



Havering
LONDON BOROUGH

AUDIT COMMITTEE

28 February 2013

Subject Heading:

Internal Audit Progress Report

Report Author and contact details:

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Policy context:

To inform the Committee of progress to
deliver the approved audit plan in quarter
three of 2012/13.

Financial summary:

N/a

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

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

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1st October 2012 to 28th December 2012.

RECOMMENDATIONS

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

REPORT DETAIL

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

Section 1 Background and Resources

Some information about resources is included for information.

Section 2 Audit Work 1st October to 28th December 2012

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

Section 3 Management Summaries

Summaries of all final reports issued in the period.

Section 4 Schools Audit Work

A summary of schools final reports issued in the period.

Section 5 Key Performance Indicators

The actual performance against target for key indicators is included.

Section 6 Changes to the Approved Audit Plan

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

Section 7 Outstanding Audit Recommendations

The details regarding status, as at the end of December, of all outstanding recommendations are included within tables for information.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None

Section 1 Background and Resources

- 1.1 During quarter three all posts in the establishment have had a permanent post holder in place.
- 1.2 At the end of December £48,328 of the £50k income target relating to the systems audit team has been achieved.
- 1.3 The forecast outturn for 2012/13 is currently within the allocated budget.

Section 2 Audit Work 1st October to 28th December 2012

- 2.1 At the end of December 62% of the audit plan had been delivered. This was against a target for the period of 70%.
- 2.2 At the end of December nineteen assignments had been completed and twenty one were in progress but had not reached the final report stage.
- 2.3 One report for Post Grading/Establishment Control for staff within Homes and Housing was issued this quarter. One audit area identified as being beneficial to Homes and Housing around Tenancy Management and will be undertaken during quarter four.
- 2.4 At the request of the Group Director Finance & Commerce resources have also been provided to support an ad hoc review regarding realisation of savings.
- 2.5 Schedule 1 details the final reports issued in quarter three. Details are listed in the table below and management summaries under Section 3 starting on the next page.

2.6 SCHEDULE 1: 2012/2013 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Agency Worker Contract	Substantial	1	0	0	1	3 (1)
Traded Services	Limited	1	0	0	1	3 (2)
Telecoms	Substantial	0	6	0	6	3 (3)
Appointeeships & Deputyships Follow Up	Substantial	6	5	0	11	3 (4)

2.7 Work in progress includes:

- Risk Based Systems Audits – Contracts & Procurement, i-Expenses, Debt Management, Information Governance – Service Area Control & Compliance, Information Governance – Provider Compliance, Council Tax, Housing Benefits, Parking, Transport, i-Recruitment, i-Procurement, Accounts Payable, Accounts Receivable, Payroll, Pensions, Looked After Children – Performance Information & Data Quality, Looked After Children – Placements, Network Permissions, Release of Software, Oracle eBusiness and Information Governance - Electronic Docs & Records Management
- School Audit – Clockhouse Primary, Hacton Primary, Harold Wood Primary, Langtons Junior, Pyrgo Primary and Ravensbourne School.

Section 3 Management Summaries

Agency Worker Contract	Ref 3 (1)
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3.1 Background

3.1.1 The Council currently has a 'Vendor Neutral Managed Service' (VNMS) for procuring agency workers. The current supplier of this service is Commensura. At any time there are approximately 550 agency workers recruited via this system. From January 2013 the Council's supplier will be Adecco and a 'Managed Service' (MS) will be in place. MS as opposed to VNMS means all agency workers will be provided by Adecco direct.

3.1.1 In October 2011 the Agency Worker Regulations were amended to include greater rights for agency workers.

3.1.2 Summary of Audit Findings

3.1.3 The guidance available to management to aid them in understanding and managing risk around using agency workers could be improved.

3.1.4 The implementation of a new system offers a good opportunity to ensure accurate data is held in the system.

3.1.5 Management information in the current system was an area where it was recognised improvements could be made; this must be addressed as part of the implementation of the new system. A longer term goal could be to link this to Self Service dashboards used to monitor other management information.

3.1.6 Approvals and authorisations within the Comensura system do not conform to a corporate standard. The approvals could align to the expectations of the i-Recruitment system or be determined by the assignment length i.e. approval of extension or the value being committed by the order.

3.1.7 Currently the organisation is reliant on managers to ensure all assets are returned at the end of an assignment.

3.1.8 In the old system it was possible to procure an agency worker against a post that was not part of the approved formal establishment however there are plans to rectify this in the new system.

3.1.9 Agency timesheets do not record start, break and end times for each working day. To aid management of resources an alternative record is currently required.

3.1.10 The system does not flag an unapproved timesheet to the order owner. Chasing by the agency is not always in a timely fashion.

Audit Committee 28 February 2013

3.1.11 The audit highlighted that declaration of interests forms are not being signed by agency workers at the start of their assignment and therefore corporate expectations are not being met.

3.1.12 Audit Opinion

3.1.13 As a result of this audit one high priority recommendation has been raised relating to areas for consideration as part of the planned Adecco/Beeline implementation.

3.1.14 **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

Traded Services	Ref 3 (2)
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3.2 Background

3.2.1 The Council offers a range of traded services to schools. Available services are publicised in the annual Services for Schools brochure.

3.2.2 The Schools Health & Safety (SHS) team are responsible for the administrative side of the process of traded services

3.2.3 In 2010/2011 a total of £2.7m was billed by Schools Health & Safety for those traded services being billed centrally by this team. In 2011/12 this figure was £3.2m. This figure relates to 21 of the 32 traded services. In the remaining 11 cases, SHS are not responsible for billing.

3.2.4 Summary of Audit Findings

3.2.5 This report aims to highlight weaknesses solely in relation to the administration of traded services. Details in relation to these findings will be reported to the relevant service directly.

3.2.6 Ownership of the Council's traded services provision has not been allocated. As a result, there remains no strategy setting out the aim and objectives of the traded services on offer. No recommendation has been raised regarding this as a separate project is underway around the future of traded services, which will resolve this issue.

3.2.7 The Services for Schools brochure produced and distributed annually to schools is not inclusive of all traded services available from the Council. Additionally, different methods of administering / billing traded services are in operation, depending of the service area.

3.2.8 The administration of traded services has become an overly complicated process that as well as duplicating the resource needs, increases the risk of errors being made. Whilst management spot checks are undertaken to minimise errors there remains a risk of early errors impacting on the Council's reputation.

3.2.9 A Council policy to charge schools for services brought into the previous year, if not cancelled by the 31st March, is not being consistently / accurately enforced. The complexity of the administrative process has impacted on the accuracy of the audit trail.

3.2.10 Testing identified issues of over / undercharging and inconsistencies in the audit trails which have been caused by the weaknesses identified above.

3.2.11 Audit Opinion

3.2.12 As a result of this audit one high priority recommendation has been raised relating to areas for consideration as part of the separate review being undertaken around traded services.

3.2.13 **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Telecoms	Ref 3 (3)
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3.3 Background

- 3.3.1 The 2012/2013 Internal Audit Plan includes an audit of the telecommunications system which is currently being implemented at the Council. At the time of the audit the Council was in the process of implementing an IP telephony solution using the Microsoft Lync Enterprise 2010 Server.
- 3.3.2 Microsoft Lync is the Voice over Internet Protocol (VoIP) and Unified Communications (UC) solution which has been implemented at the Council by a specialist provider, Digital IP. The Lync deployment is being undertaken in two phases with phase 1 recently completed with go-live in September 2012 to 1500 users across the main Council sites which include the Town Hall and Mercury House. Phase 2 will be undertaken shortly to deploy Lync to remote Council sites across the borough.
- 3.3.3 Microsoft Lync integrates with the Microsoft Exchange Server and Office Communications Server (OCS) to provide a seamless telephony, email and messaging service to users across the Council with the benefits of flexibility and remote working for staff, in addition to cost efficiencies to be gained by the Council in the long-term.
- 3.3.4 The Microsoft Lync deployment is supported by Business Systems with teams established which include the ICT Service Desk, ICT Project Delivery, Networks and Server responsible for Business as Usual technical and operational support. Furthermore, there is an End User Device team established at the Council with responsibility for performing Lync administration functions, such as the management of users and provisioning of telephony extensions. The Council's hardware infrastructure is contractually hosted and managed by partners, ACS with a primary and secondary data centre in Telford and Newport, respectively.
- 3.3.5 **Summary of Audit Findings**
- 3.3.6 There was a clearly defined ICT Enterprise Technology Road Map for 2009-2012 which includes the development of VoIP and UC project work streams; however, the ICT Strategy was in need of a formal review, refresh and update.
- 3.3.7 There is a dedicated team of in-house ICT operational staff for support of the voice and data network and servers; however, there is currently limited experience, specialist skills and knowledge focussing on VoIP and UC.
- 3.3.8 There is currently no asset inventory developed of the Polycom CX300 desktop phones which have been procured and rolled out to staff across the Council for the Microsoft Lync VoIP deployment.

3.3.9 The Lync VoIP solution implemented at the Council incorporates resilience and DR Failover across primary and secondary data centres in Telford and Newport, which is managed by ACS. However, a DR Failover test has yet to commence for the Lync servers.

3.3.10 Microsoft have performed a specific health check on the Microsoft Lync Server 2010 environment and its dependencies that includes SQL server, client configurations, Lync server pools and roles, Windows Operating System, the network infrastructure and the physical hardware and is compared against Microsoft Lync best practice guidelines. However, the issues identified from the Microsoft Lync Health Check require an action plan and resolution schedule to be developed to facilitate the review, evaluation and remediation of all Lync VoIP issues.

3.3.11 There is no Call Logging Management solution implemented for voice call analysis and reporting.

3.3.12 Audit Opinion

3.3.13 As a result of this audit, we have raised six medium priority recommendations.

3.3.14 Recommendations related to the need for:

- The ICT Strategy should be updated and revised which includes coverage on future business requirements, technical developments, initiatives and solutions in relation to the VoIP and Unified Communications infrastructure at the Council. *(Medium Priority)*
- A review and evaluation should be performed including a cost benefits analysis of developing and establishing a skilled in-house team to provide cover for the support of the VoIP and Unified Communications technology at the Council. *(Medium Priority)*
- An asset inventory of the Polycom VoIP CX300 desktop phones for the Microsoft Lync deployment should be developed and maintained up-to-date. *(Medium Priority)*
- ICT Management in conjunction with data centre hosting and management partners, ACS should perform a Disaster Recovery (DR) Failover test for the Microsoft Lync Server. *(Medium Priority)*
- ICT Management should perform a review and clearly define an action plan and schedule to address and resolve the configuration and operational issues identified from the Microsoft Lync Server Health Check Report in May 2012. *(Medium Priority)*
- A review and evaluation exercise should be performed for the procurement and implementation of an appropriate Call Logging Management solution for the Microsoft Lync telephony deployment. *(Medium Priority)*.

3.3.15 A **Substantial** audit opinion has been given as the audit has found that whilst there is basically a sound system of control; weaknesses in the system of internal control may put some of the Council's objectives at risk.

Appointeeships & Deputyships Follow Up	Ref 3 (4)
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3.4 Background

3.4.1 In November 2011 an audit of the Appointeeship and Deputyship commenced. The objective of the audit was to provide assurance regarding the internal controls around the administration of Appointeeships and Deputyships.

3.4.2 The audit reviewed the following key risk areas:

- Quality and Efficiency;
- Financial and value for money;
- Income, fees and charges;
- Management information and reporting; and
- Fraud.

3.4.3 As a result of the audit six high and five medium priority recommendations were raised and a 'Limited Assurance' was provided to management. All of the recommendations were agreed at the time of issuing the final report and deadlines for all were prior to the 31st March 2012, although one recommendation had the implementation date extended to the 31st July 2012.

3.4.4 Progress on Implementation

3.4.5 A formal follow up has just been completed and progress against all actions was reviewed. Where actions had been completed by management evidence to support this was gathered. Appendix 1 details that outcome of the follow up work.

3.4.6 The results are also summarised below:

- Eight recommendations had been completed at the time of the follow up (1, 2, 3, 4, 5, 6, 8 and 9);
- Two recommendations were completed immediately after the follow up (10 & 11); and
- One recommendation is in progress with an extended implementation date (7).

3.4.7 Conclusion

3.4.8 The follow up indicates that substantial progress has been made in implementing recommendations and therefore addressing the risks identified by the original audit.

3.4.9 As a result of the progress made the assurance provided from the audit work has been amended to a 'Substantial Assurance'.

Section 4 Schools Audit Work

- 4.1** During quarter three the team have continued to review the schools audit programme to ensure it focuses appropriately on risk areas and taking into account the new Schools Financial Value Standard (SFVS) which has to be completed by each school by the end of March 2013.
- 4.2** Four Schools audits were finalised by the end of September. Results of the audits are included in Schedule 2 below.
- 4.3** Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

Schedule 2: 2012/13 – School Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Newtons Primary School	Substantial	2	8	1	11	N/A
Pinewood Primary	Substantial	0	3	0	3	N/A
St. Ursulas RC Junior School	Substantial	1	4	2	7	N/A
Bower Park	Substantial	2	3	3	8	N/A

Section 5 – Key Performance Indicators

5.1 The tables below detail the profiled targets for the year and the performance to date at the end of December and the targets for the rest of the financial year.

5.2 Audit Plan Delivered (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	16	22	30	37	46	54	62			
Cumulative Target	20	30	37	45	53	63	70	80	90	99

5.3 At the end of December 2012 the team is just behind target. This is due to one post being vacant for quarter one and the computer audit plan being profiled later in the year than usual.

5.4 KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	16	17	19	31	35	45	48			
Cumulative Target	12	19	25	32	40	46	50	51	51	51

5.5 At the end of December the team were two briefs behind target. The estimated target of deliverables for the year is now 51.

5.6 KPI 02 – Draft Reports										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	7	7	8	15	15	18	22			
Cumulative Target	8	15	21	26	32	38	40	45	48	51

5.7 At the end of December the team were 18 draft reports behind target. This is due to more demand to support by services when implementing new systems and because a number of larger audits are programmed at the start of the year. Resources were also diverted into a special review.

5.8 KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	3	6	8	13	14	18	19				
Cumulative Target	5	10	15	21	26	32	34	37	43	47	51

5.9 At the end of December the team were fifteen final reports behind target. There are no concerns regarding completion of the plan at this time.

Section 6 – Changes to the Approved 2012/13 Audit Plan

- 6.1** In April 2012 the Audit Committee approved an Annual Audit Plan for the 2012/13 financial year totalling 1576 days.
- 6.2** The table below provides a summary of the audits removed from, and added to, the 2012/13 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.
- 6.3** The plan has been reduced to 1514 due to the reduction in computer audits being undertaken this year and days diverted to a special non audit plan project.

6.4 Plan Changes

Audit Title	Days	Revised Days	Directorate	Reason
Partnership / Shared Working Governance	25	0	Corporate	Audit cancelled as this is now included on the Operational Risk Management Groups agenda.
PDR Assurance	15	12	Corporate	Work completed in less than budgeted.
Income Management including Cash	25	0	Corporate	Undertaken as Pro-Active review this year, therefore transferred to next year's Audit Plan.
Change Management	20	0	Corporate	Audit cancelled as this is now included on the Operational Risk Management Groups agenda.
Equality Analyses	0	3	Corporate	Added to 2012/13 plan.
Sick Assurance	0	10	Corporate	Added to 2012/13 plan.
Mayrise	15	0	Culture & Community	Systems review to be included in Computer Audit of Mayrise.
Fixed Assets	10	0	Finance & Commerce	Audit cancelled as this work is undertaken by PWC.
Personalisation	25	1.5	Adults &	Pro Active work identified

Audit Committee 28 February 2013

Audit Title	Days	Revised Days	Directorate	Reason
			Health	issues for service to resolve. Strategy side being picked up by corporate reviews so nothing to do that will add value currently. Added to 2013/14 plan.
Appointeeships - Residential Homes	15	1	Adults & Health	Following discussions with team managers this audit is not required.
Self Directed Support	20	0	Adults & Health	Pro Active work has identified issues for service to resolve initially. Strategy side being picked up by corporate reviews so nothing to do that will add value currently. Added to 2013/14 plan.
Northgate Paris	15	0	Computer	Audit cancelled as there are plans to replace this application.
Mayrise	0	15	Computer	Added to 2012/13 plan as replacement for Northgate Paris

Section 7 – Outstanding Recommendations Summary Table

Categorisation of recommendations

High: Fundamental control requirement needing implementation as soon as possible
 Medium: Important Control that should be implemented
 Low: Pertaining to Best Practice

7.1 Outstanding Internal Audit Recommendations

Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end December 12		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2008/09	IT Security & Data Management	ACE – Legal & Democratic Services	1			1		
2008/09	Cemeteries & Crematorium	Housing & Public Protection		1		1		
2008/09 Total			1	1		2	0	0
2009/10	Climate Change	Culture & Community		1		1		
2009/10	Government Connect GCSx	ACE – Legal & Democratic Services		1		1		
2009/10 Total				2		2	0	0
2010/11	Corporate Support Team	Asset Management			1	1		
2010/11	Payroll	Business Systems			1	1		
2010/11	Pensions	Shared Services			1	1		
2010/11	IT Security	Business Systems		1		1		
2010/11	IT Security	ACE – Legal & Democratic Services		3				3
2010/2011 Total				4	3	4	0	3

Audit Committee 28 February 2013

Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end December 12		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2011/12	Public Protection	Housing & Public Health			1	1		
2011/12	Remote Working	Business Systems		1		1		
2011/12	Oracle Financials	Business Systems		3		3		
2011/12	Crematorium – Grave Allocations & Record Keeping	Housing & Public Protection		4		4		
2011/12	Education Computer Centre	Business Systems	3	4		7		
2011/12	Appointeeship & Deputyship	Adult Social Care	1			1		
2011/12	Network Infrastructure	Business Systems	1			1		
2011/12	Pensions	Shared Services		1		1		
2011/12	i-Expenses & Purchase Cards	Group Director – F&C	1			1		
2011/12	i-Expenses & Purchase Cards	Shared Services	1	1	1	3		
2011/12	Main Accounting	Shared Services		1		1		
2011/12	Contracts & Procurement	Finance & Commerce		2		2		
		2011/12 Total	7	17	2	26	0	0
2012/13	Information Governance	ACE – Legal & Democratic Services	1	1				2
2012/13	Ingrebourne Children’s Centre	Children’s Services	1			1		
		2012/13 Total	2	2		1	0	2