



Haverling

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30 pm

**Tuesday
8 April 2014**

**Committee Room 3A -
Town Hall**

Members 6: Quorum 3

COUNCILLORS:

**Conservative
(3)**

**Residents'
(1)**

**Labour
(1)**

**Independent
Residents'
(0)**

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

Clarence Barrett

Denis Breading

For information about the meeting please contact:

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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 - 12)

To approve as correct the minutes of the meeting held on 19 February, 2014 and authorise the Chairman to sign them.

5 INTERNAL AUDIT SYSTEM AUDIT SUMMARIES (Pages 13 - 28)

To consider the attached report.

6 INTERNAL AUDIT SCHOOL AUDIT SUMMARIES (Pages 29 - 34)

To consider the attached report.

7 INTERNAL AUDIT ANNUAL REPORT. (Pages 35 - 52)

To consider the attached report.

8 ANNUAL GOVERNANCE STATEMENT (Pages 53 - 70)

To consider the attached report.

9 URGENT BUSINESS

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

10 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.

11 SURTEES CONTRACT

To receive an oral update from the Head of Homes & Housing.

12 INTERNAL AUDIT FRAUD INTERIM REPORT

To consider the attached report.

**Andrew Beesley
Committee Administration
Manager**

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
19 February 2014 (7.00 - 8.45 pm)**

Present:

COUNCILLORS:

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

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.

37 MINUTES OF THE MEETING

The minutes of the meeting held on 3 December, 2013 were agreed as a correct record, subject to the correction of the spelling 'sumaaries' to 'summaries' in minute no. 30, and signed by the Chairman.

38 2012/2013 AUDIT REPORT OF GRANT CLAIMS AND RETURNS

PricewaterhouseCoopers (PWC) submitted their report on the audit of Grant Claims and Returns for 2012/13. This year just four claims were subject to audit:

- Housing and Council Tax Benefits Subsidy;
- Teacher's Pension;
- National Non-Domestic Rates Return; and
- Pooling of Housing Capital Receipts.

Two errors had been found in the Housing and Council Tax Benefit claim. Extrapolated across similar cases the total error was estimated to be £9,571 out of a claim of £108,040,718. Officers had accepted the recommendation and would be continuing with the regular training to ensure similar errors do not occur in future years.

The Teacher's Pension claim was identified as not being compiled correctly as it did not reconcile to the payroll system. Teacher's had initially been paying pension contributions at the incorrect tiered rate. This had been identified and corrected in the March 2012 payroll. However, the return had been compiled on a monthly basis so showed contributions reflected within incorrect rates. The Council had identified these incorrect entries and amended the return accordingly. Officers had explained why the problem occurred and gave an assurance that when One Oracle was implemented in April, 2014 there would be a report produced to make recording and reporting the monthly bandings over to Teacher's Pensions easier.

The initial testing of empty premises entries had identified five properties that did not receive an inspection before relief was issued. Officers had explained that they had found an integrity error within the Academy software which had omitted premises from the inspection routine, although this had subsequently been rectified.

Further testing had identified a further 22 properties that did not have an inspection or otherwise, to confirm that they were indeed empty.

PWC had recommended that empty property inspections were performed before the issuance of the relief. Officers did not believe it was always practical to visit a property prior to the award of the unoccupied relief. This was not a practice adopted by other authorities. They did accept that it was desirable and to establish a base position had arranged for an external inspection service to undertake a review of every property shown as unoccupied as at the middle of December, 2013.

Exchequer Services had significantly enhanced the number of inspectors available across the Revenue service and would be introducing a regime to ensure that every empty property was visited in a 6 month cycle.

The cost of this part of the audit had fallen for the fourth year in succession, the cost now being £43,025.

We have **noted** the report and expressed our satisfaction that the response of officers to the recommendations was appropriate.

39 **ACCOUNTING POLICIES 2013/14**

Officers had revised the Accounting Policies which would be applied during the financial year 2013/14. The full policies would be included in the statement of accounts.

The application of most accounting policies was consistently applied from year to year. Changes were required when new accounting regulations were introduced or updated or if there was a significant change within the financial activities of the Council.

We must follow the requirements of International Accounting Standard 8 when selecting or changing accounting policies, adopting the accounting treatment and disclosing changes in accounting policies, estimation techniques and correcting errors.

There was a requirement to disclose expected impact of new standards. They would only result in a change in accounting policy if they were required by the code and would result in the financial statements providing reliable and more relevant information.

It was for an authority to select the accounting policies that were most appropriate to its particular circumstances. Best practice required council's to regularly review the accounting policies adopted to ensure that they remained appropriate and gave

due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

We have **noted** that there were no significant amendments proposed in the draft code of practice on local authority in the United Kingdom 2013/14.

40 **CLOSURE OF ACCOUNTS TIMETABLE 2013/14**

We have received an update on progress with the closure of the 2013/14 accounts. A number of key issues needed to be addressed. These were:

a) Public Health Transfer

Public Health services in Havering had moved to the Council in April 2013. 2013/14 would be the first year of reporting with Public Health. A new Service Expenditure Analysis (SEA) for Public Health had been added to the Service Reporting Code of Practice (SeRCOP).

b) Council Tax Benefit System reform

The Welfare Reform Act 2012 had abolished the National Council Tax Benefit scheme from April 2013 and the Local Government Finance Bill enabled Local Authorities to design their own local council tax support schemes. The accounting disclosures needed to be updated in order to reflect these changed arrangements.

c) Localisation of Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. At the same time, business rate collection had been brought in house following the termination of the contract with Barking and Dagenham. There were potential risks of managing these new arrangements at closedown and staff involved in the process needed to be aware of the revision in reporting requirements.

d) One Oracle Project

The likely date for the implementation of One Oracle (OO) was April 2014. Key staff involved in the closedown programme would also be required to carry out key elements of the OO implementation programme. This gave rise to a significant risk of resources being diverted from both the closure and audit of accounts in order to support OO implementation and provide training on Oracle Projects. The Closedown programme had little scope for slippage and was driven by statutory closedown and publication requirements

e) One Source

The One Source project set to be implemented in April 2014 might put an additional drain on staff time involved in the closure process.

f) Pension Fund Local Infrastructure Procedures

It was anticipated that the Council would make a one off investment in the Pension Fund which must be made by 31 March 2014 in order to meet the requirements of the external actuary. In order to facilitate this arrangement, the Pension Fund had created a Local Infrastructure portfolio and approved the associated governance arrangements. However, qualifying schemes would need to be identified and formally approved prior to year end.

g) Infrastructure Assets

Infrastructure assets included roads, highways, bridges and street furniture. These assets were currently recorded on the Balance Sheet on a Depreciated Historic Cost (DHC) basis. CIPFA's code of practice on Transport Infrastructure Assets included a requirement to record such assets on a Depreciated Replacement Cost (DRC) basis. In order to comply with the code it would be necessary to identify all such assets, with appropriate measurements and then establish the cost of replacing these assets at current prices. Valuations would need to be updated regularly in order to ensure compliance with The Code.

The implementation of Infrastructure accounting had been delayed by DCLG and it was proposed that it be introduced in 2015/16 with a dry run in 2014/15. However, there would be a need to disclose comparative data in respect of the 2014/15 accounts and a re-stated Balance Sheet as at 31 March 2013 within the 2015/16 published accounts. Officers had begun the process of collecting the necessary valuation data and were working towards the achievement of these deadlines

The Whole of Government Accounts (WGA) return included a requirement to record infrastructure assets on a Depreciated Replacement Cost (DRC) basis in 2012/13 (albeit in a more summarised format). The 2013/14 return was expected to require additional disclosures. However, the collection of data for these purposes would assist in developing the data requirements for the statutory accounts.

h) Audit and Publication

Despite the pressure on resources from servicing One Oracle, One Source and other initiatives, The Authority needed to ensure that it meets the statutory deadlines for closedown. Failure to do so would result in additional audit scrutiny, additional cost, and an adverse effect on The Authority's reputation.

In view of these additional pressures it was essential that the timetable was strictly adhered to. Steps would also be taken to encourage staff to complete closedown tasks earlier than timetabled or to carry out preparatory work in advance of year end.

Last year the external auditors raised a number of matters. Progress against these matters was as follows:

- **Treatment for construction and transfer of academies**

The Auditor's had proposed an alternative approach than that adopted by the Authority with regard to the treatment of expenditure incurred in building the Draper's Academy. However, it had been agreed that there was a lack of clarity

in relation to the correct accounting treatment and it had been noted that the treatment of Academy Schools was subject to on-going consideration by CIPFA/LASAAC. As the two approaches were not materially different the Auditor's were not minded to challenge the Authority's approach. No similar transactions were expected to arise in 2013/14.

- **Judgements and Accounting Estimates - Valuation of Property, Plant, Equipment (PPE) and Investment Properties**

The Auditor's considered that the assumptions used by the Council's external valuers WH&E, to value PPE to be too simplistic. They had recommended that the approach for the 2013/14 accounts be discussed and an approach agreed between their internal valuers, WH&E and the Council's internal property team. These discussions were on-going and would inform the 2013/14 valuation process.

- **Payroll Reconciliation**

During the 2012/13 financial year the Authority had been unable to complete the payroll reconciliations for the year end in a timely manner. The Auditor's had recommended that the payroll reconciliation should be reconciled jointly by the payroll and finance teams. ISS management had discussed with the Auditors the format of the reconciliations and had agreed a revised format to be put in place for 2013/14. The automation of the payroll reconciliation report was still in development, therefore, ISS was still reliant on Business Systems resources to produce adhoc reports.

Officers advised that the One Oracle suite did not include a system generated report to resolve this issue so it would continue to be a manual process

We have **noted** the report.

41 **INTERNAL AUDIT PROGRESS REPORT**

We have received a report detailing the work of the Internal Audit team during the period 1 October, 2013 to 28 January, 2014. Fifteen reports had been issued during the period, 8 system audits and 7 school audits. Detailed reports were provided elsewhere on the agenda.

Details of outstanding recommendations were also provided for our perusal. We were informed that two of these recommendation where management had actually rejected them, had on follow up been fully implemented.

For our next meeting officers would be reporting on the outcome of 10/12 systems audits of key financial systems.

We have **noted** the report.

42 **INTERNAL AUDIT SYSTEMS REPORT SUMMARIES 1 OCTOBER, 2013 TO 28 JANUARY, 2014**

We have received details of the eight system audits finalised during the period 1 October, 2013 to 28 January, 2014. The eight systems and the level of assurance provided were:

SYSTEM	ASSURANCE
Emergency Assistance Scheme	Limited
Temporary Agency Worker Contract	Substantial
Compliance With Corporate Policy: Sickness Absence	Limited
Traffic & Parking Control: Cancellation Of Penalty Charge Notices Follow Up Audit	Substantial
School Admissions Forensic Review	N/A
JCAD LACHS Application System Review	Substantial
Network Permissions Follow-Up Audit	Substantial
Axise Pension System Hosting Review	No Assurance

We had some concerns regarding the Emergency Assistance Scheme. It was unclear from the report what the terms of the sub-contract been the Disablement Association of Barking and Dagenham (DABD) and Liberty Credit Union. Also was Liberty Credit Union recovering monies in their name or the Council's?

Whilst outside the scope of this report we were assured by officers that any underspend in this area could be carried forward. Also the contract with was up for renewal in July, 2014.

The results for compliance with Corporate Policy: Sickness Absence were better than anticipated, although Human Resources had requested the Internal Audit Team to revisit next year.

Newham's IT team had undertaken the audit of the JCAD LACHS (Local Authority Claims Handling System) Application System Review. Management do not agree with all the recommendations. For example the issue of passwords is not significant as only four members of staff have access.

Management had issues with the system audit of the AXISE Pension System. This service had been brought back in-house in December and the report was therefore out-of-date when published. The resources used to carry out this audit could have been better utilised.

Officers felt that we were still in the early stages of working with Newham in this area and we need to ensure there is better knowledge of how both Councils work to ensure the work is of value.

We have **agreed** that a review of the new system should be included in next year's work plan.

We have **noted** the outcome of the eight system audits.

43 **INTERNAL AUDIT SCHOOL FINAL REPORT SUMMARIES 1 OCTOBER, 2013 TO 28 JANUARY, 2014.**

We have received a report on the outcome of the seven school audits completed in the period 1 October, 2013 to 28 January, 2014. The following audits were completed:

SCHOOL	ASSURANCE
• Broadford Primary School	Substantial
• Brookside Infant School	Substantial
• Crownfield Infant School	Substantial
• Dycourts School	Substantial
• Engayne Primary School	Substantial
• Harold Court Primary School	Full
• Whybridge Junior School	Substantial

These audits had raised no significant concerns. However, a number of common themes had emerged throughout the year and time had been set aside to work with the Local Management Service (LMS) in Children, Adults and Learning to review these. It is intended that LMS would follow up the recommendations of the Internal Audit Service.

We have **noted** the report.

44 **DRAFT INTERNAL AUDIT PLAN FOR 2014/15**

We have received the proposed Annual Audit Plan for 2014/15. This plan contains the type of audit which have been delivered in previous years, these comprise:

- **System and Compliance:** System audits were reviews of key financial, business and ICT systems and involved a full evaluation of the adequacy of controls and testing how they were operating in practice. Compliance audits focused on the testing element only and were designed to provide assurance that systems were working as intended. The work also included review of grants, contracts and procurement and audits of casework management in adult and children's social care.
- **Strategy:** To provide an assurance opinion on the Council's strategic approach to the management of core business processes.
- **Business Unit:** To provide an assurance opinion on the adequacy and effectiveness of arrangements to ensure the achievement of business plan objectives, specifically through the management of finance, people, performance and risk.
- **Risk Based:** To provide assurance on the arrangements in place to manage key business risks. These were the audits that focused on risks in service plans and the corporate risk register and were designed to provide management and members with assurance that appropriate steps were being taken.

- System and Compliance: To provide assurance to statutory officers and key stakeholders that key systems and processes were operating as intended. This remained critically important during a period of change and would include work on the core financial systems.

The 2014/15 plan also included other assurance work as follows:

- Anti-Fraud and Compliance Programme: There would be on-going proactive testing of systems and processes to identify potential fraud and misappropriation, as well as potential non-compliance with policies and procedures.
- Schools: The audit provided assurance over governance and financial management in schools, to support Governing Bodies, the Local Authority and allow the Director of Resources to discharge his statutory obligations.
- Developing Systems: To provide early engagement on the development of new systems or processes and make recommendations to mitigate risks where appropriate. This applied not just to ICT systems but to new ways of working and the implementation of new structures and processes as part of budget delivery plans.
- Follow up Audits: The follow-up and reporting of recommendations issued in prior years.
- Advice and Guidance: Internal Audit provided on-going advice across the Council. Whether through attendance at working groups or responding to telephone enquiries this remained an area where early advice and support could help maintain a robust control environment.

We have **approved** the revised Internal Audit Work Plan for 2014/15.

45 **FRAUD PROGRESS REPORT 1 OCTOBER, 2013 TO 31 DECEMBER, 2013**

Officers had provided details of the work of the Corruption Fraud team during the period 1 October to 31 December, 2013.

Work has continued on developing a fraud aware workforce through an on-going programme of training. During quarter, training was provided to Adult Services Commissioning Team staff. This related to direct payments and the importance of internal checks and controls.

An eLearning programme has been introduced. This has been completed by employees from the Children, Adults and Housing, Public Health and Resources Departments.

In addition the team undertake proactive fraud work which 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.

During quarter 3 progress was made in three proactive investigations:

- Staff expenses;
- The re-employment of staff previously made redundant or dismissed; and
- Grants made by the authority.

The team's data matching work for the National Fraud Initiative was on-going and we anticipated that the results would be presented to our next meeting.

In addition to the above the team continued with its work on reactive fraud cases. At the start of the quarter it had 198 cases under review and received 14 referrals during the period. In 9 cases fraud was not proven but 7 were successful. This left 16 active cases at the end of the period.

The Benefits and Housing Tenancy Investigations team had been shortlisted for a national Fighting Fraud Award in December which recognised the efforts of those in the public sector who had done most to combat and prevent fraud. The team finished in the final three in the Collaboration category for working with police Safer Neighbourhood Teams and uncovering benefit fraud in excess of £2m.

The following provided details of the number of cases at the start and end of the period.

Caseload Quarter 3 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	442	181	50	71	31	471
HT	79	22	2	18	8	73
TOTAL	521	203	52	89	39	544

Details were provided of a number of successful prosecutions.

We have **noted** the report.

46 **DRAFT ANTI-FRAUD WORK PLAN 2014/15**

Officers provided details of the planned work of the Internal Audit Corporate Fraud Team for 2014/15. The draft Plan reflected the range of best practice principles for effectively tackling fraud within the London Borough of Havering. The range of activities were categorised as:

- Creating an Anti-Fraud Culture;
- Deterring Fraud;
- Preventing Fraud;
- Detecting Fraud;
- Investigations;
- Sanctions; and
- Redress.

This plan was a corporate fraud plan and therefore did not include coverage for Housing Benefit Fraud, Council Tax Support Fraud or Housing Tenancy Fraud investigation. The introduction of the Single Fraud Initiative made the future remit of these areas uncertain.

The plan focused on the type of work to be conducted during financial year 2014-15 and informed a proactive detection work programme across the Council.

Outlined below are some areas which would form part of this programme over the coming three year cycle. These areas would be subject to on-going review, with changes made as required on the identification of emerging fraud risks or areas identified through proactive work undertaken, or reactive investigations root cause analysis work:

- Fraud within Procurement
- Fraud within the Payroll System
- Grant Fraud / Funding of Voluntary Organisations
- Blue Badge Fraud
- Education & Schools (including admissions)
- Public Health Services.

We have **noted** the draft work plan for the Corporate Fraud team.

47 **L B OF HAVERING AUDIT PLAN**

With the agreement of the Chairman the following report was considered as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972.

PricewaterhouseCoopers (PwC) had submitted details of their proposals for the 2013/14 External Audit Plan. PwC's audit risk assessment, strategy and approach was built on a firm understanding of how the Council operates. Their risk assessment had identified the following risks:

- Management override of controls – assessed as significant:
- Risk of fraud in revenue and expenditure recognition – assessed as significant. One element affecting this was the council's decision to take back in-house the collection of Business Rates. In the current economic climate there were a large number of appeals against the rating valuation.
- Savings Plans – assessed as elevated.

We have **indicated** that we were happy with the de minimis thresholds suggested by PwC. These were:

- Overall materiality – Main accounts - £11,200,000
- Overall materiality – Pension Fund - £9,200,000
- Clearly trivial reporting de minimis – Main Accounts - £500,000
- Clearly trivial reporting de minimis – Pension Fund - £400,000.

We have **noted** that the anticipated cost of the audit would be less than in 2012/13, although the precise figure was not yet known.

We have **noted** the report.

48 **EXCLUSION OF THE PUBLIC**

The Committee resolved to exclude 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.

49 **SURTEES CONTRACT**

Officers advised that the Council are continuing to negotiate with Surtees to achieve a solution which was acceptable to both parties. If this was unsuccessful a full report would be brought back to the committee.

Officers did advise that the door entry systems were being updated as part of the decent homes programme.

We have **noted** the report.

50 **RISK BASED VERIFICATION**

Previously we had received a report on the introduction of a Risk Based Verification system. This had been in place since February, 2013 and officers had carried out a review to ensure the system was effective.

Details of proposed changes which would make the system more effective were provided and we have **agreed** that these be adopted and the revised policy **approved**.

The revised policy would come into force from 1 April, 2014.

51 **TREASURY MANAGEMENT**

We have received an update on the position of Treasury Management for the third quarter 2013/14. We have noted that the Council still have ample cash flow available but that this position would change towards the end of the financial year.

We have **noted** the report.

Chairman



AUDIT COMMITTEE

8 April 2014

Subject Heading:

Internal Audit Systems Report Summaries
29.01.2014 to 18.03.2014

Report Author and contact details:

Vanessa Bateman, 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 Four
of the 2013/14 Internal Audit Plan.

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 January 2014 to 18th March 2014. 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 Five systems audits were finalised during the period 29th January 2014 to 18th March 2014.

1.5 The five systems and the level of assurance provided where applicable are shown below:

SYSTEM	ASSURANCE
Looked After Children – Placements	Limited
Grants	Substantial
Compliance with Corporate Policies – Fees & Charges	Substantial
Carbon Reduction Scheme	N/A
Accounts Payable	Substantial

1.5 Summaries of the five systems audit reports are included in Sections 2.1 to 2.5 below.

2. REPORT SUMMARIES

2.1 LOOKED AFTER CHILDREN - PLACEMENTS

Summary of Audit Findings

- 2.1.1 We were informed that training, procedures and guidance notes for using the CCM system were provided to staff when the system was rolled out from January 2013. The guidance was in the process of being updated and improved at the time of the audit. No procedures or guidance were available for the auditor to use to determine the agreed procedures used by the team. This hampered the audit testing designed to compare how staff have used the system with documented procedures and training provided. Advice was therefore sought from the Children's Outcome & Audit Officer during the audit.
- 2.1.2 The significant weaknesses identified comprise:
- Key documents are not uploaded onto the relevant section of CCM.
 - Lack of consistency in the content and structure of visit notes.
 - Incomplete visit records.
 - Testing on management information in the system does not confirm that visits meet statutory requirements.
 - Inconsistent and unclear labelling of uploaded documents.
 - Delays in adding relevant documentation to the system.
 - Lack of evidence to confirm that joint visits are taking place where there is a change in social worker.
 - Lack of evidence on the system to confirm appropriate management review.

Audit Opinion

- 2.1.3 Whilst it is recognised that the LAC system is still relatively new, procedures are still being embedded throughout the service and processes continue to evolve, the information stored in the CCM system should enable the Council to demonstrate that it meets its statutory responsibilities for looked after children.
- 2.1.4 Limited Assurance has been given 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. This opinion is based on the accuracy of information held in the CCM system to evidence the requirements arising from the Placement Stability Audit.

Recommendations

- 2.1.5 The audit has made seven medium priority recommendations. The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations comprise:

Medium Priority

- Communication of a consistent approach for timely completion and upload of key documents.
- Visible management review on CCM system.
- Format and structure applied to visit notes.
- All visits to be recorded in the relevant section in CCM.
- Consideration of implementation of new ways of working / off-site technology links to CCM.
- Update to procedures to ensure documents are uploaded in a timely manner and with consistent labelling.
- Control and oversight over transitional arrangements.

1 Recommendation		Priority
Procedure notes for the CCM system that include protocols for the timely and correct uploading of care plans, placement planning meeting minutes and outcomes and other key documents are produced. Procedure notes are communicated to staff and training provided.		Medium
Management Response	Staff have received updated procedure notes, are aware where procedure notes are and are being reminded again. A CCM Newsletter is issued and section by section reviews are on-going.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work Simon Jolley, Strategic Lead Performance	
Implementation Date	Completed	
2 Recommendation		Priority
Management review / supervision is documented/recorded on the CCM system. Managers/supervisors to ensure completion and upload of key required documents including; <ul style="list-style-type: none"> • Care plans • Placement planning meeting minutes and outcomes. 		Medium
Management Response	Staff have been advised that only documents on the CCM system should be used rather than MS Word or ESCR as this allows accurate monitoring through reports run on CCM. On-going issue with ICT that not all CIVICA documents all uploaded but this has been delayed due to IT One Oracle priorities.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work	
Implementation Date	30 th May 2014.	
3 Recommendation		Priority
Social Workers and other relevant staff to be provided with a pro forma checklist for visit notes that provide a consistent structure to the notes and ensure that specific areas of concern are covered.		Medium
Management Response	Content has been agreed and a visit template is currently being built in CCM.	

Responsible Officer	Carol Carruthers, Service Manager Children's Social Work
Implementation Date	30 th April 2014

4 Recommendation		Priority
All visits to be recorded in the Case Notes / Visits section in CCM to ensure that an accurate record is maintained in one area on the system. Additional completed forms / notes to be uploaded separately onto ESCR in CCM with reference to these documents made in the notes section of the visit record.		Medium
Management Response	Staff have received updated procedure notes, area aware where procedure notes are and are being reminded again. A CCM Newsletter is issued and section by section reviews are on-going. Staff have been advised that only documents on the CCM system should be used rather than MS Word or ESCR as this allows accurate monitoring through reports run on CCM.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work	
Implementation Date	Completed.	
5 Recommendation		Priority
Consideration given to new ways of working including the use of tablets / hand held devices and direct uploading to the CCM system.		Medium
Management Response	This is being given consideration by Director and Chief Executive. IT have been consulted and progress may be dependent on financial resources.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work	
Implementation Date	30 th June 2014	
6 Recommendation		Priority
Update of procedures for using the CCM system to include guidance on consistency of labelling of documents and timescales for uploading documents.		Medium
Management Response	Staff have received updated procedure notes, area aware where procedure notes are and are being reminded again. A CCM Newsletter is issued and section by section reviews are on-going.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work Simon Jolley, Strategic Lead Performance	
Implementation Date	Completed.	

7 Recommendation		Priority
Each LAC to be allocated a primary care worker whose supervisor / line manager acts as a second potentially more constant presence in the succession handover between primary care workers.		Medium
Management Response	Exists in principle but needs strengthening and reinforcing. New supervision policy needs to be launched.	
Responsible Officer	Carol Carruthers, Service Manager Children's Social Work	
Implementation Date	30 th May 2014.	

2.2 GRANTS

Summary of Audit Findings

- 2.2.1 The Council does not maintain a comprehensive list of all grants currently received.
- 2.2.2 The Grant Management Protocol was last updated in January 2010.
- 2.2.3 Key controls in place to mitigate risks are the financial planning and budgeting processes, the delegation of responsibility to specific officers to manage and monitor the grant income and expenditure, and the annual external audit review of a suite of grant income streams.

Audit Opinion

- 2.2.4 **Substantial Assurance** has been given on the system of internal control operating at the time of audit. Our review found that the control environment was sound however it contained limitations that may put some of the systems objectives at risk, and/or there was evidence of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

- 2.2.5 The audit makes two medium priority recommendations which comprise:
- A comprehensive list of grants received by the organisation to be compiled and monitored regularly; and
 - Grant Management Protocol to be updated to include current procedures.
- 2.2.6 The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable potential risks to be mitigated.

1. Recommendation		Priority
Grant Management Protocol to be reviewed and updated to reflect current expected practices, the update should include <ul style="list-style-type: none">• Document Owner;• Approving Body;• Effective Date;• Review Date; and• Version.		Medium
Management Response	As you mentioned in your report the vast majority of the Grants Protocol is still valid but mentions that job titles and chain of authorisation will have become out of date due to the introduction of ISS. I agree that the Grants protocol will require updating but again timing is the issue here bearing in mind the imminent introduction of oneSource.	
Responsible Officer	Lillian Thomas - Senior Accountant	

Implementation Date	31 st April 2014	
2. Recommendation		Priority
<p>A comprehensive central register to be collated and maintained for all grants. The following information should be recorded for all grants received:</p> <ul style="list-style-type: none"> • Details of the grant provider • Scheme / project type-terms and conditions • Value of grant / Match funding (in-kind and cash) • Project start date • Finish date • Draw down criteria - in advance or arrears • Claim dates/deadlines - monthly/quarterly • Monitoring requirement - Financial and non-financial • Certification dates. 		Medium
Management Response	<p>Your report states that the Council does not maintain a comprehensive list of all grants currently received. This is not strictly true; the Senior Accountant (Corporate Finance) does maintain a comprehensive list of all grants currently received. However I accept that any potential weakness in this area would be down to having to place reliance on services informing corporate finance or operational finance of grants that have been awarded as a result of a bidding process and hence the list may not be as complete as it should be.</p>	
Responsible Officer	Lillian Thomas - Senior Accountant	
Implementation Date	31 st April 2014	

2.3 COMPLIANCE WITH CORPORATE POLICY: FEES & CHARGES

Summary of Audit Findings and Audit Opinion

2.3.1 Based on the information gathered during interviews undertaken with Heads of Service and the checking of documentation it is audit's opinion that:

- The Corporate Charging Policy is nonspecific as to whether services must prepare local policies;
- Four of the five services have a local charging policy relating to fees and charges;
- Four of the service areas reviewed could evidence that fees and charges were set in accordance with the Corporate Charging Policy; and
- Local charging policies are not currently available on the intranet or internet.

Recommendations

2.3.7 As a result of this audit two medium priority recommendations were raised. The recommendations were designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations and managements' responses are shown in the table below.

1. Recommendation	Priority
<p>The Corporate Charging Policy to be amended to:</p> <p>(i) be explicit in the requirement for services to have local charging policies</p> <p>(ii) contain a timeframe for the development and approval of local charging policies</p> <p>(iii) differentiate between policy and procedural guidance and contain the requirements of the local charging policy template.</p>	Medium
Management Response	<p>Services are expected to have a local service policy in place. However, that may simply say they follow the practices set out in the corporate policy, if they don't deviate from them. Where they do, this should be reflected in their own policy.</p> <p>There is currently one budget to be set before we will need to review the whole process as part of the new long term budget strategy.</p>
Responsible Officer	Head of Finance & Procurement
Implementation Date	April 2015

2. Recommendation	Priority
A local charging policy is to be produced for the Asset Management service in line with the requirements set out in the Corporate Charging Policy	Medium
Management Response	Agreed
Responsible Officer	Head of Asset Management
Implementation Date	30 th April 2014

2.4 CARBON REDUCTION SCHEME

Background

- 2.4.1 The Carbon Reduction Commitment (CRC) Scheme is a mandatory UK scheme which started in April 2010. The aim of the scheme is to improve energy efficiency and cutting carbon dioxide (CO₂) emissions in large public and private sector organisations (scheme participants). Phase One of the scheme runs until 31 March 2014, with phase two beginning on 1 April 2014.
- 2.4.2 The Environment Agency conducts compliance audits on a sample of participants each year to help ensure the integrity of the scheme. Each participant is due to receive at least one compliance audit within each phase. The London Borough of Havering is yet to receive this compliance audit in the current phase.
- 2.4.3 Participants are required to conduct an internal audit on their CRC data, evidence pack, and annual report to demonstrate that they are complying with their CRC responsibilities. Copies of internal audit reports and the findings form part of the evidence packs and should be made available upon request.
- 2.4.4 An audit of the CRC data, evidence pack, and annual report for London Borough of Havering was undertaken by Green Energy Partners on 27/06/13. Green Energy Partners carry out internal audits on the CRC scheme for multiple scheme participants. The audit gave the Council a 'green' light on compliance but raised three high, four medium and eight low medium recommendations for improvements to the existing system.

Progress on Implementation

- 2.4.5 Our review found that the Green Energy Partners report provided an accurate assessment of the Council's compliance with the CRC scheme. Progress against all recommendations made in the Green Energy Partners report was reviewed. Evidence to support actions completed by management was reviewed to ensure its adequacy and effectiveness. The findings of our review are shown in Appendix 1.
- 2.4.6 The results are also summarised below:
- Fourteen of Green Energy Partners recommendations have been implemented.
 - One recommendation, relating to training a secondary officer, is scheduled for completion in April 2014.

Conclusion

- 2.4.7 The review found that excellent progress has been made in implementing the recommendations made by Green Energy Partners. Green Energy Partners gave the Council a 'green light' and it is Internal Audit's opinion that the implementation of fourteen recommendations and scheduling of

action to implement the fifteenth, is sufficient to ensure that the Council is compliant with the CRC scheme.

2.5 ACCOUNTS PAYABLE

Summary of Audit Findings

- 2.5.1 The audit has highlighted that the processes within Accounts Payables continue to provide a sound control environment. There are indications that the control environment may be affected by the implementation of One Oracle. The extent of which is yet to be fully determined.
- 2.5.2 Early indications show that some automated system controls available within the existing system will not be available within One Oracle, such as automatic notifications to senior management when changes are made to supplier details.
- 2.5.3 Where system controls are lost, manual controls may need to be implemented. However until the system is implemented and the impact on the existing processes are understood, any amendments to processes or procedures remain on hold.
- 2.5.4 Monitoring to identify duplicate payments is currently undertaken by one member of staff using a system generated report that includes specific parameters. The risk of duplicate payments occurring increases during the transition from one system to another and the service is mindful that increased checks will be necessary to ensure that this risk has not materialised.

Recommendations and Audit Opinion

- 2.5.2 Substantial Assurance has been given on the system of internal control.
- 2.5.3 The audit makes no recommendations due to the implementation of One Oracle.

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:

There are no apparent legal implications or risks from noting the contents of the 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

8 April 2014

Subject Heading:	Internal Audit School Report Summaries 29.01.2014 to 18.03.2014
Report Author and contact details:	Vanessa Bateman, 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 Four of the 2013/14 Internal Audit Plan
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 January 2014 to 18th March 2014. 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.

At the time of producing this report there are three further school audits to complete in 2013/14.

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 One school audit was finalised during the period 29th January 2014 to 18th March 2014.

SCHOOL	ASSURANCE
<ul style="list-style-type: none">• Scargill Infants School	Substantial

- 1.5 The summary of the school audit report is provided in Section 2 below.
- 1.6 There are four possible assurance levels which comprise:

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 non compliance with basic controls leaves the system open to error or abuse.

- 1.7 There are a further three schools audits where fieldwork has taken place and a report is due to be issued imminently.

2. SCARGILL INFANTS SCHOOL

Summary of Audit Findings

- 2.1 The internal audit review found:
- Staff not using their car for work purposes had not completed a declaration;
 - The inventory policy had no version control;
 - Equipment on loan did not contain an authorising signature;
 - Cheque stubs were not being initialled/ signed;
 - Orders were being raised retrospectively; and
 - The Head Teacher's mobile phone bill was being paid via purchasing card.

Audit Opinion

- 2.2 A **Substantial Assurance** has been given as the audit found that 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.

Recommendations

- 2.3 The audit makes four medium and three low priority recommendations which comprise:
- Formal checks to be carried out on staff using their car for business use, and declarations completed for staff using alternative transport;
 - The inventory policy to contain a date of review and date to next be reviewed;
 - An authorising signature given when equipment is loaned to staff;
 - Cheque stubs to be initialled to demonstrate a segregation of duties throughout the procurement process;
 - Orders to be raised on the system in advance of invoices being received;
 - Authorisation to be sought from LMS in order to pay the mobile phone bill by Direct Debit; and
 - A process to be established to review the cost of the mobile phone when paid by direct debit.

Audit Health Check Progress

- 2.4 There was one priority one, six priority two and one priority three recommendations made at the Annual Audit Health Check undertaken in April 2012.

- 2.5 A review of progress made to implement recommendations found that six of the recommendations had been implemented at the time of the audit.
- 2.6 One of the outstanding recommendations related to the need for the school to raise orders on the FMS system before invoices are received. This recommendation has been reiterated as part of this audit.
- 2.7 In the remaining case it was recommended that recurring payments should not be made using the school purchasing card, as well as the governors review the transaction limits attached to the school purchasing card. Recurring payments relate to the Head Teachers mobile which the school are not permitted to pay by Direct Debit. Transaction limits were reviewed by governors and increased.

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:

There are no apparent legal implications or risks from 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



AUDIT COMMITTEE

08 04 2014

Subject Heading:

Annual Internal Audit Report

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.

Policy context:

E-mail : Vanessa.bateman@havering.gov.uk
To present a summary of the results of work completed by the Internal Audit team during 2013/14 as well as an opinion on the system of internal control.

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 presents the Committee with a summary of the work undertaken by the Internal Audit Team during 2013/14 as well as communicating key messages and an overall opinion on the system of internal control from the Internal Audit & Corporate Risk Manager as required by the Accounts and Audit Regulations.

The information is contained within an Annual Report which is attached as Appendix 1 of this report.

RECOMMENDATIONS

To note the contents of the report.

REPORT DETAIL

In accordance with the Accounts and Audit Regulations 2011 this report details the work undertaken to review the system of internal control and provides Senior Management and Members with assurance that an adequate system of internal control is in place within the London Borough of Havering.

The reports summarises the work undertaken by the Internal Audit team that supports the assurance provided and well as formally communicating key messages and issues including:

- Organisational Change; and
- One Oracle.

The report aims to summarise overall themes, however the findings of individual audits have also been included within quarterly reports to Audit Committee during the year.

IMPLICATIONS AND RISKS

Financial implications and risks:

The annual report summarises the work of the internal audit team over the past financial year and highlights key messages regarding the finding of audit work. The findings of individual reports are reported to Audit Committee as part of the quarterly reporting cycle. Thus, any audit recommendations arising from audits undertaken, and the audit opinion, have previously been considered by the Committee. Any Internal Control issues identified as part of this process will have been raised with managers, who have the opportunity of commenting on these before they are finalised. Failure to either implement at all or meet target date may have control implications, although these would be highlighted by any subsequent audit. It must be noted that this assurance provided is only based on the work undertaken by the team. There are no financial implications or risks arising directly from this report.

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:

Equality and Social Inclusion are key factors to consider in the review of Council's Strategies and other related policies and procedures are assessed to ensure the impact is appropriately identified. Equality and Diversity risks are included in individual audits in the plan, where risk area has a sufficient rating. Corporate controls in this area are also reviewed periodically.

BACKGROUND PAPERS

2013/14 Internal Audit Reports
2013/14 Progress Reports to Committee

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Haverling
LONDON BOROUGH

**INTERNAL AUDIT ANNUAL
REPORT
Including
ANNUAL ASSURANCE
STATEMENT
2013 / 2014**

1. INTRODUCTION

- 1.1 The purpose of this report is to:
- (i) document and communicate internal audit's overall opinion on the overall adequacy and effectiveness of the Council's control environment, commenting on significant matters and key themes;
 - (ii) summarise the audit work from which the opinion is derived;
 - (iii) summarise the performance of the internal audit service.
- 1.2 The Accounts and Audit Regulations 2011 require local authorities to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. Proper practice is defined as the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 1.3 The Code requires the Internal Audit and Corporate Risk Manager to provide a written report to those charged with governance, to support the Annual Governance Statement, which should include an opinion of the overall adequacy and effectiveness of the Council's control environment.
- 1.3 Reporting the work of internal audit to the Audit Committee provides the Committee with an opportunity to review and monitor its activity and gain assurance that its internal audit function is fulfilling its statutory obligations. This is an essential component of corporate governance.
- 1.4 Our opinion is based on the work of the audit service during the 2013/14 financial year. We are grateful for the co-operation and support we have received from all those who have engaged with and supported the audit process.

2. ANNUAL ASSURANCE STATEMENT

Control Environment

- 2.1 The management of the Council is responsible for ensuring that the organisation operates in accordance with the law and proper standards, that public funds are safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 2.2 The management of the Council is also responsible for ensuring that there is a sound system of internal control, which includes arrangements for managing risk. The three key elements of the Council's control environment comprise: internal control, governance, and risk management arrangements. The three elements help ensure that the Council's strategies, plans, priorities and objectives are met and that policies and procedures are complied with in order to minimise risk to a reasonable level.

Internal Audit Effectiveness

- 2.3 As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the Council's control environment, the Internal Audit and Corporate Risk Manager is required to confirm the effectiveness of the internal audit service and its resultant fitness for purpose to carry out work that informs the annual opinion statement.
- 2.4 In order to confirm the effectiveness of internal audit the Internal Audit and Corporate Risk Manager undertook an exercise to compare the internal audit function to the new Public Sector Internal Audit Standards which came into effect on 1 April 2013. The new standards were issued by CIPFA and are based on the Institute of Internal Auditors' International Standards and are mandatory. They are designed to underpin the Internal Audit arrangements within the Council and set standards for good practice.
- 2.5 The Internal Audit and Corporate Risk Manager is able to report a significant level of compliance with the Public Sector Internal Audit Standards and considers the internal audit service to be effective. No significant deviations from the Public Sector Internal Audit Standards were identified which warrant inclusion in the Council's Annual Governance Statement.

Internal Audit Independence

- 2.6 The Internal Audit and Corporate Risk Manager confirms that there have been no matters arising which have threatened the independence of the internal audit function during 2013/14.
- 2.7 Whilst remaining an independent assurance function the Internal Audit team seek to maintain strong relationships with management to ensure that appropriate actions are agreed and implemented in a timely fashion. Protocols exist to outline the roles and responsibilities of both the Internal Audit team and management.

Basis of assurance opinion

- 2.8 Our assurance opinion is based on the work carried out by Internal Audit during the year which was planned to give sufficient assurance on the management of risks within Havering Council.
- 2.9 The 2013/14 Internal Audit Plan, of 1435 days, was approved by the Audit Committee in February 2013. Progress reports from the Internal Audit and Corporate Risk Manager are presented to the Committee at quarterly meetings.
- 2.10 During the year there is some flexibility needed to react to changes in risk, accommodate changes in the needs of management; the focus of audits may be changed or new audits included in the programme. The plan also

makes provision for Internal Audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.

Communication of the Annual Assurance Statement

- 2.11 The provision of an annual assurance statement is a key duty of the Internal Audit and Corporate Risk Manager and is timed to support the production of the Council's Annual Governance Statement.
- 2.12 It will be communicated internally, prior to its presentation to Committee and also available on the Council's website from April 2013, within the 8th April Audit Committee Agenda.

3. ANNUAL ASSURANCE STATEMENT FOR 2013/14

- 3.1 In the Internal Audit & Corporate Risk Manager's opinion, the system of internal control is satisfactory and processes to identify and manage risks are in place. The system of internal control has been weakened in recent years, as has previously been reported and reasons are reiterated in section five. The Council faces significant challenges in future years, however the Corporate Management Team clearly understands these challenges and their continued impact on Corporate Governance and there are systems and processes in place to manage risk. In some areas audited in 2013/14 weaknesses have been identified; however action has been taken or is planned by management to address this.
- 3.2 This opinion is based on a programme of audit work which was delivered:
- In accordance with the approved Internal Audit plan;
 - By suitably experienced and qualified auditors;
 - In accordance with the CIPFA Code of Practice for Internal Audit in Local Government; and
 - To standards accepted by the Council's External Auditors.
- 3.3 The following has also been considered:
- The acceptance of audit recommendations and progress noted in year to implement required changes;
 - The results of follow up work on limited assurance audit areas; and
 - Whether any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risk.
- 3.4 Section 4 of this report details the work completed by the team and the key issues arising.

Inherent qualifications to the assurance opinion

- 3.5 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and

objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness.

4. WORK THAT SUPPORTS THE OPINION

4.1 Systems Audit & Computer Audit

4.1.1 Appendix A contains details of the audit plan with status and outcome of the audits.

4.2 Fraud Work

Reactive Work and Special Investigations:

4.2.1 At the commencement of the financial year a contingency of 275 days was provided to carry out investigations into suspected fraud issues reported by management or via the fraud or whistle blowing hotline. Due to a larger than anticipated case load 340 days were delivered in year.

Pro-active:

4.2.2 Appendix B details the status of the pro-active fraud plan.

4.2.3 Work to support Management in the prevention of Fraud has continued throughout 2013/14 both based on risk analysis and in areas identified through reactive and proactive work. A number of fraud awareness training sessions were provided and a Fraud Response Plan produced.

4.2.4 Approximately £190k of savings were identified through Corporate Fraud activity during 2013/14.

4.3 Follow Ups

4.3.1 The audit team track the completion of all audit recommendations. Information regarding outstanding recommendations is reported as part of the quarterly report to Audit Committee. Annually the Audit Committee receive a full list of all outstanding recommendations.

4.3.2 There were six 'limited assurance' reports in 2012/2013. Follow up work was undertaken on one of these during 2013/14 and on further reports at the request of the Audit Committee. One of the remaining five reports was completed during 2012/13 and the remaining four reports were not followed up during 2013/14 due to recommendations being dependent on the implementation of One Oracle.

4.4 Schools

4.4.1 17 schools were audited in 2013/14 of which three were given Full Assurance and fourteen were Substantial Assurance

4.4.2 In 2013/14 the schools audit programme was transferred onto an iPad to improve the efficiency in carrying out the schools audits. The programme has been adapted to follow a more risk-based approach and is now being issued to schools as the detailed findings of the audit. This is accompanied by a summary internal audit report and is being well received by the schools.

4.5 Other Outside Assurances

4.5.1 Reports produced by other inspection bodies or assurance providers are also reviewed. Planned work is taken into account when the plan is produced and for unplanned inspections the plan is revised to avoid duplication in scope of work.

4.6 Risk Management Arrangements

4.6.1 Work to implement a new approach to Risk Management took place throughout 2013/14. An Operational Risk Management Group met periodically to discuss risk issues and report back to Corporate Leadership Team as appropriate. Volunteers was an on-going topic during the year. The Group also reviewed the Corporate Risk Register and Service Risk Registers.

4.7 Review of Other Strategies

4.7.4 Other corporate arrangements and strategies such as the Internal Audit Strategy are reviewed annually and approved by Audit Committee.

5. KEY MESSAGES

5.1 Organisational Change

5.1.1 As was concluded for 2011/12 and 2012/13, many of the control weaknesses identified this year can be attributed to the pace of organisational change that has been required to achieve the savings targets. The Self Service model has led to changes in the control environment and gaining assurance regarding compliance continues to be a challenge and often an ad hoc task rather than part of the system of internal control. Compliance work undertaken by audit has indicated non-compliance within systems & processes.

5.1.2 Audit work and investigations into suspected fraud often conclude that basic controls are lacking from processes including lack of segregation of duties or quality checks by management. This issue will be picked up as part of our fraud awareness and training plan.

5.2 One Oracle

5.2.1 Various recommendations pertinent to Oracle were made in years prior to 2013/2014; some of which have been implemented by management, the majority, often relating to policy, procedure or system enhancements,

were deferred for consideration as part of the One Oracle implementation. Management have therefore chosen to accept the risks identified in the interim period. The delays to the implementation of One Oracle means further delays to the actions required to strengthen the system of internal control. Go live for the new system is currently scheduled for summer 2014.

- 5.2.2 One Oracle and OneSource implementations in 2014/15 both provide opportunities to strengthen the system of internal control; collaborative working with other organisations reduces the input required to updating and maintaining the Governance Framework and encourages sharing of best practice. The Council's Governance Group have identified the importance and set actions relating to ensuring, going forward, the Governance Framework remains fit for purpose.

5.3 Conclusion

- 5.3.1 The issues detailed above have been considered as part of the process to produce the 2013/14 Annual Governance Statement. These issues have been considered during the Annual Audit Planning Process and will also be picked up within individual audits as applicable during 2014/15.

6. INTERNAL AUDIT QUALITY ASSURANCE

6.1 Liaison with Other Boroughs

6.1.1 The Internal Audit and Corporate Risk Manager or an audit team member, attends a London Audit Group and other relevant training and networking events in order to benefit from presentations and discussions on new emerging risk areas and again shares issues arising and best practice. The team also have informal links with teams in neighbouring boroughs due to oneSource links with the London Borough of Newham have been strengthened.

6.2 Delivery of Planned Audit Work

6.2.1 71% of the 2013/14 Internal Audit Plan was delivered as at 18th March 2014. The plan was flexible to accommodate the needs of management. Six audits have been deferred to the 2014/15 plan due to timing issues and the delay of the One Oracle implementation. The remainder of the plan is expected to be delivered in the first quarter of 2014/15.

6.2.2 The Audit Committee and Corporate Management Team receive performance reporting quarterly.

6.3 Internal Audit Reports & Assurance Levels Given in 2013/14

Assurance Opinion	Number of Audits	%
Full	3	8
Substantial	19	49
Limited	9	23
Nil	1	3
N/A	7	17
Totals	39	100

6.4 Audit Recommendations raised in 2013/14

Recommendations	Number of Recs	%
High	12	19
Medium	48	75
Low	4	6
Totals	64	100

6.5 Feedback from Auditees

Rating	Number of replies	%
5 (Very Good)	153	57
4 (Good)	81	30
3 (Satisfactory)	28	10
2 (Poor)	5	2
1 (Very Poor)	1	0

Totals	268	100
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Following every audit, the managers receiving the audit report were also sent a feedback survey form. 98% of the feedback received rated the service satisfactory or above. All comments received from managers are reviewed monthly and fed into the team's one to one meetings and the new Performance Development Review process.

APPENDIX A: POSITION OF THE 2013/14 INTERNAL AUDIT PLAN

AS AT 18/02/2014

	Audit Title	Status End Qtr3	Report Assurance
Corporate	IG - Service Area Control & Compliance	Consolidated FINAL Report Issued	Limited
	IG - Provider Compliance		
	Grants	FINAL	Substantial
	Compliance with Corporate Fees & Charges Policy	FINAL	Substantial
	Fees & Charges	FINAL	Limited
	Information Governance - FOI	FINAL	Limited
	PDR Assurance	FINAL	n/a
	Project Management	Removed	n/a
	Use of Volunteers	Planning	
	Corporate Governance	Removed	
	Risk Management	Removed	
	Petty Cash/Pre Paid Cards	Planning	
	Use of Consultants	Removed	
	Safeguarding	Planning	
	Compliance with Corporate Sickness Absence Policy	FINAL	Limited
Culture, Community & Economic Development	Housing Capital	Fieldwork Commenced	
	Tenancy Management	FINAL	Limited
	Housing Rents	Fieldwork Commenced	
	Carbon Reduction Commitment Scheme	FINAL	n/a
	Council Tax Support Administration	Fieldwork Commenced	
	Housing Allocations	Fieldwork Commenced	
	Housing Benefits	Fieldwork Commenced	
	Youth Service	Planning	
	Council Tax	Fieldwork Commenced	
	Business Rates Administration	Fieldwork Commenced	
Resources (Finance & Commerce)	Agency Worker Contract	FINAL	Substantial
	Main Accounting (Pre One Oracle Implementation)	Fieldwork Commenced	
	Creditors (Pre One Oracle Implementation)	Fieldwork Commenced	
	Debtors (Pre One Oracle Implementation)	Fieldwork Commenced	
	Payroll (Pre One Oracle Implementation)	Fieldwork Commenced	
	Pensions (Pre One Oracle Implementation)	Fieldwork	

	Audit Title	Status End Qtr3	Report Assurance
		Commenced	
	Bankers Automated Clearing System	Planning	
	Budgetary Control incl Collaborative Planning	Fieldwork Commenced	
	Main Accounting (Post One Oracle Implementation)	Moved to 14/15 Plan	
	Creditors (Post One Oracle Implementation)	Moved to 14/15 Plan	
	Debtors (Post One Oracle Implementation)	Moved to 14/15 Plan	
	Payroll (Post One Oracle Implementation)	Moved to 14/15 Plan	
	Pensions (Post One Oracle Implementation)	Moved to 14/15 Plan	
Children, Adults & Housing	Looked After Children Placements	FINAL	Limited
	Troubled Families Programme	FINAL	n/a
	Local Welfare Assistance	FINAL	Limited
	ASC Income Work	FINAL	n/a
	Public Health Grants	FINAL	n/a
	Tenancy Management Organisations	Planning	
	Self-Directed Support	Removed	n/a
	Contracts and Procurement	Planning	
	School Allocations (forensic)	FINAL	n/a
Schools	Branfil Primary	FINAL	Substantial
	Gidea Park Primary	FINAL	Full
	Squirrels Heath Junior	FINAL	Substantial
	St.Albans Catholic Primary	FINAL	Substantial
	Wykeham Primary	FINAL	Substantial
	Crownfield Junior	FINAL	Substantial
	Mead Primary	FINAL	Full
	St.Marys Catholic Primary	FINAL	Substantial
	Benhurst Primary	Fieldwork Complete	
	Brookside Infant	FINAL	Substantial
	Engayne Primary	FINAL	Substantial
	Harold Court Primary	FINAL	Full
	Towers Junior	Fieldwork Completed	
	Whybridge Junior	FINAL	Substantial
	Broadford Primary	FINAL	Substantial
	Crownfield Infant	FINAL	Substantial
	Scargill Infant	FINAL	Substantial
Squirrels Heath Infant	Fieldwork Completed		
St.Edwards CE Primary	Moved to 14/15 Plan		

	Audit Title	Status End Qtr3	Report Assurance
	Dycorts School	FINAL	Substantial
IT Audits	Mayrise	FINAL	Limited
	AXISe Pension System	FINAL	None
	JCAD LACHS	FINAL	Substantial
	Follow Ups - Network Permissions Follow-Up	FINAL	Substantial
	Service / Support Desk	Draft	Limited
	Security Over Spreadsheets (Replaces Backups)	Removed	n/a
	ICT Inventory Controls	Removed	n/a
	Tranman	Removed	n/a
	Data Handling	Removed	n/a
	Follow Ups	Traded Services	FINAL
Education Computer Centre		FINAL	Limited
Audit Recommendations		On-going	n/a
Traffic & Parking Control - Cancellation of PCN's		FINAL	Substantial
One Oracle Contingency		Removed	n/a
i-Expenses		FINAL	Limited
CRC Scheme Follow Up & Sign Off		FINAL	n/a

DEFINITIONS OF ASSURANCE LEVELS

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.

PRIORITY OF RECOMMENDATIONS

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.

Appendix B: Corporate Fraud Proactive Audit Plan Progress 2013/14

Description	Risks	Plan days	Qtr 3 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	Draft Report
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	Draft Report
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	Completed
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 31 March 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	



AUDIT COMMITTEE

08 04 2014

Subject Heading:	Annual Governance Statement
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 - 433733. E-mail : Vanessa.bateman@havering.gov.uk
Policy context:	The draft version of the 2013/14 Annual Governance Statement for comment.
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 updates the Committee on progress towards completion of the year end processes and the impact of this on the draft Annual Governance Statement (AGS).

Due to the election the AGS is being presented to the April Audit Committee as part of the year end reporting process, to ensure that Members of the outgoing Committee are able to comment on and approve the draft AGS in the light of their involvement with the work of the audit service over the past year.

A final draft of the AGS will be presented to the new Audit Committee in June/July 2014 for final sign off.

RECOMMENDATIONS

1. To comment on the draft 2013/14 Annual Governance Statement, attached as Appendix 1, and the process to produce.
2. To agree the draft version of the 2013/14 Annual Governance Statement subject to changes made as a result of recommendation 1.
3. To provide comments that will support the new Audit Committee completing a final sign off after the election.

REPORT DETAIL

1. In December a report was submitted updating the Committee on the Council's Corporate Governance arrangements and the work of the officer Governance Group during the year.
2. The Council's constitution delegates the responsibility for approving the Annual Governance Statement to the Audit Committee.
3. This year the timetable to produce the AGS has been changed to ensure an initial draft is ready for the Audit Committee as part of the year end process. An additional stage to the process has been added as the AGS will need to be signed off formally once all year end processes are complete and assurances received.
4. Since the December meeting the following actions have been taken:
 - a. Heads of Service have provided signed "mini" governance returns confirming that appropriate governance arrangements are in place across all services of the Council.
 - b. Group Directors have reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
 - c. These returns have been reviewed to ensure that all relevant issues have been identified and included in the draft AGS.
 - d. The results of the 2013/14 audit work have been formally reviewed as part of the production of the Annual Audit Report and Head of Internal Audit Opinion to identify any additional potential issues for inclusion on the AGS.

- e. An electronic evidence file has been produced documenting the process and evidencing the assurances received.
 - f. The officer Governance Group have discussed the outcome of the above end of year actions and agreed the outcomes.
 - g. Senior Management has commented on the draft version.
5. Although significant progress has been noted in relation to the four issues highlighted in the 2012/13 Annual Governance Statement, each remains a significant issue for 2013/14. All have been refreshed to ensure the issue is clearly understood and so that the action plan and monitoring can be focused and effective.
6. A draft version of the AGS is attached as appendix 1.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly. The risk relating to incorporating new best practice guidance into current governance arrangements is an increased expectation from stakeholders that is not delivered through the actions of the Council. However this risk is unlikely as the Council is committed to openness and transparency. The risks of not reviewing our arrangements against best practice are the Council not being viewed as open and transparent and the External Auditor assessing Corporate Governance adversely. Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

Legal implications and risks:

The Authority is statutorily obliged to conduct an annual review into the effectiveness of its systems of internal control prepared in accordance with proper practices. The Annual Governance Statement complies with that requirement and therefore there are minimal risks in ensuring that the Statement is progressed as per the recommendations.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report. Equalities is a key factors to consider in the Council's Governance arrangements and any changes to the Code of

Governance or other related policies and procedures are assessed to ensure the impact is appropriately identified.

BACKGROUND PAPERS

Cipfa/Solace – “Delivering Good Governance in Local Government” and the 2012/13 Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

This statement, from the Leader and Chief Executive, provides assurance to all stakeholders that within the London Borough of Havering processes and systems have been established, which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to all citizens of the Borough.

Scope of responsibility

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The London Borough of Havering is committed to operating in a manner which is consistent with the principles of the CIPFA/SOLACE* Framework *Delivering Good Governance in Local Government*. This statement explains how London Borough of Havering has complied with these principles and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Borough of Havering for the year ended 31 March 2014 and up to the date of approval of this statement.

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The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below.

Our purpose and values

Havering Council's aim is to provide the Borough's residents with a better quality of life. We want to make the most of our links to the heart of the Capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

In recent years, the Council has had to frame this ambition within the new reality of austerity measures and the reduction in funding to local government. These on-going changes to the role, form and funding of local authorities poses new governance challenges for the Council. Havering's policies and procedures, as a result, will continue to be subject to review to ensure that roles and responsibilities and the Council's expectations in terms of governance continue to be robust and clearly communicated both internally and externally.

The work of the Council and its staff is anchored to six Values, in order to build a more effective organisation that serves local people and makes Havering a place where its residents are proud to live. The Council's Values were used to shape the Council's competency based appraisal framework. The Values are:

- One Council
- Learning from experience
- Integrity
- You matter
- Can do
- Fair to all.

Corporate Performance Framework

The Corporate Performance Framework has several functions:

- To focus on priorities, which have been set according to the needs of the Council and the public;
- To ensure relevant, timely and accurate information is available to measure and monitor performance to support decision making;
- To ensure high quality public services that provide value for money.

The Council's Corporate Plan 2011-14 is at the heart of the organisational Corporate Performance Framework. It sets out the overall priorities and objectives of the organisation, and outlines the key activities that will be undertaken as well as the measures put in place to monitor delivery. Sitting underneath the Corporate Plan

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are Service Plans, which outline in more detail the work that will be undertaken to achieve these corporate objectives. Market research into public opinion, the outcome of the residents' survey, studies of needs in the Borough and the requirements of the Council's priorities also help to define Service Plan objectives.

The Corporate Performance Framework operates as a number of different levels throughout the organisation. For example, in addition to the Corporate Management Team (CMT) and Members scrutinising the quarterly Corporate Performance Reports, individual performance management takes place as part of the Performance Development Review (PDR) process.

The Overview & Scrutiny Committees also consider the quarterly Corporate Performance Reports – along with any other reports that they have commissioned – and carry out their own independent reviews.

The Council's Annual Report, reviews performance against the objectives of the organisation. This is published on the website and is also produced for distribution as hard copy on request.

There are clear guidelines around data quality to ensure that all performance indicators are reported to the same robust standard; any performance data can be subject to either internal or external audit.

The Council's financial management approach has in the past broadly been led through its Medium Term Financial Strategy, which had customarily been produced in the summer, ahead of the detailed budget process, setting out the approach to financial planning for the subsequent three financial years. In response to the Coalition Government's Emergency Budget, Cabinet agreed its medium term approach in July of 2010 and 2011, with further minor refinements in February 2012, following the announcement of the respective local government financial settlements. These proposals were subject to review by Overview & Scrutiny Committees, as well as consultation with the local community where appropriate.

The broad plan set out over these reports has remained in place, with further refinements as part of the budget setting process for both 2013/14 and 2014/15. The latter year in particular has seen continued further reductions in Government funding. The budget also reflects significant changes to the funding of local authorities, with the localisation of business rates and Council Tax benefits. Further reductions in funding are inevitable, certainly for 2015/16, but in all likelihood until the end of the current decade. These factors have increased the degree of financial risk being addressed within the financial strategy, and this is reflected in the approach taken to budget development, and to the management of the budget during the course of the year.

An assessment of the future budget gap, over the life of the new Administration post the May 2014 elections, has been undertaken and has been reflected in reports to Cabinet. A new financial strategy is being developed for discussion with the

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Administration and this is likely to be formally presented over the summer.

There are a number of strategies linked directly with the MTFS; this includes the Capital Strategy, the Corporate Asset Management Plan, the Risk Management Strategy, the ICT Strategy and the Workforce Planning Strategy. These are now refreshed to reflect any material changes, rather than solely on an annual basis.

Codes of Conduct

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. Officers are required to decline gifts and hospitality to ensure that they are not inappropriately influenced and Members are required to register any accepted as part of their declaration of interest. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. Periodically awareness campaigns occur to remind individuals of their responsibilities. The relevant Corporate Management Team member is tasked with ensuring that appropriate arrangements are in place, for declarations, and the systems are reviewed periodically by internal audit.

Financial Rules and Regulations

The Council has Financial and Contract Procedure Rules and Financial and Procurement Frameworks along with other policy and procedural documents in place to guide officers in their everyday duties and ensure appropriate processes and controls are adhered to. The iProcurement system makes use of authorisation limits which are built into the management hierarchies rather than being manually checked before transactions are processed, though transactions are gradually being migrated onto this new system. Compliance with the various financial rules and regulations is monitored by Management and considered during audits of systems and processes. Audit reports have noted some weaknesses in policy and procedural documentation around new financial processes and systems and actions to address this have been agreed by Management but not all implemented as many need to be implemented as part of the One Oracle and oneSource projects.

Effective Audit Committee

The Audit Committee operates in accordance with the relevant CIPFA guidance. The Committee's terms of reference, outlined in the Constitution, contain responsibilities relating to internal control, external audit, and internal audit. Members are expected to serve a four year term on the Committee to ensure consistency; they also nominate named substitute members who receive the same level of induction and on-going training to ensure sufficient expertise at every meeting to challenge officers. During 2013/14 six members sat on the Audit Committee representing the Conservative, Residents and Labour Groups of the Borough. One position became vacant part way through the year. The Audit Committee meets five times per year and has an annual work plan made up of regular and specific agenda items. Its effectiveness is reviewed annually and an

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annual report is produced to communicate the Committees performance to Council.

Compliance with laws, regulations and internal policies

The Constitution sets out the framework for decision making and the publishing of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, Finance and Human Resources staff clear every Cabinet, Council and Committee report and every Cabinet Member decision, for compliance with laws, policies and regulations. The Statutory Officers also provide advice to Members at all appropriate times.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. There is an intention to review policies and procedures at least annually however due to the pace of organisational change this has not been consistently achieved across all systems and processes. An action plan to address this has been prepared and the introduction of the oneSource joint back office, which includes improvements to the Council's intranet site, will strengthen these arrangements.

Counter Fraud and Confidential Reporting

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The effectiveness of the arrangements in place is reviewed annually and results reported to the Audit Committee. Ad hoc promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is the Confidential Reporting (also known as Whistle blowing) policy which is communicated to staff via induction, the intranet and ad hoc awareness initiatives. The effectiveness of arrangements is reviewed annually as part of a wider review of anti-fraud and corruption. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

The Council also participates in the National Fraud Initiative (NFI), a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. Havering has been praised on their efforts with this exercise.

Complaints

A Corporate Complaints procedure exists to ensure that all standard complaints are effectively recorded and dealt with in the same way. The procedure is supported by the relevant technologies to ensure efficiency and streamlined processes and requires officers nominated as 'Complaint Owners' to respond within set timescales. The process includes an escalation procedure where target timescales are not achieved.

Ombudsman

The Council comes within the jurisdiction of the Local Government Ombudsman. In

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2013/14, the Ombudsman made no finding of maladministration against the Council.

Training and Development

The Council has a commitment that every member of staff has an on-going Performance Development Review throughout the year as well as formal timescales for agreeing targets and objectives and outcomes.

The Council's Oracle system captures performance, development and training information within modules meaning that system generated management information is available for both strategic and operational management of resources and decision making. It also allows for Senior Management to ensure that there is compliance within the organisation with regards corporate policy in this area and also efficiently provides assurance that mandatory training, required for officers to competently fulfil their roles, has been completed.

The Council's expectations and demands on Managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives.

The Council has attained the Member Development Charter. A development programme to keep them up to date with changes and support their individual training needs is provided. Training is supplemented by information through briefings and bulletins. Their training is tailored to their role.

Communication and Engagement

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. A wide number of forums take place to consult with members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic) forum and the Inter Faith forum.

The Council maintains a website to provide information and services to the residents of the Borough. The publication 'Living in Havering' is distributed to all households on a quarterly basis, promoting access to services and raising the profile of the work done by the council and local people to make Havering a good place to live. This is augmented with an electronic bulletin once a month and communication through a host of other channels, from social media to poster sites and the local press.

An extensive consultation process is carried out as part of the development of the MTFs and detailed annual budget. Views are sought through various media and the budget itself is subject to scrutiny through Cabinet and Overview & Scrutiny, Committees.

The public are also consulted on the Council's future priorities. Over the past three years, there have been two 'Your Council, Your Say' surveys asking local people for their opinion on current services and their future priorities. There has also been a stand-alone survey considering the cleanliness of the Borough. Between them, these

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surveys have attracted approximately 27,000 responses in total.

An online survey to support the budget-setting round in February 2014 attracted a further 300 responses and is an example of the smaller surveys undertaken to track opinion in Havering and ensure that the views of residents continue to play a major role in shaping decision-making at Havering Council.

Transformation

A number of Transformation programmes have been closed and others are still running within the organisation. The overall programme is monitored by the Corporate Management Team with the support of the Corporate Transformation Team. A Strategic Board exists for each live programme. The Governance arrangements have been clearly defined for programmes and this is monitored for compliance. Monthly highlight reports submitted to Boards and CMT identify not only the progress against programme plans but also the position on budgets and benefit achievements to ensure any risks are identified early and mitigation put in place. These figures are also reflected in the Council's budget monitoring process.

Partnerships & Collaborative Working

There are a number of partnership boards in place such as the Community Safety Partnership, the Health and Wellbeing Board and the Children's Trust. There are also a number of other forums in existence in Havering including the Culture Forum, and many others.

The Council has for a number of years worked closely with neighbouring boroughs to share good practice and efficiency success. In response to the reduced funding for local government this work has expanded to consider stronger relationships that will yield cost savings to all parties. These initiatives have in the past involved shared procurements, Information Technology developments and shared Management posts. Due to the success of these partnerships the Council is working closely with the London Borough of Newham, on oneSource, a Joint Committee has been set up and senior management structure implemented with the aim of sharing back office functions and driving down costs. In addition One Oracle is the coming together of a number of London Boroughs to implement shared services technology, the new system is due to go live in 2014 and will not only allow cost sharing between boroughs but also brings opportunities for harmonising policy and procedure and reducing bureaucracy.

Review of effectiveness

The London Borough of Havering has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Governance Group within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based:

Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes, and legal requirements and to correct errors. Other amendments are considered by Governance Committee and Council. The Constitution was updated in April 2013 to reflect a restructure of senior management. The oneSource management structure was reflected in the Constitution in April 2014.

Governance Group and Corporate Management Team

The Council's officer governance group is charged with reviewing the governance arrangements and monitoring any actions designed to improve the framework. Close links exist between this group and the Corporate Management Team (CMT) who in 2013/14, consisted of the Chief Executive, and the Council's four Corporate Directors overseeing Resources; Culture, Community and Economic Development, Children's, Adults and Housing & Public Health, who take an active interest in Governance issues. From April 2014 the senior management structure of oneSource will include a number of shared posts with London Borough of Newham reporting to the Joint Managing Directors of oneSource a role undertaken by the Group Director of Resources for Havering.

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders, is charged with overseeing the organisation's governance arrangements including the code of conduct for Members.

Audit Committee

The Audit Committee are responsible for monitoring the work of Internal Audit regarding internal control. This monitoring is integral in the process to compile a robust Governance Statement. Significant Governance issues are escalated to the Governance Committee by the Chair of Audit Committee as required. The Audit Committee approves the Annual Governance Statement. To support the new Audit Committee in this role post the election the AGS will be considered by the out-going Audit Committee in April 2014 as these Members will have overseen the work of the Internal Audit Service during 2013/14.

Adjudication & Review Committee

The Adjudication & Review Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, which will provide panels of three members to hear any complaints about the conduct of members.

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Overview and Scrutiny

The overview and scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations. The focus of their role is to provide a challenge to decisions made by the Executive and to assist in the development of policies. Currently there are seven Overview & Scrutiny Committees. At their meetings they also have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data. A Health and Wellbeing Board was established in 2012/13 in preparation for the new Public Health responsibilities from 2013/14.

Each year the Committees identify areas of the Council's work that they wish to consider in detail for which purpose task groups comprised of members of the committee are set up, research the issue with the assistance of staff and sometimes external bodies and report their findings and recommendations.

Internal Audit

Internal Audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In doing so Internal Audit supports the Group Director Resources in his statutory role as Section 151 officer. Annually a Head of Internal Audit Opinion and annual report provide assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement. In 2013/14 a preliminary assessment of the service against the new Public Sector Internal Audit Standards took place and no significant issues arose the service will be independently inspected for compliance with the standards in line with the requirements.

Risk Management

The responsibility for the system of internal control sits with management therefore each Head of Service is required to complete their own assessment and declaration with regards to the arrangements in place within their respective areas. These declarations have been considered when compiling this statement. The Council has embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee.

Heads of Service maintain Service Risk Registers and identify their top risks as part of the annual service planning process. The strategic risks to the organisation are captured within a Corporate Risk Register. The Council has an Operational Risk Management Group that considers local or organisation wide risks. In 2013/14 this group has reviewed and commented on a sample of Service Risk Registers and all the Corporate Risks.

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently

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PricewaterhouseCoopers (PwC), is reported to the Audit Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2012/13 following similar opinions in previous. The results of all external reviews have also been considered in the process of compiling this statement.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

The issues identified in the 2012/13 Annual Governance Statement have been monitored by management throughout the year with review periodically to challenge actions and progress by both Corporate Management Team and the Audit Committee. Although significant progress is noted none of the four issues highlighted in the 2012/13 Annual Governance Statement, have been fully addressed at the end of March 2013. All four issues have wide reaching implications, during the process to produce the Annual Governance Statement each has been updated to ensure it remains current and focused and progress and future planned actions refreshed.

Significant Issue and action already taken	Planned action	CMT Lead
<p>1. Information Governance – protection of personal data, data sharing and quality</p> <ul style="list-style-type: none"> ➤ Information Governance Group in place. ➤ Revised guidance and e learning rolled out. ➤ Action plan produced and monitored. ➤ Meeting the requirements for N3 (to NHS) connection for Social Care. ➤ Corporate Risk monitored. ➤ CoCo Compliance achieved. ➤ Audit work undertaken and recommendations implemented. 	<p>Further communications campaign.</p> <p>Focus on risks around partners and suppliers.</p> <p>Voluntary assessment by Information Commissioner.</p>	<p>Group Director Resources.</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>2. Austerity – having to maintain services with fewer resources.</p> <ul style="list-style-type: none"> ➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery. ➤ On-going monitoring of savings and new process in place. ➤ Increased work on benefits of partnerships and collaborative working. ➤ Update to Business Growth Strategy. ➤ Medium to Long term financial strategy set out. ➤ Supply Chain Risks mitigated via use of construction line. ➤ Assessment of potential four year gap undertaken and reported to CMT and Cabinet. 	<ul style="list-style-type: none"> ➤ Plan in place to develop new financial strategy for discussion with Cabinet post election. ➤ Analysis underway to identify authorities in a similar position to Havering to share experiences and potentially to undertake joint lobbying. ➤ On-going budget monitoring to ensure spending is in line with reduced Government funding. ➤ Implementation of oneSource shared service which will deliver quantified savings. ➤ Creation of business rates pool from 1 April to mitigate risk and potentially share from growth. ➤ Wide range of detailed work underway on new social care legislation and funding arrangements. 	<p>Group Director Resources.</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>3. Pace of Organisational Change – ensuring governance arrangements are revised and remain appropriate given the significant changes in the organisation and through partnership arrangements with third parties.</p> <ul style="list-style-type: none"> ➤ oneSource Joint Committee established. ➤ One Oracle – red risks identified with programme board for resolution. ➤ Wider representation on Governance meetings. 	<p>Increased frequency is planned for review of governance framework.</p> <p>Audit and Risk work planned.</p> <p>New management Structure to be embedded.</p>	<p>Chief Executive</p>

Significant Issue and action already taken	Planned action	CMT Lead
<p>4. Compliance – ensuring that policy, procedure and roles and responsibilities are fit for purpose, appropriately approved, clearly defined and communicated to and understood by all and that compliance levels are maintained during period of significant change and reduced capacity.</p> <ul style="list-style-type: none"> ➤ Awareness of issue and roles and responsibilities raised. ➤ Draft corporate policy framework has been produced that attempts to clarify definitions and approval routes. ➤ Management Development Programme has commenced. ➤ Review of policies. 	<p>Communications from Head of Human Resources and Organisational Development & Internal Audit.</p> <p>Corporate Management Team to consider compliance arrangements in context of governance framework.</p> <p>Governance Group to discuss the outcome of the review of policies.</p> <p>Improvements to Intranet to aid self service and clear communication.</p> <p>Review and update of key policies and procedures as key activity of every transformational project.</p> <p>Audit work to provide assurance.</p>	<p>Chief Executive</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Chief Executive

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