 2 period and the number of cases open at the end of the period.

Reports by Category		
Potential Fraud	New Cases Qtr 2	Current Cases end of Qtr 2
PC – Misuse and Abuse	3	4
Breach of Code of Conduct	2	1
Breach of Council Procedures	6	8
Misuse of Council Time	1	1
Direct Payments	3	3
Safeguarding	1	1
Overpayment of Pension	1	
Total	17	18

1.3.4 The case outcomes for the Internal Audit Corporate Fraud Team from April to June are detailed in table below.

Case Outcomes	
Outcome	Qtr 2
Management Action Plan	9
Resigned	1
No case to answer	4
Total	14

1.3.5 The forecast outturn for 2013/14 for the team is within the allocated budget.

1.4 Savings and Losses

1.4.1 The investigations carried out by the Corporate Fraud team provide the Council with value for money through:

- The identification of monies lost through fraud and the recovery or part of all of these sums; and
- The identification of potential losses through fraud in cases where the loss was prevented.

1.4.2 The table in Appendix B shows the savings and losses identified in the Quarter 2, April 2013 to 28 June 2013.

1.5 Key Performance Indicators

1.5.1 Recipients of audit reports are requested to complete a post-audit satisfaction survey on completion of an audit and the issue of a final report. The survey enables report recipients to score the following elements of the audit process using a score of 1, very poor, to 5, very good:

- Audit Planning
- Quality of draft report
- Quality of final report
- Communication
- The auditor.

1.5.2 Four completed surveys for investigations carried out by the corporate fraud team were returned during the period April to September 2013. The results

received were: 24/25; 24/25; 23/25 and 23/25, indicating a high degree of satisfaction with the audit process.

- 1.5.3 Officers completing satisfaction surveys are also able to record comments and we are pleased to report that during the period we received a number of positive responses including, 'the knowledge of the auditors was very good' and, 'the audit procedures and professionalism has improved dramatically in recent years which is a credit to all staff.'

2. BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JULY TO SEPTEMBER 2013

- 2.1.1 The table below provides the total cases at the start and end of the period and referrals, cases closed and cases completed.

Caseload Quarter 2 2013/14						
Team	Cases At start of period	Referrals received	Referrals rejected/ overloaded	Cases of Fraud not Proven	Successful Cases	Cases at end of period
HB & CTS	420	171	55	70	24	442
HT	87	15	2	15	6	79
TOTAL	507	186	57	85	30	521

- 2.1.2 The table below provides information on the sources of fraud referrals made to the Housing Benefit, Council Tax and Housing Tenancy fraud sections during the period July to September 2013.

Source of Referrals & Fraud Reports Quarter 2 2013/14			
Type and Number of Referrals	HB/CTS Referrals	HT Referrals	Total
Anonymous	43	-	43
External Organisations / Members of the Public	18	3	21
Internal Departments / Whistleblowers	26	4	30
Social Landlords (inc HiH)	23	8	31
Data Matching / Proactive initiative	61	-	61
Total	171	15	186

2.1.3 The table below shows the categories of the potential Housing Benefit and Council Tax Benefit fraud referrals in the period.

Referrals by Category	
Potential Fraud	Quarter 2 13/14
Capital	6
Income from Other Sources	65
Living Together	42
Non-Dependant	10
Non-Resident/vacated	13
Working	20
Non Commercial Tenancy	1
Other	1
Tenancy Fraud	13
Total	171

2.1.4 The table below shows the categories of the potential Housing Fraud referrals in the period.

Referrals by Category	
Potential Fraud	Qtr 2 13/14
Subletting	4
Not main/principal home	8
Fraudulent RTB	1
Fraudulent Housing Register Application	1
Other	1
Total	15

2.1.5 The table below shows the current benefit caseload by category.

Current Cases by Category	
Potential Fraud	As at end of September 2013
Capital	23
Contrived Tenancy	14
Income from Other Sources	71
Living Together	145
Non-Dependant	19
Non-Resident/vacated	56
Other welfare benefits	1
Working	56
Non Commercial Tenancy	5
Other	2
Single Person Discount	9
Tenancy Fraud	41
Total	442

2.1.6 The number and types of successful outcomes for cases completed by the benefits fraud team during the period July to September 2013 are summarised in the table below.

Successful Outcomes			
Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Capital	-	1	1
Working & Claiming	-	-	1
Living Together	3	2	2
Non Residence	3	-	-
Other	1	1	2
Total	7	4	6

2.1.7 The case outcomes for the Housing investigations from April to June are detailed in table below.

Successful Outcomes	
(Note: Cases may have multiple outcomes)	
Outcome Type	Qtr2 13-14
Tenancy Relinquished voluntarily (keys handed in)	1
Property recovered via court action	2
RTB stopped	1
Housing Register application withdrawn	1
Prosecution	1
Total	6

2.2 Successful Benefit and Housing Cases

Details of three successful benefit prosecution cases are provided below.

- 2.2.1 Ms H was investigated following an anonymous tip off that she was in receipt of undeclared capital. Ms H had declared only one bank account that her benefits were paid into. However, enquiries revealed several accounts that she had failed to advise containing substantial sums of money including an inheritance. The total overpayment of benefit amounted to £24,291.91 and Ms H was prosecuted and received an 8 month suspended custodial sentence with a supervision order and 3 month curfew. Also, at Court, a POCA timetable was issued in order that the Financial Investigator can determine further capital and assets that Ms H may possess.
- 2.2.2 Mrs Z's property was visited by investigation officers after a data match exercise showed an undeclared person occupying the property. The door was opened by a male who Mrs Z claimed to be her brother. Further investigations established that Mrs Z had financial links to Mr Z regarding court orders and joint accounts registered at the claim address. These accounts showed that Mr Z had income from various sources. Further enquiries revealed that Mr Z was a sub-contractor and companies that he had worked for held the claim address as his main residence. A copy of Mr Z's passport was obtained and the officers were able to identify that this was the same person that they had seen answering the door. Both parties were interviewed and admitted that they had been living together since 2006. Mrs

Z was prosecuted and received 10 months imprisonment suspended for 18 months and ordered to carry out 150 hours of unpaid work.

- 2.2.3 Mr M was investigated for failing to declare his employment. Mr M denied working and told investigators that he was unable to work due to a back injury. He stated that he had “given” his bank account to his brother and that the income into the account was from work his brother had carried out. Further enquiries revealed that Mr M had, in fact, carried out the work and had also been using his own bank account. Mr M was called back in for a second interview under caution but failed to answer questions. At Court Mr M initially pleaded not guilty but changed his plea at the second hearing. He received a 26 week custodial sentence.

Details of three successful housing tenancy cases are detailed below.

- 2.2.4 Mr H was previously prosecuted in May for benefit fraud. He had received a suspended sentence after subletting his flat and accruing an overpayment of Housing & Council tax benefit. Although he had been served with a notice to quit, Mr H maintained that he had moved back into the property and failed to hand back the keys. The case was heard at County Court where evidence, obtained as a result of the tenancy fraud investigation, was heard. The Judge awarded an outright possession order and the flat was repossessed in July.
- 2.2.5 Miss M had been on the Council’s waiting list since 2009. When contacted by Housing Needs & Services department this year, she claimed to be homeless and that she was sleeping in her car and on friends’ sofas. Anonymous information however alleged that Miss M was actually residing with her partner in a permanent dwelling. An investigation identified various inconsistencies surrounding Miss M’s application as well as the location of her home. The property was visited and viewed by investigators who invited Miss M to attend an interview under caution. Miss M refused to attend and advised that she wished to withdraw her application.

2.3

- 2.3.1 A sub-tenant, who had been residing in a council flat since 1996 was prosecuted in September after pleading guilty to dishonestly obtaining services from Havering Council by falsely claiming to be the legal tenant. Mr M was charged under section 1(1) of the Theft Act 1978 as amended by the Fraud Act 2006. He also pleaded guilty to a second charge under the Forgery and Counterfeiting Act of making a false instrument to obtain a 25% discount on his Council Tax liability to which he was not entitled. Mr M was fined £500 for each offence and ordered to pay £550 towards prosecution costs and £120 victim surcharge.

2.3 HB/CTB Fraud Overpayments

2.3.1 The value of fraudulent housing benefit overpayments generated by the team for the first quarter of the 2013/14 year to date are contained in table below.

Fraudulent Overpayment		
Type	Qtr 2	Year to date
Rent Rebate	£105,947	£291,224
Rent Allowance	£141,781	£291,045
Council Tax Benefit	342,073	£90,470
Total	£289,801	£672,739

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.

Appendix A: Corporate Fraud Proactive Audit Plan 2013/14

Description	Risks	Plan days	Qtr 2 Status
Expenses	This includes, but is not limited to: false declarations of mileage; false documentation to support allowances; breaches of authorisation and payment procedures	30	In progress
Redundancy - Agency - reemployment	Dual analysis will be undertaken to ensure that the Council has complied with its current redundancy policy and to ensure that the Council's reputation is not at risk via re-employment with Beeline of officers previously dismissed.	0	In progress
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	In progress
Home Ownership	Review entitlement to RTB & records completed as per procedures	10	Began Oct 2013
Direct payments	Personalised budgets for the purchase of care; failing to declare capital and assets; care provision by contractors or a non-governmental organisation which are not for the benefit of the person being cared for.	10	Began Oct 2013
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	Scheduled for January 2014
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	Scheduled for Jan/Feb 2014
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	Scheduled for March 2014
	TOTAL	120	

Appendix B: Savings, Losses and Potential Recoveries 2013/14

Case details	Qtr reported	Savings Identified	Losses Identified	Management to recover	Details
Theft from Council premises	Qtr 2		£1,272		Reported to Police. Risk assessment completed and procedures revised.
Mismanagement of contracts	Qtr 1		£2,250		Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	Qtr 1			£59,173	Final invoice overcharge.
Mismanagement of contracts	Qtr 1		£13,800		HIH asbestos removal contracts. Unable to verify asbestos removal. Company now in administration.
NFI 2010/11	Qtr 1			£11,801	SPD to over 18s recovery
NFI 2010/11	Qtr 1			£94,461	SPD to Electoral Roll recovery
TOTAL		£0	£3,522	£179,235	

Key:

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.

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

Management to recover: These are the actual sums of money potentially lost through fraud which management can take action to recover.

NFI: National Fraud Initiative

SPD: Single Person Discount

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AUDIT COMMITTEE

3 December 2013

Subject Heading:

Governance Update

Report Author and contact details:

Kate Brunning, Internal Audit & Corporate Risk Manager ext 3733

Policy context:

To inform the Committee of process for the production and approval of the Annual Governance Statement 2013/14

Financial summary:

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 provides the Audit Committee with information on the requirement for the Annual Governance Statement (AGS) and identifies timescales for the production of the 2013/14 AGS.

RECOMMENDATIONS

1. To note the contents of the report and proposed timetable

2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

1. Introduction

- 1.1 Governance is about how councils ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which councils are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.¹
- 1.2 Governance is more than making sure that things do not go wrong or fixing them if they do. Good governance adds value; it ensures effectiveness in ever changing circumstances.²
- 1.3 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
- 1.4 High standards of conduct and leadership are at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

2. Requirements for the Annual Governance Statement 2013/14.

- 2.1 Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an annual governance statement which must accompany the statement of accounts. This requirement is reflected in the Code of practice for Local Authority Accounting in the United Kingdom 2012/13 (CIPFA/SOLACE).
- 2.2 The 'Delivering Good Governance in Local Government Guidance 2012' urges councils prepare a AGS in order to report publicly on the extent to which it complies with its own code of governance on an annual basis; including how they have monitored the effectiveness of their governance arrangements in

¹ Quote from CIPFA/SOLACE 'Delivering good governance in Local Government Framework'

² Quote from Audit Commission's public sector management paper 'Corporate Governance-Improvement and Trust in Local Public Services'

the year, and any planned changes in the coming period. Councils are encouraged to see the process of preparing the AGS as a process that adds value to its corporate governance and internal control framework.

3. Production of the 2013/14 AGS

3.1 Work on the development of the AGS has commenced. Compliance with key elements of the systems and processes that comprise the Council's governance arrangements as specified in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework – Addendum' is being determined and mapped. The key elements are listed in Appendix A.

3.2 The timetable for the preparation of the Annual Governance Statement 2013/14 is shown below.

Month	Action	Responsibility
AUGUST 2013	GG approve the 13/14 timetable (6 th August). Review actions to date and future plans with 12/13 significant issues.	VB/GG VB/GG
NOVEMBER	Update on 12/13 Actions at GG meeting / Mid-Year Governance Review	KB/GG
DECEMBER	Update report on Corporate Governance Arrangements and process to produce the AGS reported to Audit Committee.	KB
JANUARY 2014	Template for AGS is reviewed against best practice, circulated to key officers for comment.	KB
FEBRUARY	Annual Governance Mini Statement Declaration issued to Senior Managers, drawing out findings from audit work for consideration. Review of any relevant assurances provided by External Bodies to date in year. Issues from audit work discussed and communicated. Potential issues for 2013/14 highlighted to CMT. Highlight any potential issues to Audit Committee.	MS/VB/KB KB VB/KB/MS VB/KB/MS/ABH VB/KB/MS/ABH
MARCH	GG approve draft template for AGS, review declarations, consider new 2013/14 issues and final progress on 12/13 actions (closed or carried forward). Draft AGS to Governance Group for final Sign Off Draft AGS approved by CMT Business Meeting. Senior Management asked to formally confirm nothing further to add to their declarations since submission. Confirmation of no further issues arising from audit work.	VB/GG VB/GG VB/CMT VB
APRIL	Draft AGS to Audit Committee	VB/AC

MAY	GG agree that draft stands or identify necessary changes based on recent developments. Back to CMT if necessary.	VB/GG VB/CMT
JUNE/ JULY	Audit Committee briefed on Corporate Governance Process FINAL DRAFT AGS to Audit Committee for FINAL approval AGS signed by Leader and Chief Exec	VB VB/AC VB
JUNE/JULY	Meet with External Audit to discuss process.	VB
SEPTEMBER	AGS reviewed and updated if required. Revised AGS is approved and signed off.	ABH, MS/VB

KEY: AC = Audit Committee; GG = Governance Group; CMT = Corporate Management Team; ABH = Andrew Blake-Herbert; MS = Mike Stringer; VB = Vanessa Bateman; KB = Kate Brunning.

- 3.3 The officer group is reviewing progress against the AGS action plan. A progress report will be presented to the Audit Committee in February 2014.
- 3.4 The Accounts and Audit (Amendment) (England) Regulations 2011 require the Council to publish the Annual Governance Statement by the end of September with the audited Statement of Accounts. The AGS should normally be approved at the same time as, or very near to, and no later than the statement of accounts. It is therefore proposed that the AGS is reviewed and updated to take account of any significant changes in the governance or control frameworks between the date of production and the publication date.

IMPLICATIONS AND RISKS

Financial implications and risks:

Failure to produce an Annual Governance Statement would lead to a serious weakness in the Council's internal controls and would be a breach of its statutory duty.

Legal implications and risks:

The Council is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk. (Regulation 4(1) Accounts and Audit (England) Regulations 2011/817.)

The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee and in the light of that review produce an annual governance statement prepared in accordance with proper practices in relation to internal control (Regulations 4 (2) and (3) Accounts and Audit (England) Regulations).

There are no apparent risks in noting the content of 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

APPENDIX A: EXTRACT FROM THE DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK – ADDENDUM

Key elements of the systems and processes that comprise an authority's governance include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and its implications for the authority's governance arrangements
- translating the vision into objectives for the authority and its partnerships
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- ensuring effective management of change and transformation
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact
- ensuring effective arrangements are in place for the discharge of the monitoring officer function
- ensuring effective arrangements are in place for the discharge of the head of paid service function
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistleblowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- enhancing the accountability for service delivery and effectiveness of other public service providers³
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships,⁴ and reflecting these in the authority's overall governance arrangements.

³ In England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011.

⁴ *Governing Partnerships: Bridging the Accountability Gap* (Audit Commission, 2005).

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