

AUDIT COMMITTEE

3 December 2013

Subject Heading:

Internal Audit Systems Report Summaries
29 June 2013 to 31 September 2013

Report Author and contact details:

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Policy context:

To inform the Committee of the findings
and recommendations made in systems
audit reports issued during 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 provides the Audit Committee with summaries of internal audit reports issued during the period 29th June 2013 to 30th September 2013. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

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

1. INTRODUCTION

- 1.1 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 1.2 For each risk based audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:
 - Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
 - Substantial:** 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.
 - Limited:** 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.
 - No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.
- 1.3 Recommendations are made to mitigate weaknesses identified in the system of control. Recommendations are categorised into three levels of priority to ensure that those addressing areas of significant risk are implemented as a priority. The three categories comprise:
 - High:** Fundamental control requiring implementation as soon as possible.
 - Medium:** Important control that should be implemented.
 - Low:** Pertaining to best practice.

- 1.4 Eight systems audits were finalised during the period 29th June 2013 to 30th September 2013. The eight systems and the level of assurance provided are shown below:

SYSTEM	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

- 1.5 Summaries of the eight systems audit reports are included in Sections 2.1 to 2.8 below.

2. REPORT SUMMARIES

2.1 FEES AND CHARGES

- 2.1.1 Fees and charges represent an important source of income, providing finance to enable the Council to achieve its objectives although this creates conflicts between raising additional income by increasing charges and promoting access and usage of local services. Many of the services the Council charges for are required by statute but others are discretionary.

The audit found:

- (i) The Corporate Charging Policy included on the intranet does not include certain information such as the policy owner, version etc.
- (ii) There is limited involvement by finance to ensure that service charging policies have been completed or are compliant.
- (iii) There is no direct access to the Corporate Charging Policy on the internet.

- 2.1.2 Limited Assurance was 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.

- 2.1.3 The audit made one high, one medium and one low priority recommendation. The three recommendations were agreed by management.

- 2.1.4 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – Medium Priority	Management Response
<p>The Corporate Charging Policy shown on the Intranet should include:</p> <ul style="list-style-type: none"> • Policy Owner; • Approving Body; • Date Approved; • Effective Date; • Review Date; and • Version. 	<p>Agreed. The Policy document will be amended to include the information listed and the Policy will also be subject to an annual review as part of the budget setting process. Any amended versions will be uploaded accordingly.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of October 2013
Recommendation – High Priority	Management Response
<p>A process should be built in at the annual budget setting stage to:</p> <ul style="list-style-type: none"> • Provide assurance on local charging policies; • Ensure that Fees & Charge are compliant with both legislation and the Corporate Charging Policy; and • The fees and charges shown on the Internet/Intranet are those approved by Cabinet. <p>The Corporate Charging Policy should be amended to include the above process and approved by Cabinet.</p>	<p>Agreed. As indicated above, there will be an annual review, with the Policy subject to formal approval by Cabinet, at an early stage in the budget setting cycle. Guidance will be issued to heads of service, reminding them of the need to ensure compliance with the Policy, and finance business partners will be asked to confirm that local policy statements are in place. There will be a separate check – possibly via Internal Audit – to ensure that the schedule of fees & charges approved by Cabinet are reflected in the appropriate places on the Council’s website, and in any other publications.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of February 2014
Recommendation – Low Priority	Management Response
<p>The Corporate Charging Policy should be placed on the Councils Internet site so it is easily accessible to members of the public.</p> <p>Service charging policies should then be linked to the Corporate Charging Policy.</p>	<p>Agreed. The Policy will be uploaded onto the website once it has been approved by Cabinet. Any amended versions will be uploaded accordingly. Appropriate links will be included to local service charging policies.</p>
Responsible Officer	Target Date
Mike Stringer, Head of Finance & Procurement	End of January 2014

2.2 TENANCY MANAGEMENT (2012/13 PLAN)

- 2.2.1 The Arm's Length Management Organisation, Homes in Havering, was transferred back to the Council on 1st October 2012. The new service, Homes and Housing, brings together the retained and previously arm's length functions into one service area. However, in advance of the planned restructures, teams and officers continue in their former roles.
- 2.2.2 Management of tenancies and the role the various teams involved play in this is considered important in terms of helping to prevent and detect potential housing fraud. There has recently been some joint working initiated between the Investigations Team and the Tenancy and Neighbourhood Services (T&NS) Team to carry out 'blitz' tenancy audits on specific areas in order to identify cases of fraud.
- 2.2.3 The audit aimed to provide assurances over the processes and controls that are in place regarding tenancy management to ensure that processes and procedures are robust, while also identifying any weaknesses in controls. Particular attention was paid to where weaknesses may decrease the organisations chances of preventing or detecting Housing Fraud.
- 2.2.4 The audit found:
- (i) Some staff are not complying with new, updated procedures and associated paperwork.
 - (ii) Lack of checks to confirm tenant's identity during contact outside of specific checks such as the Settling in Visits (SIV) and Tenancy Checks / Audits was noted. However, at the time of writing this report communication had been issued to staff with regard an Information Governance Campaign which may help to address some of these concerns and a Document Verification Project is in initial consideration stages which may further address these concerns.
 - (iii) A programme is yet to be finalised to support the introduction of risk-based approach to Tenancy Checks / Audits, although checks have been taking place in the absence of this such as the recent 'blitzes' carried out in conjunction with the Investigations Team.
 - (iv) The current form in use for Tenancy Checks / Audits does not meet all the expected objectives.
 - (v) There are opportunities to identify further possible fraud training needs from monitoring what has already taken place.
 - (vi) Annual and legally required visits are not utilised across the service as an opportunity to carry out random Tenancy Checks / Audits.
 - (vii) There is confusion regarding the circumstances for instigating a six or nine month check and no supporting procedures to guide staff carrying out the checks or for carrying out Settling in Visits (SIV).
 - (viii) The placement of the Tenancy Sign-Up process requires review.
 - (ix) The updated TMO Management Agreement requires formal sign off by both parties.
 - (x) Clear direction with regard on-going monitoring and proactive involvement with the TMOs will be required for the TMO Liaison Officer role to provide an efficient use of resources.

- (xi) The Empty Homes Team often received incomplete risk assessments from the Lettings Team, potentially putting Officers and prospective tenants at risk.
- (xii) Some officers are saving documents onto the personal 'U' drives which is against ICT Policy, despite previous reminders.

2.2.5 Limited Assurance was 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.

2.2.6 The audit made 17 medium priority recommendations to address the weaknesses in control identified. Sixteen recommendations were agreed and management agreed to review the feasibility of the 17th recommendation.

2.2.7 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – Medium Priority	Management Response
Succession procedures, and the requirement to comply with these, for both the old AND the new tenancy agreements should be reiterated to all staff who might require them (including, but not limited to; Home Ownership Team, Contact Centre, Benefit & Investigations Team and; Tenancy & Neighbourhood Services Officers) and continued non-compliance addressed.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 September 2013
Recommendation – Medium Priority	Management Response
Staff should be further reminded that there are new, reviewed procedures in place and that only the updated forms that may need to be completed in association with such procedures are used. In addition, any 'old', blank, template paper versions should be destroyed.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	31 st August 2013

Recommendation – Medium Priority	Management Response
Management review of successions to include ensuring correct documentation has been completed and copies of relevant evidence retained for the succession prior to authorisation.	Form to be reviewed to ensure sufficient assurance exists for management review and a complete audit trail.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Standard checks should be implemented, where possible, during contact with the tenant to prevent data protection breaches and identify possible instances of sub-letting / other Tenancy Fraud.	An Information Governance Campaign commenced in July 2013 within Homes & Havering and is addressing these issues.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	September 2013
Recommendation – Medium Priority	Management Response
A proactive and forward-looking action plan should be completed to support the introduction of a risk based approach to tenancy checks / audits. This plan should clearly indicate key decisions to be made, timescales and responsibilities as well as ensuring that appropriate policies and procedures are documented.	A risk based tenancy audit programme for 2013/14 is now complete. A tenancy audit procedure is already in place.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	Completed
Recommendation – Medium Priority	Management Response
The Tenancy Check / Audit form and approach should be reviewed to ensure that it achieves the objectives for which it is intended.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Existing opportunities to identify potential training needs regarding Fraud Awareness should be utilised to ensure all officers have the appropriate skills to carry out their duties.	This will be undertaken as part of re-structure.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	31 st March 2014
Recommendation – Medium Priority	Management Response

Utilise the booking of required annual visits (such as gas safety checks and imminent building inspections) to carry out random Tenancy Checks / Audits.	Feasibility of this to be explored.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	October 2013
Recommendation – Medium Priority	Management Response
Procedures for Settling in Visits and where a six or a nine month check might be required should be formally documented and communicated to staff.	Agreed.
Responsible Officer	Target Date
Marina Crofts, Head of Tenancy and Neighbourhood Services	30 th September 2013
Recommendation – Medium Priority	Management Response
Consideration should be made of the risks/benefits regarding the placement in the structure of the Tenancy Sign up procedure.	This area is currently being looked at as part of the Customer Transformation Programme and will be reviewed at HHPP. However, it should be noted that Tenancy Sign-up is currently undertaken by the Empty Homes Team which is not subject to restructure.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	August 2013
Recommendation – Medium Priority	Management Response
The updated Management Agreement with TMOs to be formally agreed and signed off by all relevant parties.	There are on-going negotiations regarding a small number of outstanding matters but these are in hand and is anticipated that the draft agreement will be completed by the end of September 2013. Thereafter it will require Council and TMO Board / Committee sign off before being implemented in the final quarter.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	January 2014
Recommendation – Medium Priority	Management Response
Clear direction should be provided for the TMO Liaison Officer role with regard to expectations surrounding proactive involvement with the TMOs and regular on-going monitoring.	The role will be recruited within the restructure timescales. A Job Description has been drafted which will be supported by a guidance / expectation document.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	1 November 2013
Recommendation – Medium Priority	Management Response

Discussions should be instigated with the Lettings Team regarding incomplete Risk Assessments. If issues continue then incomplete assessments should be returned to the Lettings Team for full completion.	Representatives from Lettings, Empty Homes and Tenancy Management are to meet to address this recommendation.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	September 2013
Recommendation – Medium Priority	Management Response
As part of one to one's staff should be referred to the ICT Policy and reminded that work related documents should not be stored on personal 'U' drives. This should remain an ongoing item on one to one's until management are confident this is being adhered to.	An Information Governance Campaign commenced in July 2013 within Homes & Housing and is addressing this issue.
Responsible Officer	Target Date
Peter Doherty, Director of Housing Services, Homes & Housing	August 2013

2.3 FREEDOM OF INFORMATION

2.3.1 The Freedom of Information Act 2000 came into force in January 2005. The legislation allowed the public a right to access various types of recorded information held by public authorities.

2.3.2 There are two key risks associated with delivering the FOI function, these comprise: non-compliance with FOI legislation, leading to significant financial penalties being incurred and the reputational risks associated with releasing sensitive / confidential data that breaches Data Protection legislation. The London Borough of Havering (LBH) set up the Access to Information Team to deliver the requirements of the Act.

2.3.3 The purpose of the audit was to gain assurance that robust processes and internal controls are in place, across the whole organisation, to ensure compliance with the requirements of the Freedom of Information Legislation.

2.3.4 The audit found:

- (i) The Council's FOI strategy dated 2004, is out of date and no longer fit for purpose. Useful links and key contacts listed are neither applicable nor available. The Council's existing strategy does not determine clear accountability for key decisions and as a result there is a lack of corporate approach or consistency in the control environment.
- (ii) The Council's current arrangements for administering the FOI process is a manual process that is heavily reliant on resources both centrally and within services to manage on behalf of the whole organisation. The approach, as well as resources within the central team and out within the services to administer this function, has not increased over the years to meet the increase in the number or complexity of the requests being received.
- (iii) A reliance on manual records to monitor deadlines and provide some central controls, is dependent on the information recorded being accurate. Discrepancies identified on the spreadsheets, such as date received and deadline dates impact on the ability to rely on the information recorded and the effectiveness of these controls.
- (iv) There is no consistency across the organisation in how FOIs are administered or where the key controls in service areas come as part of the process. There is also a lack of evidence that resources are deployed based on the workload for the service area/directorate or that risk is considered in work allocation.
- (v) Training has been made available to DIOs, although often responsibility sits with individuals who have not had the necessary training with no evidence of quality review within the service area. There are controls over quality within the Access to Information Team however these may mitigate the risks at the end of the process and therefore mean that resources in service areas have already been expended on the task unnecessarily.
- (vi) The absence of a functional automated system and no resolution in sight means that management of this process is resource intensive and risks harder to mitigate including non-compliance with legislation. The work to resolve the issues identified with the CRM system will take time. Discussions indicated that a timely resolution is unlikely.

- Although manual process can have additional controls embedded to mitigate risks this is not an efficient use of people resources at a time when austerity is reducing the number of the non-front line resources.
- (vii) It is evident that the Councils current approach to FOIs is not meeting its objectives. Management information generated as part of the audit found that 36% of the requests received since March 2013 were either issued after the deadline, or were still to be issued at the time of the audit, albeit that the deadline had already passed. It must also be noted that there are requests that were received prior to March 2013, that were still outstanding at the time of this review including one received in June 2012.

2.3.5 The audit provided Limited Assurance as 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.

2.3.6 The audit made four high priority and one medium priority recommendations to address the weaknesses in control identified. The recommendations were agreed by management and deadlines for their implementation were set.

2.3.7 The management action plan for the implementation of the audit recommendations comprises:

Recommendation – High	Management Response
The Council's FOI strategy and procedures including roles and responsibilities should be reviewed and updated to reflect corporate expectations of services based on risk. This review should incorporate input from Corporate Leadership Team	The need for a FOI strategy now will be reviewed given that it is now a standard business function for the Council. The published procedures including roles and responsibilities will be updated to reflect changes within the Council and guidance from the information Commissioner's Office.
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	January 2014
Recommendation – High	Management Response
All Heads of Service must review the arrangements in their own service areas and provide assurance to Corporate Management Team that the corporate expectations are embedded into their own process and procedures.	Agreed. Particularly needed given the major transformation changes which have been implemented over the last 2-3 years and the potential for such changes to impact on performance.
Responsible Officer	Target Date
Corporate Management Team	June 2014

Recommendation – Medium	Management Response
Targeted and proportionate training based on responsibility within the process, should be provided to all those identified as having a role within the revised structure for processing FOIs.	Agreed. While training has been provided on an ad-hoc basis, it is an appropriate time to refresh in a structured manner the knowledge of all involved.
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	June 2014
Recommendation – High	Management Response
Management should look at the cost/benefit of using alternative operating systems that may be suitable for the processing of FOIs in the interim while the longer term solution is developed or ensure an automated solution for FOI is given sufficient priority within the relevant programme.	Agreed. Historically the funding of computerisation of the FOI process has been not been a priority for the Council. The possibility of adapting an existing software application purchased for other purposes is being examined as is the enhancement of the existing spreadsheet database.
Responsible Officer	Target Date
Group Director Resources	January 2014
Recommendation – High	Management Response
Management information should be regularly produced and distributed to Corporate Leadership Team for information purposes.	Agreed. Historically the overall performance level on FOI responses was sufficiently good not to require the distribution of Service level data. Recent performance levels justify the provision of performance ratings to Heads of Service
Responsible Officer	Target Date
Acting Assistant Chief Executive Legal & Democratic Services	February 2014

2.4 INFORMATION GOVERNANCE: SERVICE & PROVIDER COMPLIANCE

2.4.1 Information Governance is a risk on the Council's Corporate Risk Register and has been an issue on the Annual Governance Statement in recent years. In a recent review of the Corporate Risk it was deemed to be high and CMT have requested a report back to consider mitigation.

2.4.2 The aim of the audit was to assess the level of understanding and compliance within services in relation to:

- Information Governance in everyday business activities; and
- Within contractual relationships with other organisations where the service areas may share data.

2.4.3 Three service areas were selected for the review due to the sensitive nature of the information they collect and retain. These were:

- Internal Shared Services (Inc. HR and Payroll),
- Homes and Housing (Inc. Private Housing Solutions Team);
- Exchequer Services (Housing Benefits).

2.4.4 The audit found:

Service Compliance

- (i) Services are storing information in various formats. Increasingly information is being held electronically, scanning hard copy documents into the system and destroying the hard copies through confidential waste bins located on site.
- (ii) A 2004 Records Retention document is available on the Council's intranet. Local retention periods are in place in some cases, although this is often a general understanding and not part of a documented policy. Where specific audits conducted by Internal Audit identify weaknesses in this area, recommendations have been raised within the subsequent audit report to mitigate these risks.
- (iii) This review identified positive indications that services have a general understanding of Information Governance, although this largely focuses on the Data Protection element of IG. Services understand that the information they are collecting and retaining is of a sensitive / confidential nature and so should be protected; however, it was evident from the responses given that awareness has been raised through general discussions / team meetings and not through the provision of specific training.
- (iv) There are inconsistencies in the way that services deal with the transfer of information. GCSx Secure email accounts can be set up via the online E-Access Forms. However in order to obtain this type of account, the individual must complete a training course and achieve a pass mark of 80%. Discussions during the audit noted one team that has been unable to achieve this pass mark and so continue to send information through their day to day email accounts.

Providers

- (i) Whilst the short terms and conditions refer to confidentiality, this relates to the disclosure of information relating to the contract or the Council. No reference is made to restrictions surrounding data passed to the providers.
- (ii) There is a risk that there are no control mechanisms in place that could prevent a service from signing up to an agreement without the appropriate contractual arrangements in place, including where the contract requires the provision of confidential Council data.

2.4.5 A Limited Assurance was provided as the audit found 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.

2.4.6 The audit made 1 medium priority recommendation to address the weaknesses identified. The recommendation was agreed by management and implementation scheduled for 30 September 2013.

2.4.7 The management action plan for the implementation of the audit recommendation comprises:

Recommendation – Medium	Management Response
The wording contained within the Council's Short Terms and Conditions should be reviewed to ensure appropriate cover in relation to the provision of confidential / sensitive data to external organisations.	Agreed. There is an issue that if a contract involves the handing of Council data, particularly personal data over to a contractor, the officer should be considering the desirability / need for a proper data processing agreement.
Responsible Officer	Target Date
Monitoring Officer / Legal & Democratic Services	30th September 2013

2.5 ADULT SOCIAL CARE (ASC): ADMINISTRATION OF CLIENT INCOME

- 2.5.1 The audit was undertaken in response to a request from management. Significant variances between forecast and outturn were identified at 2011/12 closedown which were largely due to variations in income. The service reviewed its procedures and implemented a large number of changes during 2012/13 and the variance between forecast and actual was reduced to a £200k deficit.
- 2.5.2 The purpose of the audit was to gain assurance regarding the process and internal controls in place and ensure that procedures are robust for the administration of client income.
- 2.5.3 The Business Objects reconciliation report run by the Financial and Business Analyst highlights discrepancies that are not picked up as part of the reconciliations and checks carried out within the Financial Assessment and Benefits Team. The reconciliation report is therefore a key control. Responsibility for the control and the siting of the control does not appear to provide the most efficient or best use of resources in the longer term. It was therefore recommended that management should review the placement of this role and the associated work and decide if a specific financial resource is required within the Financial Assessment and Benefits Team or if existing resources can be utilised.

2.6 TROUBLED FAMILIES ASSURANCE

- 2.6.1 The Troubled Families (TF) Programme was set up to help Local Authorities and other agencies encourage children back into school, reduce youth crime and anti-social behaviour, put adults on a path back to work and reduce the high costs these families place on the public sector each year. A wider aim is to facilitate and embed a culture of more joined-up working to reduce the number of contacts these families have with the Council and avoid duplication.
- 2.6.2 At the time of the report Havering had identified approximately 380 families that fit into the Troubled Families criteria of a total target of 415 over the course of the programme. For each family there is an element of up front funding provided by central government which is paid on a reducing balance in the second and third years, dependent on meeting set performance thresholds.
- 2.6.3 The new processes and procedures implemented by the Data Analyst should provide an effective control with regards data quality and an adequate audit trail but this will require a review by the TF Team once these processes have had some time to embed. Some analysis of evidence provided by services / agencies should be carried out by the TF Team.
- 2.6.4 There is a concern that reporting is a little excessive and some consideration should be given to amalgamating reports to some agencies to reduce the burden on the TF team.
- 2.6.5 The TF Team are currently a key control in bringing the data together for the TF funding and as such are the central point for ensuring some key checks are carried out and the various agencies / services are linking in with each other. Based on the assumption that the TF Team may only last as long as the funding there is a need for this joined up working to be implemented within the services / agencies themselves, requiring little involvement from the TF Team as a final outcome. This is in line with the wider objective of this process becoming business as usual.

2.7 PERFORMANCE DEVELOPMENT REVIEWS (PDRs)

2.7.1 A new approach to performance appraisal, including a module of Oracle, was launched in April 2012.

2.7.2 The review was undertaken to gain assurance regarding the completeness of management information, available to Senior Management, from the Oracle system. The audit tested compliance with the Authority's agreed procedures and was undertaken to provide management with assurance regarding the controls within the PDR process.

2.7.3 Audit contacted appraisees to confirm whether:

- PDR meetings have taken place regarding 2012/13
- The appraisee and manager are confident they understood the new PDR process

2.7.3 The telephone survey found that 90% of the office based employees had had a PDR at the time of the audit and that some employees and managers surveyed did not have a full understanding of the PDR process.

2.8 PUBLIC HEALTH GRANT 2013/14

- 2.8.1 The public health grant, made under Section 31 of the Local Government Act 2003, is provided to local authorities to fund their new public health responsibilities. The terms and conditions of the grant govern its use and restrict its use to the fulfilment of the new public health responsibilities which comprise:
- To improve significantly the health and wellbeing of local populations;
 - Carry out health protection functions delegated from the Secretary of State;
 - Reduce health inequalities across the life course, including within hard to reach groups; and
 - Ensure the provision of population healthcare advice.
- 2.8.2 The terms and conditions also require that monies are spent appropriately and accounted for properly. There is an expectation that funds will be utilised in-year however end of year underspends can be carried over as part of a public health reserve into the next financial year. Monies carried forward will need to be utilised in accordance with the grant conditions. There is a risk that the Department of Health will consider reducing future allocations to Councils that repeatedly report large underspends.
- 2.8.3 The ring fenced public health grant awarded to the London Borough of Havering was £8,833,400 for 2013/2014.
- 2.8.4 The audit was undertaken to provide assurance that the public health grant is managed in accordance with the grant terms and conditions.
- 2.8.5 The audit found:
- A robust system of internal control is in place.
 - Compliance with the system of internal control.
 - Appropriate records are being maintained.
 - Sufficient evidence is maintained to provide assurance that the grant is being managed in accordance with the scheme.
- 2.8.6 Internal audit will complete additional work at year end. This work will verify whether the grant conditions have been complied with, prior to the Chief Executive signing the annual Revenue Outturn and the 'Statement of Assurance: Ring-fenced Public Health Grant Determination 2013/14' being sent to Public Health England.

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