



Havering

LONDON BOROUGH

AUDIT COMMITTEE

AGENDA

7.30pm

**Tuesday,
7 December 2010**

**Havering Town Hall,
Main Road, Romford.**

Members 6: Quorum 3

COUNCILLORS:

Conservative (4)

Georgina Galpin (C)

Osman Dervish (VC)

Roger Ramsey

Frederick Thompson

Residents (1)

Clarence Barrett

Labour (1)

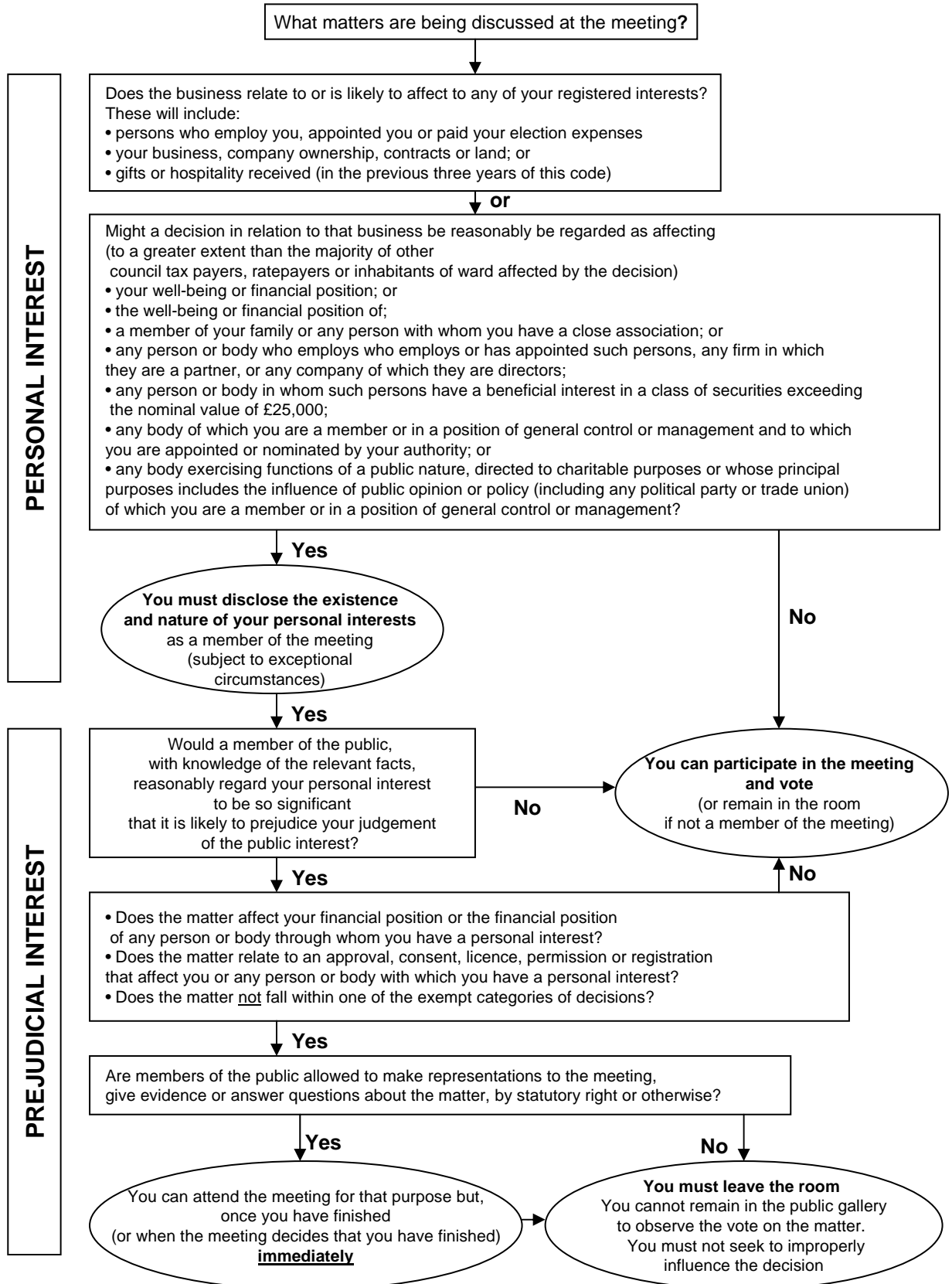
Paul McGeary

For information about the meeting please contact:

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2. APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3. DECLARATION OF INTERESTS

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in any item at any time prior to the consideration of the matter.

4. MINUTES OF THE MEETING

To approve as correct the minutes of the meeting held on 23 September 2010 and authorise the Chairman to sign them.

5. UPDATE ON OBJECTION TO ACCOUNTS ACTION PLAN

Report attached.

6. ANNUAL AUDIT LETTER

Report attached.

7. IFRS / ACCOUNTS CLOSEDOWN UPDATE

Report attached.

8. INTERNAL AUDIT PROGRESS REPORT

Report attached.

9. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

Report to follow.

Audit Committee, 7 December 2010

10. FRAUD PROGRESS REPORT

Report attached.

11. ANNUAL GOVERNANCE STATEMENT UPDATE REPORT

Report attached.

12. TREASURY MANAGEMENT STRATEGY AND TREASURY UPDATE – Exempt Item.

Report to follow.

13. URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

**Philip Heady
Democratic Services Manager**

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Havering Town Hall
23 September 2010 (7.30pm – 9.15pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (Chairman), Osman Dervish (Vice Chairman), Roger Ramsey and Frederick Thompson

Residents' Group Clarence Barrett

Labour Group Paul McGeary

All decisions were taken unanimously with no votes against unless shown otherwise.

The Chairman advised the Committee of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

There were no declarations of interest.

8 MINUTES

The minutes of the meeting held on 23 June 2010 were agreed as a correct record and signed by the Chairman.

9 HOUSING AND COUNCIL TAX BENEFIT FRAUD UPDATE

The Committee received a report that detailed the annual review of anti-fraud and corruption arrangements. Local Authorities are empowered by s151 of the Local Government Act 1972 to undertake housing and council tax benefit fraud investigations and prosecute offenders.

The report informed the Committee of the work and performance undertaken by the Benefit Investigation Section during the period 1 April 2009 to 31 March 2010.

The total sanction target for the year had been exceeded. This was due to new procedures being introduced which would be continually reviewed to achieve further increase in performance in 2010/11.

The prosecution target had not been achieved due to the growing complexity and seriousness of the fraud being investigated and the delays in the Crown Court process.

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The report also outlined categories of the potential fraud referrals from April 2009 to March 2010. There was a large percentage of “living together as husband and wife cases” which was reflected in the statistics. This could be attributed to greater staff and public awareness as well as the makeup of households in the borough.

The report informed the Committee that overpayments were identified and classified as fraudulent following a sanction. This could be a caution, administrative penalty or successful prosecution.

The Council’s commitment to recovering overpayments was reflected in the authority’s corporate strategy for the prevention and detection of fraud and corruption. With regard to subsidy and expenditure, fraudulent overpayments were recorded as eligible overpayments and the Authority received 40% of the overpayment amount in subsidy from the DWP. From April 2010, overpayments could only be classified as fraudulent where a sanction had been administered or a successful prosecution had taken place. For the purpose of overpayment recovery, any Housing Benefit overpayment that was fraudulent could be recovered at a higher rate from ongoing entitlement if the claimant had either:

- been found guilty of an offence whether under statute or otherwise, or
- made an admission after caution of deception or fraud for the purpose of obtaining relevant benefit, or
- agreed to pay a penalty under section 115A of the Social Security Administration Act 1992

The value of fraudulent housing benefit overpayments generated for 09/10 financial year totalled £422,626.00.

There were 49 cases summonsed to the court for prosecution during 2009/10. Also, during this period, 27 defendants pleaded guilty or were found guilty of benefit offences under Social Security, Fraud Act and Theft Act legislation. In one case the Court found the defendant not guilty and the remaining 21 cases were in process. A Havering case had been reported in the national newspapers in September 2010.

The report also highlighted how raising awareness was an important tool in combating fraud in the benefit system and was a key objective for Customer Services and the Council. The Services encouraged employees and the public to be vigilant against fraud. This included a rolling programme of improving fraud awareness. The BBC had also shown an interest in making a piece about several cases the service were currently investigating or had concluded in the last year.

The Committee **NOTED** the report.

10 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report that advised the Committee on the work undertaken by the internal audit team during the period 1st April 2010 to 30th June 2010.

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A summary of the reports finalised by the end of June 2010 was included in the report. As at the end of June 2010, 20% of the audit plan had been delivered. This was against a target for the period of 16%.

The report outlined findings from three systems reports that had been finalised in line with the profiled targets for the team as the main focus for the team was finishing the prior year's work and planning for the year ahead.

As a result of the audit within the Registrars Services one medium and two low priority recommendations were raised. These related to the need for:

- Terms and conditions of the hire of Langtons Hall to be reviewed (Medium)
- Spoilt certificates to be scanned and originals destroyed (Low)
- Quarterly reconciliations to be signed off as correct and complete (Low).

An unqualified audit opinion had been given as the audit had found that the system of control was generally in place and any recommendations being made were to enhance the control environment.

A summary of Audit Findings relating to Cemeteries and Crematorium Income Collection and Management was also presented.

No recommendations were raised as a result of this audit. An unqualified audit opinion had been given as the audit had found that the system of control was generally in place.

The report also contained the 2009 / 2010 Internal Audit Plan review of the Children with Disabilities. As a result of this audit a qualified final report was issued on 16 December 2009. The report raised four medium and one high priority recommendations.

It was noted that three of the five recommendations had been fully implemented. Work was underway to implement the remaining two. An unqualified audit opinion had been given as sufficient progress to address the control weaknesses identified had been evidenced by management.

The report for information outlined the budgetary and resource position at the end of June 2010. This highlighted a variance in quarter 1 due to unexpected delays in the start of IT audits. This was due to the ICT transformation programme and a delay to audits affected by the programme work streams.

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The report gave information on the actual performance against target for key indicators. The tables detailed the profiled targets for the year and the performance to date at the end of June. As at the end of June the team were ahead of target with regards issuing of audit briefs.

The report also detailed changes made to the audit plan since the start of the financial year. The impact of the changes would be managed by adjusting budgets for other assignments later in the year when the scope of work was agreed. A further update would be provided to the Committee in December when the provisions for work would be accurately established.

Members sought clarification why some recommendations had missed their target dates for implementation and if it gave rise for concern.

A Member commended that system's data management, had improved over the years.

The Committee was also assured that in relation to overpayment, actions had been agreed as these were usually captured during annual review.

The Committee **NOTED** the report.

11 ANNUAL STATEMENT OF ACCOUNTS 2009/10

The Committee received a report on the Council's Statement of Accounts that was required to be published after the conclusion of the external audit of accounts and no later than 30th September 2010.

The report stated that the auditors, PricewaterhouseCoopers expect to issue an unqualified opinion on the Statement of Accounts.

The report also provided an update of the project plan for International Financial Reporting Standards (IFRS) implementation and the progress made to date.

The representative of PwC introduced the report and placed on record their thanks to the Financial Services Manager and Corporate Finance Manager and the rest of the finance team for all their hard work in preparing the Statement of Accounts.

The objection raised against the 2008/09 accounts was discussed, in terms of the PwC investigation undertaken, the level of fees levied and the recommendations included in the subsequent report.

The Head of Service for Housing & Public Protection gave the Committee an assurance that the recommendations highlighted were being addressed and a progress report was requested to the next meeting.

Members also sought clarification on the daily fee rate as they felt the auditor's

charges were high.

The representative from PwC highlighted the complexity and challenges associated with the transition to International Financial Reporting Standards for the accounts from 2010/11. He also explained, with officers, the recommendations and management responses contained within the auditors report.

The Committee **NOTED** the following recommendations in the report:

- a) that no amendments are required to be made to the accounts in respect of the items set out in appendix B to the auditors report.
- b) that the audited accounts must be published by 30th September 2010.
- c) the details of IFRS project plan and the actions required to collect data in advance.

12 **REVIEW OF SCHOOLS INTERNAL AUDIT 2009/10**

The Committee received a report on the findings from internal audits carried out in Havering's schools during academic year 2009/10. This provided assurance that Havering's schools operated within a robust control environment and that compliance with the systems and processes in support of the management of their delegated budgets was regularly monitored through internal audit.

Overall findings from the reports reviewed were that 79 of the 80 Havering schools received an internal audit during the academic year. One school postponed its audit due to unavoidable pressures within the school. This school, however, was assessed for the Financial Management Standard in Schools during the year. Four schools had an initial visit undertaken in July 2010 and as there were some issues still outstanding they were not included in the figures.

The Committee sought clarification and assurances on the tables listing common findings and recommendations that highlighted the potential risk of non-compliance.

The Committee noted that no schools had received Full Assurance status since 2006/7 and asked if standards had dropped. Officers advised that tougher tests were applied now and in the past the judgement aspect in the audit had been different. Discussions were on-going with Internal Audit on ways to encourage schools to try for Full Assurance.

Officers assured the Committee that they tracked schools which had received a limited assurance in one year to ensure they were not the same schools each year.

The Committee **noted** the report.

13 TREASURY UPDATE

The report was introduced by officers setting out the context as part of The Chartered Institute of Public Finance and Accountancy (CIPFA) revised Code of Practice for Treasury Management. This suggested that Members should be informed of Treasury Management activities at least twice a year, but preferably quarterly.

This report ensured that the Council was adopting best practice in accordance with CIPFA's revised Code of Practice.

The details of the report were explained to the committee, including that the Council has remained within its prudential indicators limits.

The item was considered under the exempt part of the agenda as it referred to detailed treasury transactions of the council.

The Committee **noted** the report.

Chairman
7 December 2010



AUDIT COMMITTEE

REPORT

7 December 2010

Subject Heading:

Response to a report from PWC on a complaint from The Lease-holder

Report Author and contact details:

Sue Witherspoon, Head of Housing and Public Protection Extension 3747

Policy context:

The London Borough of Havering received a report from PWC detailing their recommendations in relation to a complaint from the Lease-holder about his service charges. This report provides an update of actions taken.

Financial summary:

The report summarises the position on the costs and income related to the provision of TV aerials and satellite services for tenants and leaseholders of the London Borough of Havering. It notes that the cost of the service has not been reviewed by means of a tendered service since 1992; and considers the way forward to ensure value for money from this contract. It also notes that the cost of the service is not fully recovered from the tenants and leaseholders, and notes the proposed way forward to address this. The cost of this service in 2009/2010 was around £585,000.

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

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

SUMMARY

1. The Council's Auditors, PWC wrote to the Director of Finance & Commerce on 9 August with the findings of an Investigation into a complaint from the Lease-holder about the way in which charges for TV aerial services are levied.
2. The report sets out progress by the Housing Service against the recommendations of PWC in response to this complaint. A copy of the action plan is appended to this report.

RECOMMENDATIONS

That the Committee:

1. Note the progress on actions in relation to the report by PWC on the issue of Service Charges

REPORT DETAIL

Background

1. The Council's Auditors, PWC wrote to the Director of Finance & Commerce on 9 August with the findings of their investigations, into a complaint by a leaseholder. The complaint related to the way in which building insurance charges were levied, and the way in which charges were levied for access to TV and Satellite access points.
2. PWC were satisfied that the charges on buildings insurance were reasonably calculated and reflected the costs incurred by the Council, and made no recommendations as to any action in respect of this item.
3. In respect of the charges relating to TV/Satellite access points, PWC found that the Council was lawfully entitled to levy the charge. However, in 2005/6 the basis of recharging to leaseholders changed, but there was insufficient

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documentary evidence retained to explain how that decision had been arrived at. Also, PWC were concerned to note, that the full costs of the service were not being recovered and that the income from tenants and leaseholders did not cover the full charge. PWC recommended that this charge be reviewed.

4. PWC also noted that the Lease-holder had not been properly charged for his TV Aerial access, and that this was the result of an oversight. PWC recommended that the Council check to ensure that there were not similar errors occurring in respect of other charges and other tenants or leaseholders.
5. PWC raised a concern that the decision taken by the Council in 2005, whilst strictly legal, as considered by the Council's Monitoring Officer, could have been better justified had a formal decision been recorded as an officer decision, either in consultation with the Lead Member (or the equivalent process at that relevant date).
6. A further point considered by PWC was the lack of transparency for the difference in the way in which leaseholders and tenants were charged. PWC considered that the charges should be the same, unless the services were different. Any difference should be justified in line with rational criteria. The charges to leaseholders were based on a figure for 52 weeks of the year, but the charges to tenants were based on a figure of 48 weeks of the year.
7. One of the points raised as part of the review, was that the contract that the Council holds with Surtees, who provide the access points for TV and Satellite television and who also maintain the equipment has not been reconciled. The payments to Surtees are based on the number of access points, whilst there is no agreed list of access points between Surtees and the Council. PWC recommended that reconciliation should take place, and a review of the whole of the contract and whether it provides value for money should be undertaken.
8. Given the concerns with aspects of the contract with Surtees, PWC also recommended that there should be a review of all high value or lengthy contracts that are currently held by the Council.

Action taken to address the concerns raised

Basis for charging

9. The Housing Service has instituted a review of all service charges made to leaseholders and tenants. The review established a joint working party between Homes in Havering and the London Borough of Havering, to oversee the project, and a dedicated project officer has been undertaking the work. The review is looking at whether the costs of the services are being fully covered by the charges and if not, what charges could be made.

10. The Service Charges working party has met on six occasions. It has confirmed that there are discrepancies between the costs of the service, and the charges levied. Most of the costs of the services are not fully covered by the charges, and therefore the costs of the services which are not recovered by the charges, are met by all tenants through the Housing Revenue Account. In order to move the costs of the services more directly on to those tenants and leaseholders who benefit from them, the Service Charge Review Group decided to carry out a detailed consultation exercise with tenants about the charges.
11. The costs of the services and the charges to tenants and leaseholders are being reviewed in the case of all charges; but only five services are being reviewed in detail with tenants, in order to invite them to comment on
 - The quality of the service
 - The cost of the service
 - Whether they think that the service should continue to be provided.In addition, tenants are being given three options: whether to agree to an increase of the charge to a level which covers the cost of the service, whether to keep the charge at the current level, but to reduce the service so that the costs and service charge are equal; or thirdly a mixture of a small increase in cost combined with a small reduction in the service in order to balance the books. All increases in charges would be introduced gradually, in view of the rules governing the increases of overall charges that the Council can make to its tenants, under the current Rent Restructuring regime.
12. The extensive consultation exercise is being undertaken in respect of five services: CCTV (both fixed and mobile) neighbourhood wardens, caretaking, removal of bulk refuse and internal block cleaning. Questionnaires have been sent out to all tenants, focus groups have been held, and also workshops were held at the Annual Tenants Conference which was attended by 150 tenants. All tenants participated in workshops on the subject of the five services selected for review. It is the intention of the Housing Service to review the remaining charges in the forthcoming year. There are in addition some services which are currently not “de-pooled” such as block window cleaning. No decisions have been taken on these services at this stage.
13. The purpose of the review is to enable officers to report to the Cabinet in January, in the annual Rent setting report, on the way forward for service charges. It is proposed that individual recommendations about the appropriate charges for each service, including satellite and TV aerial charges will be made in that report, together with the results of the consultation exercise. This will enable the Council to move towards a position where the costs of services are met by the service charges levied on tenants and leaseholders and apportioned out in a rational manner.

Higher annual charges for leaseholders

- 14 One of the causes of complaint by the Lease-holder is the fact that the charges between tenants and leaseholders in respect of the TV aerial contract are different, with leaseholders paying more than tenants. This is because the charge to tenants (2008/9) is £1.35 a week for 48 weeks; whilst the charge for leaseholders is £1.35 for 52 weeks. In 2008/9 tenants therefore paid an annual charge of £64.80 and leaseholders paid an annual charge of £70.20.
- 15 There is no clear reason why this difference in the charge should have arisen. The decision to charge tenants over 48 weeks of the year was a decision made in 2005 for the forthcoming rent year 2005/6, at the same time that service charges were “de-pooled”. Without having the decision set out in writing it would appear that no consideration was given to changing the charging period for leaseholders. This difference has continued to the current year. However, whilst it may appear unfair on leaseholders that they are paying more for the same service than tenants through their service charges, the total cost of the service is not being met by the income received from service charges. This means that the sum of money which is not being covered by the service charge income is actually being met by all tenants, whether they receive the service or not.
- 16 In 2009/2010, the income from tenants and leaseholders in respect of the TV aerial service was around £370,000. The cost of the service was around £585,000. This means that there was a shortfall in the income for this service of around £215,000. This shortfall was picked up by the Housing Revenue Account generally, and therefore would have been met by all tenants – a cost of around £21 per year per tenant. So overall, it is tenants who are paying more for the service, rather than leaseholders.
- 17 It is these kinds of anomalies, that this Service charge review is designed to examine and address with the aim of putting the charges on a more rational footing over time. However, there are restrictions on the level of increases that the Council can charge and therefore these anomalies can only be corrected over time. This process will begin with the rent increase for 2011/12. The second set of detailed reviews will take place in time for rent setting in the following year.

Errors in charging

- 18 The report from PWC identified that the Lease-holder had actually not been charged for the TV aerial service in two successive years (2007/8 and 2008/09). When investigated, it emerged that this was an oversight. PWC therefore recommended that a check should be carried out to ensure that all leaseholders were being properly charged for all services that they received.

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- 19 A analysis of all tenants who were not paying service charges, and the services that they were NOT paying for, is being compiled. This is currently being reviewed by Homes in Havering. This review should be complete by January 2011. In the majority of cases, the reason why tenants are not paying for certain services (such as grounds maintenance) is because they live in properties where these services are not received (such as street houses). It has been agreed that a "master list" of all properties where service charges are not levied will be maintained, and signed off by the Head of Housing and Public Protection, and that this will be reviewed annually.
- 20 In a detailed review of the tenants who are not paying for the TV aerial and Satellite TV service, 27 tenants have been identified, who are not paying this charge. In the case of all 27 tenants, these are properties where the service is not being provided, and therefore the fact that they are not being charged is appropriate.

Documentation of use of delegated powers

- 21 Whilst the decision of the previous Head of Housing and Public Protection about the way in which charges were apportioned between tenants and leaseholders was perfectly legal, and was within his jurisdiction, it would have been helpful if that decision had been recorded as an Executive decision by an officer. In respect of the charges both tenants and leaseholders for 2011/12 and onwards, it is proposed that these will be agreed as part of the Annual report to Cabinet setting the rents and service charges. Other key decisions in this area of work will be recorded in the appropriate form.

Signed copy of the original contract

- 22 An extensive search for the original documentation of the contract and variations between the London Borough of Havering and Surtees for the provision of the TV aerial service has been undertaken. However, the signed contract has not been located. Counsel's opinion has been taken on the implications of the absence of the signed contract. A Contract Review Group has been established, and a meeting with Surtees about the contract has been set up for 6 December. This proposed meeting will aim to resolve a number of difficulties with the contract. This includes the issue of the number of access points which exist, and the difference between the numbers that are currently being charged for, and the numbers of access points where tenants and leaseholders are connected, and overall value for money.

Numbers of access points

- 23 This is being addressed as part of the contract negotiations set out above.

Benchmarking costs

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- 24 The Housing Service has undertaken some comparisons of charges across London local authorities. The average total service charge levied in London is £6.55; the highest service charge cost is levied by the London Borough of Newham at £27.30 and the lowest is £2.49 charged by the London Borough of Wandsworth. There are boroughs who have not yet de-pooled their service charges, including Hammersmith and Fulham, and the London Borough of Greenwich. These Councils therefore do not levy any service charges.
- 25 More detailed information about benchmarking costs for the TV aerial services, and door entry systems is being sought. Although we have obtained some information about London average costs, the information is not sufficiently reliable on which to base any judgements.
- 26 Benchmarking data about the actual costs of contracts for these services are difficult to obtain. The best way to benchmark these costs is to openly tender the contract, and this is the course of action that may be under consideration, depending on the progress of negotiations with Surtees.

Wider Contract Review

- 27 Homes in Havering maintain a Contracts Register, which monitors 40 contracts and Service Level Agreements. 5 have a value higher than £0.5m over the life of the contract. Of these contracts, the Morrison's contract was examined in depth as part of the Deloitte's review in 2008, and is about to be reviewed again. The windows and doors contract has been re-specified and re-tendered, and the gas maintenance contracts are currently being reviewed. All other contracts are subject to gradual review. In addition to this, the Council is conducting an in-depth review of its existing contracts and procurement arrangements as part of the internal shared services process to ensure it is maximising its opportunities to secure value for money.

Conclusion

- 28 The PWC report has been helpful in identifying a number of difficulties in the way in which service charges have been calculated and recovered by the Council. The contract specifically for TV aerial (terrestrial and satellite) services was entered into in 1992, when the technology was new, and all landlords were relatively inexperienced in providing these kinds of services. The report has shown that the assumptions and charges made when the services were first provided are no longer appropriate, and that the Council needs to make sure it carries out regular reviews of such services and charges in order to ensure that its decision making remains logical and fair, and that the services provided are appropriate to its tenants and leaseholders. The intention is that the Council's re-negotiation of this contract will produce better value, either through revised terms and conditions with Surtees, or through re-tendering.

IMPLICATIONS AND RISKS

Financial implications and risks:

1. This report is presented for information. It provides an up-date on actions being taken to improve procedures for TV/Satellite access charges, and service charges more widely.
2. The report refers to various actions being taken to improve process. As explained changes are being made so that the costs of various HRA services are more closely reflected by charges to the service recipients. Though the HRA has been able to absorb deficits, this has meant that some costs are being met by remaining tenants, and is being addressed as quickly as practicable.
3. The TV/Satellite contract represents poor Value for Money and has done so for some time. As reported, negotiations will be attempted to address this situation as a matter of absolute priority.

Legal implications and risks:

1. The report by PWC confirms that the objections to the accounts lodged by The Lease-holder do not identify any illegal charging by the Council. If the Lease-holder wishes to challenge the reasonableness of the charges, then he is entitled to make an application to the Leasehold Valuation Tribunal. The Lease-holder was advised about this course of action by the former Director of Finance, Rita Greenwood in her letter to him, in 2009. In fact, The Lease-holder has now made an application to the LVT and there is a provisional hearing date on 21st December 2010.
2. The report identifies a range of issues relating to the procurement and management of contracts. The specific contract with Surtees for the provision of TV and Satellite access is currently being reviewed by officers from the Housing Service, and Technical Services and legal advice is being provided as part of that contract review process.

Human Resources implications and risks: None arising directly from this report.

Equalities implications and risks: None arising directly from this report.

BACKGROUND PAPERS

Working papers held within the Housing and Public Protection Service.



Observation	Recommendation	Priority	Management Response
<p>Basis of Charging</p> <p>In 2005/06 the Council changed the basis of charging. This coincided with the application of a separate service charge for aerial access to tenants for the first time. At this time, the Council calculated a weekly charge based on the costs incurred in providing this service. This charge has subsequently been increased each year by RPI +0.5% to match the policy for tenants. It has not been possible to confirm the validity of the original calculation of the 2005/06 service charge as the supporting records were not all retained, although it is clear that the amounts recovered from tenants and leaseholders annually are lower than the amounts paid to the provider.</p>	<p>We recommend that the Council reviews the calculation of the service charge to ensure that it remains appropriate and reflects the costs incurred in the provision of the service.</p>	<p>High</p>	<p>A Review of Service Charges has begun and a report to Cabinet in January 2011 will set out the details of the proposed charges to both tenants and leaseholders for a decision. The aim will be to move towards full cost recovery, with equity established between tenants and leaseholders. However, this may take time because of the need to move in gradual steps when increasing charges, in order to enable tenants and leaseholders to budget for change; and also to comply with relevant rent restructuring policy. There will also be a more detailed review of the services which are charged for. This review will be delivered in two stages. The first review, covering five of the service charges in more detail, will also consult residents about the quality of the service, and will enable tenants to influence whether the services should be reduced in line with budgets, or whether service levels should be maintained, but that charges should rise.</p>



Observation	Recommendation	Priority	Management Response
<p>Higher annual charges for leaseholders</p> <p>We have identified that the Council charges tenants for 48 weeks, while leaseholders are charged for 52 weeks service. In our view the rationale for the decision and the basis of its application should have been documented at the point at which it was exercised.</p> <p>As the decision was not documented, we cannot identify whether there was an intention to charge a higher yearly charge to leaseholders. Our understanding from explanations provided from officers is that the intention was to apply the same basis of charge for tenants to leaseholders and therefore we would have expected that the charging process would ensure that charges to leaseholders are the same as those charged to tenants, unless a difference in service provision exists.</p>	<p>We recommend that the Council reviews the rationale for different annual charges to tenants and leaseholders</p>	<p>High</p>	<p>The detailed Service Charge Review mentioned above, will set out the proposed charges to both tenants and leaseholders, and will set out the rationale for any differences in charging between the two.</p>
<p>Errors in charging</p> <p>We have also noted that in both 2007/08 (actual service charges) and 2009/10 (estimate of service charges for the year) Mr M has not been charged for TV Aerial access. We understand from the Home Ownership Manager that this was as a result of error.</p>	<p>We recommend that a detailed review of the cause of these errors should be carried out including the extent to which such errors may have occurred in respect of other leaseholders' service charges to ensure that the correct charges are being applied to all leaseholders.</p>	<p>High</p>	<p>A full check is underway of all tenants who are not paying for any of the individual services for which charges are levied. The staff at Homes in Havering are reviewing the data for an explanation of why charges are not being levied. This task will be completed by January 2011. The main reason why tenants are not paying for the service, is that the tenant does not receive the service. However, where errors have arisen, charges will be levied for the first time in April 2011. A documented master file will be maintained of those properties not charged, and the reasons for non charging</p>



Observation	Recommendation	Priority	Management Response
<p>Documentation of use of delegated powers</p> <p>The Monitoring Officer has advised us that not all use of delegated authority is formally documented within the Council and is not required by the Council's constitution, stating "This is not necessarily unusual in that staff with delegations do record decisions occasionally on a Form C or Form D if they are considered important and put them on file. Other decisions rest purely on the action taken i.e. the fact that the leaseholders here were notified by Housing of the action to be taken." We have confirmed that the Council included details of the estimated charges on leaseholder service charge estimates and final bills each year following the decision and therefore have accepted the Monitoring Officer's view that the decision to make a weekly charge to leaseholders at the same level that applied to tenants was taken by the Head of Housing in 2005 under proper delegated authority in line with the Council's constitution.</p>	<p>We recommend that the Council formally documents all future changes to leaseholder charging arrangements of this nature before implementation.</p>	<p>Medium</p>	<p>This approach has been adopted.</p> <p>In particular, it is proposed that leaseholder charges are set specifically as part of the rent setting report annually.</p>
<p>Signed copy of the original contract</p> <p>The Council entered into its contract with the provider in 1992 and it was subsequently extended and amended in 1997 and 2001. We are aware that the Council has not been able to locate the original signed copy of the contract, which raises a risk that the Council may not have a copy of the finally agreed contract which could make any future negotiations more difficult.</p>	<p>We recommend that the Council continues to search for the signed contract and considers what impact the absence of a signed contract will have on its ability to renegotiate or terminate the contract..</p>	<p>High</p>	<p>Counsel's opinion has been taken on the absence of a signed contract.</p>



Observation	Recommendation	Priority	Management Response
<p>Numbers of access points</p> <p>Our review of the information provided by the Council in relation to payments to the provider under the contract for 2008/09 highlighted discrepancies between the numbers of access points billed to the Council by Surtees and the number of tenants and leaseholders charged for services by the Council. We have not as part of this investigation attempted to reconcile the two sets of numbers as it appears likely that the discrepancies arise from administrative errors in the contract monitoring arrangements put in place by the Council.</p>	<p>We recommend that the Council completes a full reconciliation of its records with those of the contractor.</p>	<p>High</p>	<p>This is being undertaken as part of the contract renegotiation with Surtees.</p>
<p>Benchmarking costs</p> <p>The Council has not formally benchmarked the costs of its service relative to those raised by other local authorities. However, it has undertaken a high level review which suggests that the contract is comparatively high cost and may provide poor value for money.</p>	<p>We recommend that the Council conducts a review of the basis and cost of the contract and determine whether there is a basis to renegotiate the contract terms or to terminate the contract and re-procure the services at more favourable rates.</p>	<p>High</p>	<p>The Council has had a Surtees Contract Review Group in place and the contract is being reviewed.. As a result the Council is intending to enter into negotiations with Surtees to ensure that the contract represents better value for money.</p>



Observation	Recommendation	Priority	Management Response
<p>Wider contract review</p> <p>In our round table meeting in June to review the issues raised by Mr M, we discussed what actions the Council had taken to ensure that there are no similar contracts in operation within the Council. The response provided to us from the Director of Community Services on 12th July outlined the steps the Council has taken to satisfy itself on this matter.</p> <p>We consider that, given the extent of the issues identified with the contract with Surtees, the action taken to date is insufficiently thorough to conclude on the risk of similar issues existing in other contracts for service charges.</p>	<p>We recommend that the Council should conduct a risk assessment across its service contracts to identify any contracts which meet an agreed set of criteria. Examples of the type of criteria that could be taken into account would be:</p> <ul style="list-style-type: none"> • Contracts that are more than 3 years old • Contracts with a contract life of more than 10 years • Contracts where the contractor is paid based on management information produced by them • More than £0.5m per annum expenditure • Informal contract management arrangements in place • Contracts covering more than one service area <p>It should also review the contract management arrangements in place for selected contracts to ensure that they are fit for purpose and implement action plan for improvement, where existing arrangements are not fit for purpose.</p>	<p>High</p>	<p>Homes in Havering have a Contracts Register in place, with 40 Contracts and Service Level Agreements in place. Of these, 5 are above the value of £0.5m. A rolling review is being undertaken of the contracts to identify any concerns.</p> <p>Of these contracts, the Morrison's contract was examined in depth as part of the Deloitte's review in 2008, and is about to be reviewed again. The windows and doors contract has been re-specified and re-tendered, and the gas maintenance contracts are currently being reviewed. All other contracts are subject to gradual review. In addition to this, the Council is conducting an in-depth review of its existing contracts and procurement arrangements as part of the internal shared services process to ensure it is maximising its opportunities to secure value for money.</p>

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AUDIT COMMITTEE

REPORT

7 December 2010

Subject Heading:

Annual Audit Letter 2009/10

Report Author and contact details:

Contact: Owen Sparks (Financial Services Manager)

Telephone: (01708) 432203

E-mail address:

owen.sparks@havering.gov.uk

Policy context:

Updates the Audit Committee on the external Auditor's annual letter 2009/10.

Financial summary:

There are no significant financial implications associated with this report.

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

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report updates the Committee on the external auditor's annual letter for 2009/10.

RECOMMENDATIONS

Audit Committee is asked to note the contents of the report.

REPORT DETAIL

Each year the Council receives an Annual Audit letter setting out a summary of audit and inspection results.

The Annual Audit letter relating to 2009/10 is attached.

IMPLICATIONS AND RISKS

Financial implications and risks:

The annual audit letter is a key summary of issues identified by the Council's external auditor during the course of a year.

Recommendations may arise from any audit undertaken and managers have the opportunity to comment on these before they are finalised. In accepting audit recommendations, managers are obligated to consider financial risks, the use of resources and the costs associated with the implementation of the recommendations.

The cost of transition and ongoing burden of International Financial Reporting Standards will require additional work. This can be managed through the reprioritisation of existing resources.

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

London Borough of Havering

2009/10 Annual Audit Letter

November 2010

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Summary of recommendations in this Annual Audit Letter	6

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2009/10 audit of London Borough of Havering under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from the Chief Executive of London Borough of Havering. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2009/10 audit work we have undertaken at Havering that is accessible for Council Members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2009/10 financial statements, incorporating the conclusion on Value for Money; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are those that we consider are most significant for the Council and a summary of the key recommendations that we have made can be found in Appendix A.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Council's Annual Governance Statement;
- forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Audit Findings

Accounts

We audited the Council's accounts in line with International Standards on Auditing (UK & Ireland) and issued an unqualified audit report on 30 September 2010.

We did not identify any significant issues in our review of the financial statements, however, as in the previous year, we did identify a number of issues which relate specifically to capital accounting at the Authority. These were detailed in our report to those charged with governance, presented to the Audit Committee on 23 September 2010 and included issues in relation to the:

- identification of assets under construction;
- impairment of enhancement works;
- impairment of Council Dwellings; and
- identification and subsequent revaluation of surplus Council Dwellings.

Capital accounting will be subject to significant change on implementation of International Financial Reporting Standards (IFRS) next year and as such it is key that these issues are considered to ensure that appropriate accounting treatment is carried out in future.

As well as capital accounting, the Council will face other specific challenges to implement the changes as a result of IFRS. The Council will, therefore, need to monitor its implementation plan carefully over the next eight months to avoid missing the June 2011 deadline for the approval of accounts.

Pension fund annual report and completion of the 2009/10 audit

Although the pension fund accounts are included in the Authority's statement of accounts, we also provide a separate audit opinion on the financial statements and the related information which is included in the pension fund annual report. We understand that the annual report will be presented for approval to the Pensions Committee at their meeting on 23 November 2010. Subject to final completion procedures and our subsequent events review, we would then issue our audit opinion on the pension fund annual report and our completion certificate at this stage.

Use of Resources

We assess the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources based on criteria issued by the Audit Commission and issued an unqualified conclusion on the Council's arrangements for its Use of Resources on 30 September 2010.

Following the government announcement that the Audit Commission's process for comprehensive area assessment (CAA) is to be abolished, all work on Use of Resources for CAA ceased at the end of May. Therefore we cannot report Use of Resources scores, as this work was not completed. However, we had completed the majority of the work on the assessment prior to May and we have reported on the main issues arising on the work we had undertaken to the point work ceased.

In overall terms our view was that the Council was making good progress in implementing the recommendations arising from the previous year's Use of Resources exercise against the three themes assessed under the Use of Resources Framework. 'Managing Finances' remained an area of good

performance for the Council overall. However, whilst the audit of the annual accounts has progressed well this year, the Council's arrangements for accounting for fixed assets and capital finance require further development to help reduce the costs of the audit and ensure compliance with the SORP.

We noted a number of developments in 'Governing the Business' including progress on developing the performance reporting and information systems to align financial and operational information and enhancing the Member training and development arrangements.

On the third theme of 'Managing Resources' we undertook more detailed work on aspects of workforce planning, organisation and development for the first time. The arrangements were assessed as good and in line with many of the other London boroughs for which we are appointed auditors.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement which is consistent with guidance on: 'Delivering Good Governance in Local Government'. We reviewed the Statement to consider whether it complied with the guidance and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Other matters

Completion of the 2008/09 audit

In our report dated 30 September 2009, we explained that the audit could not be formally concluded on that date as we had not completed our audit of the financial statements of the pension fund included in the Pension Fund Annual Report. Subsequently, we issued our opinion on the financial statements of the pension fund included in the Pension Fund Annual Report on 30 November 2009.

However, in the interim, we received and accepted an objection in relation to the Authority's financial statements for the year ended 31 March 2009, which we were required to consider before completing our audit. The matters raised in the objection, which related to leaseholder service charges, have now been considered with respect to 2008/09 and we issued a separate report to the Group Director of Finance and Commerce on the issues arising.

As a result in the delay in issuing our completion certificate with respect to 2008/09, we have carried out additional procedures and no matters have come to our attention since the date of our 30 September 2009 report that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion. We therefore issued our certificate concluding the audit of the 2008/09 accounts on 25 August 2010.

At the time of drafting this Audit Letter, we had met the Head of Housing to discuss the Council's progress in addressing the recommendations we made in respect of the objection.

Following that meeting, we made a number of requests for information. We will provide a verbal update at the Audit Committee to appraise Members of progress in receiving this information, and our review of it.

Summary of recommendations in this Annual Audit Letter

Page	Recommendation	Management Response	Target Implementation Date
4	The Council will need to monitor its IFRS implementation plan carefully over the next eight months to avoid missing the June 2011 deadline for the approval of accounts.	Phase 2 of the IFRS plan has been delayed until the conclusion of the audit and is planned to be completed by the end of December 2010. We do not believe that this delay will prejudice IFRS implementation.	December 2010
4	Capital accounting will be subject to significant change on implementation of IFRS and as such it is key that the issues presented to the Audit Committee in our report to those charged with governance are considered to ensure that appropriate accounting treatment is carried out in future.	The implications of changes in capital accounting are recognised as being the most complex area of IFRS implementation. This is reflected in the IFRS project plan and progress against the plan is reported to Audit Committee on a regular basis.	June 2011

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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AUDIT COMMITTEE

7 December 2010

REPORT

Subject Heading:	International Financial Reporting Standards and close-down – Project plan Update
	Contact: Mike Board Designation: Corporate Finance Manager Telephone: (01708) 432217 E-mail address: mike.board@havering.gov.uk
Policy context:	This report advises the Audit Committee of the progress to date in implementing International Financial Reporting Standards in Local Authority Accounting.
Financial summary:	There are no financial implications arising directly from the application of the IFRS code. However, there is a risk that the more complex accounting and valuation requirements of the code will create on-going cost pressures.

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

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report advises the Audit Committee of the progress to date in preparing for the implementation of International Financial Reporting Standards in Local Authority Accounting.

RECOMMENDATIONS

The Committee is asked to note the report and the actions taken to date to implement the project plan.

REPORT DETAIL

1. Background

In 2007, the Government announced that the accounts of all Government Departments and Local Government would in future be prepared in accordance with International Financial Reporting Standards (IFRS).

Central Government departments prepared accounts on an IFRS basis for the first time in 2009/10. Local Authorities follow in 2010/11. The UK private sector has already adopted IFRS.

The published Statement of Accounts will change fundamentally from the existing format. Experience of IFRS implementation in the private sector also indicate that a much increased level of disclosure and detail will be required.

2. Implementation Timetable

The Council will be required to publish its 2010/11 Statement of Accounts on an IFRS basis in 2010/11. In doing so, all comparative data for 2008/09 and 2009/10 must be restated on the same basis. A project plan was prepared in order to assist in managing the implementation process and has been regularly reported to Audit committee. The plan is set out in three clear stages.

These stages are as follows:

- i) Restate the closing Balance Sheet as at 31 March 2009 on an IFRS basis.
- ii) Restate the 2009/10 accounts on an IFRS basis for comparative purposes.
- iii) Prepare the 2010/11 accounts on an IFRS basis.

The summary timetable is attached which sets out the progress against key tasks required (appendix A). Key staff have been identified and responsibility assigned to each of the individuals concerned. A more detailed schedule is used by Finance staff which sets out the steps required to complete each of the three phases.

3. Progress to Date

3.1. Phase 1

This phase of the project, to re-state the Balance Sheet as at 31 March 2010 in IFRS format was completed in accordance with the timetable. The comparative data is now available for inclusion in the 2010/11 accounts and remains subject to audit at this time.

3.2. Phase 2

Officers are now engaged in re-stating the 2010/11 accounts. Progress against the original timetable has slipped as officer time has been re-directed to other priority projects and activities. The phasing of the completion of the principal activities has now been revised and the timetable redrafted. Phase 2 is expected to be completed by 31 December 2010 which is in line with the Governments recommended timetable.

The main IFRS related issues to be finalised for phase 2 can be summarised as follows:

- a) Production of the draft IFRS compliant format for the Statement of Accounts.
- b) Production of an initial draft statement of IFRS compliant accounting policies.
- c) Review of 2009/10 movements in assets and capital grants as a consequence of the re-categorisation of the Balance Sheet 2008/09.
- d) Review and recalculation of leasing costs.
- e) Review service contracts containing embedded leases and/or service concessions (if any).
- f) Calculation and input of employee benefit accruals (inc. accrued salaries).
- g) Review and recalculation of capital accounting costs including depreciation and impairment charges.
- h) Mapping the SORP based accounts published 2009/10 into the new IFRS format.

3.3. Phase 3

The final phase of the programme will be to integrate the IFRS project into the annual closure programme for 2010/11. The project will also need to take into account the implications of the transformation agenda and in particular the introduction of Oracle ERP.

All of the issues relating to the 2009/10 comparatives (as set out in 3.2. above) will need to be applied to the 2010/11 accounts. In addition the following technical accounting matters will need to be managed.

- a) Agreement of the asset valuation policy with internal and external valuers.
- b) Input of the revised valuations to the Asset Register for 2010/11 activity.

Audit Committee, 7 December 2010

- c) All capital accounting entries for 2010/11 to be based upon IFRS compliant valuations.
 - d) All system reports to be tested for IFRS compliance and revised where necessary.
 - e) Final Statement of Accounts to be drafted and agreed with PwC.
- 3.4 The Council's external auditors, PricewaterhouseCoopers have been advised of progress throughout the duration of the project. An audit of the phase 1 and phase 2 comparative data will be undertaken in January prior to the 2010/11 closedown.
- 3.5 Officers have attended a series of training events organised by CIPFA the latest of which were run during November 2010. Further training and guidance is expected in relation to asset valuation which remains one of the more challenging aspects of code. At the time of preparing this report officers were in discussions with external valuers and auditors with a view to establishing a valuation policy and practice statement
- 3.6 Progress against matters raised by the external auditors in the Report to Management (ISA260)**

The following matters were raised by PwC in their report to this Committee in September 2010. These matters relate closely to the IFRS project plan and management therefore undertook to report back on these issues as part of its routine progress reports.

PwC Recommendations	Updated Management Response
<p>IFRS implementation The Authority has a project plan in place for the transition to IFRS. Since the plan was developed the Authority has embarked on an ambitious transformation programme which may impact upon the Authority's ability to deliver the IFRS plan. Audit Committee should continue to monitor progress on the implementation of IFRS at each of its committee meetings over the next 12 months.</p>	<p>The Authority recognises the risks associated with delivering a number of projects over the same timescale. It recognises that resources must be earmarked for the completion of the project. Phase 2 of the IFRS plan has been delayed until the conclusion of the audit and is planned to be completed by the end of December 2010. We do not believe that this delay will prejudice IFRS implementation.</p>

<p>Assets under construction We would recommend that the capital accounting team and the property valuation team have a high level briefing of what assets would meet the criteria for disclosure as an asset under construction. This would allow the property value team to provide more useful information for the purpose of capital accounting.</p>	<p>A series of meetings have taken place between valuation and finance staff to agree the criteria to be applied in 2009/10. The process has been discussed with PwC in order to confirm that the policy is acceptable.</p>
<p>Enhancement expenditure We recommend that management and capital project managers provide the property valuation team with sufficient information to enable them to make clear judgements on the value that capital expenditure adds to individual assets. This will allow assets to be accurately valued as at the year end.</p>	<p>The matter has been addressed during the series of November meetings between finance and valuation staff and an approach agreed which will be applied to the 2010/11 valuations. The process has been discussed with PwC.</p>
<p>Fixed Asset Register The Authority should consider whether the current level of detail held on the fixed asset register is sufficient for the purpose of capital accounting under IFRS.</p>	<p>The Asset Register is capable of handling the increased levels of information required under IFRS. Finance staff are in the process of agreeing the specific arrangements with the external valuers for the identification and valuation of assets. The process has been discussed with PwC</p>
<p>Surplus assets There should be controls in place between the capital accounting and property valuation team which ensures that when surplus assets are identified that a valuation is performed as at that date to ensure the asset is valued at its net realisable value.</p>	<p>Finance and valuation staff have considered the identification and valuation of surplus assets and agreed an approach for 2010/11. The process has been discussed with PwC</p>

Financial Implications and risks:

The Government has issued regulations which mitigate the impact of many of the technical accounting changes arising from IFRS and as such the Council should not experience any increased financial pressures from changes in accounting policy or practice. However, the more complex accounting and valuation requirements of the code will generate additional work and will give rise to increased cost pressures during the implementation phase of the project and on an ongoing basis. These pressures will need to be monitored and reported upon as their impact becomes clearer.

Audit Committee, 7 December 2010

The 2009/10 valuation work is estimated at between £5,000 and £10,000 and can be met from contingency.

Legal Implications and risks:

Section 21 of the Local Government Act 2003 requires that accounting practices including the Statement of Accounts be undertaken in accordance with proper practices set out in relevant regulations. The Local Authority must also have regard to the code of Practice on Local Authority Accounting for 2010/11 (based upon International Financial Reporting Standards) which sets out the proper practices applicable with effect from 1st April 2010.

Human Resources Implications and risks:

None arising directly

Equalities and Social Inclusion Implications and risks:

None arising directly

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E-mail address:mike.board@haverling.gov.uk

CHERYL COPPELL
Chief Executive

Background Papers List

SUMMARY IFRS TIMETABLE

Stage	Description	Lead Officer	Start Date	Target End date	Actual completion date
1.0	Identification and reclassification of leases	Mike Board/Mark White	05/08/2009	22/02/2010	22/02/2010
1.1	Asset valuation and disclosure	Mark White	05/08/2009	22/02/2010	22/02/2010
1.2	PPP - review of disclosure requirements	Nigel Foster	05/08/2009	01/12/2009	01/12/2009
1.3	Employee benefits accruals	Nigel Foster	05/08/2009	01/12/2009	01/12/2009
1.4	Identification of embedded leases, new PFI or other potential On-Balance sheet financing	Mike Board	01/09/2009	01/12/2009	31/12/2009
1.5	Balance sheet in IFRS format	Mike Board	16/12/2009	08/03/2010	09/03/2010
1.6	Progress report to Audit Committee	Mike Board	01/09/2009	02/03/2010	02/03/2010
1.7	Staff training and updates	Mike Board/ Owen Sparks	on-going	On going	On going
1.8	Review of accounting policies	Mike Board	05/08/2009	31/12/2009	08/01/2010
1.9	Initial review of systems implications	Mike Board	05/08/2009	31/12/2009	31/12/2009
Stage 1	Restate 1/4/09 Balance Sheet in IFRS format	Mike Board	05/08/2009	08/03/2010	09/03/2010
2.0	Produce skeleton format of accounts in IFRS format	Mike Board	01/01/2010	30/12/2010	
2.1	Restate accounting policies and related practices	Mike Board	01/01/2010	15/12/2010	
2.2	Asset accounting and capital accounting	Mark White	01/01/2010	30/11/2010	30/11/2010
2.3	Update Leasing schedules	Mike Board/Mark White	01/04/2010	30/09/2010	30/09/2010
2.4	PPP and embedded leases-disclosures	Nigel Foster / Mike Board	01/04/2010	30/10/2010	15/11/2010
2.5	Employee benefits accruals	Nigel Foster	01/04/2010	30/10/2010	15/11/2010
2.6	Systems changes including "chart of accounts"	Mike Board/ Owen Sparks	30/06/2010	30/12/2010	
2.7	Staff Training	Mike Board/ Owen Sparks	on-going	on-going	
2.8	Progress reports to Audit Committee	Mike Board/ Owen Sparks	on-going	on-going	
2.9	WGA returns in IFRS format	Mark Jarvis	01/04/2010	30/09/2010	30/09/2010
2.10	Completion of re-statement of Accounts in IFRS format	Mike Board	30/06/2010	30/12/2010	
Stage 2	Restate 2009/10 Accounts in IFRS format	Mike Board	01/04/2010	31/12/2010	
3.0	IFRS compliant systems reports produced	Mike Board/ Owen Sparks	01/01/2011	01/06/2011	
3.1	Asset valuation and capital accounting	Mark White	01/09/2011	30/05/2011	
3.2	Leasing Register updates	Mark White	28/02/2011	30/04/2011	
3.3	Accounting policies final review	Mike Board	01/01/2011	31/03/2011	
3.4	Staff Training	Mike Board/ Owen Sparks	on going	on going	
3.5	Progress reports to Audit Committee	Mike Board/ Owen Sparks	on going	on going	
3.6	Employee benefits accruals	Nigel Foster	01/04/2011	30/04/2011	
3.7	Embedded leases-disclosures	Nigel Foster	30/08/2010	30/04/2011	
3.8	Full closure programme 2010/11 - IFRS format	Mike Board	01/01/2011	30/06/2011	
Stage 3	Produce 2010/11 Accounts in IFRS format	Mike Board	01/04/2011	30/06/2011	

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AUDIT COMMITTEE

REPORT

07 12 2010

Subject Heading:

Internal Audit Progress Report

Report Author and contact details:

Vanessa Bateman – Internal Audit &
Corporate Risk Manager ext 3733

Policy context:

To inform the Committee of progress to
deliver the audit plan in quarter two of
2010/11.

Financial summary:

N/a

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

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1st July 2010 to 30th September 2010.

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 six sections.

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Section 1 Audit Work 1st July to 30th September 2010	3
A summary of the reports finalised by the end of September is included in this section of the report.	
Section 2 Management Summaries	4- 19
Summaries of all final reports issued in the period.	
Section 3 Budget & Resource Information	20
The budgetary and resource position at the end of September are included for information.	
Section 4 Key Performance Indicators	21
The actual performance against target for key indicators is included.	
Section 5 Changes to the Approved Audit Plan	22
The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.	
Section 6 Outstanding Recommendations Summary Tables	23-30
The details regarding status, as at the end of September, of all outstanding recommendations are included within tables for information.	

Section 1 Audit Work 1st July 2010 to 30th September 2010.

At the end of September 41% of the audit plan had been delivered. This was against a target for the period of 38%.

Schedule 1 details the work completed in quarter two. Details are listed in the table below and management summaries under Section 2 starting on page 4.

SCHEDULE 1: 2010/2011 – Audits Completed

Report	Opinion	Recommendations				Ref below
		High	Med	Low	Total	
IT Service Desk	Unqualified	0	4	1	5	2(1)
Child Protection Follow Up	Unqualified	0	0	0	0	2(2)
ISIS Integrated Children's Systems Follow Up	Unqualified	0	0	0	0	2(3)
Tree Management	Unqualified	0	0	1	1	2(4)
Communications Centre Follow Up	Unqualified	0	0	0	0	2(5)
SLM Contract Management	Unqualified	3	1	1	5	2(6)
Private Sector Leasing	Unqualified	0	4	0	4	2(7)
New Roads and Street Works (Income Collection)	Unqualified	0	2	0	2	2(8)
Total		3	11	3	17	

Section 2 Management Summaries

IT Service Desk	Schedule 2(1)
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2.1 Background

2.1.1 The IT Service Desk provides the primary window for customer and user contact with Business Systems on a day to day basis. The Service Desk is responsible for a number of discrete functions including the provisioning of a single point of contact for incidents encountered by Council staff, incident classification, incident control, and incident reporting and ongoing review.

2.1.2 The IT Service Desk is also a core component to the implementation of IT Service Delivery based on the ITIL Framework and this provides the link to other ITIL processes such as Change and Availability Management.

2.1.3 The Service Desk (front line support) is resourced by four full time staff and is managed by the Service Desk Manager and this function is currently located within Mercury House.

2.1.4 The Council have implemented the Supportworks Service Desk application to capture and process service requests and incidents. Supportworks provides the functionality from raising and closing incidents through to problem management and reporting.

2.1.5 Summary of Audit Findings

2.1.6 The Business Systems Corporate Service Level Agreement (SLA), which is dated March 2010 was identified as the key SLA between Business System and Council services, however, there was no evidence to indicate that the document had been approved. In addition the roles and responsibilities were not clearly defined within the SLA.

2.1.7 Although template Operational Level Agreements (OLA) were provided, no actual agreements were in place between different functions within the Business Systems unit.

2.1.8 No formal disaster recovery testing had been performed for the Supportworks application and data. However, a test server was maintained running the Supportworks application which provided a degree of assurance that the data and application could be recovered in the event of a disaster.

2.1.8 It was identified that there was no formally identifiable officer(s) assigned with Capacity and Availability management responsibilities, although aspects of the availability of Council systems is reported to the Service Desk.

2.1.9 During occasions of high call volumes the Service Desk is unable to answer calls within agreed timescales. Although other means of communications are used to keep calls to a minimum there are no call overflow arrangements in place to provide callers with the opportunity to log calls.

2.1.10 No business continuity plans specific to the Service Desk operation were found to have been developed. Although raised in this Executive Summary this has been raised in previous internal audit reports and has not been re-raised in this report.

2.1.11 Audit Opinion

2.1.12 As a result of this audit, we have raised 4 medium priority recommendation and 1 low priority recommendation.

2.1.13 In order to further improve the control environment, management need to ensure that:

- The Corporate Business Systems Service Level Agreement is signed off and roles and responsibilities of the respective parties should be clearly defined.
- Consideration should be given to the introduction of Operational Level Agreements between the different functions within Business Systems.
- Disaster Recovery testing should be performed on the Supportworks (IT Service Desk) application to provide assurance that the application and data can be recovered in appropriate timescales in the event of a disaster. Additionally, the scope of testing, results and lessons learned should be documented and retained.
- Capacity and Availability Management processes should be developed and roles assigned ensuring that the functions integrate with other areas of the ITIL framework where appropriate.
- Consideration should be given to establishing IT Service Desk call overflow arrangements where calls are directed to additionally trained staff on instances of high volumes of calls.

2.1.14 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

2.2 Summary of Original Audit Findings

2.2.1 The 2008 / 2009 Internal Audit Plan contained a review of Child Protection. As a result of this audit an unqualified final report was issued on the 12th June 2009 with the agreement that the progress on recommendations would be monitored.

2.2.2 As a result of this audit we raised six medium recommendations. All were agreed by management.

2.2.3 Recommendations related to the need for:

- A dedicated resource for policy and legislative management;
- Case file checklists to be fully implemented with Service Standards issued to staff;
- Re-introduction of peer reviews of case files;
- A formal review of achievements against objectives in service audit plan to be carried out annually;
- The lettings protocol for safeguarding of children to be rolled out to all service areas that let premises; and
- Regular management spot checks to be introduced for mobile working packages.

2.2.4 Progress on Implementation

2.2.5 It is noted that four of the six recommendations have been fully implemented. Work is underway to implement the remaining two.

2.2.6 A business case for a dedicated resource for policy and legislative management was drafted and agreed in April 2010. Recruitment for this post was underway at the time of the follow up.

2.2.7 Service Standards had been developed but were in the processes of being amended due to new statutory guidance issued in April 2010 and new care planning regulations. This will also have an impact on the case file checklists where changes may need to be made to reflect statutory obligations. An action plan is already in place to implement changes and train staff once these amendments have been made.

2.2.8 Peer reviews of case files have been re-introduced and audit tools have been developed to assist with this and ensure that files are not left out of this process.

2.2.9 A formal review of achievements against objectives in the services audit plan was underway at the time of the follow up. This had been delayed due to a vacancy in the audit post and was still outstanding at the time of the audit.

2.2.10 The London Safeguarding Children's Board (LSCB) approved the Lettings Protocol and individual organisations are responsible for taking this forward. The protocol has been issued to all schools in the Borough and other relevant education settings and further guidance and advice has been given where necessary. The protocol is being rolled out across the Council via a programme to improve safeguarding in all service areas with safeguarding champions assisting with this process.

2.2.11 Management spot checks on mobile working packages began in March 2010 and had been fully incorporated into the 2010 / 11 programme in Safeguarding and Service Standards Unit. Further quarterly checks will be included as part of future audit plans.

2.2.12 Conclusion

2.2.13 An **unqualified** audit opinion continues to be given for this risk area and it is noted that sufficient progress to address the control weaknesses has been evidenced by management.

2.2.14 As this is a high risk area the 2010/11 plan contains a provision for the audit team to work with quality resources in Social Care & Learning and extend the level of assurance available to management.

2.2.15 The remaining recommendations from the 2009/10 audit will continue to be tracked via the quarterly monitoring process and reported to CMT and Audit Committee.

ISIS Integrated Children's Systems Follow Up	Schedule 2(3)
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2.3 Summary of Original Audit Findings

2.3.1 The 2009 / 2010 Internal Audit Plan contained an internal audit of the ISIS ICS Application.

2.3.2 As a result of this audit a qualified final report was issued, on the 18th March 2010, containing twelve medium and one low priority recommendations.

2.3.3 Management accepted the risk of taking no further action for one of the medium priority recommendations action in all other areas to mitigate risk was agreed.

2.3.4 Recommendations related to the need for:

- Strengthened controls over password storage and their confidentiality (Medium);

- User accounts to only be used by the named individuals who have been assigned these accounts (Medium);
- The timely notification and removal of redundant user accounts (Medium);
- Periodic reviews of user access to ensure system access was in line with users job roles (Medium);
- Strengthened password control in terms of password history retention and account time-out (Medium – Management accepted the risk of this recommendation);
- The consistent use of Microsoft Word documents and manual notes across the Service Teams (Medium);
- Training for users of the ISIS application (Medium);
- Management reporting requirements to be reviewed and the responsibility for creating and producing these reports to be assigned (Medium);
- A Business Continuity Plan to be supplied or documented (Medium);
- Formal and robust disaster recovery arrangements to be developed for the ISIS application (Medium);
- A review of the support staff arrangements within Business Systems for the ISIS system (Medium);
- The support agreement with Esprit to be reviewed, updated and finalized (Medium); and
- The removal of the mandatory eCRB check field on the user access request form to be re-considered and re-implemented (Low)

2.3.5 Progress on Implementation

2.3.6 As a result of our audit work, it is noted that seven of the thirteen recommendations have been fully implemented. Management accepted the risk relating to the need to strengthen the password controls around password history and account time-out and no further action was agreed for this recommendation. Work is therefore underway to implement the remaining five recommendations.

2.3.7 The Integrated Working team is currently working to re-implement the ISIS ICS application based on the requirements of the Council service. As part of this project, work is in progress to review and define the use of MS Word attachments on the application. The project is due to be completed by the end of June 2011.

2.3.8 Processes are in place within Business Systems to remove users from ISIS once they have left the organisation. The need for the Team and Service Managers to inform Business Systems of leavers in a timely manner will be

highlighted by the Service Manager Integration at the 7th September 2010 manager's meeting.

2.3.9 The review of user access by all teams is to be performed on an annual basis. To date, a review has only been performed for the Children's Centres. The other team reviews will take place before April 2011.

2.3.10 Business Continuity Plans for the Children's Service and each of the teams was not provided at the time of the original audit. These plans have once again not been obtained and as such, it is expected that their review and or development will be completed before April 2011.

2.3.11 Work is underway to implement a disaster recovery solution for the Council's ICT infrastructure. The two data centres have identified and systems are now being migrated into these environments. It is anticipated that ISIS will be migrated to the new data centres by the end of October 2010. This is dependent upon the progress of the broader data centre project.

2.3.12 Medium priority recommendations relating to password confidentiality, user account integrity, staff training, report development , Business Systems support staffing for ISIS, the Esprit SLA have all been satisfactorily implemented.

2.3.13 The low priority recommendation relating to the confirmation of a valid eCRB as part of the user registration process has been satisfactorily implemented.

2.3.14 Conclusion

2.3.15 An **unqualified** audit opinion has been given as sufficient progress to address the control weaknesses has been evidenced by management.

2.3.16 The remaining recommendations will continue to be tracked via the quarterly monitoring process and reported to CMT and Audit Committee.

2.4 Background

2.4.1 The Council is responsible for the maintenance of all of the Boroughs trees. The tree maintenance team are solely responsible for the maintenance of the boroughs 20,000 street trees, which excludes trees in areas such as parks and cemeteries.

2.4.2 The 2010/2011 budget for tree maintenance is £347k, a small increase from the

2.4.3 Summary of Audit Findings

2.4.4 As the team work closely with the contractor on a daily basis the practice of formal documented contract monitoring meetings has ceased. Whilst the audit confirmed sufficient checks are being undertaken to ensure that the contractor is working in line with legislative, local and contractual requirements, the outcome of these checks are not formally recorded and monitored.

2.4.5 It was noted during the audit that complaints are not always investigated and closed down in line with the timescales set by the council. However Management are aware of the situation and it is due to the need for an investigation by one of the two tree officers, and this is obviously in addition to day to day inspections and compliance checks on the contractor that they also complete. As performance is already monitored in this area no recommendation has been raised.

2.4.6 Although this audit focused on risk and controls in place within Streetcare, it has during the course of the work been noted that there are opportunities to review corporate arrangements and potentially improve value for money achieved. The issues have been raised with management separately as they fell outside of the scope of this audit.

2.4.7 Audit Opinion

2.4.8 As a result of this audit we have raised one low priority recommendation.

2.4.9 The recommendation relates to the need for a more documented approach to monitoring of performance issues relating to the contractor.

2.4.10 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

2.5 Summary of Original Audit Findings

2.5.1 The 2008 / 2009 Internal Audit Plan contained a review of the Communications Centre at Royal Jubilee Court. As a result of this audit a qualified final report was issued on the 29th May 2009.

2.5.2 As a result of the original audit we raised two high, four medium and three low priority recommendations. All were agreed by management.

2.5.3 Recommendations related to the need for:

- The implementation of a log to record all correspondence received by the Communications Centre to identify and monitor complaints received (Low).
- All complaints to be captured on corporate system (Low).
- The evidencing of supervisory spot checks carried out (Low).
- A robust process for communicating changes to customer accounts to all relevant departments (High).
- A comprehensive disaster recovery plan (High).
- Information retained by the Communications Centre and Homes in Havering in relation to customer numbers and level of charges to be reconciled (Medium).
- Regular reconciliations of customer information going forward (Medium).
- A protocol for dealing with debt in relation to Careline services (Medium).
- Review and communication of debt to relevant parties (Medium).

2.5.4 Progress on Implementation

2.5.6 It is noted that two high, two medium and three low priority recommendations have been fully implemented. Work is underway to implement the two remaining medium priority recommendations.

2.5.7 One outstanding recommendation related to the need for a reconciliation to be undertaken between the information held by Homes in Havering and that held by the Communications Centre, specifically in relation to the number of customers and the fees for the services they were being provided. The second outstanding recommendation highlighted the need for this information to be regularly reconciled. The follow up found that whilst Homes in Havering are providing monthly reports, these are not currently being used to reconcile figures. As part of the changes to the service, a one off data cleansing exercise is planned to be undertaken by March 2011. After which time an annual reconciliation of data will be undertaken.

2.5.8 Conclusion

2.5.9 An unqualified audit opinion has been given as sufficient progress to address the control weaknesses has been evidenced by management.

2.5.10 The remaining recommendations will continue to be tracked via the quarterly monitoring process and reported to CMT and Audit Committee.

2.6 Background

- 2.6.1 Culture and Leisure manages a number of contracts. The largest of these contracts is for the Council's three leisure centres operated by Sport and Leisure Management Ltd (SLM) which spans ten years and is worth £6.3m. Discussions with the Head of Culture and Leisure Services identified this contract as being an area where some assurance would be beneficial with particular reference to leisure centre attendance information and financial information as provided by SLM.
- 2.6.2 Leisure centre attendance was not covered as part of the audit testing as it emerged during the audit that separate work was being carried out on this data by the Culture and Community Performance Team as part of their rolling audit programme.

2.6.3 Summary of Audit Findings

- 2.6.4 Under the terms of the contract the Council is entitled to an audited calculation of the surplus. Whilst SLM have provided their calculation relating to the potential surplus each year, this has not been audited by their auditors.
- 2.6.5 RPI, rather than RPIX (which is stipulated by the contract) has been applied to the proportion of the contract management fee by SLM resulting in a small overpayment by the Council to SLM of the contract management fee.
- 2.6.6 The Council was not in possession of SLM's Business Continuity Plan at the time of the audit testing despite requests by the service to SLM. This was however received just prior to this audit report being finalised.
- 2.6.7 SLM's performance is currently assessed via the NBS Benchmarking and Quest surveys and monthly performance packs are also issued. Recent audit work has also been carried out by the Culture and Community Performance Team to verify the quality of data supplied by SLM surrounding attendance. While assurances can be placed on the work carried out by NBS and Quest, reliance on the performance data provided by SLM could be further strengthened by additional checks carried out by the service.
- 2.6.8 SLM currently provide the Council with an annual income and expenditure statement. This statement does not break the financial information down into the different leisure centres. Therefore, instances of financial under performance and best practice amongst the centres cannot be identified to further inform and support performance information supplied by SLM.

2.6.9 Audit Opinion

2.6.10 As a result of this audit we have raised three high, one medium and one low recommendation.

2.6.11 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

2.7 Background

2.7.1 The Private Sector Leasing Team procures properties from private landlords to enable certain groups to be housed in suitable properties. These dwellings are not part of the Councils housing stock.

2.7.2 People eligible for PSL accommodation include:

- Those assessed under Section 192 Homeless with no duty to house;
- Those assessed under Section 193 Homeless with a duty to house;
- Eligible applicants under the Living Space scheme to assist overcrowded families;
- Young people Leaving Care;
- Residents required by the Council to leave their home as they have no statutory rights to succeed;
- Certain individuals nominated by the Council's Social Services.

2.7.3 There is a total stock of 811 properties, with a target of 810.

2.7.4 Summary of Audit Findings

2.7.5 Documents requested are not always present in the landlord files.

2.7.6 Property inspections carried out to ensure the tenant is within the terms of the lease with regard to the upkeep of the property are currently behind schedule, however the PSL team are aware of this and work has started to get the inspections up to date.

2.7.7 When files are removed there is not a system to record their whereabouts.

2.7.8 The PSL team do not always have information passed onto them regarding risks or anti social behaviour associated with new referrals.

2.7.9 Some landlords, whose leases are due to expire, are reluctant to renew since the lease payment decreased. In some cases, the landlord is able to renew the lease and stay at the original higher rent. It is unknown how many landlords this applies to and may raise value for money questions along with potential equality and diversity issues.

2.7.10 There are currently 318 tenant arrears cases amounting to £387,629 but processes have recently been put in place to address long-standing arrears and to investigate recent arrears to prevent them continuing.

2.7.11 There are 228 former tenant arrears amounting to £487,109 which are not currently investigated or pursued.

2.7.12 Audit Opinion

2.7.13 As a result of this audit we have raised four medium priority recommendations.

2.7.14 Recommendations related to the need for:

- A system to record the whereabouts of files;
- Reliable management information to be collected regarding leases renewed at the higher rate;
- A standard form to be completed for all referrals; and
- A procedure to be in place to pursue former tenant arrears.

2.7.15 An **unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

2.8 Background

2.8.1 Within Streetcare, the New Roads & Street Works team under Highways are responsible for:

- Co-ordinating all Street & Road works within the borough and ensuring compliance is met with Signing Lighting & Guarding;
- Managing works carried out by external parties such as utility companies and third party contractors;
- Ensuring all works involving excavation comply to specification; and
- Maintain an up to date and accurate street works notice record of all works carried out on the Highway.

2.8.2 NRSWA collect income from eight different sources. These have been set out below along with the total income generated from each source over the last two financial years.

Income Source	2008/09	2009/10
S74 Overrun of Works	£218,050.00	£223,625.00
Fixed Penalty Notices (FPNs) for Noticing Failures	£37,520.00	£69,280.00
Sample Inspections	£36,375.00	£69,962.50
Defect Inspections	£23,824.00	£33,277.50
Section 50 Licences	£17,914.00	£22,550.00
Road Closures	£9,358.50	£5,280.00
Suspension of Parking Bays (Nov 09)	N/A	£3,220.00
Core Failures	£3,588.00	Nil

2.8.3 Summary of Audit Findings

2.8.4 Inspections on the quality of the coring undertaken within the borough have been historically carried out by the team. The costs involved in failed inspections are recharged to the relevant utility company. These checks have not been carried out since 2008/09 due to a lack of resources. Whilst this generated only £3k in 08/09, it is felt that management should consider the reintroduction of these checks in the future as a potential income stream and more importantly to ensure compliance is being met regarding reinstatements carried out within this borough.

2.8.5 Reconciliations are not currently being undertaken to ensure income passed to finance for processing is being banked in tact or coded to the correct FIS code.

2.8.6 Monthly management information in the form of a Streetcare performance pack is collated and submitted to the Head of Service. Whilst the report sets

out income due against actual regarding income from Section 74 Overruns, this report does not highlight income due versus actual in relation to fixed penalty notices.

2.8.7 Audit Opinion

2.8.8 As a result of this audit we have raised two medium priority recommendations relating to the need for:

- Regular reconciliations between income received and submitted to finance against FIS; and
- The information within the monthly service pack to be expanded to include information relating to expected income from fixed penalty notices, in addition to figures regarding non payment of charges

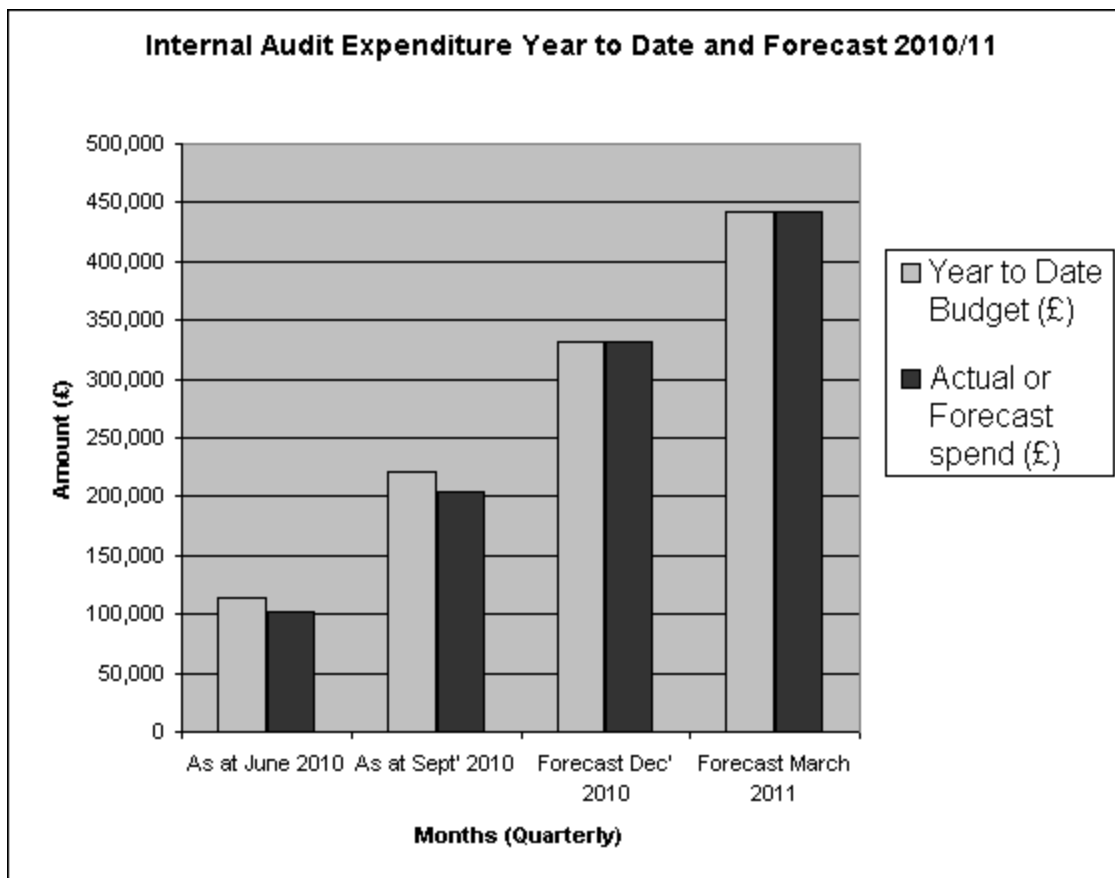
2.8.9 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

Section 3 Budget & Resource Information

2010/2011 Budget Analysis

Internal Audit (F620) 2010/11 Year to Date Expenditure and Forecast as at end September 2010

	As at June 2010	As at Sept' 2010	Forecast Dec' 2010	Forecast March 2011
Year to Date Budget (£)	113,623	221,330	331,995	442,660
Actual or Forecast spend (£)	102,291	204,036	331,995	442,660
Variance (£)	-11,332	-17,294	0	0



Quarter 1 variance due to expected delay in start of IT audits and therefore invoices.

Quarter 2 variance due to delay in receipt of IT audit invoices.

Section 4 – Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to date at the end of September.

Audit Plan Delivered (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	20	28	34	41						
Cumulative Target	16	25	30	38	45	57	65	75	86	97

At the end of September 2010 the team is ahead of target with 41% of the audit plan having been delivered.

KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	24	32	40	42						
Cumulative Target	16	23	28	35	42	49	56	63	70	70

It is estimated the team will undertake 70 audit assignments. The outputs of this work is reported in various ways to the committee depending on the type of work. Outputs from Fraud investigations are not counted in the 70. At the end of September the team were ahead of target with regards issuing of audit briefs.

KPI 02 – Draft Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	6	9	16	25							
Cumulative Target	7	11	16	22	28	35	41	48	56	64	70

At the end of September the team were three draft reports ahead of target.

KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	4	7	11	16							
Cumulative Target	3	7	11	16	22	28	35	41	48	56	70

Sixteen final reports had been issued at the end of September. This includes fraud proactive and non systems assurance work the outcomes of which are not included in this report.

Section 5 – Changes to the Approved 2010/11 Audit Plan

In March 2010 the Audit Committee approved an Annual Audit Plan for the 2010/11 financial year totalling 1530 days.

The team has had one member off staff sick for the duration of the financial year and this has had an impact on ability to deliver the original planned days. In addition a further auditor commences maternity leave in February 2011. The lowest risk audits have been removed from the plan and will be transferred to next year where applicable. The cost of procuring additional audit days to avoid delaying the 100 days outweighs the benefit to the organisation at this time.

It is now estimated that the deliverables profiled in section four of this report will be 60 rather than 70. The list below provides a summary of the audits removed from the 2010/11 approved audit plan.

- Fixed Assets
- Centralised Property Management
- Facilities Management
- Budgetary Control
- Climate Change
- Jacobs Contract
- Financial Control – Mayrise
- Duty and Assessment
- Learning and Physical Disability Day Services

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Section 6 – Outstanding Recommendations Summary Tables

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

Outstanding Internal Audit Recommendations – 2006/07

Review in 2006/07	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Providing Services for the Physically Disabled	Adult Social Care	1	1		2		
Liquidated and Ascertained Damages	Streetcare			1	1		
	Total	1	1	1	3	0	0

Providing Services for the Physically Disabled have revised dates of October 2010

Liquidated and Ascertained Damages has a revised date of October 2011.

Outstanding Internal Audit Recommendations – 2007/08

Review in 2007/08	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Street Lighting	Street Care		1		1		
Asbestos Management	Asset Management		1		1		
Civil Contingencies	Development & Building Control		1		1		
Total		0	3	0	3	0	0

Street Lighting has a revised date of December 2010
 Asbestos Management has a revised date of December 2010
 Civil Contingencies has a revised date of December 2010

Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
E Payments	Business Systems		2		2		
Asylum Seekers Unaccompanied Minors	Children's & Young People		1		1		
Commissioning of Works	Asset Management	1			1		
IT Security & Data Management	Business Systems	2			2		
Telecommunications	Business Systems	1	1		2		
Internet	Business Systems		2	1	3		
Homelessness, Hostels & Housing Aid	Housing & Public Protection		1		1		
Trading Standards	Housing & Public Protection	1			1		
Procurement & Leasing of Vehicles	Asset Management		1		1		
Cemeteries & Crematorium	Housing & Public Protection	1	1		2		
Business Continuity	Development & Building Control		2		2		
Burials & Protection of Property	Adult Social Care		2		2		
Meals on Wheels	Adult Social Care	1	2		3		
Total		7	15	1	23		

E-Payments all recommendations have a revised date of November 2010

Asylum Seekers has a revised date of December 2010

Commissioning of Works has a revised date of November 2010

IT Security and Data Management has revised dates of November 2010 and December 2010

Telecommunications has a revised date of November for the medium recommendation and December 2010 for the high recommendation

Internet has revised dates of December 2010

Homelessness, Hostels and Housing Aid has a revised date of December 2010

Trading Standards has a revised date of December 2010

Procurement and Leasing of Vehicles has a revised date of October 2010

Cemeteries and Crematorium the high recommendation has been revised to April 2011 and the medium recommendation has been revised to April 2013

Business Continuity has revised dates of December 2010

Burials and Protection of Property have revised dates of October 2010

Meals on Wheels have revised dates of December 2010

Outstanding Internal Audit Recommendations – 2009/10

Review in 2009/10	HoS Responsible	Outstanding			Position as at end Sept 10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Fairkytes	Culture & Leisure			1		1	
Contract Procedure Rules & Procurement	Financial Services		2		2		
Children with Disabilities	Children's and Young People		1		1		
Integrated Youth Services	Children's and Young people		3	1	4		
Climate Change	Regeneration		1		1		
Cyborg	Shared Services	1	1		2		
Children's Centres	Shared Services		1		1		
Government Connect GCSx	Business Systems	3	2		5		
Integrated Children's Systems	Children's and Young People		4		4		
Total		4	15	2	20	1	0

Fairkytes has a revised date of January 2011

Contract Procedure Rules and Procurement has revised dates of March 2011

Children with Disabilities has a revised date of December 2010.

Integrated Youth Services has revised dates of December 2010 and April 2011 for the medium recommendations and December 2010 for the low recommendation.

Climate Change has a revised date of December 2010

Cyborg has revised dates of July 2010 and will be picked up as part of the 10/11 audit.

Children's Centres has a revised date of December 2010

Government Connect GCSx has three high priority with revised dates of November 2010, December 2010 and February 2011 and two medium with revised dates of December 2010.

Integrated Children's Systems have one revised date of December 2010, two revised dates of March 2011 and one revised date of June 2011.

Outstanding Internal Audit Recommendations – 2010/11

Review in 2010/11	HoS Responsible	Outstanding			Position as at end June10		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Registrars	Customer Services	0	0	1		1	
Total		0	0	1	0	1	0

Registrars has a revised date of November 2010.



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:

There are no apparent legal implications arising from the noting of this report.

Human Resources implications and risks:

Any HR implications arising from the implementation of these recommendations will be dealt with within the Council's existing HR policies and procedures.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None.



AUDIT COMMITTEE

REPORT

7 December 2010

Subject Heading:

Corporate Governance Update

Report Author and contact details:

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Policy context:

To update the Committee on the
Corporate Governance arrangements.

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

In order to assist the Committee in its newly delegated responsibility to sign off the Annual Governance Statement (AGS), this report updates Members regarding current arrangements with regards to Corporate Governance and the production of the AGS; the progress to address the issues identified in the 2009/10 AGS; and the work of the officer Governance Group to date in 2010/11.

RECOMMENDATIONS

Audit Committee, 7 December 2010

1. To consider the contents of the report.
2. To note the progress made in addressing issues identified within the 2009/10 AGS.

REPORT DETAIL

It was agreed by Governance Committee in October 2010 that the Members of Audit Committee will from 2010/11 be responsible for the approval of the AGS. This was decided as the AGS forms part of the Annual Statement of Accounts which are approved by the Audit Committee and because although called a Governance Statement a significant driver of the process is the robustness of the Internal Control environment. The Audit Committee are required as part of their role to consider any Corporate Governance related issues that need to be referred to the Governance Committee for review.

2010/11 will be the fourth year since the suggested best practice and statutory requirements placed on Council's, with regards Corporate Governance, was significantly changed. Although robust arrangements were already in place, the introduction of the AGS did mean that these arrangements were reviewed and updated accordingly.

During 2010/11 the officer Governance Group, chaired by the Group Director Finance and Commerce, has continued to meet quarterly. During the year the actions taken to address the issues identified in the 2009/10 AGS have been captured and reported to Governance Group. Appendix 1 details the action plan as at November 2010 and good progress is noted in all areas. The action plan will be updated again at the end of March 2010 at which time a decision will be taken as to whether the issue has been sufficiently addressed to be removed. The Group have also reviewed the questions answered by Senior Management as part of their mini assurance statements to ensure they continue to be fit for purpose.

The process to draft the 2010/11 AGS is underway, a timetable is attached as Appendix 2 to advise the Committee of the various actions. There are no significant issues to report to members at this time. Once all sources of assurance have been reviewed at the end of the financial year, a draft version of the AGS will be presented to the Committee in June for approval as part of the Council's Statement of Accounts. If necessary any significant issues will be highlighted to the Committee at the May meeting.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report. The risks of our arrangements not complying with best practice may lead to the Council not being viewed as open and transparent by stakeholders. Failure to produce a robust AGS could result in the Council's Accounts being qualified.

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. Equality and social inclusion are key factors to consider in the Council's Governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed in order to ensure the impact is appropriately identified.

BACKGROUND PAPERS

Annual Governance Statement 2008/09.

CIPFA/Solace – 'Delivering Good Governance in Local Government' framework.

APPENDIX 1

Significant Issue and action already taken	Planned action	Action Taken as at November 2010	CMT Lead
<p>1. Data Quality & Management Information</p> <ul style="list-style-type: none"> ➤ Data quality policy and strategy in place; ➤ Use of an electronic performance management system that will enable timelier reporting by partners; ➤ Increased awareness of issue and focus by groups including the Performance Management Group ➤ Internal and External Audits. 	<p>Review of systems to ensure fit for purpose is work stream of the ICT transformation project.</p> <p>Training to all relevant officers.</p> <p>Risk awareness to be communicated via Risk Management Group.</p> <p>Further planned audit work.</p>	<p>IT road map in place and being delivered to ensure systems are fit for purpose.</p> <p>A review is underway to consider management information and data quality in response to the changes to the inspection regime in local government.</p> <p>Improvements to the overall arrangements will be identified as part of this review.</p>	<p>Group Director Finance & Commerce</p> <p>Group Director Culture & Community</p>
<p>2. Information Governance</p> <ul style="list-style-type: none"> ➤ This issue has been included in the agenda for officer 	<p>Raise awareness within teams and services and</p>	<p>Policies are currently being reviewed.</p>	<p>Group Director Finance & Commerce.</p>

<p>Governance Group to ensure CMT support and involvement in strategic direction and decision making;</p> <ul style="list-style-type: none"> ➤ Policies & Procedures are in place; ➤ Reviews by ICT officers to identify weaknesses in current systems; ➤ Independent viewpoint provided by Internal Audit; and ➤ An officer information Governance Group has been established. 	<p>encourage identification of specific local risks and then action to address;</p> <p>Investment in new technologies to reduce risk is part of transformation agenda;</p> <p>Further audit work planned for 2010/11.</p>	<p>Information Governance Group continues to meet and report to Governance Group.</p> <p>Communications and Awareness actions have commenced.</p> <p>An action plan is in place.</p>	
<p>3. Homes in Havering – confidence in charges.</p> <ul style="list-style-type: none"> ➤ External Audit have commenced a review following an objection to the Council’s Group Accounts relating to charges levied for aerials; and ➤ Performance Board and other 	<p>Internal Audit of service charges part of 2010/11 Internal Audit plan.</p> <p>Recommendations following both internal and external audit reviews will be</p>	<p>Recommendations resulting from External Audit investigation have been agreed, reported to Audit Committee in September and are currently being implemented. A further</p>	<p>Group Director Culture & Community</p>

<p>meetings are held monthly to discuss management issues.</p>	<p>implemented.</p>	<p>report will be presented to the December Audit Committee.</p> <p>The Internal Audit of Service Charges is complete but yet to be finalised.</p>	
<p>4. Disaster Recovery</p> <p>Contract has been let to provide reliable solution;</p> <p>This is key project within Transformation Agenda.</p> <p>Partnership working with Newham has commenced.</p> <p>Improved resilience via an uninterrupted power supply implemented for the interim period.</p>	<p>Close monitoring of contract and implementation plan will ensure project milestones and deadlines are achieved.</p> <p>Service to report to ICT Transformation Board on progress.</p>	<p>Resolution of disaster recovery weaknesses in the long term is part of the ICT Transformation Programme and completion is being monitored closely. Expected complete. December 2010. Short term controls are in place in the interim.</p>	<p>Group Director Finance & Commerce</p>

APPENDIX 2

Timetable for the preparation of the Annual Governance Statement 2010/11

GC = Governance Committee; AC = Audit Committee; GG = Governance Group; CMT = Corporate Management Team; ABH = Andrew Blake-Herbert; MS = Mike Stringer; VB = Vanessa Bateman/Paula Sisson (covering maternity leave); IA = Internal Audit; MB = Mike Board.

Month	Action	Responsibility
JULY	Review arrangements including Assurance Framework – update timetable for the year.	VB
AUGUST	Consider 2009/10 feedback. Review other AGSs. Circulate timetable to GG for comments and get approved at next meeting.	VB VB/MS GG
OCTOBER	Approval for Audit Committee to approve 1011 AGS.	GC
NOVEMBER	Update on 09/10 Actions. Review of year to date – set up Senior Managers Annual Governance Statement Declaration – prompt them to consider starting to add detail – draw anything from audit work to their attention. Approval of 10/11 statement. Review 6 principals of Governance Self Assessment.	CMT lead VB GG VB/MS
DECEMBER	Update report on Corporate Governance Arrangements and process to produce the AGS, to Audit Committee.	VB
FEBRUARY	Review of assurances provided by External Bodies to date in year. Review issues coming out of audit work GG discuss draft template for AGS, potential 10/11 issues, outcome of review against 6 principals of Governance Self Assessment and progress on 09/10 actions.	VB MS GG
MARCH	Write to Senior Managers formally issuing the Annual Governance Mini Statement Declaration - draw anything from audit work to their attention for consideration. Highlight any potential issues for 10/11 to CMT. Annual report to Audit Committee on Governance Arrangements.	MS/VB VB/MS/ABH VB
APRIL	Write to Members seeking assurances (Letter of Representation). Last update of 0910 AGS Action Plan. Update to MS and ABH – re Accounts/AGS.	ABH/VB CMT Lead VB/MB

	<p>Head of Internal Audit Opinion/Annual Report.</p> <p>Review of Assurance Statements from Heads of Service/Group Directors/ACEs. Discussion re draft AGS.</p> <p>Meeting to discuss draft layout for inclusion in Accounts.</p> <p>Governance Evidence File completed and referenced.</p>	<p>VB</p> <p>VB/GG</p> <p>VB/MB</p> <p>VB</p>
MAY	<p>AGS to Governance Group for final Sign Off.</p> <p>CMT Business Meeting – approve AGS.</p> <p>10/11 AGS Action Plan communicated to Management.</p>	<p>VB/GG</p> <p>VB/CMT</p> <p>VB</p>
JUNE	<p>AGS to Audit Committee for approval.</p> <p>AGS signed by Leader and Chief Exec as part of the final version of the Accounts.</p>	<p>VB/AC</p> <p>VB</p>
JULY	<p>File to External Audit for final review.</p>	<p>VB</p>

<p style="text-align: center;">AUDIT COMMITTEE</p> <p style="text-align: center;">SUPPLEMENTARY AGENDA</p>
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7 December 2010

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

Item 9 - ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS - Report Attached

Item 10 - FRAUD PROGRESS REPORT - Report Attached

Philip Heady
Democratic Services Manager

Audit Committee, 7 December 2010



AUDIT COMMITTEE

REPORT

7 December 2010

Subject Heading:	Annual Review of Risk Management Arrangements
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Audit Committee of the results of the annual review.
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 Members with details of the annual review of risk management arrangements as well as providing an update on developments during the last year and new initiatives going forward.

RECOMMENDATIONS

Audit Committee Members:

1. To note the work continuing to take place on Risk Management.

Audit Committee, 7 December 2010

2. To approve the Risk Management Strategy, Appendix A, incorporating any amendments from recommendation 1.
3. Members are asked to note the Corporate Risk Register, Appendix B, and consider:
 - Does it include all the appropriate key corporate risks
 - Are the actions being taken sufficient
 - Are the ratings accurate
 - Is sufficient progress being made
4. To consider if any additional work or training should be undertaken by the Committee as part of its work plan.

REPORT DETAIL

1. The formal annual review of the Council's Risk Management arrangements was undertaken, as planned, during October 2010, this review include a review of Council's strategy and coincided with a bi annual update of the Corporate Risk Register.
2. Although the Council's Risk Management arrangements for 10/11 will not be subject to the Use of Resources assessment, as has been the case in prior years, Senior Management have confirmed their commitment to continue to strengthen the arrangements in place and that the Risk Management Group continues to be an effective forum for overseeing the arrangements across the whole organisation.
3. The 2014 Transformation programme and in particular the rate of change that the organisation has, and will continue to experience, only increases the importance of having sound processes to manage and report risk. Each of the Transformation Programmes is lead by a CMT member and the Central Transformation Team ensures that each programme is identifying, communicating and managing risks in a consistent and effective manner. Risk logs are maintained at programme level and significant risks are reported via a central risk register to CMT monthly. In addition the Internal Audit & Corporate Risk Manager sits on some of the Boards or related Assurance Groups and links with the Central Transformation Team to ensure the Corporate Risk Register is updated as required.
4. In 2010/11 a e learning tool, aimed at third and fourth tier managers has been designed to strengthen the effectiveness of risk management arrangements at the operational level of the organisation.
5. The annual review notes that the Council has continued to work with a representative from Zurich Municipal (ZM), the Council's insurers, throughout the current financial year to challenge the Risk Management arrangements and strengthen where possible and the scope of work and progress made has been

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reported to the Risk Management Group. Workshops for senior management teams have been offered and one took place in September 2010. Due to restructures it is anticipated that further sessions will be required post January 2011 as new management structures and teams are set up.

6. As a thorough review of the Strategy took place last year it has only been necessary to update and refresh out of date terminology and make minor changes as part of this year's review.
7. Following Member approval of the Strategy, further actions are planned:
 - Update officer guidance and the intranet;
 - Promote availability of Directorate and Service Management Teams to workshop risk, particularly in areas with most significant change due to transformation; and
 - Roll out and monitor take up of E Learning tool.
8. Work will continue on risk management, in addition to the above this includes:
 - Ad hoc reviews of registers;
 - Learning from best practice;
 - Promoting risk management throughout the organisation to achieve better outcomes and deliver priorities; and
 - Attendance at relevant network events and peer review, with cooperation from other authorities.
9. The Corporate Risk Register has also been reviewed and is attached as Appendix B.
10. Due to the pressure of Transformation Risk Management Group have significantly supported Corporate Management Team to complete the review. Significant changes made:
 - Individual transformation programmes have been removed and Transformation 2014 has been added as one risk;
 - Supply Chain Failure has been added;
 - Asset Management and Maintenance has been acknowledged as a risk area.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report. An annual review of Risk Management and the Risk Management Strategy are essential to ensure that the Council's approach to Risk Management is concurrent and is subject to examination by the Audit Committee.

Legal implications and risks:

There are no direct implications or risks from consideration of the Report. However, the corporate risk strategy inherently considers the whole gamut of risks affecting the Council including legal risks, and the review of that strategy may have indirect implications for the management of risks.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

None



**LONDON BOROUGH OF
HAVERING**

**RISK MANAGEMENT
STRATEGY**

(Version 8. October 2010)

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Purpose and objectives of the strategy

The purpose of this Risk Management Strategy is to establish a framework for the systematic management of risk, which will ensure that the objectives of the Council's Risk Management policy are realised.

The objectives of this strategy are: -

- a) Define what risk management is about and what drives risk management within the Council
- b) Set out the benefits of risk management and the strategic approach to risk management
- c) Outline how the strategy will be implemented
- d) Identify the relevant roles and responsibilities for risk management within the Council
- e) Formalise the risk management process across the Council
- f) Support successful working with other bodies and partner organisations.

The measurable outcomes of the strategy are: -

- a) Raise 'Risk Awareness' at all levels within the Council – this will be measured periodically via surveys and results logged and reported to Risk Management Group. Action plans will be devised to address any issues raised by the survey and the process repeated.
- b) Reduction in risk exposure – a review will be undertaken as part of the annual review to identify if there are reductions in risk exposure and evaluate what these are attributed too. Results will be reported and discussed at Risk Management Group.
- c) Embed the risk management process that further strengthens the links between management of risk and performance within the organisation.
- d) Degree of integration – as part of the annual review the progress to further integrate risk management into business processes will be considered and reported to Risk Management Group.



Havering

LONDON BOROUGH

RISK MANAGEMENT POLICY STATEMENT

London Borough of Havering's Risk Management Strategy ensures that for each Council function, activity, operation or service the level of risk is known, recorded and monitored. In each case, a conscious decision must be taken on how to manage that risk whether through controlling it, transferring it or living with it.

The Council's risk management strategic objectives are to:-

Integrate risk management into the culture of the Council;
Manage risk in accordance with best practice;
Anticipate and respond to changing social, environmental and legislative requirements;
Prevent injury, damage or losses and reduce the cost of risk; and
Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Providing opportunities for shared learning on risk management across the Council;
- Offering a framework for allocating resources to identify priority risk areas;
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
- Incorporating risk management considerations into the Havering 2014 Transformation Programme; and
- Monitoring arrangements on an on-going basis.

CHERYL COPPELL
CHIEF EXECUTIVE

Approval, communication, implementation and review of the risk management strategy

The Risk Management Strategy has been reviewed in consultation with the Risk Management Group, agreed by Corporate Management Team and approved by the Audit Committee and following approval, issued to:

- All Members of the Council;
- Corporate Management Team;
- All Heads of Service;
- Key Stakeholders such as Local Strategic Partners; and
- Other interested parties such as External Audit.

It has been placed on the Council's intranet site and website so that all stakeholders can have access and easily refer to it. It is part of the staff induction process, where relevant, so that individual members of staff are aware of both their and others roles and responsibilities for risk management within the Council and their Service (depending on their own role within the Council). It is included within the Council's Performance management framework so that staff and managers are aware of how risk management contributes to the achievement of the Council's and Service objectives.

The strategy will be reviewed internally each year especially after key changes in Central or Local policies. It will also be reviewed independently every three years to provide a objective assurance as to its adequacy.

Context

What is Risk Management?:

Risk Management is defined by the Institute of Risk Management as:

“Risk Management is the process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of failure.

Risk management gives comfort to stakeholders (shareholders, customers, employees and so on) that the business is being effectively managed and helps the organisation confirm its compliance with corporate governance requirements.

Risk Management is relevant to all organisations whether they are in the public or private sector, or whether they are large or small. It should form part of the culture of the organisation, with an effective policy and programme led by top management with clear responsibilities laid down for every manager and employee to be involved in the management of risk. It supports accountability, performance measurement and reward thus promoting efficiency at all levels. ”

Risk management therefore is essentially about identifying all the obstacles and weaknesses that exist within the Council. The holistic approach is vital to ensuring that all elements of the organisation are challenged including decision making processes, working with partners, consultation processes, existing policies and procedures and also the effective use of assets – both staff and physical assets. Once the obstacles have been identified the next stage is to prioritise them to identify the key obstacles to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage those key obstacles / risks. The result is that major obstacles or blockages that exist within the organisation can be mitigated to provide the Council with a greater chance of being able to achieve its objectives. Included within this should be a consideration of the positive or ‘opportunity’ risk aspect also.

Risk management needs to be seen as a strategic tool and will become an essential part of effective and efficient management and planning.

Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

In order to strive to meet its vision and key objectives, the Council has recognised the need to further embed their risk management arrangements. The desired outcome is that risks associated with these objectives can be

managed and the potential impact limited, providing greater assurance that the Vision will be achieved.

Benefits of risk management

Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:

- Increased chance of achieving strategic objectives as key risks are identified, understood and managed.
- Achieves buy-in to risk (and action) for officers and members.
- An organisation can become less risk averse (because risks are understood).
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance (can be demonstrated to stakeholders).

National drivers behind strategic risk management

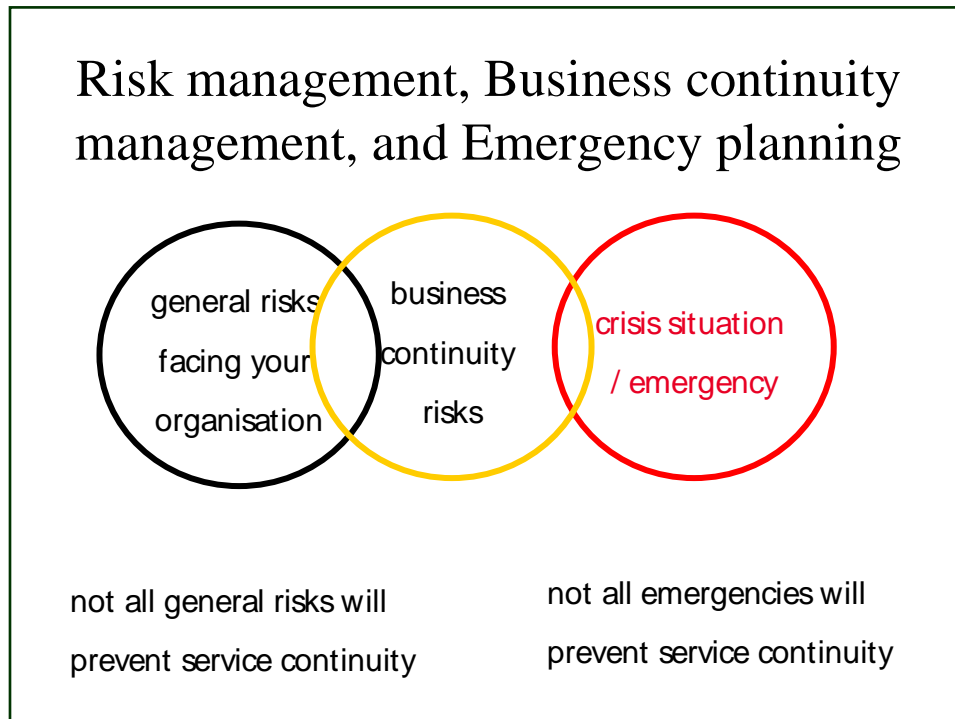
Risk management will, by adding to the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

However it also something that the Council is required to do, for example:

- The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' requires the Council to ensure an adequate system of internal control is in place, and for reviewing and reporting on its effectiveness at least annually in the Annual Governance Statement. This looks at a number of key areas, including ensuring an effective risk management system is in place.
- Risk management has become best practice in both the public and private sectors.

Risk management, emergency planning and business continuity

There is a link between these areas; however it is vital for the success of risk management that the roles of each, and the linkages, are clearly understood. The diagram below sets out to demonstrate the differences.



- **Risk management** is about trying to identify and manage those risks which are more than likely to occur and where the impact on our strategic objectives can be critical or even catastrophic.
- **Business continuity management** is about trying to identify and put in place measures to protect your priority functions against potentially unforeseen risks that can stop your organisation in its tracks.
- **Emergency planning** is about managing those incidents that can impact on the community (in some cases they could also be a business continuity issue).

The Council has recognised there is a link between risk management, business continuity management and emergency planning and this is demonstrated by all three issues being led by and reviewed by Risk Management Group.

Risk management in projects and partnerships

It is recognised that risk management needs to be a key part of the ongoing management of projects and partnerships.

Project / Programme management - There is a consistent and robust approach to risk management used in projects, both at PID stage and throughout the entire project. Written guidance is available on the intranet.

Partnership - Risk management is a key aspect of partnership working in the authority. The approach taken is based largely on the approach used across the authority. Written guidance on Partnership Governance, including risk management is available on the intranet.

Link with insurance

Risk Management is integrally linked with insurance, but it is not solely about insurance. Alongside this Strategy, the authority regularly reviews its insurance arrangements and actively manages these with Risk Management in mind. To this end:

- Both our insurer and insurance specialist officers are actively involved in risk management activities;
- Regular reviews of insurance claims are undertaken by the Risk Management Group; and
- There is a learning culture encouraged from claims history.
- We are actively working with our insurer to improve awareness of Risk Management across the authority by way of facilitated risk management workshops. These will be key to the implementation of new business processes post-transformation.

Strategic approach to risk management

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial planning; policy making & review and performance management.

The linkages are as follows:

- Each priority identified in the Vision and key objectives is translated into the Council's Service Plans and are targets that the Council's activities will aim to achieve. During the lifetime of this plan there will be direct and indirect threats to these achievements and these are the risks.
- Measurement of performance against the corporate objectives, performance indicators and key tasks is achieved in a number of ways through the HP system, including:
 - Reporting and monitoring performance on a regular basis and escalating through the organisation as appropriate;

- Cabinet portfolio holders review performance information relevant to their areas on a quarterly basis;
- Management of key strategic risks which could affect the delivery of the Council objectives / targets is undertaken by the Corporate Management Team;
- Individual Service Plans feed from the above higher strategic objectives of the Council, and explain how the Service helps to deliver the Council's objectives in respect of:
 - The national and local shared priorities;
 - The Havering Strategic Partnership including the Local Area Agreement;
 - The Sustainable Community Strategy; and
 - The Council's Vision and Values.
- An assessment of service risks forms part of all Service Plans, which is an identification and prioritisation of the most significant risks faced in delivering the key elements of the Service Plan, with actions identified to mitigate and manage these. These risks are managed as part of the action plans within the Service Plans.
- Performance management is also cascaded down to individual employees via the performance and development review framework which ensures all employees have clear accountabilities and objectives linked to those of the service and the Council. To this end, Risk Management is cascaded down to staff as a corporate objective which aims to gain their support and awareness to ensure effective management of risk within the Council.

Implementation of Risk Management

The risk management process

Implementing the strategy involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1. This section will outline the approach with further HP specific detail contained within the documentation relevant to that system.

Figure 1: The risk management cycle



Stage 1 – Identification of the risks

The first step is to identify the 'key' risks that could have an adverse affect or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or organisation's key business objectives i.e. *'what it wants to achieve'* in order to be able to identify *'the barriers to achievement'*. It is important to consider the relevant Service Plan in a broad context, i.e. not focusing solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

Also, when identifying risks it is important to remember that as well as the 'direct threats', risk management is about 'making the most of opportunities' e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 1 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks including: -

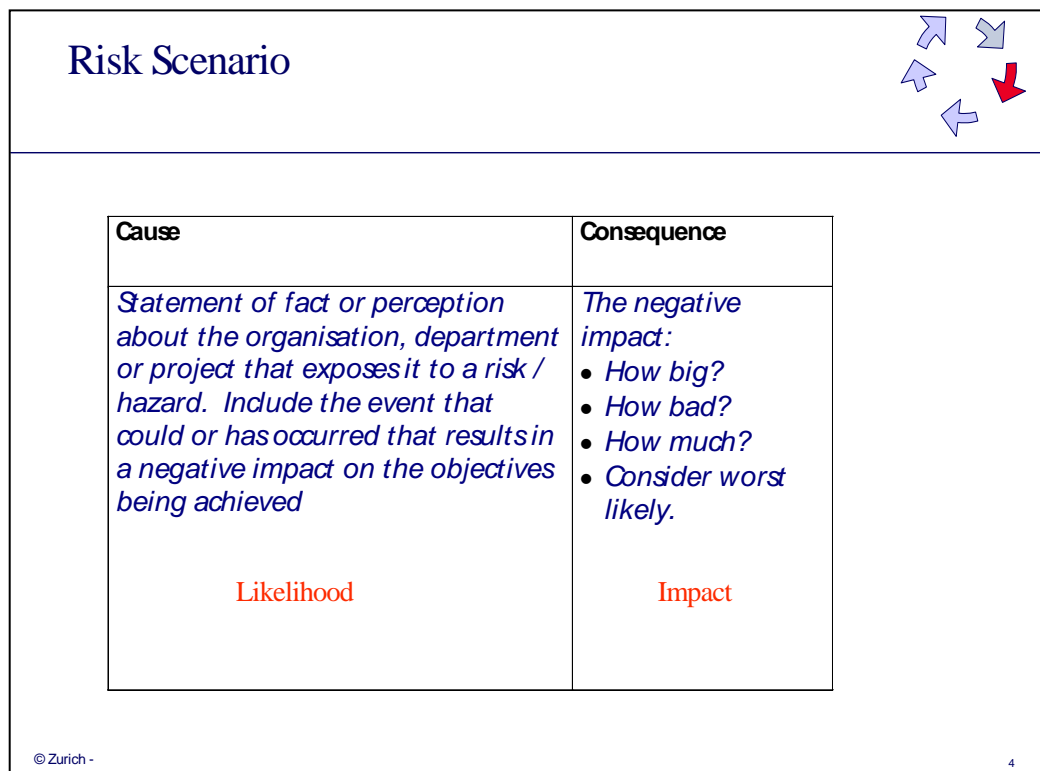
- A 'brainstorming' session;
- Own (risk) experience – what did we learn from previous mistakes?;
- Inspectorate or audit reports;
- Experiences of others - can we learn from others mistakes?; and
- Exchange of information/best practice with other authorities, organisations or partners.

The process for the identification of risk should be undertaken for projects (at the end of each project stage), partnerships, service delivery planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

Stage 2 – Analysing the risks

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. There are 2 parts to a risk scenario. The cause describes the situation and/or event (that may be perceived) that will expose the Council to a risk. The consequences are the events that follow in the wake of the risk.

Figure 2: Example of the structure of a risk scenario



Each risk scenario is logged on the respective risk register, these registers could be potentially strategic, against a specific Service Plan, or relating to a project or partnership. The purpose of the risk register is to store details of the risk, its likelihood and impact (see stage 3) and mitigation activity.

Stage 3 – Risk profiling and prioritisation

Following identification and analysis the risks will need to be evaluated in a facilitated session, with the workshop participants looking at the risk scenarios and deciding their ranking according to the potential likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks and once completed this risk profile clearly illustrates the priority of each risk.

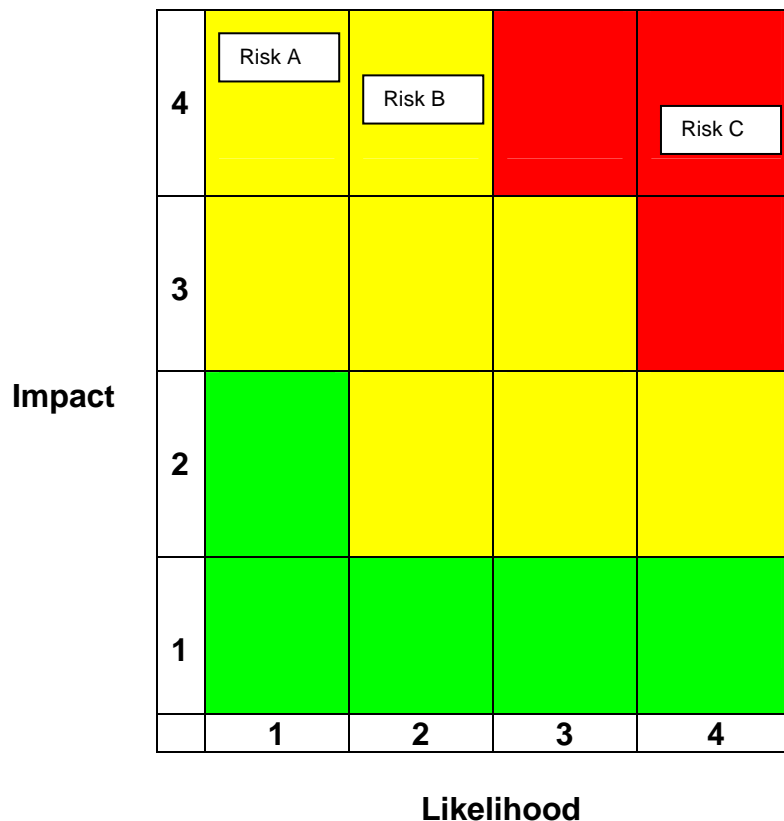


Figure 3: Example of the Council risk matrix

In order to profile/rate risks, the authority considers the next 3-5 years for strategic risks and 1-2 years for service level risks:

- The impact – this being the extent to which the issue (assuming it were to manifest itself to the degree defined in the consequences) would impact on the organisation’s ability to achieve its vision and priorities on the following scale:
 - 1 – negligible
 - 2 – marginal
 - 3 – critical
 - 4 – catastrophic

- The likelihood – taking into account existing measures to manage the issue and (not those planned or not yet in operation) how likely is the impact to occur within the timeframe of the Corporate Plan on the following scale:
 - 1 – almost impossible
 - 2 – unlikely but possible
 - 3 – likely
 - 4 – very likely
- When assessing the further action to take, along with a target risk rating, the Council will consider if there is:
 - significant scope for improvement of the risk response
 - moderate scope for improvement of risk response
 - sufficient risk response

The matrix is also constructed around 3 filters - these being red, amber and green. The red filtered risks are of greatest priority and require immediate attention. Amber risks should be reviewed and moderate risk mitigation action may be required. Green risks are likely to require no further action and should be monitored at 3-monthly intervals, in case the situation changes.

Stage 4 – Action Planning

This is the process of turning ‘knowing’ into ‘doing’. It is assessing whether to control, accept transfer or terminate the risk on an agreed ‘risk appetite’. Risks may be able to be: -

Controlled - It may be possible to mitigate the risk by ‘managing down’ the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc.

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, existing controls will already be in place. It is therefore necessary to look at these controls before considering further action. It may be that these controls are not being complied with or are ‘out of date’.

The potential for controlling the risks identified will be addressed through Service Plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be

transferred or terminated. These service plans will also identify the resources required to deliver the improvements, timescale and monitoring arrangements.

Existing controls, their adequacy, new mitigation measures and associated action planning information is all recorded on the risk register, including ownership of the risk and allocation of responsibility for each mitigating action. Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the risk registers.

A further judgement which should be made is the 'Target risk score' and 'target evaluation', which is where the risk could be managed to, should the identified controls be successfully implemented.

Consideration should also be given here as to the 'cost-benefit' of each control weighed against the potential cost / impact of the risk occurring. N.B. 'cost / impact' here includes all aspects including financial, resourcing, but also reputational.

Suggested matrix to use when determining cost/benefit of mitigating controls:

High cost/low impact on mitigating risk	High cost/big impact on mitigating risk
Low cost/low impact on mitigating risk	Low cost/big impact on mitigating risk

Stage 5 – Monitoring risk management

The Management Team is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. Directors and Heads of Service are responsible for ensuring that the key risks in the risk registers linked to respective Service Plans are managed. It is recommended that the 'red risks' feature as a standing item on 'Head of Service' meeting agendas.

On an on-going basis, the Strategic and Service Plan risk registers should be reviewed and where necessary risks re-prioritised. Risks should be amended so they reflect the current situation, obsolete risks should be deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives.

Reporting and escalating risks

During the year new risks are likely to arise that have not previously been considered on the existing risk registers. Also the environment in which the risks exist will change making some risks more critical or others less important. At least every quarter the respective risk registers and matrices at

each level should be updated to reflect these changes. If such risks require corporate ownership and management then consideration should be given as to whether they should be incorporated into the strategic risk register. If the management of such risks is more appropriate at a service level then it should be included in the respective Service Plan risk register. This will need to be undertaken at least on a quarterly basis by Management Team and Heads of Service.

It is recognised that some service risks have the potential to impact on the corporate objectives and these will often be the red risks on the matrix. Every quarter, the Risk Management Group will collate the red risks from Service Plans, which will be fed into Management Team where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the strategic risk register (owned by Management Team). At the relevant Management Team session to review risk management, as part of this approach, each Director will also feedback the headline risks from their individual areas.

Bi annually, the Risk Management Group will also collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by the Corporate Management Team.

After this is undertaken quarterly, the Management Team will report the headline red risks to the Audit Committee and Cabinet, and annually an up to date risk register and matrix will be sent to full Council.

Roles and responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process.

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Awareness training will be available for all Members, through induction and also at other intervals when specific training needs are identified.

Audit Committee

To provide an independent assurance of the adequacy of the risk management framework and the associated control environment. In particular:

- To receive the annual review of internal controls and be satisfied that the Assurance Statement properly reflects the risk environment and any actions required to improve it.
- To receive regular reports covering implementation of the Council's Risk Strategy to determine whether strategic risks are being actively managed.
- To review and approve the Risk Management Strategy on an annual basis, or if significant changes require a revision of it.

Chief Executive and Corporate Management Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff.
- To advise on the management of strategic and other significant risks.
- To ensure that the Policy and Strategy are communicated, understood and implemented by all Members, managers and staff and fully embedded in the Council's business planning and monitoring processes.
- To identify, analyse and profile high-level corporate and cross-cutting risks on a regular basis as outlined in the monitoring process.
- To report to Members on the management of corporate and other significant risks and the overall effectiveness of risk management controls.
- To ensure that appropriate risk management skills training and awareness is provided to all Members and staff.
- The Director of Finance & Commerce is recognised as the officer champion for Risk Management

Heads of Service

- Each Head of Service is individually responsible for proper monitoring of their Service Plan risk register, local action plan and the embedding of risk management into the business and service planning of their relevant service area.
- Be actively involved in the identification and assessment of service level risks resulting in an up to date Service Plan risk register and matrix.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.
- To recommend risk management training for staff to the Risk Management Group
- To implement approved action plans.
- To maintain the awareness of risks and feed them into the risk identification process.

Risk Management Group

- To collate on a bi annual basis the key and consistent themes from Service Plans, project and partnership risk registers, and feed these to Corporate Management Team, giving feedback to the services.
- To collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by Corporate Management Team.
- Monitor the implementation and embedding of risk management within key Council processes
- To identify risk management training needs across the council
- To act as a forum for the sharing of best practice.

Internal Audit

- To provide assurance to the Council through an independent and objective opinion, on the control environment comprising risk management, control procedures and governance.
- To report to Members on the control environment.
- To provide an annual Audit Plan that utilises a reasonable evaluation of risk and an annual assurance statement to the Council based on work undertaken in the previous year.

Individual Employees

To identify risks surrounding their everyday work processes and working environment.

- To participate, where appropriate, in ongoing risk management within service areas, as part of the business planning process
- To actively manage risks and risk actions, where appropriate
- To demonstrate an awareness of risk and risk management relevant to role.

Partners

It is important that partners be brought into the risk management framework. At times, it will be appropriate for joint profiles to be undertaken. However, it is essential that accountabilities are adequately determined and that London Borough of Havering does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the Council. It is not possible to outsource the risk management process.

Gaining and maintaining competence:

It is essential that the London Borough of Havering have the right competencies to deliver effective risk management. Risk management is a core competency from which the Council can build enhanced service delivery and secure the confidence of funders, regulators, business and the public. The ability to recognise and manage risk should be a prime consideration for those who direct corporate strategy and affairs. Sensitivity and receptiveness towards issues of risk is becoming part of the Councils culture. This progress demands continued depth of experience and skill to identify, profile and take effective action on all types of risk.

In this sense, traditional views of risk management as being bound up with insurance, worthy only of cursory attention on a once per annum basis, has been left behind. Risk management is dynamic. In broadest application, it is concerned as much with optimising risk as it is with minimising it. This requires the building of competency and provision of risk management training for all involved in developing the strategy and in operations.

It will have become apparent that effective risk management depends not only on commitment, culture and the competence of individuals, but also on the sharing of knowledge and the availability of reliable data and information. London Borough of Havering will continue to ensure that its knowledge management and information systems facilitate effective risk management.

Conclusion

This strategy will set the foundation for integrating risk management into the Council's culture and will help to address the challenges made by external inspections and audit. It will also formalise a process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The periodic reporting and escalation of risks from Services to Directorate Management Team should interlock with the existing arrangements for performance reporting. The intention being that the management of risks is incorporated into Service Plans so that by reporting on performance naturally reports progress on the mitigation of risks.

The Government released details of its Comprehensive Spending Review on 20 October. Whilst this has been reviewed in some depth both nationally and locally, the exact impact of this on the funding provided to the Council is as yet unknown. Further clarity will follow the announcement of the Local Government Financial Settlement, which is now expected during December, but even then, details of some of the funding streams may not be available until well after Christmas. It is therefore proposed to re-examine both the strategy and the Corporate Risk Register to ensure that these adequately reflect the impact of these major announcements on the Council.

The next annual review of this strategy is planned to take place during October 2011.

APPENDIX 1 – RISK CATEGORISATION:

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	IT infrastructure, Staff/client needs, security standards, Business Continuity.
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of Council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment

Risk				Counter Measures	Assessment			Change since last time
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	
1	<p>Recruitment and Retention / Succession Planning</p> <p>In London and the South East. Havering is in competition with all other employers for quality staff and Local Government is not always seen as an attractive, compelling career and environment for quality people. Havering's workforce is mainly locally based which restricts the potential catchment for new employees. Given the drive to deliver significant savings across the public sector local government is no longer seen as a secure or desirable place to work making it difficult to attract quality</p>	Havering fails to attract and retain quality staff	<ul style="list-style-type: none"> - Key post is not filled - Key post not filled with the right calibre staff - Quality of implementation of major activities or projects is put at risk - Pool of quality employees diminishes - Dutch auction of salaries to attract new people - Risk of quality staff moving on to greener pastures - High standards of council not maintained - Objectives not achieved - Member criticism of officers - Image of council damaged 	<ul style="list-style-type: none"> - Staff development (PDPAs, 1 to 1s, induction) - Some recruitment and retention packages - Reassessment achieved for corporate liP - Further expansion of management development programme - Workforce Strategy team in place and a team of recruitment advisors to plan and deliver innovative recruitment solutions - Recruitment and Retention Strategy in place - Workforce Plan in place and embedded as part of service planning process - Regular Review of reward strategies e.g. consideration of market supplements - liP health check - Agency Review - Transformation Programme for People and Change. - CEME as a dedicated training site - Training and Development standards set - Apprenticeship scheme in place 	3/4	3/4	9/16	↑

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>staff. With all of the restructures under way and the increasing age profile across its workforce, there is little new blood and succession planning. Budget constraints may inhibit capacity to develop staff. Experienced officers may seek to retire early or leave as pressure of transformation increases.</p>	<p>Significant numbers of staff retire / leave simultaneously</p>	<ul style="list-style-type: none"> - Loss of key staff/ skills / experience/knowledge - Difficulties recruiting staff with same levels of experience/skills/qualifications - Gaps appear in the organisational structures - Pressures on existing staff - Loss of corporate 'memory' - Adverse impact on service delivery - Service failure - Adverse publicity - Stability of Corporate Leadership Team 	<ul style="list-style-type: none"> - Workforce Strategy team works with services - Business Continuity Plans in place - Talent Strategy Manager in place developing solutions and Talent Management Strategy in place - Recruitment and Retention Strategy in place - Procedures documented for all key activities - Recruiting and marketing earlier - Work placements career service link - Workforce Planning embedded into service planning activities - Recruitment contract in place - Developed 14-19 Strategy (working with schools and colleges) - Transformation Programme for People and Change. - Youth network established 				
	<p>Risk Owner: Andrew Blake Herbert</p>							
3	<p>Organisational capacity/capability</p> <p>(i) The Council undertakes a variety of long term projects, which require effective overall project programming</p>	<p>(i) Project programming is ineffectively managed (ii) Some managers are unable to deal with, for example, a</p>	<ul style="list-style-type: none"> - Projects not managed to time or budget - Projects fail to deliver objectives - Project planning called into question - Ineffective use of resources - Failure to deliver value for money and resources cost 	<ul style="list-style-type: none"> - Monthly monitoring of key projects - Post implementation reviews - Monitoring of contractor/contract performance - Contract monitoring responsibilities defined - Training and Development has taken place - Management - Staff Performance management and development (PDPAs, 1 to 1's, induction) - Sickness monitoring, including RTWs and 	3/4	3/4	9/16	↑

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>(ii) A proportion of managers have proven technical expertise but lack the more general management skills such as people and business management</p> <p>(iii) Absence management. Having manages a substantial human resource and levels of absence have historically been too high. Significant research has been undertaken to understand this issue and a programme is in place to deal with the issue.</p> <p>iv)The culture within the organisation may mean that there is limited capacity for change</p>	<p>sensitive personnel/management competency issue. Some managers are unable to show effective leadership or business skills</p> <p>(iii) The programme is unsuccessful and levels of staff absence remain high, or increase</p>	<p>more</p> <ul style="list-style-type: none"> - Officers feel demoralised/vulnerable/frustrated - Partners are disillusioned - Adverse effect on performance/ineffective services - Image of Council suffers/adverse publicity - Failure to directly challenge poor performers - Culture does not encourage staff to progress and develop - Lack of confidence in managers - Excessive pressures placed on these staff who are at work to fill gaps - Tensions between managers and staff, who struggle to deliver - Good staff leave to join better run organisations -new processes and work practices are not adopted in practice 	<p>reviews</p> <ul style="list-style-type: none"> - liP accreditation - Legislation tracking - Competency Framework - Restructure of Senior Management - Transformation Programme for People and Change. - Increased electronic arrangements e.g. HP -transformation team are co-ordinating the programmes to ensure consistency of approach across the organisation 				
	Risk Owner: Cheryl Coppel							
4	Community Engagement	The public are unsure of what	- Key opinion formers in the community not engaged	- Local Offices/PASC - "Living" now fortnightly	2/4	3/4	6/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>The Council must both communicate and consult with residents and service users but does not publicise itself effectively and does not have a systematic approach to communication embedded across departments.</p> <p>Havering has been a predominantly White Christian community. However the demographics are changing and will continue to change. This is impacting upon the settled White working class community in particular. This tension may be exacerbated by higher unemployment and benefit reductions.</p> <p>Havering has one of the largest shopping centres with 10,000 visitors to the market on</p>	<p>the Council does (well) and only hears bad news about the Council.</p> <p>Breakdown in community relations, intergenerational issues and political activism may all impact negatively.</p> <p>Socio-economic factors may also contribute, as negative preconceptions may increase further.</p> <p>Breakdown in community relations, intergenerational issues and political activism may all</p>	<ul style="list-style-type: none"> - Poor coverage in media - Lack of understanding of council services and value for money - Community tension increases and result in unrest or riots - Political agendas are used to impact upon tensions - Local politicians raise concerns - Havering becomes a focus for local/national media - Issues are highlighted on a national platform - Havering's image is tainted - Council's reputation is at stake - Council has significant and negative issues to manage - Divisions are difficult to heal - Cohesion agenda overall becomes unmanageable locally - Community tensions increase and result in attack. - Political agendas are used to impact upon issues negatively. - Local politicians raise concerns. - Havering becomes a focus for local/national media. 	<ul style="list-style-type: none"> - Provision of appropriate training (general and/or specific) for staff/officers/members - Provision of information for partners - Communications with media/community - Promotion and publicity - Internet and intranet development - Enhanced internal communications- - Staff focus groups - Ipsos - MORI annual survey - Carefully managed community consultation and engagement (through ICAN) - Capacity building and succession planning in local marginalised communities eg Harold Hill community programme - Activities to raise awareness and break down barriers between communities work with the communications company through capital Ambition - Intergenerational work - Training of staff and members on E&D and cohesion issues - DSG and Diversity strategy - Crime and Disorder Strategy - Regeneration Strategy - Business Continuity Plan -community events and festivals -new community facilities -programmes to renew community facilities and infrastructure – parks/libraries -delivery of new customer services strategy and services - Customer Services Transformation 				

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	a Saturday alone. It has pockets of serious deprivation and a fast changing demographic landscape, which may be viewed as a potential location for violent extremist activity.	<p>impact negatively.</p> <p>Socio-economic factors may also contribute, as negative perceptions may increase further. With tighter security in Central London, Outer London Boroughs may be potential targets for maximum effect. Havering having a predominately White, Christian community further impacts upon this.</p>	<p>- Issues are highlighted on a national & international platform.</p> <p>- Havering's image is tainted.</p> <p>- Council's reputation is at stake.</p> <p>- Council has significant and negative issues to manage.</p> <p>- Divisions within local groups are difficult to heal.</p>	Programme.				
	Risk Owner: Cheryl Coppell / Cynthia Griffin							
5	Causing harm to people we owe a duty	Serious injury or fatality to	<p>- Someone is hurt or dies</p> <p>- HSE prosecution</p>	- Health and Safety Management System agreed and in place	3/4	4/4	12/16	↑

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>of care</p> <p>Havering provides high profile and high risk services and employs a significant number of staff.</p>	<p>staff member/service user leading to sustained media, legal and audit attention</p>	<ul style="list-style-type: none"> - Service is frozen - Financial penalties incurred - Negative impact on rest of organisation - Loss of confidence in management - Criticism of officers - Reputation of council damaged - Recruitment is inhibited - Loss of quality staff - Loss of confidence in council - Loss of public trust - personal liability of members/officers in certain circumstances 	<ul style="list-style-type: none"> - H & S budgets are under pressure and members are to be asked to agree revenue for 2011/12 and agree funding for capital works - H & S action plans in place - Risk assessments - Management inspections - Directorate and corporate H&S advisors - Insurance in place, contract to be renewed by Sept 2011 subject to provision of funding - Corporate Health and Safety Group and coverage - Risk Management Group and coverage - Auditing and Compliance Plan - Training Plan/Programme - Award of Legionella Contract and monitoring arrangements in place - Improved asbestos management - Smart log fire management system - Corporate Manslaughter risks briefed - CDM risks briefed to Corporate Group - social work practice ensuring safety of decision making and commissioning - management of contracted services 				
	Risk Owner: Christine Dooley							
6	<p>Lack of Infrastructure Development</p> <p>The east of London and Thames Gateway will be subject to massive</p>	<p>Infrastructure development does not match housing development levels e.g. road</p>	<ul style="list-style-type: none"> - Demands on services increase - Infrastructure and transport, including congestion, is put under pressure - Borough becomes less 	<ul style="list-style-type: none"> - Operation of London Thames Gateway Development Corporation - Continued involvement in Thames Gateway "family" - Establishment of Planning Framework - Maximising of borough influence with 	3/4	3/4	9/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>housing development. This will assist in meeting affordable housing targets which are a challenge. Key concerns however are that:</p> <p>(i) increased levels of housing must be accompanied by improved levels of infrastructure within the Borough, e.g. transport;</p> <p>(ii) new housing meets the targets.</p>	<p>improvements, hospitals, schools.</p> <p>Land for development is not available and homes developed fall well short of targets.</p> <p>CLG/LTGDC/G LA do not prioritise Rainham for investment.</p>	<p>attractive to employees/residents</p> <ul style="list-style-type: none"> - Risk of unemployment - Unsustainable/lack of community development - Residents complain - Image of Council damaged - Many people in the borough are unable to afford to buy their own house - Young people/key workers leave the district - Local economy declines/property threatened - Council target on affordable housing not met - Havering does not benefit from improved transportation - Havering misses out on job opportunities/flow of goods created by improved transportation - Borough is marginalised in economic development of region 	<p>CLG/LTDC/GLA</p> <ul style="list-style-type: none"> - Development of detailed proposals for area action, e.g. Rainham, Rainham Marshes - Implementation of Romford and Hornchurch Urban Strategies - Agreement of clear Havering Regeneration Strategy - Ensure S106 agreements are delivered, including LTGDC area - Use of LDF to guide development - Development of wider Rainham Strategy 				
	<p>The cancellation of the Building Schools for the future programme also places a significant burden on the quality of school building fabric</p>	<p>Older school building start to have failures, boilers stopping or roofs leaking etc</p>	<p>Potential for school to be closed, or education provision to be disrupted.</p>	<p>Stock condition surveys in place</p> <p>Review of capital programme under way with a focus on Health and Safety / poor condition issues.</p>				

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	and additional schools places	New schools would have also provided opportunity to reflect on growth in demand for places, although currently primary based will feed into secondary provision	Increase in demand for placements not met in borough.	Additional primary forms of entry being taken forwards. Following CSR announcement, awaiting news of what Government capital funding for poor condition schools and provision of new places means for Havering				
	Risk Owner: Cynthia Griffin / Andrew Ireland							
7	Transformation 2014 Havering 2014 brings together a number of programmes to radically transform the way that the council works. It aims to deliver high quality services, while still managing to reduce expenditure significantly. Over the next five years, we need to reduce our	-programmes not delivered on time -programme does not deliver anticipated savings -programme benefits and efficiencies not realised -staff issues such as redundancy not	-council fails to deliver adequate services, adversely impacting local residents/service users -reputation damaged -increased complaints -loss of key staff from retirement or redundancy -redeployed staff do not have appropriate skills or knowledge -staff demoralised and stressed -staff grievance and tribunal	-Appointment of dedicated Corporate Transformation Programme Manager and Team -Risk Registers in place for each programme -Each programme has management board - Staff and union consultation - CMT member is Senior Risk Owner for each Programme - Assurance Boards are established for some programmes. - Central Risk Log for overall programme which links to corporate risk register - Relevant change and training programmes established to upskill staff	2/4	4/4	8/16	N/A

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	budget by around £50 million. Programmes that are already underway include the Shared Services Programme; Customer Services Programme; Place; Adults; Children and Families; People and Change; ICT and Learning.	managed	claims increase					
	Risk Owner: Cheryl Coppell							
8	Business Continuity and Emergency Planning The Council is required to respond to both external and internal business continuity issues.	Ineffective response to an incident (or business continuity plan fails)	<ul style="list-style-type: none"> - Services disrupted - Staff unaware of correct procedures - Decision-making in the heat of the moment - Resources wasted reacting - Information lost - Loss of revenue - Increased cost of providing back-up services - Council seen as being ineffective - Council is challenged over its 	<ul style="list-style-type: none"> - Major Emergency Plan which is regularly reviewed - Regular exercises - Emergency rota in place and schedule of call-out officers established - BC Strategy in place and tested regularly - Overall Business Continuity Plan formulated and database in place - Service Business Continuity Plans - IT strategy being implemented - IT back ups taken and off site Disaster Recovery now in place - Risk Management/Business Continuity Group 	2/4	2/4	4/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
			lack of preparedness - Council unable to demonstrate correct procedures - Operating in contravention of legislation - Censure by audit/inspection - Adverse publicity	- Website advice in place - Increased awareness being undertaken - Flu spend protocol - BC now part of all system audits - Emergency spend protocol				
	Risk Owner Andrew Blake-Herbert							
9	Partnerships & Contractor Failure Partnerships are a high profile and fundamental part of the Community Governance role which Havering plays. It has identified a number of aspirations and priorities for the improvement of the borough. The current economic climate could mean that key contractors supplying services to or on behalf of the Council are unable to do so	Partnership members work to different priorities/objectives and the partnership struggles to deliver. Financial pressures prevent contractors from fulfilling obligations	- Failure to deliver community strategy - Failure to deliver robust LAA - Tensions between partners over roles and responsibilities - Governance is inadequate or ineffective - Risks to partnership are not identified and managed effectively - Partners rely on local authority for delivery - Partnership fails to influence local and regional agendas - Data quality amongst partners/contractors is inconsistent and performance against targets cannot be verified thereby jeopardising claims for reward grant	- Havering Strategic Partnership acts as umbrella for partnership development - Key partnerships identified and mapped - HSP reviewed - Community management team meets regularly and reviews overall partnership activity - Partnership toolkit applied to key partnerships - Awareness of financial issues - Split risk HSP and partnerships - LAA 2 in place -Risk assessments for key partnerships/contracts	2/4	4/4	8/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	going forward.							
	Risk Owner: Cynthia Griffin							
10	<p>Financial Arrangements and Resource availability</p> <p>Havering faces challenging financial times; one of the highest Council tax levels, but lowest levels of Government aid. (b) Following the significant changes announced within the CSR, the lateness of the draft settlement and the lack of clarity around a significant number of specific grants makes planning risky. (c) Council fails to set a robust budget and/or fails to set an appropriate level of reserves and contingency (d) Central Government offers</p>	<p>Council will need to identify ways of substantially reducing expenditure</p> <p>Possible failure to meet targets and outcomes previously set</p> <p>Council fails to take some tough/innovative decisions on spending plans for the future.</p> <p>There is an unexpected financial burden with significant consequences.</p> <p>Council misses a possible</p>	<ul style="list-style-type: none"> - Negative impact on balances/Council Tax - Political fallout - Service reductions - Increased uncertainty - Lack of VFM demonstrated - Harder and harder to make efficiency savings targets - Improvement goals in key services are not met - Business investment withdrawn - Risk of service failure or inappropriate/unlawful action - Capacity is further stretched - Staff disillusionment, stress and absenteeism - Council criticised publicly and through audit - Additional funding is lost - Additional projects/initiatives cannot go ahead - Residents do not understand why Council does not have access to this funding - Image of Council damaged - Services overspend without prior warning 	<ul style="list-style-type: none"> - MTFS and budgetary process -Transformation and efficiency programmes -Strategic reserves allowing investment in change -Early planning to identify radical alternative service strategies -Joint working with other boroughs -access to capital Ambitions programmes - Risk assessment of savings proposals and budget areas - MTFS Meetings - Financial controls - Financial procedures and manuals which are reviewed - Monthly monitoring - Longstop review arrangements - Out-turn reviews - Central Government lobbying - Grant spending plans - Grants co-ordination role - Grant protocol - Fraud and corruption strategy - Adequacy of reserves/contingencies - Audit reports - Staff training - LAA Financial procedures - Debt recovery policy and procedures 	4/4	3/4	12/16	↑

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	streams of funding for some key projects and local authorities must bid for these. (e) There is a concern that there is a lack of a joined up approach to funding, and funds may be available and the organisation is not aware of these. (f) Tighter budgets will require more accurate monitoring to avoid overspend (g) downturn in income received for chargeable services that residents use at their own discretion such as libraries, leisure, adult ed etc (h). partners who provide services (Queens Theatre, SLM) suffer critical loss of funding through lost grants	external funding opportunity.	- Need for material in-year savings or S114 notice					
	Risk Owner: Andrew Blake Herbert							
11	Information	Information	Investigation by Information	- Information Security policy and procedures.	3/4	3/4	9/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	<p>Governance/Data Quality</p> <p>The Council holds significant and varied data some of which is personal and must be appropriately protected.</p> <p>The quality of data is inadequate to underpin the Council's performance management and decision-making processes</p> <p>Data migration to new ISS is ineffective or data is lost.</p>	<p>Security Incidents.</p> <p>Lack of trust or accuracy in reported information.</p>	<p>Commissioner.</p> <p>Reputation damage.</p> <p>Information is uncontrolled and used inappropriately</p> <p>Information for decision-making is unsuitable, leading to poor/unsupported decisions being reached</p>	<ul style="list-style-type: none"> - Information Governance added to Governance Group agenda to ensure clear roles and responsibilities. - Dedicated resources in IT, legal, asset management contributing to operational system of control. - Compliance with industry standards and further development planned. - Data quality strategy/policy in place - Performance Management Group in place - Data quality training provided as part of HP implementation - Finance and performance monitoring linked through service planning process, HP system and corporate monitoring through CMT and I&D board - ICT Policy covers information governance, security and records management - Records management policy 				
	Risk Owner: Andrew Blake–Herbert / Cynthia Griffin							
12	<p>Asset Stock</p> <p>The Council has a number of property assets which require maintenance to keep them in safe and useful working condition.</p>	<p>Reduced values.</p> <p>Responsive maintenance costs increase.</p> <p>Health and Safety incidents</p>	<p>Building fall into poor repair or disuse.</p> <p>Increased investment required in long term.</p> <p>Community groups and services can't find adequate premises in Borough.</p>	<ul style="list-style-type: none"> - Surveys and inspections undertaken. - Programme of maintenance in place. - 	2/4	2/4	4/16	New

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Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	These are long term programmes which tend to suffer when savings need to be made but often short term savings can lead to increased costs or risks in future.	increase.						
	Risk Owner: Andrew Blake-Herbert			-				



**AUDIT
COMMITTEE**

7 December 2010

Subject Heading:

FRAUD PROGRESS REPORT

Report Author and contact details:

Vanessa Bateman
Internal Audit & Corporate Risk Manager
Tel: 01708 - 433733.
E-mail : vanessa.batemen@havering.gov.uk

Policy context:

To update the Committee on the actions taken against fraud and corruption.

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

To advise the Committee of anti fraud and corruption work undertaken by the internal audit team during the period 01 January to 30 September 2010.

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of officers where required, either with regards the cases highlighted or the performance of the team.

REPORT DETAIL

The progress report contains two sections; the content of each section is outlined below:

Section 1. Fraud Work January to September

- A) Table of 'Fraud Hotline' reports.
- B) Table of completed cases.
- C) Work in progress as at end of September.
- D) Details of savings and losses for the period.
- E) Update on current risks and trends

Section 2. Key Performance Indicator

The results for the fraud specific key performance indicator are presented in this section of the report. Other key Performance indicators are reported quarterly as part of the Internal Audit Progress report.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fraud and corruption will often lead to financial loss to the authority. By maintaining robust anti fraud and corruption arrangements and a clear strategy in this area, the risk of such losses will be reduced. Arrangements must be sufficient to ensure that controls are implemented, based on risk, to prevent, deter and detect fraud. The work of the fraud team often identifies losses which may be recouped by the Council. There are no financial implications or risks arising directly from this report.

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.

Fraud Work 1 January to 30 September 2010

A) Fraud Hotline Reports Received

CALLER	CALL CONTENT	DETAILS / RESULT OF INVESTIGATION
Anonymous	Resident claiming single person discount who is not entitled.	Council tax investigating.
Member of the public	Housing Benefits being paid to tenant, with two children, not letting agent and they are spending money on alcohol.	Passed to Housing Benefit and Children's Services.
Anonymous	Occupied converted garage not declared as liable to council tax.	Passed to Council tax and Environmental Health.
Anonymous	Wrongful claiming of benefit.	Passed to Benefit Fraud. No case to answer.
Member of public	Resident claiming single person discount who is not entitled.	Passed to LB Barking and Dagenham.
Member of public	Suspected subletting.	Passed to Homes in Havering who confirmed an investigation was already in progress.
Anonymous	Resident claiming single person discount who is not entitled.	Passed to Council tax – SPD cancelled.
Member of public	Residential property being used for business use.	Passed to Council tax – revaluation taken place.
Member of public	Claiming benefits whilst working.	Passed to Housing Benefits.
Member of public	Resident claiming single person discount who is not entitled.	Passed to Council tax – SPD cancelled.
Member of public	Resident claiming Disability Living Allowance who is not entitled.	Passed to DWP.
Anonymous	Claiming benefits whilst working.	Passed to Housing Benefits.

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Member of public	Abuse of blue badge scheme.	Passed to parking.
Member of public	Allegations of possible financial abuse of adult client.	Investigated. Management Action Plan issued.
Leaseholder	Leaseholder charges being over estimated to proposed purchasers.	Investigation on-going.
Member of public	Resident growing illegal substances.	Passed to the police.
Anonymous	Claiming benefits whilst working.	Passed to Housing Benefits. Benefits ceased.
Anonymous	Claiming benefits whilst working and has others living at the property that are undeclared.	Passed to Housing Benefits.
Member of public	Allegations around council housing provision, social workers conduct and Head Teacher of a school.	Investigated. Management Action Plan issued.
Member of public	Claiming benefits whilst working and SPD although not entitled.	Passed to HB and CTB Fraud.
Anonymous	Wrongful claiming of SPD.	Passed to Council tax. SPD ceased.
Anonymous	Wrongful claiming of SPD.	Not in receipt of SPD. Case Closed.
Anonymous	Claiming benefits but lifestyle does not correspond.	Passed to Housing Benefit Fraud.
Member of public	Claiming benefits but not declaring true living circumstances	Passed to Housing Benefit Fraud.
Member of staff	Tenant who also owns another property.	Homes in Havering investigating.
Anonymous	Claiming benefits whilst working.	Passed to Housing Benefit Fraud.

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B) Completed Cases

33 cases were completed and closed during the period 1 January – 30 September 2010

F&C = Finance & Commerce
C&C = Culture & Community
SC&L = Social Care & Learning
L&D = Legal and Democratic Services

Job Code	Audit Name	Directorate	Type of Audit	Result of Audit
T8paap	Private Business Invoices being paid via Council Funds.	F&C	Fraud	No case to answer
T8paaq	Misuse of internet and telephones.	C&C	PC – misuse and abuse	Management Action Plan
T8paas	Alleged misuse of Experian reports	F&C	Misuse of Council time/resources	Disciplinary
T8paau	Inaccurate time recording	F&C	Breach of Council procedures	No case to answer
T8paav	Abuse of proxy access	L&DS	PC – misuse and abuse	Management Action Plan
T8qaac	Abuse of proxy access	L&DS	PC – misuse and abuse	Insufficient Evidence
PA0046	Arrears	F&C	Pro active	Management Action Plan
PA0047	Homecare Providers	SC&L	Pro active	Management Action Plan
PA0049	Payroll Leavers	F&C	Pro active	Management Action Plan
PA0051	Experian Reports	F&C	Pro active	Management Action Plan
PA0052	Personal Emails	F&C	Pro active	Management Action Plan

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T8paai	Residential Home Financial anomalies	SC&L	Agency investigation	
T8paaj	Misuse of internet	C&C	Misuse of Council Time	Dismissed
T8paak	Timesheet Fraud	C&C	Misuse of Council Time	Dismissed & Management Action Plan
T8paat	Abuse of training procedures and salary claims	SC&L	Breach of Council Procedures	Disciplinary – resignation
T8paax	Review of system procurement process	SC&L	Breach of Council Procedures	Management Investigation
T8paay	Non compliance with recruitment procedures	C&C	Breach of Council Procedures	Insufficient Evidence
T8qaab	Mismanagement of income	SC&L	Breach of Council Procedures	Disciplinary – resignation
T8qaad	Mismanagement of registration fees	SC&L	Theft of Monies	Disciplinary – resignation
T8qaae	Misuse of internet	HiH	Falsification of records	Management Action Plan
T8qaam	Abuse of personal emails	L&DS	PC Misuse and Abuse	Maternity Leave
T8qaan	Abuse of flexi, internet and personal email	F&C	Falsification of records	Management Action Plan
T8qaaq	Misuse of Council Vehicle	F&C	Miscellaneous	N/a
T8qaar	Misuse of telephones	SC&L	Miscellaneous	N/a
T8qaat	Abuse of flexi, GroupWise and internet	F&C	Misuse of Council Time	Management Action Plan
T8qaav	Misuse of internet	SC&L	PC misuse and abuse	Insufficient evidence
T8qaaw	Abuse of older persons finances	SC&L	Miscellaneous	Management Action Plan
T8qaay	Vehicle Management System repayment	C&C	Miscellaneous	Insufficient evidence
T8raaa	Abuse of flexi time	F&C	Falsification of records	Management Action Plan
T8raac	Abuse of flexi time	F&C	Falsification of records	Management Action Plan

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T8raad	Non compliance with recruitment process	C&C	Miscellaneous	Management Action Plan
T8raae	Abuse of internet	F&C	Miscellaneous	Management Action Plan
T8raai	Abuse of flexi record	F&C	Falsification of records	Meeting with staff

C) Work In Progress as at 30 September 2010

At the end of September there were 17 cases in progress.
The table below indicates the case by name.

Code	Audit Name
PA0048	Purchasing Strategies
PA0054	Training course non attendance
PA0055	Home Ownership
PA0056	Banking Arrangements
T8paac	Review of Amenity Fund Accounts
T8paar	Allegations of miss-management
T8qaaa	Internet Abuse
T8qaai	Internet abuse
T8qaax	Misuse of older person finances
T8qaaz	Leaseholder concerns about major works quote
T8raab	Claims re non attendance of health treatment in working hours
T8raaf	Internet Abuse
T8raan	Internet Abuse
T8raap	Overspends on Contracts
T8raaq	Mismanagement of income
T8raar	Confirmation of professional qualifications
T8raas	Review of laptop contents

There are also an additional ten assignments which are ongoing throughout the financial year. These tasks include:

- Housing Tenancy Fraud project;
- Fraud Awareness Training - E-learning Fraud and Corruption Awareness training;
- Fraud Awareness Campaign – Poster campaign;
- Requests from other authorities and government agencies;
- Approval of proxy access requests;
- Whistle Blower Reports;
- Fraud Hotline Reports;
- Advice to Directorates;
- National Fraud Initiative 08/09; and
- Bluecoat internet forensic examination software.

D) SAVINGS & LOSSES

When a fraud is committed there may be two elements to the financial consequences. The table below details the losses identified in the period 1 January 2009 to 30 September 2010 and the case details.

Definitions of terms in table:

Losses - These are the sums of money that the audit determined have been lost or stolen.

Savings - refer to the amounts of money that the detection of the fraud has prevented being lost. A prime example of this would be the discount on a right to buy. If we prevent the sale then we prevent the discount being given and thereby we save the Council money.

Management to recover - These are the actual sums of money which management can take action to recover from those "lost".

Case details	Savings identified	Losses Identified	Management to recover	Details
Internet and GroupWise abuse and invoice fraud	74,400	2,995	2,995	A member of staff was running a business during council time and using her internet and GroupWise as resources to do this. Invoices for business expenditure had been paid using Council funds. Preferential rates secured by the Council for advertising were also being used for non council events.
Residential Home – residents charges	6,099		6,099	The current owner is charging residents for maintenance costs of to vehicles and staffing costs.

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Timesheet Fraud	174	174	Member of staff was leaving place of work before formal finish time.
Abuse of training procedures	2050	2050	Additional payments of salary and unauthorised attendance at training.
Unaccounted for income	548		Member of staff failed to properly account for income.
Misappropriation of Income	1952		Income not banked or reconciled. Income used to reimburse staff for expenditure.
Personal telephone and internet abuse	564	564	Agency member of staff not working during day and using telephone for personal calls.

E) Update on current risks and trends

The boundaries between the public and private sector are evolving and significant changes in supply chain relationships have occurred. Different services will be outsourced to the private or third sector and therefore very different providers are emerging. Some of these will be organised fraudsters looking to target local government, as other avenues to commit fraud have been removed due to economic downturn.

We are moving from input focussed services to output focussed and will therefore have to introduce new types of contracts. We will need adequate management information and performance reporting both internally and externally to monitor these new style contracts. We must also challenge the perception that because we outsource we are transferring the risks.

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We may also find that organisations in the third sector we provide funding to are under pressure and use this money in ways not sanctioned by our agreements. Contractors may also cut corners in quality of work because of financial pressures generally or from us as an organisation. Quality control and contract monitoring procedures must be robust.

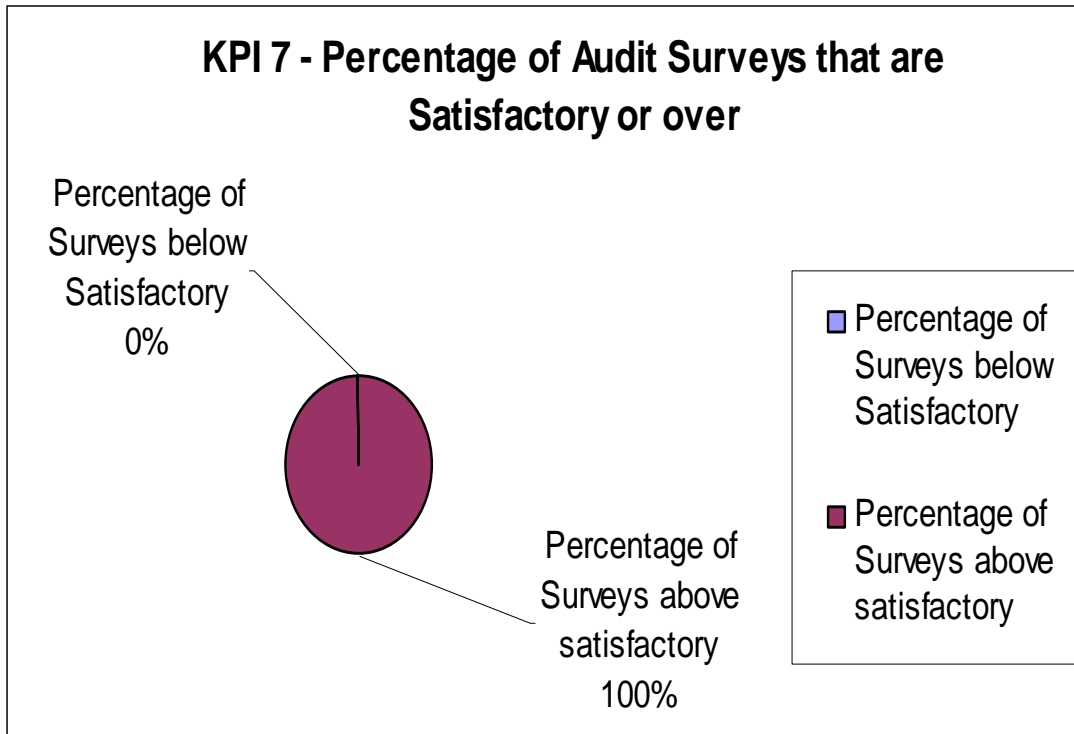
The transparency being encouraged by the coalition Government will put a lot more of our business information in the public domain and this information might empower fraudsters. They may be able to identify ways to conduct fraudulent activity.

The three commonly accepted conditions for fraud occurring are coming together to dramatically increase the likelihood. The economic downturn provides increased **incentives** and pressure to commit fraud. **Opportunities** increase as processes change or staffing levels reduce and put others under pressure and **attitudes that rationalise** fraudulent activity will also increase where jobs are at threat or pay rises are taken away.

As an organisation our response to internal fraud and our recruitment procedures must be robust; in particular for those accessing the organisation via a temporary contract. Areas such as procurement and finance, where internal fraud risks are high, are particularly vulnerable as fraudsters can quickly assess the weaknesses of systems and then leave before we notice what has occurred.

The council has a work programme in place to mitigate against these new risks. The Internal Audit team undertake a range of pro-active and re-active investigations and where weakness in control is identified recommendations to management are made to avoid a re-occurrence.

Section 2. Key Performance Indicator



All feedback for the period was above average / satisfactory.

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