![Havering London Borough logo]

AUDIT COMMITTEE

25 June 2014

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

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

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

SUMMARY

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

RECOMMENDATIONS

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1. To note the contents of the report.

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

REPORT DETAIL

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

Section 1   Background and Resources

Some information about resources is included for information.

Section 2   Audit Work 29th January 2014 to 31st 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 29th January 2014 to 31st May 2014.

2.1   The status of each audit included in the 2013/14 Internal Audit Plan as at the 31st 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 – 31st May 2014. The reports and level of assurance provided comprise:

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

SCHOOL	ASSURANCE
Benhurst Primary School	Substantial
Towers Junior School	Substantial
Squirrels Heath Infants School	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

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 31/05/14		
				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
			2011/12 Totals	**8**	**38**	**1**	**36**	**11**	**0**
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

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 31/05/14		
				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

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 31/05/14		
				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**

◆ 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 31st 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		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	110	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		