APPENDIX A: RISK BASED SYSTEMS AUDIT REPORT SUMMARIES

Pre-Paid Cards	Schedule A (1)

1.1   Introduction

1.1.1   The audit of prepaid cards was included in the 2013/14 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

1.1.2   Prepaid cards are cards loaded with a pre agreed amount. The cards enable local purchasing and offer a number of benefits to the Council. Prepaid cards are a secure and cost-effective alternative to traditional paper-based payment systems and eliminate many of the time-consuming processes associated with administering and processing cash, cheques and vouchers.

1.1.3   A decision was made to replace petty cash accounts with pre-paid cards. This was agreed by CMT in December 2011. Following the process to procure a provider the rollout of prepaid cards and closure of petty cash imprests was started in March 2013. As at 11th April 2014, all petty cash accounts had been closed across the council.

1.1.4   The system used for the prepaid cards is Prepaid Financial Services. Data can be extracted from this system relating to all cards that are in issue.

1.1.5   As at 14th April 2014 there were 420 prepaid cards issued to various staff across the council. The funds available to all cards are split into three wallets. These are: Catering, Leaving Care and Corporate.

1.1.6   A wallet is a holding account that holds the money requested by card users. Only funds requested are transferred to the wallet and only users with access to the system have access to transfer money from the wallet to individual cards.

1.2   Objectives and Scope

1.2.1   The objective of the audit is to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control in operation for prepaid cards. Assurance will also be provided on Directorates and Services compliance with corporate policies and procedures.

1.2.2   The system of internal control operates to:
- Policies and procedures are being adhered to by card holders and managers;
- Use of the prepaid cards benefits the services that the Council provides; and
- Management Information is available, fit for purpose and regularly reviewed.

1.2.3   The audit examined the internal control environment applied to mitigate the following potential key risks:
- Non-compliance with policies and procedures;

- Inappropriate use of the card for purchases that do not support the Council functions;
- Lack of effective audit trail;
- Incomplete, inaccurate or missing reconciliations;
- Financial implications of administering prepaid cards is not considered or monitored;
- Lack of information availability to view or extract information from Prepaid Financial Services; and
- Use of each card is not monitored by the card holder or manager.

1.3 Summary of Audit Findings

1.3.1 Corporate guidance and documented operational procedures have not been produced to support the process.

1.3.2 Instances of Services withdrawing cash from cards to be used as petty cash accounts were identified.

1.3.3 Over a third of the cards that have been issued have currently not been activated.

1.3.4 Multiple staff across various service areas has access to the corporate wallet.

1.4 Audit Opinion

1.4.1 Substantial Assurance has been given on the system of internal control.

1.4.2 The audit makes three medium priority recommendations that aim to mitigate the risks within the above audit findings:
- Prepaid card policy to be written and adopted that accurately reflects the current processes and expectations relating to corporate monitoring officers and prepaid card users;
- Services operating a petty cash account should be contacted regarding the expected use of the prepaid cards; and
- Access to wallets to be reviewed and amended in line with current ways of working.

2.1   Introduction

2.1.1   Section 507B of the Education Act 2006 gives local authorities a duty to secure, as far as is practicable, services and activities for young people. This duty was retained in the government's 'Positive for Youth' policy issued in 2011 which aims to improve the lives of young people, ensure they have a voice and improve the prospects of them succeeding in their adult lives.

2.1.2   LB Havering's 'Creating Brighter Futures' vision for the future delivery of services for young people in Havering was agreed by Cabinet in July 2012. 'Creating Brighter Futures' demonstrates how LB Havering will comply with its statutory responsibilities for young people.

2.1.3   The vision of 'Creating Brighter Futures' is to ensure that all young people in Havering have access to relevant activities and opportunities, to assist in the development of their abilities and to help them make a successful transition from childhood to adulthood and develop the assets that will enable them to become successful, social and safe.

2.1.4   The work of the Youth Facilitation Team is to support 'Creating Brighter Futures'.   The Youth Facilitation Team operates the Robert Beard Youth and Community Centre and has a staff presence at MyPlace. These centres offer a range of services and information to young people in the community.

2.1.5   The Youth Facilitation Team became part of the Culture, Community and Economic Development directorate in 2013/14 following a move from the Children, Adults and Housing directorate.

2.1.6   The Youth Facilitation Service budget for 2014/15 is £1.025m. This budget is split across four geographical areas within the borough (Romford, Harold Hill, Rainham and Collier Row).

2.2   Objectives and Scope

2.2.1   The audit of Youth Service was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effective of the system of internal control in operation

2.2.2   Following a restructure of the Youth Service a meeting was held with the Head of Service where it was decided to focus the audit on the Youth Facilitation Service to ensure that corporate policies and procedures were being adhered to.

2.2.3   Within the Youth Facilitation Teams, the system of internal control operates to ensure:
- Legal requirements and local procedures are followed; and
- Youth Centre's are administered with financial awareness.

2.2.4 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Incomplete collection and banking of income;
- Poor site security results in loss of cash or valuables, or damage to property;
- Purchasing provides poor value of money;
- Incorrect use of prepaid cards;
- Noncompliance with authorities HR and Payroll procedures;
- Inadequate safeguarding arrangements; and
- Insufficient management information to evidence compliance with statutory duties.

2.3 Summary of Audit Findings

2.3.1 Records of expected income are not being maintained due to all cash being collected and banked by centre staff. Income is transferred to the Youth Facilitation service via an internal transfer. It has therefore not been possible for reconciliations between income expected and received (via internal transfer) to be carried out (MyPlace).

2.3.2 The centre holds a large amount of equipment and instruments. A large amount of this equipment has had to be stored at the centre after other locations were closed. There is no up to date inventory that includes details for all equipment currently within the centre (Robert Beard).

2.3.3 Youth Facilitation uses multiple areas within MyPlace as locations for youth service sessions. Equipment used as part of each session is owned by either the Youth Facilitation service or MyPlace. There are currently no agreements in place over the maintenance, repair or replacement of items of equipment being used within MyPlace.

2.3.4 Staff training is monitored by individual manager through supervision, however there is no central record kept of staff training that would allow managers to ensure all training is up to date or to highlight training needs across the service as a whole.

2.3.5 Recommendations made in the Century Youth House Club reactive fraud report were followed up as part of this audit. It was found that all 11 of the recommendations raised had been implemented at the time of this audit.

2.4 Audit Opinion

2.4.1 Substantial Assurance has been given on the system of internal control.

2.4.2 The audit makes three medium and one low priority recommendation that aim to mitigate the risk within the above audit findings:
- MyPlace - Reconciliations to be carried out between expected income and received income (via internal transfer). This can be calculated using the attendance at sessions as a basis for the level of income expected *(Medium).*
- Robert Beard - An inventory to be created of all portable/ desirable equipment within the Centre, as well as any equipment over £250. The

inventory should include make, model, serial number and location at the time of the check. This should then be monitored and checked annually (*Medium*).

- MyPlace - An agreement to be made between the Youth Service and MyPlace regarding the use of equipment. This should include the equipment that can be used and clearly define who is responsible for the general upkeep and the possible repair of damaged equipment *(Medium)*.
- Consideration to be given to collating all staff training information to highlight areas of training needs across the service and for ease of monitoring renewal dates for all staff *(Low)*.

3.1 Introduction

3.1.1 The Accounts Payable function became part of Internal Shared Services in 2011. Accounts Payable is now due to be included in launch of One Oracle and will be one of the services included within One Source.

3.1.2 One Oracle was originally due to go live in October 2013 but had been delayed until August 2014. This has affected some of the processes currently in place within the Accounts Payable system.

3.1.3 Accounts Payable was last audited in March 2014 and resulted in substantial assurance being given. The audit found that that whilst the system of control was adequate, potential limitations were identified that may put system objectives at risk.

3.2 Objectives and Scope

3.2.1 The audit of Accounts Payable, pre One Oracle going live, was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control.

3.2.2 The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisation's policies and procedures;
- Ensure that the scheme is administered in an effective manner and that payments are accurate and timely;
- Reduce risk, including the risk of fraud; and
- Produce accurate, relevant and timely management information.

3.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Non-compliance with legislation and HMRC;
- Duplicate payments occur through manual or system error;
- Information entered onto the system does not match the invoice details;
- Payments do not meet suppliers payment terms or the requirements of the EU Directive 2011/7/EU on combating late payment in commercial transactions;
- Creditor details held on the system are incorrect or unauthorised, amendments to creditor information are made;
- The system does not support the production of suitable management information;
- Management information is not being utilised to monitor achievement of the service objectives and drive key decisions;
- Mechanisms and indicators to allow performance to be measured and monitored have not been established, poor performance/ declines in performance are not detected; and
- Data is not protected from loss, corruption or unauthorised disclosure.

3.3   Summary of Audit Findings

3.3.1   All staff are required to have completed Data Protection training via the e-learning portal. It was found during the audit that not all staff within the Accounts Payable team have completed this training.

3.3.2   One Oracle does not currently hold the function for managers to get automatic notifications when supplier's bank details are changed. Manual controls have been put in place to mitigate the risk. This involves running a daily report of all changed within the system and manually checking each supplier bank change is adequate. Previous controls within Oracle 12 would send manager notifications when supplier details were changed.

3.3.3   Monitoring to identify duplicate payments continues to be 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.

3.4   Audit Opinion

3.4.1   Substantial Assurance has been given on the system of internal control.

3.4.2   The audit makes one medium priority recommendation that aims to mitigate the risks within the audit findings:
- All staff who have not yet completed Data Protection Training to undertake the online training course.

4.1 Introduction

4.1.1 The Accounts Receivable function became part of Internal Shared Services in 2011. Accounts Receivable is now due to be included in launch of One Oracle and will be one of the services included within One Source.

4.1.2 One Oracle was originally due to go live in October 2013 but has been delayed until August 2014. This has affected some of the processed currently in place within the Accounts Receivable system.

4.1.3 Accounts Receivable was last audited in March 2013 and resulted in substantial assurance being given. The audit found that whilst the system of control was adequate, potential limitations were identified that may put system objectives at risk.

4.2 Objectives and Scope

4.2.1 The audit of the Accounts Receivable was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effective of the system of internal control.

4.2.2 The audit was undertaken to provide assurance on the effectiveness of the system of internal control operating over the Accounts Payable. The system of internal control operates to:
- Ensure compliance with relevant legislation, best practice and the organisation's policies and procedures;
- Ensure that the scheme is administered in an effective manner and   that payments are accurate and timely;
- Reduce risk, including the risk of fraud; and
- Produce accurate, relevant and timely management information.

4.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Noncompliance with legislation;
- Noncompliance with Data Protection Act;
- Inaccurate invoicing results in loss of income and charges being challenged by debtors;
- Lack of remittance information results in mis-posting of income;
- Invoices aren't raised in a timely manner;
- Income collection is untimely and/ or inadequate;
- Invoices are incorrectly amended;
- Debts are inappropriately written off;
- The system does not support the production of suitable management information;
- Management information is not being utilised to monitor achievement of the service objectives and drive key decisions;

- Mechanisms and indicators to allow performance to be measured and monitored have not been established, poor performance/ declines in performance are not detected; and
- Data is not protected from loss, corruption or unauthorised disclosure.

4.3 Summary of Audit Findings

4.3.1 All staff are required to have completed Data Protection training via the e-learning portal. It was found during the audit that not all staff within the Accounts Payable team have completed this training.

4.3.2 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.

4.3.3 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.

4.4 Audit Opinion

4.4.1 Substantial Assurance has been given on the system of internal control.

4.4.2 The audit makes one medium priority recommendation which aims to mitigate the risks highlighted during the audit:
- All staff who have not yet completed Data Protection Training to undertake the online training course.

5.1 Introduction

5.1.1 The Payroll function became part of Internal Shared Services (ISS) in 2011. Payroll was included in the launch of One Oracle on 4th August 2014 is also one of the services included within oneSource.

5.1.2 The 2014/15 Internal Audit plan includes two reviews of the payroll system. This first review was requested by the Council's external auditors – PwC in order to provide assurance for the system for the first four months of the year, prior to the move to One Oracle.

5.1.3 The 2013/14 internal audit report of Payroll gave the service substantial assurance with no recommendations raised. There remains one outstanding recommendation from the 2012/13 audit which is part of a wider governance issue.

5.2 Objectives and Scope

5.2.1 The aim of this review was to determine whether the key controls identified in the 2013/14 payroll audit had continued to operate as expected during the period from 1st April – 3rd August 2014, prior to the implementation of One Oracle.

5.2.2 Testing was carried out on a sample of ten starters, ten leavers and ten other amendments to payroll including honoraria's, secondments and maternity leave. The sample was selected from reports run covering the population from 1st April – 3rd August 2014.

5.3 Summary of Audit Findings

5.3.1 Discussions with management and a system walkthrough confirmed that Payroll has been operating using the same procedures as have been documented in the 2013/14 audit.

5.3.2 Testing of the samples detailed in 2.2 found no issues arising. Instances of missing documentation on Civica were resolved with Payroll and were either due to a small backlog in scanning (where samples were selected from a relatively recent period) or because the process does not require documentation to be scanned immediately (such as in the example of MATB1 forms when the individual is still on maternity leave). The required documents and / or explanations were provided for each of the instances where documentation was not immediately accessible, or located by the auditor, on the Civica system.

5.3.3 It is recognised that there may be some changes to payroll processes with the implementation of One Oracle, however, this will need some time to embed and decisions taken with regard changes to procedures will be made at a later date. It is anticipated that this will be considered as part of the annual internal audit of Payroll scheduled to take place in quarter four of 2014/15.

5.3.4 Analysis of the capture of data and measurement against agreed KPIs could not be carried out during the period reviewed for this audit as this had been stopped while the implementation of One Oracle was carried out. As it is expected that this will resume now that One Oracle is live this aspect will be covered in more detail in the annual internal audit of Payroll.

5.3.5 The Internal Shared Services (ISS) audit review undertaken in October 2011 and again in March 2012 highlighted some concerns over the lack of a division of duties between HR and Payroll for education payroll. This established that due to the hierarchies set in the system both HR and Payroll staff are able to carry out the same duties and may increase the risk of fraud. Because of the difficulties in amending the hierarchy access additional manual controls have been implemented to ensure that there are checks in place to detect fraud. While this cannot replace a preventative control that a separation of duties via system hierarchy would provide, steps have been taken to try to mitigate the risk of fraud.

5.3.6 Issues surrounding incomplete payroll reconciliations have been raised again this year by External Audit and noted in the Audit Committee papers. This is an issue previously raised by both External and Internal Audit as well as in the ISA 260.

5.4   Audit Opinion

5.4.1 Substantial Assurance has been given on the system of internal control.

5.4.2 The audit makes no recommendations based on the system of internal control in place during the period covered as part of this audit review.

6.1 Introduction

6.1.1 Bankers Automated Clearing Services, more commonly known as BACS is a method for electronically transferring financial transactions directly into the bank or building society.

6.1.2 Use of BACS as a method for making payments is often preferable as it provides the organisation with a simple and secure method of processing payments and ensures efficiency and reliability.

6.1.3 In 2013/14 52,546 BACS payments were processed totalling £389,150,194.60 compared to 3,521 cheques, including manual cheques, totalling £24,605,626.10.

6.2 Objectives and Scope

6.2.1 The audit of BACS was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

6.2.2 The audit was undertaken to provide assurance on the effectiveness of the system of internal control operating over the processing of BACS payments. The system of internal control operates to:
- Ensure compliance with best practice, the organisations Financial Framework and Financial procedure rules;
- Ensure that payments are administered in an effective manner and that payments are accurate and timely; and
- Reduce risk, including the risk of fraud.

6.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- BACS processing does not adhere to best practice, the Financial Framework and the Financial Procedure Rules;
- Payments are incorrect;
- Payments are not processed / processed in a timely manner;
- Duplicate payments are processed; and
- Unauthorised payments are processed.

6.3 Summary of Audit Findings

6.3.1 The administration of the BACS process is the responsibility of a small number of individuals within multiple departments. Departments produce the payment files which are submitted to Business Systems for transmission to the bank. The segregation of duties that the process provides allows files to be reconciled as they pass from one department to another and back again.

6.3.2 Demand on departments, such as Payroll and Business Systems will grow as the Council continues to trade services to other organisations.

6.3.3 The audit has found that the on-going provision of this process has become increasingly reliant on the knowledge and experience of a small number of staff within each service area. In some cases, only two people are involved in the process. Whilst assurances have been given that in these areas arrangements are in place to ensure continued provision of the service; i.e. members of staff not taking annual leave at the same time, there are no safeguards against unplanned absences. Ultimately, identifying that there aren't sufficient members of staff around to process BACS files, would be reliant on a member of staff highlighting the issue.

6.3.4 Payment files are created in ASCII or Txt format which allows the BACS software to extract the individual payments contained within the file. This format also allows data contained within the report to be amended. Whilst the lack of preventative controls is a concern, discussions have highlighted that there are occasions when Business Systems need to access files to amend reference numbers. Reference numbers are created based on the respective code for the source department and the date. Multiple files from the same department on the same day would create duplicate references which cannot be transmitted; therefore Business Systems must access the file and change the references in order to transmit the files successfully.

6.3.5 Any changes to the number or value of transactions would be clearly visible and should be picked up through the various reconciliations. If however the account number and sort code were to be changed, this would not be easily identifiable. The Council is solely reliant on the payee notifying the Council that the payment had not been received. Being dependent on payees to notify the Council is not a sound detective control as reliance cannot be placed on the capacity or financial understanding of all payees. However, once the council is aware of the missing payment controls are in place that would allow the person responsible and the amended account to be identified. The likelihood of this risk materialising is minimal given the limited number of people in Business Systems involved in the BACS process. However, the audit has also highlighted the need for additional resources to be made available to ensure continued service provision. The Council must be mindful that the potential consequence of this weakness is significant.

6.3.6 A review of those with access to the BACS website found that there are two types of access. The first is "main users" who have access to transmit files. The members of staff with access to this function match those members of staff from Business Systems that are permitted to transmit files. The second type of access allows reports to be run. There are also nine individuals that have access to BACS Submission Report. Of these nine, three have left the Council. As BACS is an external website and therefore password changes can be made from any internet connect device, leavers will retain access to confidential payment information even if all Council system access is removed.

6.4 Audit Opinion

6.4.1 Whilst there are adequate controls within the BACS process, the lack of business continuity arrangements in place is sufficient to put the system objectives at risk. Therefore only Limited Assurance can be placed on system of internal control.

6.4.2 The audit makes one high and two 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:

- The need for consultation of existing arrangements between key stakeholders *(High)*;
- The need to remove access for those individuals identified as leavers *(Medium)*; and
- The need for periodic reviews of those with access to BACS reporting *(Medium)*.

| **Gas Safety Regulations – Building Services** | **Schedule A (7)** |

7.1 Introduction

7.1.1 The Gas Safety (Installation and Use) Regulations 1998 control the installation and use of gas and place duties on landlords of properties to which a gas supply is available. The regulations aim to prevent injury to tenants from carbon monoxide (CO) poisoning and fire and explosion. Landlords have duties to ensure that the gas appliances and flues they provide for tenants' use are maintained in a safe condition at all times and checked for safety each year by a Gas Safe Registered Gas installer, and a copy of the check record is provided to the tenant.

7.1.2 The Regulations and their guidance are intended to make sure that landlords take all reasonable steps to undertake full safety checks of the appliances for which they have responsibility.

7.1.3 At the start of the review there were 9,958 council owned properties on the programme and 349 void properties and 2,315 leaseholder properties.

7.1.4 The contracts, to undertake gas inspections at council owned properties, are with S and F Services Limited, south of the borough, and Quality Heating Services, north of the borough commenced June 2012 for a duration of 5 years, with the option to extend for a further 2 years.

7.1.5 Leaseholders of council housing properties have to arrange their own gas inspections but are required to provide the Council with annual gas safety certificates proving that the gas installations and appliances within their properties have been inspected and certified as safe. A review of the leaseholder gas safety process has been undertaken as part of this audit but reported on separately.

7.2 Objectives and Scope

7.2.1 The audit of Gas Safety regulations is included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

7.2.2 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding:
- Compliance with Gas Safety Regulations (Installation and Use); and
- The arrangements in place for contract monitoring.

7.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Arrangements implemented do not meet and evidence compliance with regulatory requirements;
- Non-compliance, poor quality work or inaccurate reporting by the contractors;
- The service is disrupted or ceases due to failure of the contractor; and
- Overpayments on contract values occur or value for money not achieved.

7.3   Summary of Audit Findings

7.3.1   A Homes in Havering Landlords Gas Safety Policy dated 8th November 2011 approved by Kevin Hazelwood, Property Services Manager is in existence, which states it should have been reviewed in November 2012. However, the policy has not been reviewed to take into account any changes in legislation or working practices or that Homes in Havering have been brought back into the council.

7.3.2   The council's gas policy should be available for members of the public. The gas policy could not be located on the council's internet although the Housing pages do inform tenants of the requirements that properties do have to be inspected on a yearly basis.

7.3.3   Processes / procedures should be documented to ensure that staff and contractors are aware of the requirement to have gas services and appliances inspected on a yearly basis and the process to follow. A Building Services Team Procedures document is in existence and is annotated as having the next full revision of April 2014. These procedures have yet to be reviewed.

7.3.4   Currently Building Services are reliant on the data held by the contractors and that their databases are correct. However, the Asset Management Officer is obtaining the property lists off the two contractors and this will be compared to Housing Services records. Data will then be loaded onto property services Keystone Asset Management System. Inspections / servicing will then be controlled from this system.

7.3.5   The contract doesn't specify what the contractor should do in the event of finding a property that is over occupied or in an uninhabitable state of repair or if they suspect a vulnerable person is subject to neglect or abuse. Therefore the contractor will be unaware of the procedures to follow in these circumstances.

7.3.6   The Building Services Team Procedures state that tenants are advised of an up and coming gas inspection 8 weeks in advance of the gas certificate expiring whereas the Course of Action documents states 10 weeks - This may cause some confusion depending on what document is referred to.

7.3.7   The auditor was informed that currently the final stage of enforcement; actually obtaining an injunction to allow forced access to the property action; is causing considerable delay. Building Services managers are therefore currently in dialogue with the Legal Manager (Litigation) to ascertain if they can obtain access using the Environmental Protection Act (EPA) as used by the London Borough of Newham.

7.3.8   To ensure that contracts are monitored in accordance with the Councils contract monitoring procedures it is recommended that all contract monitoring officers receive training. The Building Services Engineer is aware of the Councils Contract Monitoring procedures but has not received any training.

7.3.9   Both contractors have their own Quality Assessment Surveyors who undertake a sample of post inspections. Currently results of these post inspections are

not requested / reviewed by Building Services. However, it is planned to request them in the future.

7.3.10 Prior to the audit no post inspections were undertaken by Property Services; However Building Services Surveyors were appointed for each contract, and spot checks will be undertaken on completed work and work in progress inspections.

7.3.11 The use of Public Satisfaction Surveys would inform management of the tenants' satisfaction regarding the gas inspection process undertaken by the contractors. Public Satisfaction surveys are not used for gas safety / servicing.

7.3.12 A Loss of Contractor / Partner (Service) Mechanical Services Business Continuity Plan dated January 2012 is maintained but refers to 'supply an emergency in hours and out of hours for the repair of central heating breakdown' but not for the undertaking of the annual gas safety inspections. The responsible officers stated on the plan were no longer in the relevant post.

7.3.13 Checks on the contractors business continuity plans should be undertaken during the period of the contract to ensure they are up to date and show that they have prepared for minimising and recovering from the interruption to the service and provide the steps required to ensure an organised and effective return to 'business as usual'. No checks have been undertaken during the period of the contract.

7.3.14 To ensure that the contractors are not facing financial difficulty financial stability checks were undertaken as part of the tender process but have not been during the period of the contract. This was brought to the attention of the Building Services Manager during the audit who then instigated new financial stability checks.

7.4   **Audit Opinion**

7.24.1 A Substantial Assurance has been given on the system of internal control.

7.4.2 The audit makes one high, four medium and three low priority recommendations that aim to mitigate the risks within the above audit findings.

7.4.3 Recommendations relate to:
- The Landlords Gas Safety Policy to be reviewed, updated and approved by *(Medium)*;
- The updated Landlords Gas Safety Policy to be included on the Councils / Homes and Housing internet page *(Low)*;
- The Building Services Team Procedures to be reviewed and updated *(Medium)*;
- Procedures to be documented so that contractors know what processes to follow in the event of them finding a property that is over occupied or in an uninhabitable state of repair or if they suspect a vulnerable person is subject to neglect or abuse *(High)*;
- The Building Services Engineer undertakes Contract Monitoring Training *(Low)*;

- Public Satisfaction Surveys to be implemented to monitor tenants' satisfaction regarding the gas safety inspection process *(Low)*;
- The Loss of Contractor / Partner (service) Mechanical Services Business Continuity Plan to be updated to include the undertaking of the annual gas safety inspections and the removal of responsible officers no longer in the relevant post *(Medium)*; and
- Checks on the Business Continuity Plans for the two contractors to be undertaken to ensure they are up to date *(Medium)*.

| **Gas Safety Regulations – Home Ownership** | **Schedule A (8)** |

8.1 Introduction

8.1.1 The Gas Safety (Installation and Use) Regulations 1998 control the installation and use of gas and place duties on landlords of properties to which a gas supply is available. The regulations aim to prevent injury to tenants from carbon monoxide (CO) poisoning and fire and explosion. Landlords have duties to ensure that the gas appliances and flues they provide for tenants' use are maintained in a safe condition at all times and checked for safety each year by a Gas Safe Registered Gas installer.

8.1.2 Whilst there has been this requirement that all tenanted council housing properties have an annual gas safety inspection there was no corresponding requirement for leaseholders. An executive decision was therefore made in November 2012 that leaseholders of council housing properties would be required to provide an annual gas safety certificate and this requirement would be added to their existing leases.

8.1.3 Leaseholders of council housing properties have to arrange their own gas inspections proving that the gas installations and appliances within their properties have been inspected and certified as safe.

8.1.4 At the start of the review there were 2,315 leaseholder properties.

8.1.5 A review has been undertaken to ensure that the council is compliant with the regulations and council requirements. This audit report is in respect of the control environment within Home Ownership with regards to leaseholder gas safety.

8.2 Objectives and Scope

8.2.1 The audit of Gas Safety regulations is included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

8.2.2 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding compliance with the Gas Safety Regulations (Installation and Use).

8.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Arrangements implemented do not meet and evidence compliance with regulatory and council requirements.

8.3 Summary of Audit Findings

8.3.1 On initial testing eight out of 40 gas safety certificates were not located on the computer file. A further two were located during the audit and four were to be retrieved from Iron Mountain. The remaining two could not be located at the time of the audit.

8.3.2 Leaseholders have only been enforced to have a gas safety check since June 2013. Currently there are no set escalation procedures documented that staff follow although letters have been sent out to chase.

8.3.3 The deadline for the receipt of all gas safety certificates was July 2014. At the end of July 2014, 1,194 gas certificates out of a possible 2,321 had been received with 1,092 still to be chased.

8.3.4 Homeownership do not have anyone that is technically qualified to inspect gas safety certificates, therefore originally any gas safety certificates that looked suspect were forwarded to Building Services for checking. However, due to workload Building Services are no longer able to provide this service.

8.3.5 A check of 70 properties that Home Ownership had recorded as being leased to PHS found that four had been handed back to the leaseholder without Home Ownership being notified. Discussions found that there are no procedures in place to ensure Home Ownership are not notified of leasehold properties leased back to the Council or of properties that have reverted back to the 'control' of leaseholders.

8.4 **Audit Opinion**

8.4.1 A Limited Assurance has been given on the system of internal control.

8.4.2 The audit makes three high and two medium priority recommendations that aim to mitigate the risks within the above audit findings.

8.4.3 Recommendations relate to:
- The two missing certificates to be locate and copies of all Gas Safety Certificates to be retained on file. Random spot checks should then be undertaken to ensure that certificates are retained on file *(Medium)*;
- Procedures to be documented that show the processes to follow when a gas certificate is coming up to its expiry date or if a leaseholder has not had a gas safety check *(High)*;
- Urgent action to be undertaken to ensure that gas safety inspections have been undertaken for the outstanding 1,092 leaseholders *(High)*;
- Management to implement a check of gas safety certificates to ensure they are being completed correctly *(Medium)*; and
- Procedures to be set up with PHS to ensure that Home Ownership are notified of all Leasehold properties that have been leased to the Council and then taken / given back to the leaseholders. The procedures should include an annual reconciliation process *(High)*.

| **Information Governance Follow Up** | **Schedule A (9)** |

9.1 Background

9.1.1 The Freedom of Information (FOI) Act 2000 came into force in January 2005. Introduction of the legislation allowed the public the right to access various types of recorded information held by public authorities.

9.1.2 The 2013/14 Internal Audit Plan included a review of FOI. The purpose of the review was to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

9.1.3 Limitations in the system of control were identified that may put the system objectives at risk and resulted in limited assurance being given. In order to strengthen the control environment four high and one medium priority recommendations were raised. All recommendations were accepted by management and were due to be implemented by the end of June 2014.

9.1.4 A change in management of the service occurred in January 2014, after the original audit reported on the weaknesses within the control environment. The new management team has been driving significant changes within the service.

9.2 Progress on Implementation

9.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. The follow up found that all recommendations have now been implemented.

9.2.2 Appendix A of this report sets out the detailed findings against each recommendation that have been summarised in this section.

9.3 Conclusion

9.3.1 Extensive work has now been undertaken to embed new processes across the organisation in relation to the FOI process. Whilst it is accepted that these processes will need to be closely monitored and adapted to ensure that they deliver as expected, the foundations for a more robust process and increased performance reporting have now been implemented. On the basis of the work already completed and after discussions regarding further work planned, a substantial assurance opinion is now being given.

10.1 Background

10.1.1 The 2013/14 Internal Audit Plan included a review of Tenancy Management. The audit found that only a limited assurance level could be provided as a result of the findings and so a follow up audit was scheduled into the 2014/15 audit plan. The purpose of this review was to provide the Authority's management and the Audit Committee with assurance the recommendations raised from the original Tenancy Management audit had been implemented or to provide a progress update for any that remain outstanding.

10.1.2 Limitations in the system of control were identified in the original audit that may put the system objectives at risk. In order to strengthen the control environment fourteen medium priority recommendations were raised. All recommendations were accepted by management and were due to be implemented by the end of March 2014.

10.2 Progress on Implementation

10.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report.

10.2.2 The follow up found that six recommendations have been implemented with another seven still outstanding. Two of the recommendations that remain outstanding have been picked up as part of the Tenancy Management Organisations (TMO) audit that is currently taking place. A further medium priority recommendation has been proposed to replace a recommendation that was considered not possible to implement after the final report was issued (Recommendation 10).

10.2.3 Appendix A of this report sets out the detailed findings against each recommendation that have been summarised in this section.

10.3 Conclusion

10.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Substantial Assurance which means 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.

10.4 Recommendations Arising

10.4.1 As a result of this review one additional medium priority recommendation has been raised. This recommendation replaces Recommendation 10 from the original report which stated that 'Consideration should be made of the risks/benefits regarding the placement in the structure of the Tenancy Sign up procedure'. The restructure has taken place and the Empty Homes Team remains in place with the same responsibilities.

10.4.2 The audit makes one additional medium recommendation which aims to mitigate some of the risks raised in the original Tenancy Management audit;

- Discussions should take place between the Neighbourhood Services Manager and the Empty Homes Manager should take place to ensure that the procedures for tenant sign-up, which are currently being reviewed by the Performance and Policy Team, are adequate to ensure efficient service delivery for both teams.

11.1 Background

11.1.1 An Ofsted inspection of safeguarding and the Looked after Children's (LAC) services undertaken in October 2011 resulted in the achievement of only an 'adequate' score. This inspection identified areas for improvement which included N162 Stability of LAC: number of placements. A service review of Placement Stability was carried out in September 2012, producing a plan for improvement and it was agreed that an audit would take place in the following financial year.

11.1.2 The 2013/14 Internal Audit Plan included a review of LAC Placements. The purpose of this review was to provide the Authority's management and the Audit Committee with assurance the recommendations raised from the Placement Stability Audit Report had been implemented and that the new CCM system was being successfully utilised.

11.1.3 Limitations in the system of control were identified that may put the system objectives at risk. In order to strengthen the control environment seven medium priority recommendations were raised. All recommendations were accepted by management and were due to be implemented by the end of June 2014.

11.2 Progress on Implementation

11.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report.

11.2.2 The follow up found that six medium priority recommendations have been implemented with an extended deadline suggested for the remaining recommendation. A further medium priority recommendation has been proposed as a result of this follow up audit.

11.2.3 The additional recommendation relates to a need to ensure that there is visible version control on documents such as the Supervision Policy in order to determine that the correct and most up-to-date version is in use.

11.2.4 A further issue was identified relating to the lack of specific detail regarding how handover arrangements are managed when there is a change in Social worker. This issue has also been raised in another recent external review and is an item on the wider Services Action Plan. As a result no further recommendation will be raised as part of this follow up review.

11.2.5 Appendix A of this report sets out the detailed findings against each recommendation that have been summarised in this section.

11.3 Conclusion

11.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Substantial Assurance which means 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.

11.4   Recommendations Arising

11.4.1 As a result of this review there is one additional medium recommendation which aims to mitigate some of the risks raised in the original LAC Placements audit:

- Visible version control should be added to the Supervision Policy.

Emergency Assistance Scheme Follow Up	Schedule A (12)

12.1 Background

12.1.1 In April 2013 responsibility for the administration of the Department for Work & Pensions Social Fund was transferred to Local Authorities under the new name, Local Welfare Assistance Scheme as part of the Welfare Reform Act 2012.

12.1.2 In response to these changes, the Council introduced the Emergency Assistance Scheme. Delivery of the scheme was initially contracted to a company called Disablement Association of Barking & Dagenham (DABD) on a 15 month contract totalling approximately £130k.

12.1.3 In June 2014 the Council entered into a new contract with DABD for administration of the scheme. The value of the new contract is approximately £99k. Grant funding for the provision of the scheme will cease in March 2015. A feasibility study will be undertaken to consider alternative options for administering the scheme.

12.1.4 The 2013/14 Internal Audit Plan included a review of the Emergency Assistance Scheme. The purpose of the review was to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control operating in this new operational area.

12.1.5 The audit review focused on the control environment in place in both the Council and DABD.

12.1.6 Limitations in the system of control were identified that may have put the system objectives at risk and resulted in limited assurance being given. In order to strengthen the control environment two medium and one low priority recommendations were raised. All recommendations were accepted by management and were due to be implemented by the end of June 2014.

12.2 Progress on Implementation

12.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. The follow up found that all recommendations have now been implemented.

12.2.2 Appendix A of this report sets out the detailed findings against each recommendation that have been summarised in this section.

12.3 Conclusion

12.3.1 All recommendations have now been implemented. As such the audit assurance that can be placed on the control environment has increased to full assurance which means that for those areas covered in the original audit there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.