



# Haverling

L O N D O N   B O R O U G H

## AUDIT COMMITTEE AGENDA

<b>7.30 pm</b>	<b>Wednesday 25 June 2014</b>	<b>Town Hall, Main Road, Romford</b>
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Members 6: Quorum 3

### COUNCILLORS:

**Conservative  
( 2 )**

**Residents'  
( 2 )**

**UKIP  
(1)**

**Independent  
Residents'  
( 1 )**

Frederick Thompson  
(Chairman)  
Viddy Persaud

Ray Morgon (Vice-  
Chair)  
Julie Wilkes

Philip Hyde

Graham Williamson

**For information about the meeting please contact:  
James Goodwin 01708 432432  
[james.goodwin@OneSource.co.uk](mailto:james.goodwin@OneSource.co.uk)**

## **AGENDA ITEMS**

### **1 CHAIRMAN'S ANNOUNCEMENTS**

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

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

(if any) – received.

### **3 DISCLOSURE OF PECUNIARY INTERESTS**

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

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

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

To approve as correct the minutes of the meeting held on 8 April, 2014 and authorise the Chairman to sign them.

### **5 CLOSURE OF ACCOUNTS TIMETABLE 2013/14**

To receive a verbal update.

### **6 INTERNAL AUDIT PROGRESS REPORT (Pages 7 - 18)**

To receive the attached report.

### **7 SYSTEM AUDIT REPORT SUMMARIES (Pages 19 - 32)**

To consider the attached report.

### **8 INTERNAL AUDIT SCHOOL AUDIT SUMMARIES (Pages 33 - 42)**

To consider the attached report.

**9 FRAUD PROGRESS REPORT.** (Pages 43 - 54)

To consider the attached report.

**10 FORWARD PLAN OF THE AUDIT COMMITTEE** (Pages 55 - 60)

To consider the attached report.

**11 REVISED INTERNAL AUDIT PLAN FOR 2014/15** (Pages 61 - 70)

To consider the attached report.

**12 INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE** (Pages 71 - 80)

To consider the attached report.

**13 MEMBER TRAINING PLAN** (Pages 81 - 86)

To consider the attached report.

**14 ANNUAL GOVERNANCE STATEMENT** (Pages 87 - 104)

To consider the attached report.

**15 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.

**16 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.

**Andrew Beesley  
Committee Administration  
Manager**



**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
Committee Room 3A - Town Hall  
8 April 2014 (7.30 - 8.15 pm)**

**Present:**

**COUNCILLORS:**

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

**Labour Group** Denis Breading

Apologies were received for the absence of Councillor Clarence Barrett.

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

**52 MINUTES OF THE MEETING**

The minutes of the meeting held on 19 February, 2014 were agreed as a correct record and signed by the Chairman.

**53 CLOSURE OF ACCOUNTS 2013/2014**

Officers advised that little had changed since the update provided at the last meeting. We were at the early stages of closure. The delay to the implementation of One Oracle would make things simpler.

We **noted** the oral update.

**54 INTERNAL AUDIT SYSTEM AUDIT SUMMARIES**

We have considered a report detailing the system audits completed during the period from 29 January, 2014 to 18 March, 2014. Five audits had been completed during this period. These were:

- |  |                       |
|--|-----------------------|
| • Looked After Children – Placements                   | Limited Assurance     |
| • Grants   | Substantial Assurance |
| • Compliance with Corporate Policies<br>Fees & Charges | Substantial Assurance |
| • Carbon Reduction Scheme                              | N/A                   |
| • Accounts Payable                                     | Substantial Assurance |

Although the Looked After Children – Placements had only received a limited assurance, all seven recommendations were all considered of only medium priority. The overarching concern was one of efficiency and the lack of supervisory checks. These issues were being addressed by management.

We have raised no concerns with any of the reports and **noted** the report.

## 55 **INTERNAL AUDIT SCHOOL AUDIT SUMMARIES**

Since the last meeting only one school audit had been finalised, for Scargill Infants School, this received a substantial assurance.

We have **noted** the report.

## 56 **INTERNAL AUDIT ANNUAL REPORT.**

Officers submitted the draft Annual Internal Audit Report for our approval. The report included 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 and Corporate Risk Manager.

The report informed us that in the opinion of the Internal Audit and Corporate Risk Manager the system of internal control was satisfactory and processes to identify and manage risks were in place. The system of internal control had been weakened in recent years, as had been previously reported and the reasons were reiterated.

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

Audit work and investigations into suspected fraud often concluded that basic controls were lacking from processes including lack of segregation of duties or quality checks by management. This issue would be picked up as part of the fraud awareness and training plan.

Various recommendations pertinent to Oracle had been made in years prior to 2013/14; some of which had been implemented by management, the majority, often relating to policy, procedure or system enhancements, had been deferred for consideration as part of the One Oracle implementation. Management had therefore chosen to accept the risks identified in the interim period. The delays to the implementation of One Oracle meant further delays to the actions required to strengthen the system of internal control. Go live for the new system was currently scheduled for summer 2014.

One Oracle and OneSource implementations in 2014/15 both provided opportunities to strengthen the system of internal control; collaborative working with other organisations reduced the input required to update and maintain the Governance Framework and encouraged sharing of best practice.

We have **noted** the contents of the report.

## 57 ANNUAL GOVERNANCE STATEMENT

We have received a report on progress in preparing the Annual Governance Statement. This initial draft had been presented to give us the opportunity to comment on and approve the draft. The final version would be submitted to the first meeting of the Audit Committee following the elections in May.

Since December the following actions had been taken:

- a. Heads of Service had provided signed “mini” governance returns confirming that appropriate governance arrangements were in place across all services of the Council.
- b. Group Directors had reviewed these returns and then submitted a return for their portfolios, having regard to the overall position.
- c. These returns had been reviewed to ensure that all relevant issues had been identified and included in the draft AGS.
- d. The results of the 2013/14 audit work had 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 had been produced documenting the process and evidencing the assurances received.
- f. The Officer Governance Group had discussed the outcome of the above end of year actions and agreed the outcomes.
- g. Senior Management had commented on the draft version.

Having considered the draft report we do not believe that the second significant issue identified, Austerity – having to maintain services with fewer resources adequately reflected governance issues and we have requested officers to review this element of the report.

## 58 EXCLUSION OF THE PUBLIC AND PRESS

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

59     **SURTEES CONTRACT**

The Chairman indicated that she felt this matter had dragged on to long. A solution should have been reached earlier.

Officers advised that a further meeting had been held with Surtees. They were fairly hopeful on reaching agreement with Surtees. However, there would be no negotiation on the end point of the contract which would remain as 2020.

We have **noted** the oral update.

60     **INTERNAL AUDIT FRAUD INTERIM REPORT**

Officers had submitted an interim report on the work of Fraud team.

Updates were provided on the G4S Theft of Council Funds. Lessons had been learnt from this incident. Revised controls had been put in place in Planning and Building Control and arrangements made with G4S to allow direct collection. In addition to the theft from Planning and Building Control some of the monies had been stolen from schools. This had highlighted an issue with the failure to undertake regular bank reconciliation.

Processes were in place to cover all these issues but in some circumstances we had not been following our own procedures. All these issues had been raised with schools and departments who deal with cash.

A proactive audit had been undertaken of Direct Payments. This audit focussed on the work of the Commissioning Team. Detailed testing of a sample of ten service users in receipt of a Direct Payment commencing from 1 January, 2013 had been completed. A number of issues had been identified. The review had found that self-managed funds held a higher risk of fraud and therefore additional measures were required to ensure service users or their representatives meet the requirements of the council contract.

For the whole of April Havering would be offering an amnesty from prosecution to anyone who was sub-letting their council or housing association home if they voluntarily handed back their keys. This was a response to the Prevention of Housing Fraud Act 2013 which made sub-letting a criminal offence.

Finally, officers from the Housing Benefit Fraud team had attended an event organised by the Department of Work and Pensions (DWP) regarding the move to the Single Fraud Investigation Service. At this time DWP were stating that TUPE would not apply to any staff transfers.

We have **noted** the report.

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**Chairman**





## AUDIT COMMITTEE

25 June 2014

<b>Subject Heading:</b>	Internal Audit Progress Report
<b>Report Author and contact details:</b>	Vanessa Bateman, Internal Audit & Corporate Risk Manager ext 3733
<b>Policy context:</b>	To inform the Committee of the outcome of 2013/14 audits not finalised for the April Committee
<b>Financial summary:</b>	N/a

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

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

### SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 29<sup>th</sup> January 2014 to 31<sup>st</sup> May 2014.

### RECOMMENDATIONS

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

<b>REPORT DETAIL</b>
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This progress report contains an update to the Committee regarding Internal Audit activity presented in five sections.

**Section 1    Background and Resources**

Some information about resources is included for information.

**Section 2    Audit Work 29<sup>th</sup> January 2014 to 31<sup>st</sup> May 2014**

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

**Section 3    Changes to the Approved Audit Plan**

N/A for this report. A separate report containing a revised 2014/15 audit plan will be presented at the meeting.

**Section 4    Outstanding Audit Recommendations**

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

## IMPLICATIONS AND RISKS

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

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

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

None arising directly from this report

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

None arising directly from this report

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

None arising directly from this report

## BACKGROUND PAPERS

None

## Section 1: Background and Resources

- 1.1 Excluding the Internal Audit and Corporate Risk Manager the established structure contains eight posts comprising:
- Five internal auditors carrying out systems, schools, follow up audits. The systems audit team contains 2 Principal Auditors, 2 Senior Auditors and a Systems Auditor. One member of the team works reduced hours and the total systems audit resource is 4.8 WTE. The Systems Auditor post is vacant as the post holder is on secondment to fraud team. Due to implementation of oneSource in 2014/15 this post will not be covered.
  - Three auditors undertaking proactive and reactive fraud and special investigations. The systems audit team contains a Corporate Fraud Manager, a Principal Fraud Auditor and a Fraud Auditor. One member of the team works reduced hours and the total resource available is 2.66 WTE.

The structure of the Internal Audit team is reflected in the number of days in the approved plan for 2013/14.

- 1.2 This report relates to the work of the five audit posts, the outputs from the fraud resources are reported in the fraud progress report along with the results of the investigations team.
- 1.3 The table below shows the budgetary information for the Internal Audit and Corporate Risk team. This budget includes both the Internal Audit and Insurance Teams.
- 1.4 Income is generated by audit by selling services to Schools, other income relates to Insurance.

REVENUE BUDGET FOR 2013/14		
Expenditure	Income	Non-controllable
£469,630	-£102,700	£347,250

- 1.5 The actual outturn for 2013/14 was £13,083 under the budget.

## Section 2: Audit Work 29<sup>th</sup> January 2014 to 31<sup>st</sup> May 2014.

- 2.1 The status of each audit included in the 2013/14 Internal Audit Plan as at the 31<sup>st</sup> May 2014 is shown in the updated Internal Audit Plan shown in Appendix A.
- 2.2 Six final reports were issued during the period 29th January 2014 – 31<sup>st</sup> May 2014. The reports and level of assurance provided comprise:

**SYSTEMS AUDIT**

Housing Benefits  
 Council Tax  
 Main Accounting (Pre One Oracle Review)  
 Debtors (Pre One Oracle Review)  
 Pensions (Pre One Oracle Review)  
 Budgetary Control  
 Payroll

**ASSURANCE**

Substantial  
 Substantial  
 Substantial  
 Substantial  
 Substantial  
 Substantial

**SCHOOL**

Benhurst Primary School  
 Towers Junior School  
 Squirrels Heath Infants School

**ASSURANCE**

Substantial  
 Substantial  
 Full

- 2.3 Summaries of the seven systems reports and three school audit reports are provided in the separate Agenda Items Systems Audit Summaries and School Audit Summaries.

**Section 3: Changes to the Approved 2013/14 Audit Plan**

- 3.1 There were no further changes to the 2013/14 Audit Plan, however any audits not completed for presentation with the Annual Report in April were moved to the 2014/15 Audit Plan, a revised version of which will be presented at the Meeting.

**Section 4: Outstanding Recommendations Update**

- 4.1 Internal audit follows up all recommendations with management when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.
- 4.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any High priority recommendations.
- 4.3 The current level of implementation is shown in table in paragraph 4.5 on the following page.
- 4.4 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:
- |         |  |
|---------|--|
| High:   | Fundamental control requirement needing implementation as soon as possible |
| Medium: | Important Control that should be implemented                               |
| Low:    | Pertaining to Best Practice  |

#### 4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report				Position as at 31/05/14		
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
11/12	Oracle Financials	Internal Shared Services / Business Systems	Limited	0	24	0	23	1♦	0
11/12	Education Computer Centre	Business Systems	Limited	3	6	0	5	4◇	0
11/12	Pensions	Internal Shared Services	Limited	0	1	0	0	1♦	0
11/12	i-Expenses & P Cards	Internal Shared Services	Limited	5	3	1	6	3♦	0
11/12	Main Accounting	Internal Shared Services	Substantial	0	1	0	0	1◇	0
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1 M	0
<b>2011/12 Totals</b>				<b>8</b>	<b>38</b>	<b>1</b>	<b>36</b>	<b>11</b>	<b>0</b>
12/13	Information Governance - Compliance with IG Toolkit	Legal & Democratic Services	Substantial	1	2	0	2	1	0
12/13	Oracle Financials	Business Systems / Internal Shared Services	Limited	0	11	3	12	2♦	0
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	6	1	0
12/13	i-Expenses	Internal Shared Services	Limited	2	1	0	2	1♦	0
12/13	i-Procurement	Internal Shared Services	Limited	0	2	1	0	3♦	0
12/13	Pensions	Group Director – Resources & Governance Group	Substantial	0	2	0	0	2	0
12/13	Payroll	Group Director – Resources & Governance Group	Limited	0	5	0	3	2	0
12/13	i-Recruitment	Internal Shared Services	Limited	3	2	0	0	5♦	0
12/13	Transport	Asset Management	Substantial	1	4	2	5	2	0
12/13	Modern Governance	Business Systems	Substantial	3	7	2	10	2	0

#### 4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report				Position as at 31/05/14		
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
12/13	Debt Management	Exchequer Services	Substantial	0	1	0	0	1	0
12/13	Debtors	Group Director – Resources & Governance Group	Substantial	0	2	1	0	3	0
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	1♦	0
12/13	Creditors	Group Director – Resources & Governance Group	Substantial	0	1	0	0	1♦	0
12/13	Traffic & Parking Control – Cancellation of Penalty Charge Notices	Streetcare	Substantial	1	5	1	5	2	0
12/13	Information Governance - Service & Provider Compliance	Legal & Democratic Services	Limited	0	1	0	0	1	0
2012/13 Totals				11	54	10	45	30	0
13/14	Mayrise	Streetcare	Limited	5	9	0	11	3	0
13/14	Tenancy Management	Housing & Public Protection	Limited	0	14	0	5	9	0
13/14	Freedom of Information Act	Legal & Democratic Services	Limited	4	1	0	0	5	0
13/14	Fees and Charges	Various	Limited	1	1	1	1	1 H & 1 L	0
13/14	Agency Worker Contract	Resources	Substantial	1	6	2	8	1	0
13/14	Compliance with Corporate Policy - Sickness Absence	Corporate	Limited	1	3	0	2	2	0
13/14	School Allocations	Learning & Achievement	N/A	0	4	0	0	4	0
13/14	Emergency Assistance Scheme	Revenues & Benefits	Limited	0	3	1	0	4	0
13/14	Council Tax	Revenues & Benefits	Substantial	0	1	2	0	3	0

#### 4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report				Position as at 31/05/14		
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
13/14	Grants	Corporate	Substantial	0	2	0	0	2	0
13/14	JCAD LACHS	Finance & Procurement	Substantial	10	12	0	-	-	-
13/14	AXISe Pension System	Internal Shared Services	No Assurance	13	0	0	-	-	-
13/14	LAC Placements	Children’s Services	Limited	0	7	0	3	4	0
13/14	Compliance with Corporate Policy: Fees and Charges	Corporate	N/A	0	2	0	0	2	0
2013/14 Totals				35	65	6	30	41	0
Totals				54	157	17	111	82	0

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◆ Implementation of recommendations is dependent on the implementation of the One Oracle system. These are scheduled to be picked up in Quarter 1 of 2014/15.

◇ Implementation of recommendations is dependent on the outcome of Project Romulus.



**APPENDIX A: Updated Internal Audit Plan as at 31<sup>st</sup> March 2014.**

	Audit Title	Budget		Plan Quarter	Status End Qtr4	Report Assurance	Report to Audit Comm
		Original	Revised				
Corporate	IG - Service Area Control & Compliance	0	11	Q1	Consolidated FINAL Report Issued	Limited	Dec-13
	IG - Provider Compliance	0	5	Q1			
	Grants	15	15	Q1	FINAL	Substantial	Apr-14
	Compliance with Corporate Fees & Charges Policy	20	10	Q1 / 2	FINAL	Substantial	Apr-14
	Fees & Charges	15	5	Q1 / 2	FINAL	Limited	Dec-13
	Information Governance - FOI	20	20	Q2	FINAL	Limited	Dec-13
	PDR Assurance	0	8	Q2	FINAL	N/A	Dec-13
	Project Management	15	15	Q3	Removed	N/A	
	Use of Volunteers	15	15	Q3	Moved to 14/15	N/A	
	Corporate Governance	0	15	Q3	Removed	N/A	
	Risk Management	20	20	Q3 / 4	Removed	N/A	
	Petty Cash/Pre Paid Cards	15	15	Q4	Moved to 14/15	N/A	
	Use of Consultants	20	15	Q4	Removed	N/A	
	Safeguarding	10	10	Q4	Moved to 14/15	N/A	
	Compliance with Corporate Sickness Absence Policy	0	10	Q4	FINAL	Limited	Feb-14
Culture, Community & Economic Development	Housing Capital	20	15	Q1	Moved to 14/15	N/A	
	Tenancy Management	0	27	Q1	FINAL	Limited	Dec-13
	Housing Rents	0	20	Q2	Moved to 14/15	N/A	
	Carbon Reduction Commitment Scheme	0	3	Q3	FINAL	N/A	Sep-13
	Council Tax Support Administration	15	15	Q3	Incorporated to Housing Benefits Audit	N/A	N/A
	Housing Allocations	20	15	Q3	Moved to 14/15	N/A	
	Housing Benefits	15	15	Q3	FINAL	Substantial	Jun -14
	Youth Service	15	15	Q3	Moved to 14/15	N/A	
	Council Tax	10	10	Q3 / 4	FINAL	Substantial	Jun -14
	Business Rates Administration	15	15	Q4	Moved to 14/15	N/A	

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Resources (Finance & Commerce)	Agency Worker Contract	20	20	Q2	FINAL	Substantial	Feb-14
	Main Accounting (Pre One Oracle Implementation)	10	5	Q3	FINAL	Substantial	Jun -14
	Creditors (Pre One Oracle Implementation)	15	5	Q3	FINAL	Substantial	Apr-14
	Debtors (Pre One Oracle Implementation)	15	5	Q3	FINAL	Substantial	Jun -14
	Payroll (Pre One Oracle Implementation)	15	5	Q3	FINAL	Substantial	Jun -14
	Pensions (Pre One Oracle Implementation)	10	5	Q3	FINAL	Substantial	Jun -14
	Bankers Automated Clearing System	10	10	Q3	Moved to 14/15	N/A	
	Budgetary Control incl Collaborative Planning	10	10	Q4	FINAL	Substantial	Jun -14
	Main Accounting (Post One Oracle Implementation)	0	5	Q4	Moved to 14/15	N/A	
	Creditors (Post One Oracle Implementation)	0	10	Q4	Moved to 14/15	N/A	
	Debtors (Post One Oracle Implementation)	0	10	Q4	Moved to 14/15	N/A	
	Payroll (Post One Oracle Implementation)	0	10	Q4	Moved to 14/15	N/A	
	Pensions (Post One Oracle Implementation)	0	10	Q4	Moved to 14/15	N/A	
Children, Adults & Housing	Looked After Children Placements	0	15	Q1	FINAL	Limited	Apr-14
	Troubled Families Programme	15	10	Q1	FINAL	N/A	Dec-13
	Local Welfare Assistance	20	15	Q1 / 2	FINAL	Limited	Feb-14
	ASC Income Work	0	10	Q1 / 2	FINAL	N/A	Dec-13
	Public Health Grants	0	5	Q2 / 3	FINAL	N/A	Dec-13
	TMO's	0	10	Q3	Moved to 14/15	N/A	
	Self-Directed Support	20	15	Q4	Moved to Fraud Plan	N/A	
	Contracts and Procurement	15	15	Q4	Moved to 14/15	N/A	
	School Allocations (forensic)	0	15	Q3	FINAL	N/A	Feb-14
Schools	Branfil Primary	4	4	Q1	FINAL	Substantial	Sep-13
	Gidea Park Primary	4	4	Q1	FINAL	Full	Dec-13
	Squirrels Heath Junior	4	4	Q1	FINAL	Substantial	Sep-13
	St.Albans Catholic Primary	4	4	Q1	FINAL	Substantial	Sep-13

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Schools	Wykeham Primary	4	4	Q1	FINAL	Substantial	Dec-13
	Crownfield Junior	4	4	Q2	FINAL	Substantial	Dec-13
	Mead Primary	4	4	Q2	FINAL	Full	Dec-13
	St.Marys Catholic Primary	4	4	Q2	FINAL	Substantial	Dec-13
	Benhurst Primary	4	4	Q3	FINAL	Substantial	Jun -14
	Brookside Infant	4	4	Q3	FINAL	Substantial	Feb-14
	Engayne Primary	4	4	Q3	FINAL	Substantial	Feb-14
	Harold Court Primary	4	4	Q3	FINAL	Full	Feb-14
	Towers Junior	4	4	Q3	FINAL	Substantial	Jun -14
	Whybridge Junior	4	4	Q3	FINAL	Substantial	Feb-14
	Broadford Primary	4	4	Q4	FINAL	Substantial	Feb-14
	Crownfield Infant	4	4	Q4	FINAL	Substantial	Feb-14
	Scargill Infant	4	4	Q4	FINAL	Substantial	Apr-14
	Squirrels Heath Infant	4	4	Q4	FINAL	Full	Jun -14
	St.Edwards CE Primary	4	4	Q4	Moved to 14/15	N/A	
	Dycorts School	4	4	Q4	FINAL	Substantial	Feb-14
Computer Audit	Mayrise	0	15	Q1	FINAL	Limited	Sep-13
	AXISe Pension System	110	15	Q1	FINAL	None	
	JCAD LACHS		15	Q1	FINAL	Substantial	
	Follow Ups - Network Permissions Follow-Up		5	Q1 / 4	FINAL	Substantial	Feb-14
	Service / Support Desk		15	Q2	Not FINALISED	TBC	
	Security Over Spreadsheets (Replaces Backups)		15	Q2 / 3	Removed		
	ICT Inventory Controls		8	Q3 / 4	Removed		
	Tranman		15	Q4	Removed		
	Data Handling		15	Q4	Removed		

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Follow Ups	Traded Services	0	1.5	Q1	FINAL	Substantial	Sep-13
	Education Computer Centre	0	1.5	Q1	FINAL	Limited	Sep-13
	Audit Recommendations	0	15	Q1-4	On-going		
	Traffic & Parking Control - Cancellation of PCN's	0	3	Q2 / 3	FINAL	Substantial	Feb-14
	One Oracle Contingency	0	16	Q2 / 4	Removed		
	i-Expenses	3	3	Q3	Complete		
	CRC Scheme Follow Up & Sign Off	0	1		FINAL		Dec-13
	CRC Scheme Follow Up	0	2	Q4	FINAL		Apr-14
Other Work	Contingency	25	0	-	On-going		
	Advice to Directorates	10	10	Q1 / Q4	On-going		
	Sign off of Grant Claims	10	10	Q1 / Q4	On-going		
	Governance	25	24	Q1 / Q4	On-going		
	Risk Management	50	28	Q1 / Q4	On-going		
	Schools Management /Administration	20	20	Q1 / 4	On-going		



## AUDIT COMMITTEE

25 June 2014

**Subject Heading:**

Internal Audit Systems Report Summaries  
19.03.2014 to 27.05.2014

**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.

**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 19<sup>th</sup> March 2014 to 27<sup>th</sup> May 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 Seven systems audits were finalised during the period 19<sup>th</sup> March 2014 to 27<sup>th</sup> May 2014.

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

<b>SYSTEM</b>	<b>ASSURANCE</b>
Main Accounting	Substantial
Payroll	Substantial
Pensions	Substantial
Accounts Receivable	Substantial
Housing Benefits	Substantial
Council Tax	Substantial
Budgetary Control	Substantial

1.5 Summaries of the seven systems audit reports are included in Sections 2.1 to 2.7 below.

## **2. REPORT SUMMARIES**

### **2.1 MAIN ACCOUNTING**

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

- 2.1.1 Some sections of the Financial Framework are out of date but this is expected to be updated once the implementation of One Oracle has taken place later in 2014.
- 2.1.2 The outstanding recommendation from the previous audit in 2011/12 relating to reconciliations is largely completed although there are some further aspects to address such as; alignment with new codes and the addition of some balance sheet codes. These remaining issues are expected to be addressed once One Oracle has been implemented.

#### **Audit Opinion**

- 2.1.3 **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**

- 2.1.4 This audit makes no recommendations due to the implementation of One Oracle.



## 2.2 PAYROLL

### Summary of Audit Findings

- 2.2.1 Payroll has been operating using the same procedures as have been documented in previous year audits. Minimal work has been undertaken to update any change in processes due to the expected implementation of One Oracle, now due in July 2014.
- 2.2.2 The delay in the implementation has meant that changes that could have been made haven't, and that going forward the current processes are still being used. Once One Oracle does go live the financial procedures and processes used will need to be altered to match the capabilities of the new system.
- 2.2.3 The monitoring of key performance indicators was stopped due to the work being carried out on One Oracle. However, some performance was monitored and reported where there is an impact on a large number of employees and ad-hoc performance reports are supplied to academies. When KPI's were being monitored this information was being taken to Customer Improvement Team as well as the Group Director for Resources.

### 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 No recommendations have been raised as part of this audit

## 2.3 PENSIONS

### Summary of Audit Findings and Audit Opinion

- 2.3.1 The introduction of the new system in December 2013 has improved some aspects of the control environment such as procedure documentation; or has the potential to do so in the case of reporting and management information functions.
- 2.3.2 There is still a reliance on data provided by HR and Payroll but checks are in place for areas of higher risk and the recent payroll audit has identified that checks are also taking place there to ensure accuracy of data.
- 2.3.3 The test of pension contribution rates identified that one member of staff in a sample of 20 had been paying an incorrect contribution rate. This was rectified during the audit and further investigation deemed this to be a case of human error rather than a major failure in the system of internal control.
- 2.3.4 The payment of pension benefits to a relative of a deceased pensioner remains the biggest fraud risk for pensions nationally. There are a number of preventative and detective controls in place for this risk already but there is scope to do more when resources allow. Work is due to take place on a mortality tracing project – Tracemark in the near future which would help to add to the existing controls.
- 2.3.5 The outstanding recommendations from 2011/12 and 2012/13 were considered as part of this review. The implementation of these recommendations have been delayed awaiting the implementation of One Oracle, the Pension Scheme changes of April 2014 and wider Council governance arrangements.

### Audit Opinion

- 2.3.6 **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

- 2.3.7 No recommendations have been raised as part of this audit

## 2.4 ACCOUNTS RECEIVABLE

### Summary of Audit Findings and Audit Opinion

- 2.4.1 Accounts Receivable have been operating using the same procedures as have been documented in previous year audits. Minimal work has been undertaken to update any change in processes due to the expected implementation of One Oracle in October 2013 and then in April 2014.
- 2.4.2 The delay in the implementation has meant that changes that could have been made haven't, and that going forward the current processes will still be being used. Once One Oracle does go live the financial procedures and processes used will need to be altered to match the capabilities of the new system.
- 2.4.3 Spot checks are being undertaken by senior staff to reduce errors being made and reducing the effects that any errors may have. These checks are carried out every few days with a record of each check being maintained.
- 2.4.4 Reports are taken to each Debt Management Board meeting to show the current level of debt. These reports are split into service, with focus on debts that have exceeded 90 days. Work is undertaken both at these meetings and within Accounts Receivable to reduce these debts.
- 2.4.5 The outstanding recommendations from 2011/12 and 2012/13 were considered as part of this review. The implementation of these recommendations has been delayed awaiting the implementation of One Oracle, the Pension Scheme changes of April 2014 and wider Council governance arrangements.

### Audit Opinion

- 2.4.6 **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

- 2.4.7 The audit makes no recommendations due to the implementation of One Oracle.

## 2.5 HOUSING BENEFITS

### Summary of Audit Findings

- 2.5.1 Council Tax and Housing Benefits are both administered through the Academy system. The 13/14 Council Tax Administration audit identified weaknesses surrounding access to the Academy system and resulted in one low and two medium recommendations being raised.
- 2.5.2 As Academy is used for dual purposes, the weakness identified within Council Tax apply to Housing Benefits and so implementation of the recommendations will resolve the weaknesses in both areas.
- 2.5.3 The significant weaknesses identified comprise:
- The lack of controls to allow the Council Tax & Benefit Manager to manage all access requests regarding the Academy system;
  - The absence of periodic checks of Academy users to ensure leavers are removed and only those with a relevant need have access to the system; and
  - A lack of control to ensure that users, outside of the main departments are notified of the expectations surrounding access to the Academy system.
- 2.5.4 Similarly, the 2012/13 Council Tax audit resulted in two medium and three low priority recommendations being raised to mitigate weaknesses identified during the audit. Two of the low priority recommendations applied to weaknesses later identified in the Housing Benefit audit.
- 2.5.5 In order to avoid duplication, the Housing Benefits audit made reference to the recommendations set out in the Council Tax audit. These were:
- Produce a local document retention policy; and
  - Ensure the need for signed disclaimers for accessing Academy is expanded to include all non-read only users outside of Council Tax and the Call Centre.
- 2.5.6 The first recommendation regarding the local documentation retention policy has been fully implemented. The remaining recommendation regarding was not due for completion until the end of April 2014; however, the recommendation has been superseded within the Council Tax Administration report with a more suitable control mechanism.

### Audit Opinion

- 2.5.7 **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

- 2.5.8 The audit makes no recommendations due to the implementation of One Oracle.

## **2.6 COUNCIL TAX**

### **Summary of Audit Findings**

- 2.6.1 Responsibility for the protection of data within the Council's Academy Council Tax system rests ultimately with the Council Tax & Benefits Manager as the data owner. Multiple departments outside of Revenues & Benefits also require access to the system for various reasons, such as Business Systems, Housing and the Call Centre.
- 2.6.2 The current arrangements for obtaining access to the system requires the completion of an electronic access request form, submitted to Business Systems via the Council's intranet. Users complete the request, add the details of their line manager and submit the request for authorisation.
- 2.6.3 The process does not require notification to the Council Tax & Benefits Manager, nor does it automatically populate the corresponding line manager of the user. Currently the system permits the user to add any member of staff as the line manager.
- 2.6.4 The existing arrangements make it difficult for the Council Tax & Benefits Manager to control access to the system outside of the service, the access levels permitted and the removal of users as they leave.
- 2.6.5 Additionally, all staff within Revenues and Benefits and the Call Centre are expected to sign a disclaimer, which evidences that they have been notified that they are not permitted to access the accounts of friends and family. As access to the system is not controlled by the Council Tax & Benefits Manager, this expectation has not been extended to those users outside of these areas.
- 2.6.6 The 2012/13 audit resulted in two medium and three low priority recommendations being raised to mitigate weaknesses identified during the audit and aimed to:
- Provide clarification over responsibilities for passing information to the Valuation Office;
  - Establish clear roles and responsibilities for processing Data Tank / NFI changes on the system in a timely manner;
  - Ensure documentary evidence is retained to support the write off and approval process;
  - Produce a local document retention policy; and
  - Ensure the need for signed disclaimers for accessing Academy be expanded to include all non-read only users outside of Council Tax and the Call Centre.
- 2.6.7 Each of the recommendations above have been fully implemented, with the exception of the recommendation relating to disclaimers. This recommendation was not due for completion until the end of April 2014; however, the recommendation has been superseded within this report with a more suitable control mechanism.

- 2.6.8 The significant weaknesses identified as part of this audit comprise:
- The lack of controls to allow the Council Tax & Benefit Manager to manage all access requests regarding the Academy system;
  - The absence of periodic checks of Academy users to ensure leavers are removed and only those with a relevant need, have access to the system; and
  - A lack of control to ensure that users, outside of the main departments are notified of the expectations surrounding access to the Academy system.

### Audit Opinion

- 2.6.9 **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

- 2.6.10 The audit makes one medium and two low priority recommendations that aim to tighten the control environment surrounding access to the Academy system.

1 Recommendation		Priority
Automated system controls are set up within the online request process that require the Council Tax & Benefits Manager to approve access requests and permitted access levels to the Academy system.		Medium
<b>Management Response</b>	<p>Revenues &amp; Benefits - Agreed. However, responsibility of the development and on-going maintenance of the solution remains within ICT. Therefore, to ensure the commitment of resource from ICT, I propose the ICT Service Delivery Manager is consulted on this recommendation and shares responsibility with the Council Tax &amp; Benefits Manager for its delivery.</p> <p>Business Systems - The access form will be amended to include an additional step for approval by the CT&amp;B Manager for every Academy access request.</p>	
<b>Responsible Officer</b>	Council Tax and Benefits Manager and ICT Service Delivery Manager	
<b>Implementation Date</b>	30 <sup>th</sup> May 2014	
2 Recommendation		Priority
Academy User information is utilised to carry out periodic reviews of users.		Low
<b>Management Response</b>	Revenues & Benefits - Agreed. This recommendation also relies on reports (quarterly)	

	<p>being made available by ICT to check the activity levels of users. Therefore, to ensure the commitment of resource from ICT, I propose the ICT Service Delivery Manager is consulted on this recommendation and shares responsibility with the Council Tax &amp; Benefits Manager for its delivery.</p> <p>Business Systems - The list of Academy users will be brought to the CT&amp;B and ICT liaison meeting for review, this group meets every six weeks.</p>	
<b>Responsible Officer</b>	Council Tax and Benefits Manager and ICT Service Delivery Manager	
<b>Implementation Date</b>	May 2014.	
<b>3 Recommendation</b>		<b>Priority</b>
Notification of the Operating Systems Declaration is automated as part of the online request process.		Low
<b>Management Response</b>	<p>Revenues &amp; Benefits - Agreed. This recommendation is linked to recommendation 1. To ensure the commitment of resource from ICT, I propose the ICT Service Delivery Manager is consulted on this recommendation and shares responsibility with the Council Tax &amp; Benefits Manager for its delivery.</p> <p>Business Systems - The 3 monthly declaration for acceptance of policies will be amended to include wording around appropriate use of line of business systems as this issue doesn't only apply to Academy.</p>	
<b>Responsible Officer</b>	Council Tax and Benefits Manager and ICT Service Delivery Manager	
<b>Implementation Date</b>	27 <sup>th</sup> June 2014	

## **2.7 BUDGETARY CONTROL**

### **Summary of Audit Findings**

- 2.7.1 Some sections of the Financial Framework are out of date but this is expected to be updated until after the implementation on One Oracle. There is also a review of finance processes underway as part of the oneSource finance integration work.
- 2.7.2 There were no remaining outstanding recommendations from the 2012/13 audit of budgetary control to be considered.

### **Audit Opinion**

- 2.7.3 **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**

- 2.7.4 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

25 June 2014

<b>Subject Heading:</b>	Internal Audit School Report Summaries 19.03.2014 to 27.05.2014
<b>Report Author and contact details:</b>	Vanessa Bateman, Internal Audit & Corporate Risk Manager ext 3733
<b>Policy context:</b>	To inform the Committee of the findings and recommendations made in school audit reports.
<b>Financial summary:</b>	N/a

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

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

### SUMMARY

This report provides the Audit Committee with summaries of school internal audit reports issued during the period 19<sup>th</sup> March 2014 to 27<sup>th</sup> May 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 no school audits outstanding from 2013/14. Discussions around the audit approach for 14/15 are underway to ensure efficient use of resources.

## 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 in Learning and Achievement.
- 1.4 Three school audits were finalised during the period 19<sup>th</sup> March 2014 to 27<sup>th</sup> May 2014.

#### **SCHOOL**

- Squirrels Heath Infants School
- Benhurst Primary School
- Towers Junior School

#### **ASSURANCE**

Full  
Substantial  
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 All school audits carried out within 2013/14 have now been issued as final reports.

1.8 Due to some schools becoming academies there are reduced numbers due for audit in 14/15. The Internal Audit Team is discussing with colleagues in Learning and Achievement how to utilise resources to ensure robust assurances received and an efficient approach is applied.

## **2. SQUIRRELS HEATH 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 School Improvement Plan approval could not be located within the Governing Body minutes.

### **Audit Opinion**

- 2.2 **Full Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that there is a sound control environment in place to achieve the system objectives and that controls are being consistently applied.

### **Recommendations**

- 2.3 The audit makes one medium and one low priority recommendation which comprise:
- Formal checks and declarations completed for staff not with Business use insurance;
  - Governing Body minutes to be clear when policies/ plans are being approved.

### **Audit Health Check Progress**

- 2.4 The school have chosen to not buy-in the annual Health Check.

### 3 BENHURST INFANTS SCHOOL

#### Summary of Audit Findings

- 3.1 The internal audit review found:
- The approval of the schools Finance Policy could not be located within Governing Body minutes;
  - The Emergency Plan included contact information for the previous Head Teacher;
  - The date the School Improvement Plan was last reviewed could not be determined;
  - The staff with Financial Management in Schools access did not match the Finance Policy;
  - The School Fund had not been audited for 2012/13;
  - Orders were being raised retrospectively.

#### Audit Opinion

- 3.2 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

- 3.3 The audit makes one high, three medium and two low priority recommendations which comprise:
- The Schools Finance Policy should be taken to Governing Body for approval on an annual basis;
  - The Schools Emergency Plan should be updated to include contact information and responsibilities for the change in Head Teacher;
  - The School Improvement Plan is to be version controlled to allow for a consistent level of review.
  - The Schools Finance Policy should include the current staff access rights to the Schools Information Management System (SIMS).
  - The school should appoint a new auditor of the school fund, and ensure these audits are completed for each financial year within a timely manner.
  - Orders should be raised on SIMS before the invoices are received wherever possible to ensure that expenditure is committed and budget availability is up to date.

#### Audit Health Check Progress

- 3.4 There were six priority two and one priority three recommendations made at the Annual Audit Health Check undertaken in March 2013.

- 3.5 A review of progress made to implement recommendations found that five of the recommendations had been implemented at the time of the audit.
- 3.6 In the remaining cases, implementation of the recommendations could not be evidenced. One related to the need for the school to reduce the level of retrospective orders, this recommendation is being reiterated as part of this audit.
- 3.7 The second outstanding recommendation related to the school moving their inventory records to Financial Management System (FMS). At the time of the audit this was underway, however had not been completed.



## 4 TOWERS JUNIOR SCHOOL

### Summary of Audit Findings

- 4.1 The internal audit review found:
- The schools School Financial Value Standard (SFVS) and skills matrix are due to be recompleted;
  - The school has agreed to have a federated Governing Body with the infant school on the same site;
  - Staff not using their car for work purposes had not completed a declaration;
  - The School Improvement Plan approval could not be located within the Governing Body minutes; and
  - Orders were being raised retrospectively.

### Audit Opinion

- 4.2 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

- 4.3 The audit makes five medium priority recommendations which comprise:
- A skills matrix to be undertaken for the new federated Governing Body;
  - The Finance Policy to be updated with the details for the new governors;
  - Formal checks and declarations completed for staff not with Business use insurance;
  - Approval of the School Improvement Plan should be adequately minuted; and
  - Orders to be raised on the system in advance of invoices being received.

### Audit Health Check Progress

- 4.4 There were seven priority two recommendations made at the Annual Audit Health Check undertaken in March 2013.
- 4.5 A review of progress made to implement recommendations found that five of the recommendations had been implemented at the time of the audit.
- 4.6 One of the outstanding recommendations related to the need for the school to raise orders on the Financial Management System before invoices are received. This recommendation has been reiterated as part of this audit.

- 4.7 In the remaining case it was recommended that banking be carried out fortnightly. Due to the lack of staff office cover and the small amount of income the school receives the banking is carried out monthly by the School Business Manager and Site Manager.

## 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

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## AUDIT COMMITTEE

**25 June 2014**

**Subject Heading:**

Fraud Progress Report  
1<sup>st</sup> January to 31<sup>st</sup> March 2014

**Report Author and contact details:**

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

**Policy context:**

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

**Financial summary:**

This report details information relating to fraud and special investigations.

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

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

### SUMMARY

This report advises the Committee of the work of the Internal Audit Corporate Fraud Team and the Benefit Investigations Team from 1<sup>st</sup> January to 31<sup>st</sup> March 2014.

### RECOMMENDATIONS

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

<b>REPORT DETAILS</b>
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## **1. CORPORATE FRAUD TEAM: UPDATE JANUARY TO MARCH 2014**

### **1.1 Delivery of the Anti-Fraud and Corruption Strategy**

- 1.1.1 Work has been delivered to further develop a fraud aware workforce through an on-going programme of training. During Quarter 4, training was provided on data protection and money laundering.
- 1.1.2 The Corporate Fraud Team also works to raise the Authority's awareness of the risk of fraud and appropriate responses to fraud through the on-going provision of advice and assistance to Directors and Heads of Service.
- 1.1.3 The Corporate Fraud Team also participates in the learning and sharing of best practice through the National Anti-Fraud Network and actively works with neighbouring boroughs to share learning and appropriate data.

### **1.2 Proactive Fraud Investigations**

- 1.2.1 The Corporate Fraud Team's proactive fraud work comprises three elements:
  - A programme of proactive fraud audit investigations;
  - Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data; and
  - Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.
- 1.2.2 The proactive work plan for 2013/14 is shown in the table in Appendix A. During Quarter 4 progress was made on the plan, anything not completed will be moved to the 2014/15 plan and added to the new risk areas for review.
- 1.2.3 The team's data matching work for the National Fraud Initiative (NFI) is on-going and it is anticipated that the results will be presented to the December 2014 Audit Committee.

### 1.3 Reactive Fraud Cases: JANUARY to MARCH 2014

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

Caseload Quarter 4 2013/14						
Team	Cases at start of period	Referrals received	Referrals rejected/ overloaded	Fraud not Proven Cases	Successful Cases	Cases at end of period
Corporate	16	6	0	3	6	13

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

Source of Referrals & Fraud Reports Quarter 4 2013/14	
Number of Referrals/ Type	IA Fraud Reports Qtr 4
Anonymous Whistleblower	0
External Organisations / Members of the Public	1
Internal Departments	5
<b>Total</b>	<b>6</b>

- 1.3.3 The table below shows the number and categories of potential Corporate Fraud cases reported in the Quarter 4 period and the number of cases open at the end of the period.

Reports by Category		
Potential Fraud	Previous Cases Qtr 3	Current Cases end of Qtr 4
PC – Misuse and Abuse	1	1
Breach of Code of Conduct	1	1
Breach of Council Procedures	6	2
Misuse of Council Time	1	1
Direct Payments	5	4
Safeguarding	0	0
Overpayment of Pension	0	0
Security	1	1
Theft	1	1
Disabled Facility Grant	0	2
<b>Total</b>	<b>16</b>	<b>13</b>

- 1.3.4 The table below shows the case outcomes for the Internal Audit Corporate Fraud Team from January to March.

Case Outcomes	
Outcome	Qtr 4
Management Action Plan	4
Resigned	1
Disciplinary	0
Dismissed	1
No case to answer	3
<b>Total</b>	<b>9</b>

## **1.4 Savings and Losses**

- 1.4.1 The investigations carried out by the Corporate Fraud team provide the Council with value for money through:
- The identification of monies lost through fraud and the recovery of all or part of these sums; and
  - The identification of potential losses through fraud in cases where the loss was prevented.
- 1.4.2 The table in Appendix B shows the savings and losses identified during 2013/14 up until the end of Quarter 3; 1 April to 31 March 2014.



## 2. BENEFITS AND HOUSING TENANCY INVESTIGATIONS UPDATE JANUARY TO MARCH 2014

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

<b>Caseload Quarter 4 2013/14</b>						
<b>Team</b>	<b>Cases At start of period</b>	<b>Referrals received</b>	<b>Referrals rejected/ overloaded</b>	<b>Cases of Fraud not Proven</b>	<b>Successful Cases</b>	<b>Cases at end of period</b>
HB & CTS	471	112	66	78	43	396
HT	73	13	-	25	5	56
<b>TOTAL</b>	<b>544</b>	<b>125</b>	<b>66</b>	<b>103</b>	<b>48</b>	<b>452</b>

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

<b>Source of Referrals &amp; Fraud Reports Quarter 4 2013/14</b>			
<b>Type and Number of Referrals</b>	<b>HB/CTS Referrals</b>	<b>HT Referrals</b>	<b>Total</b>
Anonymous	40	-	40
External Organisations / Members of the Public	15	1	16
Internal Departments / Whistleblowers	43	1	44
Social Landlords (inc HiH)	11	11	22
Data Matching / Proactive initiative	3	-	3
<b>Total</b>	<b>112</b>	<b>13</b>	<b>125</b>

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

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Quarter 4 13/14</b>
Capital	6
Income from Other Sources	11
Living Together	33
Non-Dependant	6
Non-Resident/vacated	16
Working	21
Non Commercial Tenancy	-
Contrived	4
Tenancy Fraud	10
Other	5
<b>Total</b>	<b>112</b>

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

<b>Referrals by Category</b>	
<b>Potential Fraud</b>	<b>Qtr 4 14/15</b>
Subletting	5
Not main/principal home	5
Fraudulent RTB	1
Fraudulent Housing Register Application	1
Fraudulent succession	1
<b>Total</b>	<b>13</b>

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

<b>Current Cases by Category</b>	
<b>Potential Fraud</b>	<b>As at end of March 2014</b>
Capital	51
Contrived Tenancy	13
Income from Other Sources	37
Living Together	122
Non-Dependant	18
Non-Resident/vacated	54
Other welfare benefits	-
Working	48
Non Commercial Tenancy	4
Other	7
Single Person Discount	7
Tenancy Fraud	35
<b>Total</b>	<b>396</b>

2.1.6 The table below summarises the number and types of successful outcomes for cases completed by the benefits fraud team during the period.

<b>Successful Outcomes</b>			
<b>Sanction/ Offence Type</b>	<b>Administrative Penalties</b>	<b>Cautions</b>	<b>Prosecutions</b>
Capital	1	3	1
Working & Claiming	1	2	2
Living Together	-	-	3
Non Residence	-	-	1
Contrived Tenancy	-	-	-
Other Income	2	5	-
Non Dependants	1	2	-
<b>Total</b>	<b>5</b>	<b>12</b>	<b>7</b>

2.1.7 The case outcomes for the Housing investigations from January to March 2014 are detailed in table below.

<b>Successful Outcomes</b> (Note: Cases may have multiple outcomes)	
<b>Outcome Type</b>	<b>Qtr4 13/14</b>
Tenancy Relinquished voluntarily (keys handed in)	2
Property recovered via court action	1
Indefinite Suspended Order	1
Housing Register application withdrawn	1
Prosecution	-
<b>Total</b>	<b>5</b>

## **2.2 Successful Benefit and Housing Cases**

Details of three successful benefit prosecution cases are provided below.

- 2.2.1 A couple who admitted in their interviews under caution that they had been living together, were both prosecuted after incurring a total overpayment of Housing & Council Tax benefit and Income Support of £92,493.00. An investigation was initiated following a data match referral which showed that a second person, Mr P, was residing at an address where Miss L was in receipt of a Single Residency Discount and benefits as a lone parent. The couple have 5 children together and, although Mr P had used his parents address for a lot of his documentation, information provided by the school and financial links were considerable. The Judge stated that he was prepared to suspend a custodial sentence of twelve months for eighteen months with a requirement of 200 hours unpaid work to enable her to continue with her college course and take care of the five children. Mr P also received twelve weeks custody suspended for eighteen months and was electronically tagged and placed under curfew between 20.00hrs and 05.00hrs.
- 2.2.2 An investigation into Mrs E began following a data match referral which stated that she was in receipt of a joint account and other accounts opened in her maiden name. She stated that the joint owner of the account was her uncle and that the contents belonged to him. Further checks of the other accounts revealed that Mrs E had obtained loans. In her applications for these loans Mrs E claimed to be employed by a cleaning company. This company did not recognise Mrs E as working for them although there were regular credits from it into Mrs E's account. However, the company did employ someone who was registered to Mrs E's former address. Mrs E was arrested and at interview admitted that she did work for this company and had provided them with the name and national insurance number of a friend who had emigrated to Spain. As a result of her deception Mrs E obtained a total of £30,205.86 in Housing & Council Tax benefit and Income Support which she was not entitled to. She was sentenced to 4 months imprisonment suspended for 18months and ordered to carry out 150 hours of unpaid work.
- 2.2.3 The prosecution of Mrs S began as a non-residency tenancy referral. Mrs S had moved to Clacton but failed to advise Homes & Housing of this and remained in receipt of benefit. Mrs S failed to attend an interview under caution but handed back the keys to her council property. It was established that Mrs S had incurred an overpayment of £3,850.00 and decided that she should be offered an administrative penalty as an alternative to prosecution. Mrs S ignored all the letters in respect of the administrative penalty and was consequently summonsed to Court. Mrs S initially failed to attend court and was subsequently arrested. At Court she pleaded not guilty and claimed that she used to travel back and forth each day from Clacton. She was found guilty and received a 12 month conditional discharge and ordered to pay £300 costs.

Details of three successful housing tenancy cases are detailed below.

- 2.2.4 An extensive investigation into this non-residency referral became protracted and difficult due to the tenant returning on occasions. Mr L had a daughter and a son but left his daughter at the property with other people while he returned to Uganda. When the property was visited by Police, Immigration and Council Officers other persons were found there looking after Mr L's daughter. Checks with Pupil Services revealed that Mr L's daughter was attending school locally but there was no record of Mr L's son. Mr L returned to the property occasionally when he was made aware that his tenancy was being investigated. He would sign on for Jobseekers in an attempt to get Housing Benefit reinstated and he also bought his son back for a period of time. The Investigation Officer kept a close eye on this situation and obtained details of bank accounts where it was apparent that Mr L was spending the majority of his time in Uganda. Benefit was not put into payment for the periods of time that Mr L was not in the country and he accrued substantial rent arrears. As a result the Council obtained a repossession order and the property was returned.
- 2.2.5 A referral was received that an elderly Council tenant had not been seen at his property for a while but the flat appeared to be occupied by a younger male. Contact was made with the neighbours who confirmed that young men were seen coming and going from the property. The Investigation Officer visited the property on regular occasions early in the morning. Although there was never a response, dogs could be heard barking which indicated that someone was residing there. Following no response to cards left by the Investigation Officer, it was recommended that a Notice to Quit be served on the tenant. A few days later a call was received from a neighbour to advise that furniture was being moved out of the property. The address was revisited and appeared to be abandoned. This time no barking could be heard and the keys of the property were handed in the following day.
- 2.2.6 Ms G approached LBH requesting to be housed as she was living with her 5 children in the home of her estranged husband's parents. Ms G had won £500,000 in the lottery and went to America in 2010 with her husband. She claimed that, while in America, her husband had emptied her account and left her. The case was referred to the Investigation Team because of various anomalies in her account. The investigation revealed that Ms G had purchased a property in America with her husband as well as a couple of cars. This property appeared to have been sold but Ms G couldn't explain what had happened to the money. She was also expecting a child by her estranged husband. Ms G had advised that she did own a caravan but had sold it. However, enquiries established that the couple still owned the caravan valued at £32,000. Copies of Coutts bank account statements also showed that Ms G had control of the account. Housing Benefit was refused on the basis that she couldn't account for where her capital had gone and Ms G failed to attend further interviews. As a result her housing application was withdrawn.

## 2.3 HB/CTB/CTS Fraud Overpayments

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

Fraudulent Overpayment		
Type	Qtr 4	Year to date
Rent Rebate	£142,913.27	£507,785
Rent Allowance	£248,849.06	£595,736
Council Tax Support	£57,659.65	£164,403
<b>Total</b>	<b>£449,421.98</b>	<b>£1,267,924</b>

### IMPLICATIONS AND RISKS

#### Financial implications and risks:

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

#### Legal implications and risks:

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

#### Human Resources implications and risks:

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

#### Equalities implications and risks:

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

### BACKGROUND PAPERS

None.

**Appendix A: Corporate Fraud Proactive Audit Plan 2013/14**

<b>Description</b>	<b>Risks</b>	<b>Plan days</b>	<b>Qtr 4 Status</b>
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.	10	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 after Election
Learning & Physical Disability Residents	Review bank accounts, building society accounts, income and expenditure records and receipts.	20	In progress
Internet Abuse - Review of blocked sites	Bluecoat reporting to ascertain if employees are attempting to access blocked internet sites.	10	In progress
	<b>TOTAL</b>	<b>120</b>	

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

<b>Case details</b>	<b>Qtr reported</b>	<b>Savings Identified</b>	<b>Losses Identified</b>	<b>Details</b>
Proactive Direct Payments	Qtr 4	£18,893.84		Repayment of excess funds identified in the Proactive review now received.
Direct Payment Reactive	Qtr 4	£767.66		Repayment of inappropriate expenditure received.
Direct Payment Reactive	Qtr 4	£2,482.00		Repayment of direct payment for inappropriate expenditure.
Pension Overpayment	Qtr 3	£460.72		Management recovering identified savings.
Pensions Overpayment	Qtr 3	£770.00		Bank reimbursed overpayment following death of pensioner.
Theft from Council premises	Qtr 2		£1,272	Reported to Police. Risk assessment completed and procedures revised.
Mismanagement of contracts	Qtr 1		£2,250	Failure to recover works from Leaseholders by applying the maximum recharge threshold.
Mismanagement of contracts	Qtr 1	£59,172.77		Final invoice overcharge.
Mismanagement of contracts	Qtr 1		£13,800	HIH asbestos removal contracts. Unable to verify asbestos removal. Company now in administration.
NFI 2010/11	Qtr 1	£11,801.43		SPD to over 18s recovery
NFI 2010/11	Qtr 1	£94,461.88		SPD to Electoral Roll recovery
<b>TOTAL</b>		<b>£188,809.30</b>	<b>£17,322.00</b>	

### **Key:**

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

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





## AUDIT COMMITTEE

25 June 2014

**Subject Heading:**

Forward Plan for the Audit  
Committee 2014/2015

**Report Author and contact details:**

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

**Policy context:**

E-mail :  
vanessa.bateman@oneSource.gov.uk  
To agree a draft forward plan for the Audit  
Committee.

**Financial summary:**

N/A

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

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

### SUMMARY

The Forward Plan (appendix A) provides a summary of the expected agenda items at each of the four planned Audit Committee Meetings for 2014/15.

Training relevant to the agenda and based on priority is identified for each Meeting.

### RECOMMENDATIONS

1. To comment on the forward plan within the report.

2. To approve the forward plan, subject to any comments made.

<b>REPORT DETAIL</b>
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1. The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:
  - To consider and monitor the Authority's risk management and internal control environment;
  - To focus audit resources;
  - To receive and approve the Annual Statement of Accounts;
  - To monitor performance of internal and external audit; and
  - To monitor proactive fraud and corruption arrangements.
2. The Audit Committee is currently planned to meet on four occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with reports from the Council's external auditor.
3. To ensure effectiveness of a new Committee it is important that agendas are balanced, members have been given adequate training or briefing relating to agenda items and the agendas are planned and produced in an efficient and timely manner.

<b>IMPLICATIONS AND RISKS</b>
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**Financial implications and risks:**

None arising directly from this report. The existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in issues that arise not being addressed. Agendas not being well planned could hinder the effectiveness of the Committee. Internal costs may be incurred should insufficient members or substitute members be available for a meeting as other members are not permitted to substitute and vote the risk of this occurring is increased.

**Legal implications and risks:**

None arising directly from this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report.

<b>BACKGROUND PAPERS</b>
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None.

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**APPENDIX A****AUDIT COMMITTEE – FORWARD PLAN / TRAINING**

<b>FORWARD PLAN</b>	<b>AGENDA ITEM</b>	<b>PLANNED TRAINING</b>
25 <sup>th</sup> June 2014	<ul style="list-style-type: none"> <li>• Internal Audit Charter and Terms of Reference</li> <li>• Revised 14/15 Audit Plan</li> <li>• Internal Audit Progress Report</li> <li>• Systems Audit Summaries</li> <li>• Schools Audit Summaries</li> <li>• Fraud Progress Report</li> <li>• Annual Governance Statement</li> <li>• Committee Forward Plan</li> <li>• Member Training Plan</li> <li>• Accounts Update – verbal</li> <li>•</li> </ul>	Corporate Governance
25 <sup>th</sup> September 2014	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts</li> <li>• Report to those charged with Governance</li> <li>• Response to Auditors</li> <li>• Audit Progress Report</li> <li>• Fraud Progress Report</li> <li>• Annual Review of Risk Management</li> <li>• Treasury Update Q1</li> <li>• Annual Treasury Report</li> <li>•</li> </ul>	Treasury Management Nb. Accounts training will be separate session.
2 <sup>nd</sup> December 2014	<ul style="list-style-type: none"> <li>• Annual Audit Letter</li> <li>• Closure of Accounts Timetable</li> <li>• Internal Audit Progress Report</li> <li>• Governance Update</li> <li>• Fraud Progress Report</li> <li>• Annual Review of Fraud</li> <li>• Treasury Management Update Q2</li> </ul>	Fraud
5 <sup>th</sup> February 2014	<ul style="list-style-type: none"> <li>• 2013/2014 Audit Report of Grant Claims and Returns</li> <li>• External Audit Plan (including pensions)</li> <li>• Internal Audit Draft plan and strategy.</li> <li>• Internal Audit progress report</li> <li>• Outstanding Audit Recommendations</li> <li>• Fraud Progress Report</li> <li>• Annual Review of Audit Committee Effectiveness</li> <li>• Treasury Management Update Q3</li> <li>• Annual Report of Audit Committee</li> <li>• Closure of Accounts timetable</li> </ul>	Risk Management

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## AUDIT COMMITTEE

25 June 2014

**Subject Heading:**

**REVISED INTERNAL AUDIT PLAN FOR  
2014/15**

**Report Author and contact details:**

Vanessa Bateman  
Internal Audit & Corporate Risk Manager  
Tel: 01708 - 433733  
E-mail: [vanessa.bateman@oneSource.co.uk](mailto:vanessa.bateman@oneSource.co.uk)

**Policy context:**

To propose a revised 2014/15 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

The Internal Audit Service reports annually to the Audit Committee on its proposed Audit Plan in accordance with the Internal Audit Charter and the Audit Committee's Terms of Reference.

Appendix A details the draft risk based audit plan for the next financial year, which shows what audit work will be undertaken for the period together with the estimated number of audit days required.

The individual audits shown in the plan and the assurance gained by completing them, along with other audit assurances obtained via work from the Corporate Fraud Resources, will inform the Head of Internal Audit Opinion which is a key source of assurance for the Annual Governance Statement.

The Audit Plan was presented prior to the commencement of the financial year however it has been necessary to make some revisions due to: the carry forward of some 2013/14 audits into the new year; the fact the plan was based on the structure not the actual resource available for 2014/15 and the implementation of oneSource.

## RECOMMENDATIONS

- 1 To review the proposed revised plan and provide comments in order that these may be considered as part of the compilation of the final plan.
- 2 To approve the plan on the basis of any agreed amendments arising during the meeting.

## REPORT DETAIL

### 1. The Role and Objectives of Internal Audit

- 1.1 The Internal Audit Charter and Terms of Reference defines Internal Audit as,

***“An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”***

- 1.2 The objectives for the Audit Service are:

- To understand the whole organisation, its needs and objectives.
- To add value and assist the organisation in achieving its objectives.
- To be forward looking, innovative and challenging.
- To help to shape the ethics and standards of the organisation.
- To ensure value for money is achieved in the use of public funds.
- To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialisms.
- To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council’s External Auditor.
- To maintain strong and effective relationships with management.



- To report significant issues to the Audit Committee, in a timely fashion, to enable and support the effective completion of their responsibilities.
- 1.3 The purpose of the Internal Audit Plan is to:
- Provide independent and objective overall assurance to Members and senior management on the effectiveness of the London Borough of Havering's control environment.
  - Identify the key risks facing the London Borough of Havering in the achievement of its objectives and determine the corresponding level of audit resources.
  - Add value and support to senior management in providing effective control and identifying opportunities for improving value for money.
  - Support the Director of Resources in fulfilling obligations as the London Borough of Havering's nominated Section 151 Officer.
  - Deliver an internal audit service that meets the requirements of the Accounts and Audit Regulations.

## **2. Developing the Internal Audit Plan 2014/15**

- 2.1 The methodology used for developing the Annual Internal Audit Plan will be focused on the quantification of the risks associated with the London Borough of Havering's objectives in consultation with key officers. The draft plan has been circulated to Senior Management for comment.
- 2.2 Audit work covering governance will contribute towards our advice and assistance on the preparation of the Annual Governance Statement.
- 2.3 The Annual Internal Audit Plan is indicative and it may be that changes will be made during the year as the risk profile of the London Borough of Havering changes. This will be achieved through on-going review and amendment, in consultation with relevant officers.
- 2.4 The Audit Committee will be kept informed of progress against the Annual Audit Plan and give final approval to any significant changes during the year.
- 2.5 The Audit Plan has been developed to provide maximum assurance using the internal audit resource available. Considering the resources that will be available during 2014/15 and expected utilisation rates the plan needs to be @ 750 days. Due to risk and commitments made to management in developing the previously approved version a larger plan is being submitted for approval and decisions around resource priority will be made during the year in order to maximise the completion of the audit plan.
- 2.6 It should be noted that some audit assurances come from the Corporate Fraud Team who have the skills and expertise to undertake compliance and risk based audit work within the reactive investigations and pro-active audits they conduct. Audit work therefore moves between plans so it is delivered in the most efficient and effective manner. Outputs of the Fraud Teams work are also presented to Committee.

- 2.7 Appendix A attached to this report contains the proposed revised audit plan for 2014/15. Comments are included within the plan to explain the rationale for the changes.

## IMPLICATIONS AND RISKS

### Financial implications and risks:

The costs of both directly employed and externally provided services to carry out the agreed plan will be met from within the 2014/15 budget for the Audit Service. The 915 days of resource available are sufficient to review all the high risk areas identified in the planning process as well as allowing the team to undertake a small percentage of probity type audits.

The risks relating to the audit plan are set out below.

<b>Risk</b>	<b>Mitigation factors</b>
That the plan will not address the key risk areas within the council	<p>The plan has been prepared taking into account the council's risk registers. The auditable areas have been identified and subjected to a risk evaluation to determine if and when they should be reviewed.</p> <p>The plan has been formulated and assessed by the Internal Audit &amp; Corporate Risk Manager using prescribed methodologies, including discussion with Heads of Service.</p> <p>The plan has been circulated to Senior Management for comment and will be reviewed periodically throughout the year with any required changes being reported to Audit Committee. Any changes necessitated by new legislation or changing financial circumstances will be reflected in the plan and advised to the Committee.</p>
That the plan does not provide assurance for the external auditor	<p>The plan ensures that key areas of the financial procedures which feed the financial statements are reviewed annually.</p> <p>There is regular liaison between the internal and external auditors during the year to ensure adequate assurance is provided.</p>
That the plan is not flexible enough to meet the needs of the council during the year	<p>There is a contingency within the year to allow for unforeseen systems based audit work and if necessary decisions may need to be made to replace one audit with another.</p> <p>As the level of fraud investigation work cannot be determined with any certainty the same practice will operate as in previous years in that should there be</p>

	<p>more fraud investigation work than was planned then the pro-active audits would be reduced and if there is not as much as anticipated than further pro-active audits would be undertaken.</p> <p>Should additional work be required above these two factors then resources may be seconded from the systems team or additional funding may need to be identified before work could commence.</p> <p>As indicated, there is a higher risk than normal of changing circumstances for the coming year, and this will therefore need to be managed accordingly.</p>
That there are not sufficient staffing resources both in number and to the required skill level to carry out the work identified	<p>The structure of the team is appropriate to deliver the draft audit plan. Training needs are assessed at least annually via the PDR process.</p> <p>If additional or specialised resources were required to deliver the plan these could be engaged within the allocated budget.</p> <p>Continuous training is provided to ensure that staff have sufficient skills to carry out their duties and deliver the audit plan and strategy.</p>
That there is insufficient understanding and coverage of other risks (not purely operational and strategic)	<p>Involvement with projects systems development and change.</p> <p>Reliability and integrity of management databases and information.</p> <p>Stewardship of financial and non financial assets.</p> <p>Reviews to ensure that the authority complies with new legislation.</p>
Not addressing risks in areas where there control deficiencies and weaknesses have been identified	<p>The audit planning process will review the significant issues on the Annual Governance Statement and ensure that relevant audits are included within the plan.</p> <p>Recommendations to address significant control weaknesses are reviewed in the following financial year to ensure that they have been fully implemented by agreed dates.</p>

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

Under Section 151 of the Local Government Act 1972 the Council is required to make arrangements for the proper administration of its financial affairs. More specific requirements are detailed in the Accounts and Audit (England) Regulations 2011 which state at Regulation 6 that a local authority shall undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practice.

The Recommended actions appear to comply with these general duties

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

None arising directly from this report

**Equalities implications and risks:**

None arising directly from this report

**BACKGROUND PAPERS**

Previously presented and approved 14/15 audit plan.

Service Area - CORPORATE	Audit Area	Comment for change	Budget
ALL	Car Pool Scheme & Staff Car Parking		20
ALL	Pre-paid Cards		15
ALL	Safeguarding	Adult Safeguarding in plan for this year	40
ALL	Use of Volunteers		15
TOTAL			50

Service Area - CULTURE & COMMUNITY & ECONOMIC DEVELOPMENT	Audit Area		Budget
Regulatory Services	(Street Trading) Licencing	To be audited next year due to change in policy	40
Corporate Policy & Community	Carbon Reduction Scheme: Verification of Costs Incurred	Audited and assurance provided by external source	45
Culture & Leisure	Music School	Not sufficiently high risk	45
Culture & Leisure	Youth Services		15
Regeneration	Town Centre Development / Regeneration	Not sufficiently high risk	20
Regulatory Services	Public Protection		20
Streetcare	Waste Contract Management	Reduced scope due to finite resources	20 15
TOTAL			50

Service Area - CHILDREN, ADULTS & HOUSING	Audit Area		Budget
Adult Services	Adult Safeguarding		20
Adult Services	Adult Commissioning		20
Adult Services	Continuing Care	Insufficient Resources to look at all areas	20
Adult Services	Self-Directed Support	In proactive fraud plan	45
Children's Services	Children & Families ACT	Audit will be 14/15 some advice on implementation planned	45 5
Children's Services	Out of Area Placements		15
Homes & Housing	Gas Safety Regulations (Tenants & Leaseholders)		15
Homes & Housing	Service Charges & Service Charge Contributions to Major Work		15
Homes & Housing	Development - Special Purpose Company to Deliver Housing		20
Homes & Housing	Responsive Maintenance		15
Homes & Housing	Housing Capital		15
Homes & Housing	Housing Allocations		15
Homes & Housing	Housing Rents		20
Homes & Housing	Contracts & Procurement		15
Homes & Housing	TMO's		20
Learning & Achievement	SEN - Children and Families Act		15
Learning & Achievement	Pupil Place Planning		15
Learning & Achievement	Planning for Free School Meals for All Reception, Yr 1 & Yr 2 Pupils	Scheduled too late to affect outcome	45

		The schools listed in the prior version of the plan are not all due for audit in 14/15. A small number of schools will be audited and audit resources will be used to assist the teams within Learning and Achievement to gather other audit assurances. There is also planned work around developing additional services to generate income for the Council in future years.	
Learning & Achievement	Schools Audit & Administration		90
Learning & Achievement	Parklands Infant		4
Learning & Achievement	Ardleigh Green Infant		4
Learning & Achievement	Ardleigh Green Junior		4
Learning & Achievement	Brady Primary		4
Learning & Achievement	Brookside Junior		4
Learning & Achievement	Corbets Tey		4
Learning & Achievement	Crowlands Primary		4
Learning & Achievement	Elm Park Primary		4
Learning & Achievement	Hilldene Primary		4
Learning & Achievement	Hylands Primary		4
Learning & Achievement	La Salette RC Primary		4
Learning & Achievement	Nelmes Primary		4
Learning & Achievement	Parklands Junior		4
Learning & Achievement	Rainham Village Primary		4
Learning & Achievement	Seargill Junior		4
Learning & Achievement	Scotts Primary		4
Learning & Achievement	St Josephs RC Primary		4
Learning & Achievement	St Patricks RC Primary		4
Learning & Achievement	St Peters RC Primary		4
Learning & Achievement	St Ursulas RC Primary		4
Learning & Achievement	Suttons Primary		4
Learning & Achievement	The James Oglethorpe Primary		4
Learning & Achievement	The RJ Mitchell Primary		4
Learning & Achievement	Whybridge Infant		4
Learning & Achievement	School Summary Findings		8
Learning & Achievement	St Edwards Primary School		4
<b>TOTAL</b>			<b>334</b>

Service Area - RESOURCES	Audit Area		Budget
HR	Employment Status review	Already audited - follow up work in fraud plan	15
Exchequer	Business Rates / NDR	Moved to Fraud Work Plan	15
Exchequer	Council tax		10
Exchequer	Housing Benefit and Council Tax Support		10
Finance	VAT & Construction Industry Scheme (CIS)		15
Finance	Accounts Payable (Post Pre One Oracle Implementation) Q2		5
Finance	Accounts Receivable (Post Pre One Oracle Implementation) Q2		5
Finance	Payroll (Post Pre One Oracle Implementation) Q2		5

Finance	Pensions (Post One Oracle Implementaion) Q1	Not required	5
Finance	Budgetary Control (Post One Oracle Implementation) Q1	Not required	5
Finance	Main Accounting System (Post Pre One Oracle Implementation) Q2		5
Finance	ISS - post One Oracle High Risk Areas	Added this provision due to go live planned for 14/15	15
Finance	Accounts Payable (Post One Oracle Implementation)		10
Finance	Accounts Receivable (Post One Oracle Implementation)		10
Finance	Payroll (Post One Oracle Implementation)		10
Finance	Pensions (Post One Oracle Implementaion)		10
Finance	Budgetary Control (Post One Oracle Implementation)		10
Finance	Main Accounting System (Post One Oracle Implementation)		10
Finance	Treasury Management		8
Finance	Banks Automated Clearing Service		10
Finance / Procurement	Approved Supplier List & Amendments to Suppliers' Financial Information	Included in ISS audit work	10
HR	Long Term Sickness		10
HR	Immigration, Asylum & Nationality Act	Included in Fraud Plan	15
HR	Workforce Planning	Not sufficiently high risk	20
Legal	Title Deed Register	Not sufficiently high risk	10
Property	Asset Management Strategy	Not sufficiently high risk	15
OneSource	Contingency	Added this provision due to risk and assurances required.	20
<b>TOTAL</b>			<b>170</b>
<b>Service Area - PUBLIC HEALTH</b>			
<b>Audit Area</b>			<b>Budget</b>
Contracts and Compliance			20
<b>TOTAL</b>			<b>20</b>
<b>Service Area - Council Wide</b>			
<b>Audit Area</b>			<b>Budget</b>
Grant Sign Off /Certification			20
Follow Up of Previous Audits with Limited Assurance			20
Follow Up of Previous Audit Recommendations			10
<b>TOTAL</b>			<b>35</b>

COMPUTER AUDIT	Audit Area		Budget
	BACS	The IT plan presented in February was not the one agreed between service and team.	15
	Housing Northgate OHMS System		15
	Online Payments (PARIS) & Payment Card Industry (PCI) Scheme Compliance		15
	Data Handling		20
	Planning Application Management System		20
	Follow Ups		25
	PARIS		15
	End to End Service, Data Centre & Disaster Recovery		15
	Remote Access, Homeworking, BYOD & 3rd Party Access		15
	ID Smart Cards		15
	Compliance with 10 Steps of Cyber Security		10
	Malware		15
	Follow Ups		15
TOTAL			100
OTHER WORK	Audit Area		Budget
	Annual Governance Statement		15
	Contingency - Special Reviews	No resource remains for contingency if new audits are required or requested then decisions around prioritisation of resources will ensure that the most high risk area is audited.	50-0
	Advice to Departments		40 15
	Audit Committee		20 16
	External Audit Liaison		4
	Audit Management - Public Sector Internal Audit Standard		22 10
	Audit Management - oneSource Integration		25
TOTAL			85
OVERALL PLAN TOTAL			844





# AUDIT COMMITTEE

25 June 2014

Subject Heading:	Internal Audit Charter and Terms of Reference
Report Author and contact details:	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 - 433733. E-mail:Vanessa.bateman@onesource.co.uk
Policy context:	For the Committee to approve the revised Internal Audit Charter and Terms of reference.
Financial summary:	N/a

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

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

SUMMARY

This report details the outcome of the annual review of the Internal Audit Charter and Terms of Reference.

RECOMMENDATIONS

1. To approve the updated Internal Audit Charter and Terms of Reference, appendix A.

**REPORT DETAIL**

**Internal Audit Charter and Terms of Reference**

1. The aim of the Internal Audit Charter and Terms of Reference is to formally communicate the role of the Internal Audit Service and how this role should be fulfilled.
2. The review has resulted in only minor changes around reporting lines due to the implementation of oneSource. The updated version is attached as Appendix A of this report.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

None directly arising from this report, however by maintaining an adequate audit service, management are supported in the effective identification and efficient management of risks which may prevent financial losses.

**Legal implications and risks:**

None arising directly from this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report

**BACKGROUND PAPERS**

CIPFA – The Excellent Internal Auditor – A good practice guide to skills and competencies 2011.



# **INTERNAL AUDIT CHARTER & TERMS OF REFERENCE**

Version: May 2014

## **INTERNAL AUDIT CHARTER**

### **1.0 Why do we have Internal Audit?**

- 1.1 The requirement for a local authority to have an internal audit function is implied by s151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. Regulation 6 of The Accounts and Audit Regulations 2011 makes provision for relevant bodies to maintain an adequate and effective internal audit of their accounting records and system of internal control.

### **2.0 Definition**

- 2.1 The London Borough of Havering has adopted the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and its definition of Internal Audit:
- 2.2 *Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.*

### **3.0 Internal Audit Service's Role**

- 3.1 The Internal Audit Service is responsible for conducting an objective and independent appraisal of all the London Borough of Havering's activities, financial and otherwise.
- 3.2 Internal Audit is required to be a continuous service available to all levels of management but its primary responsibility is to give assurance to Members, the Chief Executive, Chief Finance Officer, Assistant Chief Executive and Group Directors on all control arrangements, including risk management and corporate governance.
- 3.3 Internal Audit will consider the adequacy of the control environment necessary to secure: propriety, strategic management, data quality, compliance with laws and regulations and effectiveness of operations in all areas.
- 3.4 The role and responsibilities of Internal Audit are specified in more detail later in this document within the Terms of Reference.

### **4.0 Management's Role**

- 4.1 Internal Audit is not an extension or a substitute for good management although it can advise management on risk and control issues. It is the duty of management to operate adequate systems of internal control and risk management.

- 4.2 It is for management to determine whether or not to accept the audit recommendations and to recognise and accept the risks of not taking action. They must formally respond giving reasons for their decisions.

## **5.0 Key Performance Indicators (KPIs)**

- 5.1 KPIs have been devised to measure the performance of the Internal Audit Service.
- 5.2 KPI 01 – The percentage of the approved audit plan completed, for the period, against target.
- 5.3 KPI 02 - The total number of audit briefs issued, for the period, against target.
- 5.4 KPI 03 - The number of audit reviews completed to draft stage, for the period, against target.
- 5.5 KPI 04 - The number of audit reviews completed to final stage, for the period, against target.
- 5.6 KPI 05 - Management Satisfaction Survey results above average (%).

## **6.0 Skills and Expertise**

- 6.1 The Excellent Internal Auditor (2011 edition) document produced by CIPFA is used in conjunction with the Council's Performance Development Review process to review the skills and expertise of the team.

## **TERMS OF REFERENCE**

### **7.0 RESPONSIBILITIES OF INTERNAL AUDIT**

- 7.1 To provide assurance to elected members and to management that there are arrangements in place for the proper administration of the financial affairs and that generally the system of internal control is adequate and effective in the management of all risks, financial or otherwise, to the organisation.
- 7.2 To alert the Group Director Resources to any significant areas of internal control weaknesses relevant to his s151 role.
- 7.3 To report to Audit Committee regarding results of audit work.
- 7.4 To produce an Annual Report and Head of Internal Audit Opinion.
- 7.5 To deliver a risk based audit plan that ensures the resources available are used to the maximum benefit of the authority.
- 7.6 To work with External Audit, in accordance with the Internal and External Audit Protocol in order to maximise the value obtained from the total audit resource and minimise the overall cost of audit to the authority.

### **8.0 SCOPE**

- 8.1 All London Borough of Havering's activities fall within the remit of the Internal Audit Service.
- 8.2 Internal Audit will not restrict itself to the audit of financial systems and controls but will cover all operational and management controls.
- 8.3 Not all systems will be subject to review each year but they will be included within the overall remit of audit and be subject to the audit needs risk assessment and considered for review as described in the Annual Audit Strategy and Strategic Plan.
- 8.4 As Audit can give an opinion on the whole of the system of control it may include areas as diverse as equality and diversity, sustainability, staff turnover or performance management etc. The role of internal audit is to confirm the effectiveness of systems and controls in meeting objectives. It will not make academic or other judgements.
- 8.5 It is not within Internal Audit's remit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.
- 8.6 The Internal Audit Service may also conduct special reviews and investigations, (i.e. unplanned work) requested by Members, Chief Executive, Assistant Chief Executive and Group Directors and in particular the Group Director Resources; provided such reviews do not compromise its objectivity or independence. The impact on the audit plan must be

assessed by the Internal Audit & Corporate Risk Manager (IA&CRM) and, if necessary, the plan must be reprioritised. Any significant changes must be reported back to the Group Director Resources and Members in the next Audit Committee reporting cycle.

## **9.0 ACCESS**

9.1 Internal Audit has a right of access to all premises, personnel, documents and information they consider necessary for the purpose of their audits as specified in Financial Procedure Rules Section L and to obtain such information and explanations from any employee or member as necessary concerning any matter under review/investigation.

9.2 Internal Auditors also have the power to require any council employee, agent or Member to produce cash, equipment, computers or other Council property under their control. Internal Audit can retain or seize these items in order to protect the Council's interest, or to preserve evidence, if a suspected irregularity has occurred.

## **10.0 OBJECTIVES of the AUDIT SERVICE**

10.1 To understand the whole organisation, its needs and objectives.

10.2 To add value and assist the organisation in achieving its objectives.

10.3 To be forward looking, innovative and challenging.

10.4 To help to shape the ethics and standards of the organisation.

10.5 To support management in maximising Value for Money in the use of public funds.

10.6 To ensure the right resources are available to deliver the audit plan, recognising changes in capacity, experience, qualifications and specialism.

10.7 To share opportunities for joint working and seek to share best practice with auditors and examiners from other authorities and organisations, in particular the Council's External Auditor.

10.8 To maintain strong and effective relationships with management.

10.9 To report significant issues to the Audit Committee, in a timely fashion, to enable and support the effective completion of their responsibilities.

## **11.0 INDEPENDENCE**

11.1 Internal Audit is organisationally independent that is; the Internal Audit Service has no operational responsibilities nor does it have responsibility for the development, implementation or operation of systems. However, it may provide advice on implementation, control and related matters, subject to resource constraints.

- 11.2 Responsibility for internal control rests fully with management who must ensure that appropriate and adequate arrangements exist without reliance on Internal Audit. To preserve the objectivity and impartiality of the auditor's professional judgement, responsibility for implementing audit recommendations rests with management.
- 11.3 Internal Audit will be free from interference in setting objectives, scope and priorities for the Audit Plan (although they must have due regard for the Authority's strategic objectives and corporate and service risk registers and consult with Members and Officers charged with governance) and in reporting and carrying out their duties. There must be no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 11.4 Internal Audit is supported by the organisation and its independence is seen as key to providing the London Borough of Havering with an effective service.
- 11.5 Internal Audit has direct access to the Chief Executive, the Assistant Chief Executive, all Group Directors, Heads of Services, the Leader of the Council and the Chair of the Audit Committee and report in their own name.
- 11.6 The IA&CRM should have sufficient status within the authority to facilitate the effective discussion of audit strategies, plan, results and improvement plans with senior management.
- 11.7 In order to maintain organisational independence, Internal Audit has its own budget and is responsible for providing the Internal Audit service within budget.

## **12.0 REPORTING LINES**

- 12.1 Since the implementation of oneSource in April 2014 the IA&CRM reports to the Director of Finance via the Head of Audit, oneSource on the progress with the audit plan and the performance against KPIs. The IA&CRM has direct access to the Audit Committee to ensure the role of Internal Audit is not unduly influenced by the management structure.
- 12.2 The IA&CRM reports quarterly to the Corporate Management Team, in the month prior to each Audit Committee.
- 12.3 A progress report is submitted to each of the five Audit Committee meetings held annually. Reports will also be submitted annually for approval regarding the Audit Strategy and Plan, Charter and Terms of Reference, Risk Management and Fraud Strategies. On an annual basis the IA&CRM will present their Annual Report and Head of Internal Audit Opinion to the Audit Committee.



### **13.0 INTERNAL AUDIT'S ROLE IN FRAUD AND CONSULTANCY WORK**

#### **Fraud**

- 13.1 As stated in the CIPFA Code, managing the risk of fraud and corruption is the responsibility of management (for example through maintaining internal controls) to prevent and detect fraud. However, fraud issues are an area where Internal Audit is well placed to offer a lead as a service to the organisation. To enable this an anti-fraud and corruption team exists, which has responsibility for:
- Raising fraud awareness across the Council;
  - Carrying out a programme of proactive fraud identification work;
  - Dealing with the National Fraud Initiative and other external anti-fraud contacts;
  - Acting as a source of expert advice to other internal auditors and officers generally; and
  - Leading on any fraud investigations.
- 13.2 Financial Procedure Rules require that all detected instances of fraud and corruption be reported to the Group Director Resources and Internal Audit so that lessons arising from the irregularity can be identified.
- 13.3 Suspicions of fraud or corruption may be reported directly to Internal Audit under the Council's Confidential Reporting (Whistle blowing) policy. In these cases investigations by internal audit will usually be in conjunction with line management but exactly who is informed will depend on the nature of the allegations.
- 13.4 The proactive audits target specific areas of concern to management, where a short focused review, of controls, is sufficient to provide assurance to management. Where issues are highlighted this may result in a full systems review being undertaken or lessons learned being circulated to management.

#### **Consultancy**

- 13.5 Internal Audit can also provide, to the extent that resources permit, an independent and objective consultancy service designed to help line management improve the Council's internal control environment. This can include reviews of specific problem areas, advice and support on new developments and assistance in the preparation of financial training and documentation and strategic policy documents.

### **14.0 Review**

- 14.1 This Terms of Reference will be reviewed annually and presented for approval by the Audit Committee.
- 14.2 The next review is expected to be completed in February 2015.

## 15.0 Key Contacts

Internal Audit & Corporate Risk Manager, oneSource – Vanessa Bateman  
([Vanessa.bateman@onesource.co.uk](mailto:Vanessa.bateman@onesource.co.uk))

Head of Audit, oneSource – Marianne Wood  
([Marianne.wood@onesource.co.uk](mailto:Marianne.wood@onesource.co.uk))

Director of Finance, oneSource – Deborah Hindson  
([Deborah.hindson@onesource.co.uk](mailto:Deborah.hindson@onesource.co.uk))

Group Director Resources for London Borough of Havering – s151 Officer  
– Andrew Blake Herbert ([Andrew.blakeherbert@onesource.co.uk](mailto:Andrew.blakeherbert@onesource.co.uk))



## AUDIT COMMITTEE

25 June 2014

**Subject Heading:**

Training Plan for Audit Committee

**Report Author and contact details:**

Vanessa Bateman  
Internal Audit & Corporate Risk Manager  
Tel: 01708 - 433733.  
E-mail : Vanessa.bateman@haverling.gov.uk  
To agree a training plan for the members of the Audit Committee.

**Policy context:**

**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 outlines a planned approach to training for Audit Committee members in 2014/2015 and the basis on which the training is being provided.

Members and Substitute members can request training at any time and a needs analysis will be completed and used to guide the focus of training.

### RECOMMENDATIONS

1. To comment on the training plan within the report.

2. To approve the training plan, subject to any comments made.
3. To note that there will be an annual review of the training plan.

<b>REPORT DETAIL</b>
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1. Below is an outline of the areas relevant to the Audit Committee's Terms of Reference:
  - Annual Accounts including International Financial Reporting Standards;
  - Treasury Management;
  - The role of the Audit Committee in Local Government;
  - The role of Internal and External Auditors
  - Risk Management and Internal Control;
  - Corporate Governance including the Annual Governance Statement;
  - Internal Fraud and Corruption risks including Bribery Act and Money Laundering;
  - External Fraud risks; and
  - Confidential Reporting (Whistle Blowing).
2. An extract from the constitution regarding training and membership is included below:

**Part 4 – Committee Procedure Rules paragraph 17 Training and continuity of membership of certain committees**

(a) In the interests of business continuity, each Group and Group Leader shall ensure that any Member appointed to a place allocated to that Group on each of the Committees referred to in the following table shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed.

(b) Each Group and Group Leaders shall strive to avoid making changes to their representation on the Committees referred to in the table for as long as possible and shall accordingly seek to ensure that their members remain on the particular committee for the period indicated:

<b>Committee</b>	<b>Period</b>
Adjudication and Review	At least two years
Audit	Full four year term
Licensing	At least two years
Pensions	Full four year term
Regulatory Services	At least two years

(c) For the Audit, Pensions, Regulatory Services and Adjudication and Review Committees, Groups shall nominate members other than those appointed to the respective Committees to be “designated substitutes”, to attend a meeting in the event that an appointed member is unable to do so. “Designated substitutes” shall participate in the same training opportunities as appointed members. Non nominated members may not act as substitutes.

(d) This rule shall operate without prejudice to the ability of the Council and the Adjudication and Review Committee to require changes in membership where to do so is appropriate for other reasons, or to comply with statutory requirements.

3. A skills analysis will be completed by all members and nominated substitutes to identify any specific training needs. Members and substitute members can request at any time a briefing on an agenda item.
4. The most appropriate method of delivery will be selected based on the development or learning need. This is likely to be officer briefings (verbal or written), e learning or training with external specialists. The Committee will also receive ad-hoc briefings from the Internal Audit & Corporate Risk Manager on new topics relevant to the Committees role.
5. Substitute Members will be invited to attend all training and in some circumstances (after year 1) the training may be offered to all Members.
6. The constitution requires that all training be completed within six months of joining the Committee. In the first year all but the Risk training would be completed within six months and to compensate for this a briefing will be sent prior to the September Audit Committee.
7. Regular reports on training will be presented and details will be included in the Annual Report of the Committee.
8. The table below outlines the areas of training required by the Committee Members and the proposed frequency, timing and method of delivery.

<b>Frequency</b>	<b>Contents</b>	<b>Method of Delivery</b>	<b>Timing</b>
Once during term	Role of Audit Committee Role of Internal Audit Role of External Audit	One to one or Group session	On joining Committee
Once during term	Corporate Governance	Group session (Yr 1 & 3)	June
Annual	Accounts and IFRS	Group session or one to one (Yrs 1)  Drop in sessions (Yrs 2,3 & 4)	September
Annual	Treasury	Group session	September
Annual	Fraud & Corruption <ul style="list-style-type: none"><li>• Bribery</li><li>• Money Laundering</li><li>• Whistle blowing</li></ul> Housing Fraud Housing Benefit Fraud	Group session	December
Annual	Risk Management & Internal Control	Group session (Yrs 1&3)  E Learning or off-line briefing (Yrs 2&4)	February

## **IMPLICATIONS AND RISKS**

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

None directly arising from this report, as most training is provided by officers and therefore does not incur a cost other than resources. Where external training is required this will be funded from current budgets. The existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in issues that arise not being addressed. Internal

costs may be incurred should insufficient members or substitute members be available for a meeting as other members are not permitted to substitute and vote the risk of this occurring is increased.

**Legal implications and risks:**

None arising directly from this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report.

<b>BACKGROUND PAPERS</b>
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Audit Committee Forward Plan  
Constitution

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## AUDIT COMMITTEE

25 June 2014

<b>Subject Heading:</b>	Annual Governance Statement
<b>Report Author and contact details:</b>	Vanessa Bateman Internal Audit & Corporate Risk Manager Tel: 01708 - 433733. E-mail: Vanessa.bateman@onesource.co.uk
<b>Policy context:</b>	The draft version of the 2013/14 Annual Governance Statement for comment.
<b>Financial summary:</b>	N/A

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

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

### SUMMARY

This report informs the Committee on the purpose of producing the draft Annual Governance Statement (AGS), the timetable for its production and the main roles and responsibilities of those charged with corporate governance.

The report will also aim to update the Committee on significant issues raised as part of the 2012/13 AGS and the status of these issues and any new arising as part of the 2013/14 AGS.

## **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 one.

## **REPORT DETAIL**

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a 'Delivering Good Governance in Local Government' framework to encourage authorities to review and report on the effectiveness of their own governance arrangements by reference to best practice and the use of self-assessment. This framework advocates that local authorities prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. Key good practice features of an AGS include:
  - The statement has been properly approved;
  - It is easily accessible by authority members;
  - It reflects the vision of the authority;
  - It demonstrates ownership by the authority;
  - It is a key document for showing how the authority is achieving its strategic objectives;
  - It demonstrates challenge;
  - Issues are clearly articulated and it communicates a clear and concise message;
  - It clearly communicates what has been done to resolve significant control issues and what remains to be done;
  - Actions identified are SMART; and
  - It is a 'living' document, i.e. it is not focused exclusively on year end and communicates significant issues which may change from year to year.
2. The Council's constitution delegates the responsibility for approving the AGS to the Audit Committee. The Audit Committee are required as part of their role to consider any Corporate Governance related issues that need to be referred to the Governance Committee for review. There is an Officer Governance Group chaired by the Group Director Resources in place to monitor and review all aspects of corporate governance and drive the AGS process.

3. The Officer Governance Group meets quarterly ensuring that the framework and process to produce the AGS is fully embedded within the governance group's annual timetable and agenda. Due to the election this year the timetable to produce the AGS has been changed to ensure an initial draft was ready for the previous Audit Committee as part of the year end process. The AGS was presented to the April Audit Committee, to ensure that Members of the outgoing Committee were 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. Issues raised as a result of this review by the April Committee have been discussed and considered by the Governance Group and amendments have been made to the draft AGS, a final version of which is being presented to the June 2014 Audit Committee for approval and formal sign off.
4. 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.
5. 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.

<b>BACKGROUND PAPERS</b>
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*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.

\* Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

## **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 provides 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 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 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 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 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 'You're 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 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.

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.

## **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 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><b>1. Information Governance – protection of personal data, data sharing and quality</b></p> <ul style="list-style-type: none"> <li>➤ Information Governance Group in place.</li> <li>➤ Revised guidance and e learning rolled out.</li> <li>➤ Action plan produced and monitored.</li> <li>➤ Meeting the requirements for N3 (to NHS) connection for Social Care.</li> <li>➤ Corporate Risk monitored.</li> <li>➤ CoCo Compliance achieved.</li> <li>➤ Audit work undertaken and recommendations implemented.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Further communications campaign.</li> <li>➤ Focus on risks around partners and suppliers.</li> <li>➤ Voluntary assessment by Information Commissioner.</li> <li>➤ Data Quality checks and Performance Indicators around Information Governance have been implemented and will continued to be reviewed.</li> </ul>	<p>Group Director Resources.</p>

Significant Issue and action already taken	Planned action	CMT Lead
<p><b>2. Austerity – having to maintain services with fewer resources.</b></p> <ul style="list-style-type: none"> <li>➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery.</li> <li>➤ On-going monitoring of savings and new process in place.</li> <li>➤ Increased work on benefits of partnerships and collaborative working.</li> <li>➤ Update to Business Growth Strategy.</li> <li>➤ Medium to Long term financial strategy set out.</li> <li>➤ Supply Chain Risks mitigated via use of construction line.</li> <li>➤ Assessment of potential four year gap undertaken and reported to CMT and Cabinet.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Plan in place to develop new financial strategy for discussion with Cabinet post election.</li> <li>➤ Implementation of oneSource shared service which will deliver quantified savings.</li> <li>➤ Wide range of detailed work underway on new social care legislation and funding arrangements.</li> <li>➤ Audits will continue to focus on higher risk areas.</li> <li>➤ Scheme of Delegation to be subject to closer scrutiny and the effect of the removal of resources considered.</li> <li>➤ Business Continuity plans to include ensuring that key procedures are documented and kept up-to-date.</li> </ul>	<p>Group Director Resources.</p>

Significant Issue and action already taken	Planned action	CMT Lead
<p><b>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.</b></p> <ul style="list-style-type: none"> <li>➤ oneSource Joint Committee established.</li> <li>➤ One Oracle – red risks identified with programme board for resolution.</li> <li>➤ Wider representation on Governance meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased frequency is planned for review of governance framework.</li> <li>➤ Audit and Risk work planned.</li> <li>➤ New management Structure to be embedded.</li> <li>➤ A list of policies and strategies the organisation holds has been created and will be updated and reviewed regularly.</li> <li>➤ To ensure that members induction following a new administration is clear regarding their powers and responsibilities.</li> <li>➤ To ensure that CMT are equipped to manage the potential for ‘change fatigue’ across the organisation with the next round of savings to be made.</li> <li>➤ Managing the impact of new legislation on Social Care and ensuring effective joined up working with the NHS.</li> </ul>	Chief Executive



<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p><b>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.</b></p> <ul style="list-style-type: none"> <li>➤ Awareness of issue and roles and responsibilities raised.</li> <li>➤ Draft corporate policy framework has been produced that attempts to clarify definitions and approval routes.</li> <li>➤ Management Development Programme has commenced.</li> <li>➤ Review of policies.</li> </ul>	<p>Communications from Head of Strategic Human Resources and Organisational Development &amp; 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>	Chief Executive

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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