Havering
LONDON BOROUGH

AUDIT COMMITTEE
2 December 2014

Subject Heading:	Internal Audit Progress Report 30th June 2014 to 28th September 2014
Report Author and contact details:	Vanessa Bateman, Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of progress to deliver the approved audit plan in quarter two of 2014/15.
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

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SUMMARY

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This report advises the Committee on the work undertaken by the internal audit team during the period 30th June 2014 to 28th September 2014.

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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 30th June 2014 to 28th September 2014

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

Section 3   Key Performance Indicators

The actual performance against target for key indicators is included.

Section 4   Changes to the Approved Audit Plan

The changes made to the audit plan since the last meeting are detailed and
explained in this section.

Section 5   Outstanding Audit Recommendations

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

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

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, any implications or risks of the planned restructure of the service will be picked up under the change management procedures and identified within the restructure report.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

Appendix A: Risk Based Systems Audit Management Summaries

Section 1: Background and Resources

1.1 Excluding the Internal Audit & Corporate Risk Manager the established structure for the team delivering this work is five full time equivalent posts. The structure of the team is used to determine the number of days in the audit plan. Currently the team has one vacancy as an auditor has been seconded to undertake fraud work. A second member of the team, in post for the period to which this report relates, commenced maternity leave in October 2014.

1.2 The team undertake, risk based systems audits, review grant claims, provide consultancy advice for new and developing systems, provide assurance with regards compliance with policy and procedure, undertake school probity audits and for 2014/15 they are also undertaking financial health checks on schools on behalf of the Head of Learning and Achievement. The schools work generates an income for the team.

1.3 Vacancies within the team are being held as the audit service is currently undergoing an oneSource service review. At the end of September a shortfall of 100 days was estimated to deliver the 2014/15 plan. Due to the restructure there are no plans to address this with agency workers, the shortfall will be closely monitored and other options to reduce the shortfall will be considered and implemented.

1.4 At the end of September the service review was still underway. It is hoped that a restructure forming a shared audit service will be launched in November 2014 and fully implemented by March 2015.

1.5 The table below shows the budgetary information for the systems audit resources within Internal Audit (including 1/3 of Internal Audit & Corporate Risk Manager).

REVENUE BUDGET FOR 2014/15	
Expenditure	
Salaries	£221,676
Other Costs (incl. recharges)	£44,985
Income	(£40,000)
Net cost of team	£226,661

1.6 The forecast outturn for 2014/15 is currently within the allocated budget.

Section 2: Audit Work 30th June 2014 to 28th September 2014.

2.1 At the end of September 12 assignments had been completed and eight were in progress but had not reached final report stage.

2.2 Work was also undertaken to review Public Health expenditure in order to give the chief executive an assurance for the sign off of the Public Health Grant for 2013/2014.

2.3   At the request of the Strategic Procurement Business Partner work was undertaken with regards to the NEPRO Consultants Framework implementation. 'NEPRO' is a 'neutral vendor service' set up by the North East Procurement Organisation designed for Local Government which sources and manages all ranges of suppliers aligned to the provision of interim, specialist professional and consultancy services.

2.4   The table below details the final reports issued in quarter two. Details are listed in the table and management summaries for the 12 system reports are included under Appendix A: Risk Based Systems Audit Report Summaries. There are no schools audit summaries included in this quarters report.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
Systems Audit						
Pre-Paid Cards	Substantial	0	3	0	3	A (1)
Youth Services	Substantial	0	3	1	4	A (2)
Accounts Payable (Pre One Oracle Implementation)	Substantial	0	1	0	1	A (3)
Accounts Receivable (Pre One Oracle Implementation)	Substantial	0	1	0	1	A (4)
Payroll (Pre One Oracle Implementation)	Substantial	0	0	0	0	A (5)
BACS	Limited	1	2	0	3	A (6)
Gas Safety Regulations – Building Services	Substantial	1	4	3	8	A (7)
Gas Safety Regulations – Home Ownership	Limited	3	2	0	5	A (8)
Information Governance Follow Up	Substantial	0	0	0	0	A (9)
Tenancy Management Follow Up	Substantial	0	1	0	1	A (10)
LAC Placements Follow Up	Substantial	0	1	0	1	A (11)
Emergency Assistance Scheme Follow Up	Full	0	0	0	0	A (12)

2.7   Work nearing completion at the end of September includes:
  • Risk Based Systems Audits: Main Accounting;
                              Housing Capital;
                              Housing Allocations;
                              Housing Contracts & Procurement;
                              Housing Rents;
                              Tenancy Management Organisations; &
                              Long Term Sickness.
  • School Audits: Parklands Junior.

Section 3: Key Performance Indicators

3.1   The table below details the profiled targets and the performance to date at the end of September 2014. The total planned number of audits, where there will be a standard approach to deliverables, for 2014/15 is 55.

Performance Indicator	Quarter 2 Target	Quarter 2 Actual
Percentage of Audit Plan Delivered	45	48
Number of Briefs Issued	35	32
Number of Draft Reports Issued	25	24
Number of Final Reports Issued	24	21

3.2   Although the number of reports is currently below target, there are several reviews at the last stage of fieldwork, and the fieldwork on several of the quarter 3 reviews has already commenced.

Section 4: Changes to the Approved 2014/15 Audit Plan

3.1   In June 2014 the Audit Committee approved a revised Annual Audit Plan for the 2014/15 financial year totalling 844 days.

3.2   The table below provides a summary of the audits removed from and added to the 2014/15 approved audit plan and the reason for the change. For some audits the budget is not required or is exceeded, this is closely monitored for performance monitoring purposes.

3.3   The impact on the total days in the plan has been managed by adjusting other budgets for the year. The totalled planned days remain at 844.

Audit Title	Orig. Days	Rev. Days	Directorate	Reason
NEPRO	0	2.50	Corporate	Added to 2014/2015 Audit Plan.
Public Protection	20	12	Culture, Community & Economic Dev.	Scope of work reduced following HoS meeting.
Payments to Contractors (Road & Pavement Defects)	0	15	Culture, Community & Economic Dev.	Added to 2014/2015 Audit Plan.
Public Health: Contracts & Procurement	20	0	Culture, Community & Economic Dev.	Audit cancelled due to Senior Procurement Advisor involvement with Public Health
VAT & CIS	15	10	Resources	Scope of work reduced to CIS at this stage.

Audit Title	Orig. Days	Rev. Days	Directorate	Reason
i-Procurement	0	15	Resources	Added to 2014/2015 Audit Plan.
Special Purpose Company To Deliver Housing	20	0	Children, Adults & Housing	Audit cancelled as Business Case not yet completed.
Out of Area Placements	15	0	Children, Adults & Housing	Audit cancelled as assurances obtained from external review.
Public Health Grant	0	3	Children, Adults & Housing	End of Year sign off required for CE.
Parklands Junior School	4	11.5	Children, Adults & Housing	Additional work identified during audit.
Information Governance - FOI Follow Up	5	2.5	Resources	Follow Up completed under budget.
Tenancy Management Follow Up	5	4	Children, Adults & Housing	Follow Up completed under budget.
LAC Placements Follow Op	5	3	Children, Adults & Housing	Follow Up completed under budget.
Emergency Assist. Scheme Follow Up	5	1	Resources	Follow Up completed under budget.
Contingency	0	5		Balance plan days
Follow Up Contingency	0	2		Balance plan days

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 30/09/14	
				H	**M**	**L**	Complete	In Progress
11/12	Oracle Financials	Internal Shared Services / ICT Services	Limited	0	24	0	23	1◆
11/12	Crematorium - Grave Allocations & Record Keeping	Regulatory Services	Substantial	0	6	0	5	1
11/12	i-Expenses & P Cards	Internal Shared Services	Limited	5	3	1	6	3◆
11/12	Main Accounting	Internal Shared Services	Substantial	0	1	0	0	1◇
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1◇
			2011/12 Totals	**5**	**37**	**1**	**36**	**7**
12/13	Information Governance - Compliance with IG Toolkit	Legal & Democratic Services	Substantial	1	2	0	2	1
12/13	Oracle Financials	Business Systems / Internal Shared Services	Limited	0	11	3	12	2◆
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	6	1
12/13	i-Procurement	Internal Shared Services	Limited	0	2	1	0	3 ◆
12/13	i-Recruitment	Internal Shared Services	Limited	3	2	0	4	1◆
12/13	i-Expenses	Internal Shared Services	Limited	2	1	0	2	1◆
12/13	Transport	Asset Management	Substantial	1	4	2	5	2
12/13	Debt Management	Exchequer Services	Substantial	0	1	0	0	1
12/13	Accounts Payable	Group Director – Resources & Governance Group	Substantial	0	1	0	0	1◆
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	1◆

4.5 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 30/09/14	
				H	**M**	**L**	Complete	In Progress
12/13	Accounts Receivable	Group Director – Resources & Governance Group	Substantial	0	2	1	2	1◆
			2012/13 Totals	**7**	**34**	**7**	**33**	**15**
13/14	Mayrise	Streetcare	Limited	5	9	0	13	1
13/14	Tenancy Management	Housing & Public Protection	Limited	0	14	0	7	7
13/14	Fees and Charges	Various	Limited	1	1	1	2	1
13/14	JCAD LACHS	Finance & Procurement	Substantial	10	12	0	-	-
13/14	Grants	Corporate	Substantial	0	2	0	1	1
13/14	Compliance with Corporate Policy: Fees and Charges	Corporate	N/A	0	2	0	0	2
13/14	Compliance with Corporate Policy - Sickness Absence	Corporate	Limited	1	3	0	2	2
13/14	LAC Placements	Children's Services	Limited	0	7	0	6	1
			2013/14 Totals	**17**	**50**	**1**	**31**	**15**
			Totals	**29**	**121**	**9**	**100**	**37**

◆ Implementation of these recommendations is dependent on the implementation of the One Oracle system. The One Oracle system went live in August 2014/2015. These are therefore scheduled to be picked up at the end of Quarter 3 of 2014/2015.
◇ Implementation of recommendations is dependent on outcomes of oneSource.