

APPENDIX A: RISK BASED SYSTEMS AUDIT REPORT SUMMARIES

Carbon Reduction Commitment

Schedule A (1)

1.1 Background

- 1.1.1 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 Two of the scheme began on the 1st April 2014; however the London Borough of Havering does not qualify and therefore 2013/2014 will be the final compliance year in which it must pay for carbon.
- 1.1.2 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.
- 1.1.3 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.
- 1.1.4 Audits can be carried out by a third party; an audit of the CRC data, evidence pack, and annual report for London Borough of Havering was undertaken by Green Energy Partners in June 2014. Green Energy Partners carry out internal audits on the CRC scheme for multiple scheme participants.
- 1.1.5 The audit gave the Council an 'amber' light on overall assessment; the Authority is likely to comply with scheme regulations and carries a low to medium risk of penalties or fines and is likely to generate its Annual Report within the permitted 5% tolerance for accuracy. Within the report the Council were given a 'green' light for compliance.
- 1.1.6 The audit raised two high, six medium and five low recommendations for improvements to the existing system.
- 1.1.7 The scheme does expect that the audit report produced by Green Energy Partners should be agreed by the participants own internal audit before being signed off by one of the CRC account representatives; Mark Lowers or Brian Partridge and a senior member of staff within the organisation, such as the Chief Executive or a Director.

1.2 Progress on Implementation

- 1.2.1 Our review found that the Green Energy Partners report provided an accurate assessment of the Council's compliance with the CRC scheme and all documentation required for the evidence pack was observed.
- 1.2.2 Progress against all recommendations made in the Green Energy Partners report was reviewed. Where actions had been completed by management

evidence to support this was gathered. Appendix 1 details that outcome of this review.

1.2.3 The results are also summarised below:

- Three recommendation were already in place at the time of the Green Energy Partners audit;
- Five recommendations had been completed at the time of this review;
- Five recommendations were completed during the review; and
- One recommendation was no longer applicable as the London Borough of Havering does not qualify for Phase 2 of the scheme

1.2.4 A review of the recommendations made in the previous years Green Energy Partners report was also undertaken; all recommendations had been implemented.

1.3 Conclusion

1.3.1 The review indicates that good progress has been made in implementing the recommendations made by Green Energy Partners. The outstanding actions were completed during the review. Full implementation will ensure that the Council is fully compliant with the CRC scheme and will mitigate the risk of penalties or fines.

2.1 Introduction

- 2.1.1 The audit of Construction Industry Scheme (CIS) forms part of the agreed 2014/2015 Internal Audit plan.
- 2.1.2 With effect from the 6th April 2007 the Construction Industry Scheme (CIS) was subject to major reform in terms of the processes to be followed by contractors and subcontractors who are required to operate it.
- 2.1.3 The CIS is governed by the Income Tax (Construction Industry Scheme) amendment Regulations 2012; these were an amendment of the original regulations from 2005.
- 2.1.4 The CIS sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry.
- 2.1.5 Contractors are defined as running a business that engages subcontractors for construction work and spends an average of £1million over a three year period. Local Authorities are deemed contractors within the scheme if there spend is above the £1million over a three year period.
- 2.1.6 The definition of construction, as defined by the CIS, is to:
- Build things
 - Make things
 - Put things together
 - Assemble things
- 2.1.7 There are currently 76 sub-contractors, from which deductions are made, set up within the Oracle system as registered for CIS. Expenditure with all CIS suppliers between April – October 2014 amounts to £20,116,404.

2.2 Objectives and Scope

- 2.2.1 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 operating over Construction Industry Scheme (CIS). The system of internal control operates to ensure that;
- the council is compliant with the CIS Scheme;
 - all sub-contractors within the CIS regulations are identified;
 - correct deductions are made for contractors; and
 - Deductions are paid to HMRC in a full and timely manner.
- 2.2.2 The audit will concentrate on examining the internal control environment applied to mitigate the following potential risks:
- Sub-contractors are not identified;
 - Sub-contractors are not verified before they are engaged;
 - Deductions are not made from sub-contractors;
 - Incorrect deductions are made from sub-contractors;
 - Rules regarding payments to suppliers are not followed;
 - Deductions are not paid to HMRC in full and on time;

- Monthly statements submitted to HMRC are not accurate; and
- Proper records are maintained.

2.3 Summary of Audit Findings

- 2.3.1 Payments to CIS registered suppliers that have not already been entered onto Oracle are identified manually by monitoring invoices that are received within the Accounts Payable team. There is an inherent risk within the process with no system controls currently available.
- 2.3.2 System controls within Oracle ensure that payments to CIS sub-contractors, who have previously been entered onto the system, are monitored.
- 2.3.3 Payments and returns to HMRC are completed and sent within expected timescales; full written procedures are available in the event of any absences.

2.4 Audit Opinion

- 2.4.1 Substantial Assurance has been given on the system of internal control.
- 2.4.2 No recommendations have been raised as a result of this audit

3.1 Introduction

- 3.1.1 The 2014/15 Internal Audit plan includes two reviews of main accounting. 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.
- 3.1.2 The main accounting system is used to ensure that the financial affairs of the Council are accurately recorded and adequately accounted for. The Council's main accounting system (general ledger) operates via the current Oracle software package. Oracle comprises a system of modules incorporating the general ledger, purchase ledger, sales ledger and payroll. In addition to the Oracle modules, the main accounting system receives information from other systems that include the pension system, the Northgate Paris e-Payments system, council tax, non-domestic rates. The main accounting system; Oracle, is used to collate financial information from feeder system into the annual published accounts.
- 3.1.3 The 2013/14 internal audit report of main accounting gave substantial assurance with one recommendation raised regarding compliance with Whole of Government Accounts (WGA). This recommendation is not due for completion until 30th September 2014 however an update on its progress was sought during the course of this review.

3.2 Objectives and Scope

- 3.2.1 The aim of this review was to determine whether the key controls identified in the 2013/14 main accounting audit had continued to operate as expected during the period from 1st April to 3rd August 2014, prior to the implementation of One Oracle.
- 3.2.2 A sample of 15 journals and 15 budget transfers / virements was selected from a population of transactions processed during the period stated in 2.1. These were tested to ensure that they provided sufficient detail and had relevant authorisations in place (where appropriate).

3.3 Summary of Audit Findings

- 3.3.1 The control environment continued to operate during this period as was in place during 2013/14.
- 3.3.2 There were no issues arising from the testing carried out on a sample of journals and budget transfers / virements.
- 3.3.3 Evidence was obtained to demonstrate that the System Team have created the relevant functions in One Oracle to produce the reports required for compliance with WGA. This will require some testing by Corporate Finance as the end user to determine if this is sufficient and accurate enough for their needs.

- 3.3.4 Some potential issues raised in the previous audit such as the need for the Financial Framework to be updated will be dependent on allowing One Oracle some time to embed and the process to be reviewed again once it is business as usual. It is expected that these issues will be picked up and covered in more detail when the 2014 Internal Audit is carried out in quarter four.
- 3.3.5 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.

3.4 Audit Opinion

- 3.4.1 Substantial Assurance has been given on the system of internal control.
- 3.4.2 No recommendations have been raised as part of this audit.

4.1 Introduction

4.1.1 The 2014/15 Internal Audit plan includes a review of Housing Capital.

4.1.2 The housing service was transferred back to the London Borough of Havering on 1st October 2012 bringing with it a significant amount of Decent Homes funding. This funding is due to cease at the end of 2014/15.

4.1.3 The planned capital programme for 2014/15 totals £45.6 million.

4.2 Objectives and Scope

4.2.1 The aim of this review was to provide assurances of the processes and controls in place for management of the housing capital programme and identify any potential weaknesses in controls.

4.2.2 A separate review into contracts and procurement within housing is also taking place during 2014/15 so this review focused on the controls in place over budgets and monitoring of the capital projects once underway.

4.3 Summary of Audit Findings

4.3.1 There are generally good controls in place surrounding the monitoring of capital projects and associated expenditure. The Aids and Adaptations budget line presents a slightly higher risk in terms of control as responsibility for this lies outside of the Housing Capital Team and sits within Adults Services. While assurances have been provided that the processes in place to liaise with Adults Services has improved upon previous years this still remains an area of concern.

4.3.2 The overspend that has occurred for the previous two years for the Aids and Adaptation budget line, and is predicted again for 2014/15, provides a further area of concern. This budget was set three years ago and it is recognised that there have been increased pressures on this area of expenditure since that decision was made which has contributed to the overspend.

4.4 Audit Opinion

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

4.4.2 There are two medium priority recommendations arising from this audit relating to:

- Aids and Adaptation budget pressures to be taken into account; and
- Responsibilities for the Aids and Adaptations budget to be clearly defined.

5.1 Introduction

- 5.1.1 The audit of Housing Allocations forms part of the agreed audit plan for 2014/15. This audit was originally included as part of the 2013/14 audit plan and intended to supplement the Tenancy Audit completed in July 2013.
- 5.1.2 This audit was started in October 2013 with the intention that it would be undertaken in parallel with a reactive fraud investigation in order to provide housing management with insight into the causes of the fraud that had occurred and to facilitate the implementation of necessary changes.
- 5.1.3 It became clear that the fraud investigation would need to take priority over the systems audit and it was agreed by the Interim Internal Audit and Risk Manager that this audit would be delayed until such time as the fraud investigation was completed and implementation of the recommendations arising from that underway.

5.2 Objectives and Scope

- 5.2.1 The objective of the audit is to provide management and the Audit Committee with assurance on the effectiveness of the system of internal control operating over Housing Allocations.
- 5.2.2 The intended scope of the audit was amended to take into consideration the work that was undertaken as part of the fraud investigation as well as a recent change in the Lettings Manager.

5.3 Summary of Audit Findings

- 5.3.1 All bar one of the recommendations made as part of the fraud investigation concluded towards the end of 2013 have been implemented. The remaining recommendation was rejected by management.
- 5.3.2 Despite the process review concluding towards the end of 2013 there are still recommendations and actions outstanding. The process maps that were created are also yet to be fully rolled out and utilised across the teams. Some of the issues arising from this review would only reiterate or repeat the recommendations / actions already raised from the process review action plan and so have not been repeated within this audit report.
- 5.3.3 It is difficult to pinpoint why there has been a delay in implementing recommendations / actions raised as part of the process review but the following factors may have played a part:
- A new housing administration system has been proposed and work is underway to procure and develop this but the timeline for this is uncertain. Implementing a new system that takes into consideration the failings of the current system and addresses where there is significant manual intervention to make up for the lack of automation in OHMS would go a long way to address some of the weaknesses in control and subsequent errors that arise. Any recommendations raised that highlight a need for a

change in the system are likely to be put on hold until a new system is agreed and the capabilities of that assessed.

- Recent changes in management for the Lettings Team – The previous manager left relatively recently (June 2014) and although a new manager has been put into post with previous experience in the team it is accepted that it will take some time to embed into the role and initiate some of the changes the previous reviews have proposed.
- An experienced member of staff left the Lettings Team after the conclusion of the fraud investigation leaving a gap in knowledge and resources.
- There have been increased workload pressures over the last 18 months as a result of the abolition of the spare room subsidy and a subsequent rise in the number of tenants wishing to downsize.

5.3.4 Manual entry of data is required to input property information onto the East London Lettings Company (ELLC) system for advertising. This is reliant on the data provided on a form by the Empty Homes Team. While testing during this review did not highlight any issues management had previously advised of a recent incident where a property was incorrectly advertised and subsequently offered to an ineligible applicant. This duplication of effort and reliance on manual controls as well as the inability for the housing system to interface with ELLC increases the risk that this may occur. No recommendation has been raised as there is work underway to procure a new housing administration system which may be able to address this.

5.3.5 There are no timescales set out in the Housing Allocations Scheme (as at March 2013) to determine how long the successful bidder has to return all required evidence. Deadlines are set by the Housing Needs Assessment Officer but this may vary and there is nothing recorded to assess the impact this may have on void turnaround. Implementation of the process maps as mentioned in 3.2 may assist in setting some realistic deadlines for this.

5.3.6 There is no analysis to determine if there are repeat applications by the same applicant providing different data to try to get on the housing register once they've been refused by the initial automated stage. Data can be provided to show those rejected and any subsequent re-applications. When there was a dedicated officer previously administering only applications this was picked up. Verification at the point of offer has shown that applicants have amended their applications to pass this initial stage. This does provide a back stop control but there is no resource to allow for the initial preventative control to be put in place. Implementing the process maps may allow some efficiencies to be gained which would free up some resources to carry this out. In addition there may be some scope to pick this up as part of the development of the new Housing System.

5.3.7 Staff can carry out visits to tenants to determine eligibility but this is not standard as resources do not allow this to happen in all circumstances and visits will only occur when there are suspicions of fraud. Controls are reliant on the checks carried out on the evidence provided to determine eligibility and the results of Experian checks. There is scope for improvement in the controls in place but this would require significant additional resources to implement which is not considered feasible in the current climate.

5.4 Audit Opinion

5.4.1 A Limited 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. While there are concerns and issues raised during the audit (and described in section 3 above) it is felt that while there are actions still outstanding from process review it would not be beneficial at this point in time to add to this. Instead it is recommended that management work on the recommendations and roll out the process maps provided as part of the process review. Depending on the progress of this a further systems audit may be worthwhile taking place in 2015/16.

6.1 Introduction

6.1.1 The audit of TMOs forms part of the agreed 2014/15 Internal Audit Plan.

6.1.2 An audit was carried out in 2013/14 around Tenancy Management which briefly considered TMOs. Discussions between audit and management concluded that a separate audit of the TMOs would be worthwhile for the following reasons:

- An audit of the TMOs was carried out by Housing Quality Network in 2011 which resulted in an action plan for each TMO, in conjunction with Homes in Havering, to complete. This action plan was concluded in 2012 with some actions remaining outstanding
- Homes in Havering (HiH) was brought back into the London Borough of Havering in October 2012 and now forms part of the Homes and Housing Service within the Children, Adults and Housing Directorate.
- A dedicated TMO liaison officer post was created and filled as part of the Homes and Housing restructure in 2013. This is the first time there has been a dedicated role since 2012 and there is scope for the findings of this audit to inform some of the direction this role might take.
- A new management agreement for each TMO remains under review and is expected to be signed and agreed imminently.

6.2 Objectives and Scope

6.2.1 The objective of the audit was to provide Authority's management and the Audit Committee with assurance on the effectiveness of the system of internal control in operation for the monitoring and oversight of the TMOs by LBH as well as the management and operation of each individual TMO.

6.3 Summary of Audit Findings

6.3.1 The updated Modular Management Agreement (MMA) is still awaiting agreement and sign off by all parties. This poses a risk to LBH in effectively managing all aspects of the tenancy management process.

6.3.2 At present there is no visible audit trail in place to document the process of updating the MMA.

6.3.3 The TMOs were found to have no documented and tested plans in place for Business Continuity / Disaster Recovery. There was also no recognition of this in the current Homes and Housing Risk Register.

6.3.4 There is no evidence that the TMO staff have been notified of the availability of relevant LBH training in the past.

6.3.5 One of the TMOs did not have a formally approved Business / Financial Plan in place. LBH do not routinely request these and are reliant on the audited Financial Statements received after year end for a financial oversight.

6.3.6 There is a lack of uniformity in how leaseholder charges are calculated at each TMO in comparison with LBH.

6.3.7 The outcomes of the individual TMO audits were generally centred around Best Practice recommendations based on guidance from the National federation of Tenancy Management Organisations (NFTMO). These were made up as follows:

- DELTA – A total of 19 recommendations were raised as part of the review. Seventeen related to Governance and two under Financial Management. Substantial assurance was given to this TMO as a result of the audit. Areas of concern related to;
 - a lack of transparency of decision making in the TMO Board minutes;
 - the need for on-going review and update of key documents;
 - a lack of a Business Continuity / Disaster recovery plan;
 - difficulties in recruiting new members to the Board; and
 - weaknesses in data security.

- BETRA – A total of 28 recommendations were raised as part of the review. Twenty related to Governance, six under Financial Management and a further two for Performance Management. Limited assurance was given to this TMO as a result of the audit. Areas of concern related to;
 - a lack of transparency of decision making in the TMO Committee minutes;
 - the need for on-going review, update and formal approval of key documents;
 - the lack of a Business Continuity / Disaster recovery plan;
 - the absence of a formally approved and up-to-date Business / Financial Plan;
 - lack of budget monitoring; and
 - the need to provide regular newsletters to tenants and the reinstatement of the TMO website.

- PETRA – A total of 8 recommendations were raised as part of the review. Six related to Governance and two under Financial Management. Substantial assurance was given to this TMO as a result of the audit. Areas of concern related to:
 - the lack of a Business Continuity / Disaster Recovery plan; and
 - the usage of a personal credit card for TMO purchases.

There were a number of Best Practice elements already in place for this TMO.

6.4 Audit Opinion

6.4.1 Limited Assurance has been given as the audit found that 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.

6.4.2 As a result of this audit three high and five medium priority recommendations were raised. These comprise of:

High Priority

- Enlisting adequate resources to ensure that the Modular Management Agreement (MMA) is signed by all parties as a matter of priority.
- Mapping the objectives and risks that LBH intends to cover as part of the MMA.
- Acknowledgement in the Homes and Housing Risk Register of the impact of a disaster or financial failure affecting one or more TMOs.

Medium Priority

- The potential for utilisation by the TMOs of LBH training opportunities.
- Inclusion in the MMA of the provision to LBH of the TMO Business / Financial Plans.
- Inclusion in the MMA of a uniform method of calculating leaseholder charges and provision to the TMOs of guidance to assist with this.
- Futures testing of a sample of TMO successions to ensure the new procedures are followed.

7.1 Introduction

7.1.1 The Council is responsible for ensuring that pavements and roads are maintained to a reasonable standard. The Highways Act 1980 confirms the necessary powers to create, confirm and maintain highways. The management of works undertaken on the Highway are affected by various Acts and Regulations the significant ones being:

- the Traffic Management Act 2004;
- the Streetworks Act 1981 and its various regulations and codes of practice;
- Signing, Lighting and Guarding of Roadworks Chapter 8 of the Traffic Signs Manual; and
- the Road Traffic Act 1991.

7.1.2 The Council has an inspection regime to identify defects and will receive reports from members of the public with regards defects in roads and pavements.

7.1.3 Each defect is inspected and a risk based judgment made on site which defines whether or not something is repaired. The appropriate works are then raised via the Mayrise system, which was implemented in April 2013. The works are issued to the Councils DSO but any excess work is sub contracted to Miller Bros. (Romford) Ltd or Marlborough Surfacing Limited on term contract rates.

7.1.4 As at the 24th September 2014 a total of £919,901.73 had been spent in respect of A27002 - Highway Maintenance Reactive split between:

- 643040 - Supplies & Services Recharge: £919 651.73
- 651780 - Private Contractor payments - Other: £250.00

7.1.5 For 2013/2014 a total of £2,245,254.63 had been spent in respect of A27002 - Highway Maintenance Reactive split between:

- 643040 - Supplies & Services Recharge: £1,745,312.23
- 651780 - Private Contractor payments - Other: £499,942.40

7.2 Objectives and Scope

7.2.1 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding:

- The accuracy of payments made to contractor for repairs to pavement and road defects;
- The robustness of contract monitoring activity; and
- Compliance with relevant Legislation and Council Rules and Procedures.

7.2.2 The audit will concentrate on examining the controls applied to address the risks identified in the following areas:

- Legislation, Rules and Procedures;
- Payments made to contractors;
- Timeliness and Quality of work completed; and
- Timeliness and Quality of Performance / Management Information.

7.3 Summary of Audit Findings

- 7.3.1 The Highways Maintenance Senior Engineer maintains an Area Liaison Team Guidance Manual, which has recently been updated. However there is no version and date control or document owner shown on the document. Without procedure documents being annotated with Document Owner, Effective Date, Review Date and Version Number it is not possible to ascertain who the document owner is in the event of a query, or if the document is the current version.
- 7.3.2 Processes / procedures should be documented to ensure that staff are aware of the process to follow. The lack of up to date processes and procedures documents increases the risk that processes are out of date and don't adhere to current legislation or service requirements. There are no procedure documents maintained by the Highways DSO.
- 7.3.3 From the tests undertaken, the majority of planned safety inspections were carried out in accordance with prescribed timescales although there are examples of inspections that have been outside prescribed slippage targets. It is understood that the number of ALO's has reduced from six to four and there is a member of staff currently on long term sick. The Highways Maintenance Senior Engineer is aware of this and is monitoring the situation.
- 7.3.4 From a random sample checked, reactive inspections undertaken ranged from the day of the report up to 60 days after. However, 21 out of 26 were inspected within two weeks of the defect being reported, of which 16 were inspected within a week.
- 7.3.5 In the sample checked, 15 out of 16 works orders were raised within a day of the reactive inspection with remaining one within three days.
- 7.3.6 Currently ALO's use Log Books to record inspections and then have to transfer the data from the hand books onto Mayrise manually. However, the section has recently been trialling hand held units which link into Mayrise. Details of the defect will be annotated onto the hand held units which will automatically raise a works order on Mayrise. Pictures can also be taken of the defect, but at present there isn't the facility to get these down loaded onto Mayrise / works orders. The go live date for the hand held is expected to be the end of January 2015.
- 7.3.7 Miller Brothers were awarded a contract for the Period 01/04/2006 to 30/09/2009 Extended to 30/09/2011 as Highways Maintenance Support - Sub Contractors. Miller Brothers are still being used as the highways maintenance support sub-contractor. Approval to continue to use Miller Brothers was made by the Head of Service but this approval has not been documented nor has an Exception to Contract Procedure Rules been completed and approved by a Cabinet member. Therefore the continued use of Miller Brothers is in contravention of the Council's Procurement rules.

- 7.3.8 Marlborough is the Councils current contractor for Planned Maintenance. Marlborough is being used to help with backlog. There was no need to seek any further approval as Marlborough were already operating as the councils term maintenance contractor and this was just a contract variation.
- 7.3.9 Checks on the contractor's Business Continuity Plans should be undertaken 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 (BAU)'. No checks have been undertaken on the Business Continuity Plans for Miller Brothers. This is particularly relevant as the contract with Miller Brothers expired in September 2011.
- 7.3.10 Financial stability checks have not been undertaken on Miller Brothers. Financial stability checks should be undertaken to ensure that the contractor is not facing financial difficulty and if they are contingency plans can be drawn up.
- 7.3.11 If the Highways Maintenance Support - Sub contract had been retendered both the Business Continuity Plan and the financial stability of the contractor would have been reviewed.
- 7.3.12 The Highways DSO Operations Manager is in regular verbal contact with the contractor's operatives and phone contact and site visits (where required) with the supervisors. As formal meetings, as per Contract Procedure Rules, are not being held detailed records of meetings, decisions etc. are not being maintained.
- 7.3.13 In theory work should be completed within 28 days from when the ALO raises the order. However, works orders can be held back to ensure that DSO will always have an 'overload' of work / work held back for the future. Deferring works orders to ensure the DSO has sufficient work will cause delays in works being undertaken but ensures that the DSO always have work.
- 7.3.14 Works orders weren't being monitored to ensure that they are being completed in a timely manner. However, reports are now being produced showing outstanding works and these are being followed up.
- 7.3.15 Works order do not officially get signed off by the contractor to evidence work has been completed to a satisfactory quality, some operatives initial and date the works order to evidence who has undertaken the work and the date the work was completed.
- 7.3.16 Once Mayrise has been updated to evidence the work has been completed and charges made / invoices received works orders are then disposed of.
- 7.3.17 Work inspections are only being carried out by the Highways DSO Operations Manager where a query is identified on the works orders or photos. No pro-active random checks are being undertaken.
- 7.3.18 The Highways Maintenance Senior Engineer used to undertake a 10% random check on all road and pavement defects. However, with the reduction in ALO's from six to four and the absence of a member of staff these checks

have had to be dropped. However, the ALO's undertake regular planned inspections and should pick up poor work that has not been completed to the required specification. As planned inspection timescales vary depending on the type / usage of road, poor quality work may not be picked up on less used roads. The Highways Maintenance Senior Engineer is aware and hopes to reintroduce random checks

7.3.19 Mechanisms to deal with poor performance have not been documented. Without documented processes for dealing with poor performance both the DSO and contractors are unaware of what action will be taken if poor performance is identified.

7.3.20 Mayrise includes the current Schedule of Rates the DSO charge. However, Miller Bros charges are based on their original contract specification plus uplift for inflation. Therefore each works order has to be amended by the Highways DSO to show the original base rate (when originally quoted) plus 28.85% to take into account the uplift for inflation. Miller Brothers then send invoices based on these revised figures. The manual amendment of works orders is open to human error and also time consuming.

7.3.21 Marlborough invoices are based on the current schedule of rates within Mayrise. However, for an invoice to be processed, Marlborough sends through a 'Batch Spreadsheet' showing all work completed within a set period. The Admin Support Officer then checks the details on the spreadsheet to the annotated works orders to ensure they are correct and LBH has not been previously charged. Any anomalies are annotated on the spreadsheet. Once agreed the Admin Support Officer deducts 5% (in respect of admin etc.) off each works order. The spreadsheet is then returned to Marlborough, who in turn issues an invoice.

7.3.22 A check of Jobs / Works Orders appeared to show that duplicate works had been raised / undertaken. A sample of these were brought to the attention of the Highways DSO Operations Manager and the Highways Maintenance Engineer who both indicated that each area of work outside a property will be recorded separately and therefore it appears that work may have been duplicated. It is not possible to confirm that the 'duplicates' identified are separate works or not.

7.3.23 Formal KPI's in respect of the work undertaken by Miller Brothers are no longer in use. The lack of KPI's indicates that formal monitoring of work undertaken by Miller Brothers is not being undertaken.

7.3.24 The Street Care Performance Assistant has recently started producing reports for the Head of Service and is still working on additional reports to further assist in performance monitoring.

7.4 Audit Opinion

7.4.1 A Limited Assurance has been given on the system of internal control due to:

- The Highways Maintenance Support - Sub Contract expiring in 2009;
- The continued use of Miller Brothers without formal approval / non completion of an Exception to Contract Procedure Rules. Therefore the

continued use of Miller Brothers is in contravention of the Council's Procurement rules and possibly EU Procurement Rules; and

- The lack of contract monitoring activities normally associated with a formal contract, i.e. regular contract monitoring meetings, the lack of random management checks and the lack of formal KPI's.

7.4.2 The audit makes 3 high, 4 medium and 3 low priority recommendations that aim to mitigate the risks within the above audit findings.

7.4.3 Recommendations relate to:

- ALO Procedure documents to be annotated with: Document Owner, Effective Date; Review Date; and Version Number [Low];
- A procedure manual being completed by the Highways DSO Operations Manager showing the practices that should be followed and document relevant roles and responsibilities. Procedures should then be regularly reviewed and updated [Medium];
- The Highways Maintenance Support - Sub Contractor contract being retendered to ensure that the Council is compliant with Rules [High];
- Checks on the Business Continuity Plans for the contractor to be undertaken [High];
- Financial stability checks to be undertaken on the contractor [High];
- Regular meetings to be held with the contractor and records maintained [Medium];
- Works orders to be signed off by the Highways Operatives / Contractors [Low];
- Works orders to be scanned and retained as back up [Low];
- The Highways DSO Operations Manager to undertake random management spot checks on both DSO and contractors [Medium]; and
- Mechanisms to deal with poor performance to be documented [Medium].

8.1 Introduction

- 8.1.1 The audit of Long Term Sickness forms part of the agreed 2014/2015 Internal Audit plan.
- 8.1.2 An audit was carried out during 2013/14 of Compliance with Corporate Policy: Sickness Absence which provided a Limited Assurance.
- 8.1.3 Having implemented an internal shared service centre and a new suite of Oracle systems. These have led to the adoption of a 'self-service' approach and the downsizing of back office functions. As a result the requirement for managers to take responsibility for ensuring compliance with Corporate Policy has been reinforced.
- 8.1.4 This audit found in the testing of four instances of long term sickness that the first formal review stage meetings had not been held and were therefore not in compliance with the Corporate Policy.
- 8.1.5 As a result of the findings of this audit the Director of HR / Organisational Development requested that a review into Long Term Sickness take place during 2014/15.

8.2 Objectives and Scope

- 8.2.1 The objective of the audit is to provide Authority's management and the Audit Committee with assurance on compliance with the organisations Managing Sickness Absence (Health and Wellbeing) Policy and Procedure in cases of long term sickness only.
- 8.2.2 This Policy sets out a fair, consistent and sensitive framework to allow managers to manage sickness absence positively and ensure employees are properly supported throughout the process. This review does not aim to provide assurance on the suitability of this document, but to assess whether there is compliance with the Policy in respect of long term sickness absence.
- 8.2.3 An audit programme was developed using the requirements set out within the Managing Sickness Absence (Health and Wellbeing) Policy and Procedures document that aimed to provide assurance as to the level of compliance.
- 8.2.4 A sample of 36 long term sickness absences that occurred between April 2013 and September 2014 were chosen at random and assessed against the programme to determine the level of compliance.

8.3 Summary of Audit Findings

- 8.3.1 In the period covered within the report (March 2013 – September 2014) there had been 366 instances of long term sickness, accumulating a total of over 38000 days.
- 8.3.2 The report included sicknesses that were already underway as at March 2013 as well as all absences that have begun during that time frame. The average

length of a long term sickness exceeded 100 days.

- 8.3.3 Fit Notes were being adequately maintained by managers for staff on long term sickness. However, not all documentation relating to individual sickness absences was available due to managers having individual filing systems.
- 8.3.4 First Formal Meetings had not being undertaken in a 13/25 (48%) cases where a First Formal Meeting would be expected. One instance was due to the severity of the illness, the remainder had been referred to Occupational Health but no formal meeting had been undertaken.
- 8.3.5 In four instances where a First Formal Meeting had been carried out this was done so after the period of sickness ended.
- 8.3.6 There is no allowance noted within the Sickness Absence Policy on how to deal with serious illnesses. In these circumstances HR should be consulted.
- 8.3.7 Second Formal reviews had only been carried out in line with the policy in two instances. There were eighteen instances within the testing where a Second Formal Meeting would have been expected.
- 8.3.8 No Third Formal Meetings had been carried out within the sample of sickness absences chosen. Within the sample there could potentially have been 11 cases where a Third Formal was required.

8.4 Audit Opinion

- 8.4.1 **Nil Assurance** has been given as the audit found that the control environment 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.
- 8.4.2 As a result of this audit four medium priority recommendations were raised. These comprise of:

Medium Priority

- Sickness absence reporting and document retention by managers in off-site offices should be reviewed.
- All managers to be issued with a reminder from HR of the need to use the dashboard for sickness and to ensure the policy is accurately followed.
- HR to investigate specific cases highlighted by this report.
- Governance group to be given information on long term sickness in order to monitor areas of non-compliance; Feedback from this group to be given to Director of HR to be able to tackle the worst areas of non-compliance.

9.1 Introduction

9.1.1 Paris is an income management system that is used by both Newham and Havering. This report considers the Havering system only. The subject of this audit is the system's application controls. Application controls are designed to ensure:

- The confidentiality of the data
- The integrity of the data
- The availability of the data.

9.2 Objectives and Scope

9.2.1 8.2.1 The objective of the audit was to confirm that there is an adequate control environment within the Paris system that is working as expected, and that the controls are appropriate to enable the achievement of the system's objectives.

9.2.2 8.2.2 The audit will concentrate on examining the internal control environment applied to the following potential risks areas:

- System management and governance
- User access
- System security
- Data integrity
- Data availability

9.3 Summary of Audit Findings

9.3.1 A review of all users with current access to the system identified that;

- 260 (43%) could not be confirmed as current employees.
- 63% had not changed their password within 90 days.
- The accuracy and completeness of a report detailing those logging into the application could not be confirmed. Inconsistencies between this report and a report of password changes were identified.

25 users have been given administrator level access to the system. In the majority of cases, these users have had administrator access applied to their general user account.

9.3.2 Neither audit nor exception reports are produced. These should be used to monitor system outputs and user activity.

9.3.3 A data restoration exercise has not been carried out.

9.3.4 Prior to the commencement of the audit, formal ownership of the system had not been assigned and therefore a number of standard, routine, system administrative are not being completed. Formal ownership has now been allocated to the transactional and exchequer services team.

9.4 Audit Opinion

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

9.4.2 There are three high and one medium priority recommendations arising from this audit relating to:

- A full review of users and group permissions should be undertaken. In addition, the service, in conjunction with ICT, should investigate the completeness and accuracy of the reports produced by the application [High];
- Audit trail reports and exception reports should be extracted from the system and they should be reviewed by an appropriately senior officer on a regular basis [High];
- The ICT Applications Manager should consider carrying out a data restoration exercise, to confirm that backed up data could be restored to a usable state if required [High]; and
- Formal documentation should be produced which identifies the system owner and their designated responsibilities [Medium].

10.1 Background

10.1.1 The 2013/14 Internal Audit Plan included a review of Operating Systems 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 Operating Systems 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 four high and one medium priority recommendation were raised. All recommendations were accepted by management and were due to be implemented by the end of September 2013.

10.2 Progress on Implementations

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 three high and one medium recommendation have been fully implemented with one partially implemented. The partially implemented recommendation relates to Policies and Procedures being available on the Intranet.

10.2.3 Although a number of policies and procedures are available on Havering's intranet, there is no specific information that details how the Domain Controllers are to be configured to ensure that they are both configured correctly to a high security standard

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.