Havering
LONDON BOROUGH

AUDIT COMMITTEE
3 December 2013

Subject Heading:	Internal Audit Progress Report
Report Author and contact details:	Kate Brunning, Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of progress to deliver the approved audit plan in Quarter Two of 2013/14.
Financial summary:	N/a

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

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

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 29th June 2013 to 30th September 2013.

RECOMMENDATIONS

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1. To note the contents of the report.

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

REPORT DETAIL

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

Section 1   Background and Resources

Some information about resources is included for information.

Section 2   Audit Work 29ᵗʰ June to 30ᵗʰ September 2013

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

Section 3   Key Performance Indicators

The actual performance against target for key indicators is included.

Section 4   Changes to the Approved Audit Plan

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

Section 5   Outstanding Audit Recommendations

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

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None

Section 1: Background and Resources

1.1 Excluding the Internal Audit & Corporate Risk Manager the established structure consists of eight full time equivalent (FTE) posts. Three dedicated to proactive and reactive fraud and special investigations and five to systems, schools, follow up etc. Two members of staff work reduced hours, one being 0.66 FTE and the other 0.8 FTE. This is reflected in the number of days in the approved plan for 2013/14.

1.2 The Auditor (fraud) in the Audit Team left the team in March. Following a recruitment process a member of staff from the systems team was seconded to work within the fraud and special investigations team. The systems team post was filled by an ex-Homes in Havering employee at the beginning of June 2013. The appointee took up a permanent post in the Finance department. The post is now vacant and is likely to remain vacant for 2013/14 as the permanent Audit Fraud post will be filled in early 2014/15.

1.3 This report relates to the work of the five audit posts, the outputs from the fraud resources are reported in the fraud progress report along with the results of the investigations team.

1.4 The table below includes budget information. This budget includes both the Internal Audit and Insurance Teams. The Insurance Team has 4.2 FTE. The current service budget is for 3.2 FTE salaries. The budget for the 1.0 FTE insurance officer redeployed from Homes in Havering had not been added to the Internal Audit and Insurance budget at the end of September 2013.

1.5 Income is generated by audit by selling services to Schools, other income relates to Insurance.

REVENUE BUDGET FOR 2013/14		
Expenditure	**Income**	**Non-controllable**
£573,560	-£102,700	£470,840

1.6 The forecast outturn for 2013/14 is currently within the allocated budget.

Section 2: Audit Work 29th June to 30th September 2013.

2.1 At the end of September 42% of the audit plan had been delivered. This was against a target for the period of 45%.

2.2 The status of each audit included in the 2013/14 Internal Audit Plan as at the 30 September 2013 is shown in the table below.

2.3 Thirteen final reports were issued during the period 29th June to 30th September 2013. The reports and level of assurance provided comprise:

SYSTEMS AUDIT	ASSURANCE
Fees and Charges	Limited
Tenancy Management	Limited
Freedom of Information	Limited
Information Governance: Service & Provider Compliance	Limited
Adult Social Care (ASC): Administration Of Client Income	n/a
Troubled Families Assurance	n/a
Performance Development Reviews (PDRs)	n/a
Public Health Grant 2013/14	n/a
SCHOOL AUDIT	**ASSURANCE**
Crownfield Junior School	Substantial
Gidea Park Primary School	Full
Mead Primary School	Full
St Mary's Catholic Primary School	Substantial
Wykeham Primary School	Substantial

2.4 Summaries of the 8 systems reports and 5 school audit reports are provided in Agenda Items 4 and 5.

Section 3: Key Performance Indicators

3.1 The table below details Internal Audit's performance against KPIs for the delivery of the 2013/14 Internal Audit Plan.

KPI	Actual End Qtr2	Target End Qtr2
Percentage of Plan Delivered	42%	45%
Briefs Issued	33%	32%
Draft Reports Issued	17%	24%
Final Reports Issued	15%	18%

3.2 Recipients of audit reports are requested to complete a post-audit satisfaction survey on completion of an audit and the issue of a final report. The survey enables report recipients to score the following elements of the audit process using a score of 1, very poor, to 5, very good:

- Audit Planning
  - Awareness of Forthcoming Audit
  - Timing of Audit
  - Adequacy of Audit
  - Helpfulness of Initial Discussions
- Quality of the Draft Report
  - Clarity of the Report
  - Accuracy of the report
  - Understanding of Risks & Priorities
  - Balance and Fairness of Report
  - Usefulness / Cost Effectiveness of Recommendations
- Communication
  - Feedback on the Progresso of the Audit
  - Usefulness of the Exit Interview
  - Took Account of Concerns about Disruption to Staff
- The Auditor
  - Helpfulness
  - Professionalism
  - Understanding of the Area being Reviewed

3.3 Seventeen completed surveys were returned during the period April to September 2013 for systems audits and school audits completed by Internal Audit and the ICT audits completed by LB Newham.

	Systems Audits	Schools Audits	ITC Newham
Total Number of Questionnaires Received	7	8	2

3.4 The table overleaf details the overall levels of satisfaction for the 17 audits and indicates that auditees found the systems and school audits to be very

good and the ICT audits completed by LB Newham's Internal Audit team to be good.

Opinion	No of Systems Audits	No of Schools Audits	No of ITC Newham
Very Poor (0% - 20%)	0	0	0
Poor (21% - 40%)	0	0	0
Satisfactory (40% - 60%)	0	0	1
Good (61 - 80%)	5	0	0
Very Good (80 - 100%)	2	8	1
Total Core Achieved	421	559	112
Total Score Possible	525	600	150
% Total Score Actual / Possible	**80%**	**93%**	**75%**

3.5 Officers completing satisfaction surveys are also able to record comments and we are pleased to report that during the period we received a number of positive responses including:

- 'The auditor was knowledgeable, professional, courteous and helpful!'
- 'Thank you, a very useful and productive audit which was reassuring and beneficial.'
- 'I very much valued the rigour of audit applied to our area of work. I feel more confident knowing that we are following correct processes, and that we have adopted the correct checks and balances.'

Section 4: Changes to the Approved 2013/14 Audit Plan

4.1 In April 2013 the Audit Committee approved an Annual Audit Plan for the 2013/14 financial year totalling 1435 days.

4.2 As the Systems team post will be held vacant for 2013/14 until the Audit Fraud post is filled with a new permanent post holder the number of days in the plan has reduced by 120 days to 1315.

4.3 The table below provides a summary of the audits removed from, and added to, the 2013/14 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

Audit Title	Original Days	Revised Days	Directorate	Reason
School Placements –	0	15	Children, Adults and Housing	Deleted from Plan as CMT will be looking at this from a Risk

Audit Title	Original Days	Revised Days	Directorate	Reason
Systems review				Management perspective
School Placements – Forensic Audit	0	20	Children, Adults and Housing	Original allocation reduced when scope set. However additional compliance audit has been identified.

Section 5: Outstanding Recommendations Update

5.1   Internal audit follows up all recommendations with management as and when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.

5.2   This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any High priority recommendations.

5.2   The current level of implementation is shown in table in paragraph 5.4 on the following page.

5.3   Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified.   The three categories comprise:

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

5.4 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at end Sept 2013			
				H	**M**	**L**	Complete	In Progress	Not Due	Rejected
08/09	Cemeteries & Crematorium	Regulatory Services	Qualified	2	4	4	9	1 M	0	0
			2008/09 Totals	**2**	**4**	**4**	**9**	**1**	**0**	**0**
11/12	Public Protection	Regulatory Services	Substantial	0	0	2	1	1	0	0
11/12	Oracle Financials	Internal Shared Services (ISS) / Business Systems	Limited	0	24	0	21	3◆	0	0
11/12	Crematorium – Grave Allocations & Record Keeping	Regulatory Services	Substantial	0	6	0	2	4	0	0
11/12	Education Computer Centre	Business Systems	Limited	3	6	0	4	5◇	0	0
11/12	Appointeeship & Deputyship	Adult Services	Limited	6	5	0	11	0	0	0
11/12	Network Infrastructure	Business Systems	Limited	4	5	1	10	0	0	0
11/12	Pensions	ISS	Limited	0	1	0	0	1	0	0
11/12	i-Expenses & P Cards	ISS	Limited	5	3	1	5	4◆	0	0
11/12	Main Accounting	ISS	Substantial	0	1	0	0	1	0	0
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1 M	0	0
			2011/12 Totals	**18**	**54**	**4**	**56**	**20**	**0**	**0**
12/13	Information Governance	Legal & Democratic Services	Limited	1	2	0	3	0	0	0
12/13	Oracle Financials	Business Systems / ISS	Limited	0	11	3	11	3◆	0	0
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	5	2	0	0
12/13	i-Expenses	ISS	Limited	2	1	0	1	1◆	0	1 H
12/13	i-Procurement	ISS	Limited	0	2	1	0	2◆	1 L	0
12/13	Pensions	Group Director, Resources & Governance Group	Substantial	0	2	0	0	1	1	0
12/13	Payroll	Group Director, Resources & Governance Group	Limited	0	5	0	3	1	1	0
12/13	i-Recruitment	ISS	Limited	3	2	0	0	5◆	0	0

5.4 Outstanding Audit Recommendations

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at end Sept 2013			
				H	M	L	Complete	In Progress	Not Due	Rejected
12/13	Transport	Asset Management	Substantial	1	4	2	4	1	2	0
12/13	Release of Software	Business Systems	Limited	3	0	0	3	0	0	0
12/13	Modern Governance	Business Systems	Substantial	3	7	2	9	3	0	0
12/13	Operating Systems	Business Systems	Limited	4	2	0	6	0	0	0
12/13	Council Tax	Exchequer Services	Substantial	0	3	2	2	1 L & 1 M	1 L	0
12/13	Accounts Receivable	Group Director, Resources & Governance Group	Substantial	0	2	1	0	1	2	0
12/13	Traffic & Parking Control – Cancellation of Penalty Charge Notices	Streetcare	Substantial	1	5	1	3	0	4	0
			2012/13 Totals	18	55	12	50	22	12	1
13/14	Mayrise	Streetcare	Limited	5	9	0	11	2	1	0
13/14	Tenancy Management	Housing & Public Protection	Limited	0	14	0	4	9	0	1
13/14	Information Governance	Legal & Democratic Services	Limited	0	1	0	0	1	0	0
			2013/14 Totals	5	24	0	15	12	1	1
			Totals	43	137	20	130	55	13	2

◆ Implementation of recommendations is dependent on the implementation of the One Oracle system. These will be picked up in the post implementation reviews in March 2014.

◇ Implementation of recommendations is dependent on the outcome of Project Romulus.

APPENDIX A: STATUS OF 2013/14 INTERNAL AUDIT PLAN AS AT 30.09.2013

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Report to Audit Comm
		Original	Revised				
Corporate	IG - Service Area Control & Compliance	0	11	Q1	Consolidated Final Report Issued	Limited	Dec-13
	IG - Provider Compliance	0	5	Q1			
	Grants	15	15	Q1	Drafting Report		
	Compliance with Corporate Fees & Charges Policy	20	10	Q1 / 2	Drafting Report		
	Fees & Charges	15	5	Q1 / 2	Final Report Issued	Limited	Dec-13
	Information Governance - FOI	20	20	Q2	Final Report Issued	Limited	Dec-13
	PDR Assurance	0	8	Q2	Final Report Issued	n/a	Dec-13
	Project Management	15	15	Q3			
	Use of Volunteers	15	15	Q3	Planning		
	Corporate Governance	0	15	Q3	Planning		
	Risk Management	20	20	Q3 / 4	Planning		
	Petty Cash/Pre Paid Cards	15	15	Q4			
	Use of Consultants	20	15	Q4			
	Safeguarding	10	10	Q4			
	Compliance with Corporate Sickness Absence Policy	0	10	Q4	Brief Issued		
Culture, Community & Economic Development	Housing Capital	20	15	Q1	Fieldwork Commenced		
	Tenancy Management	0	27	Q1	Final	Limited	Dec-13
	Housing Rents	0	20	Q2	Fieldwork Commenced		
	Carbon Reduction Commitment Scheme	0	3	Q3	Drafting		
	Council Tax Support Administration	15	15	Q3			
	Housing Allocations	20	15	Q3	Fieldwork Commenced		
	Housing Benefits	15	15	Q3			
	Youth Service	15	15	Q3			
	Council Tax	10	10	Q3 / 4			
	Business Rates Administration	15	15	Q4			

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Report to Audit Comm
		Original	Revised				
Resources (Finance & Commerce)	Agency Worker Contract	20	20	Q2	Fieldwork Commenced		
	Main Accounting (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Creditors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Debtors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Payroll (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Pensions (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Bankers Automated Clearing System	10	10	Q3	Brief Drafted		
	Budgetary Control incl Collaborative Planning	10	10	Q4			
	Main Accounting (Post One Oracle Implementation)	0	5	Q4			
	Creditors (Post One Oracle Implementation)	0	10	Q4			
	Debtors (Post One Oracle Implementation)	0	10	Q4			
	Payroll (Post One Oracle Implementation)	0	10	Q4			
	Pensions (Post One Oracle Implementation)	0	10	Q4			
Children, Adults & Housing	Looked After Children Placements	0	15	Q1	Fieldwork Commenced		
	Troubled Families Programme	15	10	Q1	Final	n/a	Dec-13
	Local Welfare Assistance	20	15	Q1 / 2	Planning		
	ASC Income Work	0	10	Q1 / 2	Final	n/a	Dec-13
	Public Health Grants	0	5	Q2 / 3	Final	n/a	Dec-13
	TMO's	0	10	Q3	Brief Issued		
	Self-Directed Support	20	15	Q4			
	Contracts and Procurement	15	15	Q4	Drafting Brief		
	School Allocations	0	15	Q3			

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Reported Audit Comm
		Original	Revised				
Schools	Branfil Primary	4	4	Q1	Final	Substantial	Sep-13
	Gidea Park Primary	4	4	Q1	Final	Full	Dec-13
	Squirrels Heath Junior	4	4	Q1	Final	Substantial	Sep-13
	St.Albans Catholic Primary	4	4	Q1	Final	Substantial	Sep-13
	Wykeham Primary	4	4	Q1	Final	Substantial	Dec-13
	Crownfield Junior	4	4	Q2	Final	Substantial	Dec-13
	Mead Primary	4	4	Q2	Final	Full	Dec-13
	St.Marys Catholic Primary	4	4	Q2	Final	Substantial	Dec-13
	Benhurst Primary	4	4	Q3			
	Brookside Infant	4	4	Q3			
	Engayne Primary	4	4	Q3			
	Harold Court Primary	4	4	Q3			
	Towers Junior	4	4	Q3			
	Whybridge Junior	4	4	Q3			
	Broadford Primary	4	4	Q4			
	Crownfield Infant	4	4	Q4			
	Scargill Infant	4	4	Q4			
	Squirrels Heath Infant	4	4	Q4			
	St.Edwards CE Primary	4	4	Q4			
	Dycorts School	4	4	Q4			
Computer Audit	Mayrise	0	15	Q1	Final	Limited	Sep-13
	AXIS Pension System		15	Q1	Draft		
	LACHS		15	Q1	Draft		
	Follow Ups	100	5	Q1 / 4			
	Service / Support Desk		15	Q2	Draft		
	Security Over Spreadsheets (Replaces Backups)		15	Q2 / 3			
	ICT Inventory Controls		8	Q3 / 4			

	Audit Title	Budget		Plan Quarter	Status End Qtr 2	Report Assurance	Reported Audit Comm
		Original	Revised				
	Tranman		15	Q4			
Follow Ups	Traded Services	0	1.5	Q1	Final	Substantial	Sep-13
	Education Computer Centre	0	1.5	Q1	Final	Limited	Sep-13
	Audit Recs	0	15	Q1-4			
	Traffic & Parking Control - Cancellation of PCN's	0	3	Q2 / 3	Planning		
	One Oracle Contingency	0	16	Q2 / 4			
	i-Expenses	3	3	Q3			
	CRC Scheme Follow Up & Sign Off	0	1				
Other Work	Contingency	25	0	-			
	Advice to Directorates	10	10	Q1 / Q4			
	Sign off of Grant Claims	10	10	Q1 / Q4			
	Governance	25	24	Q1 / Q4			
	Risk Management	50	28	Q1 / Q4			
	Schools Management /Administration	20	20	Q1 / 4			