



Havering
LONDON BOROUGH

AUDIT COMMITTEE

8 April 2014

Subject Heading:

Internal Audit Systems Report Summaries
29.01.2014 to 18.03.2014

Report Author and contact details:

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Policy context:

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

Financial summary:

N/A

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

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

SUMMARY

This report provides the Audit Committee with summaries of internal audit reports issued during the period 29th January 2014 to 18th March 2014. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

RECOMMENDATIONS

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

REPORT DETAIL

1. INTRODUCTION

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

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

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

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

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

2. REPORT SUMMARIES

2.1 LOOKED AFTER CHILDREN - PLACEMENTS

Summary of Audit Findings

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

Audit Opinion

- 2.1.3 Whilst it is recognised that the LAC system is still relatively new, procedures are still being embedded throughout the service and processes continue to evolve, the information stored in the CCM system should enable the Council to demonstrate that it meets its statutory responsibilities for looked after children.
- 2.1.4 Limited Assurance has been given as the audit found limitations in the systems of control were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk. This opinion is based on the accuracy of information held in the CCM system to evidence the requirements arising from the Placement Stability Audit.

Recommendations

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

Medium Priority

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

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

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

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

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

2.2 GRANTS

Summary of Audit Findings

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

Audit Opinion

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

Recommendations

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

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

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

2.3 COMPLIANCE WITH CORPORATE POLICY: FEES & CHARGES

Summary of Audit Findings and Audit Opinion

- 2.3.1 Based on the information gathered during interviews undertaken with Heads of Service and the checking of documentation it is audit’s opinion that:
- The Corporate Charging Policy is nonspecific as to whether services must prepare local policies;
 - Four of the five services have a local charging policy relating to fees and charges;
 - Four of the service areas reviewed could evidence that fees and charges were set in accordance with the Corporate Charging Policy; and
 - Local charging policies are not currently available on the intranet or internet.

Recommendations

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

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

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

2.4 CARBON REDUCTION SCHEME

Background

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

Progress on Implementation

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

Conclusion

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

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

2.5 ACCOUNTS PAYABLE

Summary of Audit Findings

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

Recommendations and Audit Opinion

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

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

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

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None