Havering
LONDON BOROUGH

AUDIT COMMITTEE

AGENDA

7.30pm	Tuesday, 08 December 2009	Havering Town Hall Main Road, Romford

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Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)	**Residents' Group (2)**	**Rainham Residents Group (1)**
David Grantham (C)		
Frederick Thompson (V.C)	Clarence Barrett	Mark Stewart
Gary Adams	Steve Whittaker	
Michael Armstrong		
Eric Munday		

For information about the meeting please contact:
James Goodwin (01708) 432432
E-mail:James.Goodwin@havering.gov.uk

NOTES ABOUT THE MEETING

7. HEALTH AND SAFETY

The Council is committed to protecting the health and safety of everyone who attends meetings of its Committees.

At the beginning of the meeting, there will be an announcement about what you should do if there is an emergency during its course. **For your own safety and that of others at the meeting, please comply with any instructions given to you about evacuation of the building, or any other safety related matters.**

8. MOBILE COMMUNICATIONS DEVICES

Although mobile phones, pagers and other such devices are an essential part of many people's lives, their use during a meeting can be disruptive and a nuisance. Everyone attending is asked therefore to ensure that any device is switched to silent operation or switched off completely.

9. CONDUCT AT THE MEETING

Although members of the public are welcome to attend meetings of the Committee, they have no right to speak at them. Seating for the public is, however, limited and the Council cannot guarantee that everyone who wants to be present in the meeting room can be accommodated. When it is known in advance that there is likely to be particular public interest in an item the Council will endeavour to provide an overspill room in which, by use of television links, members of the public will be able to see and hear most of the proceedings.

The Chairman of the meeting has discretion, however, to invite members of the public to ask questions or to respond to points raised by Members. Those who wish to do that may find it helpful to advise the Committee Officer before the meeting so that the Chairman is aware that someone wishes to ask a question.

PLEASE REMEMBER THAT THE CHAIRMAN MAY REQUIRE ANYONE WHO ACTS IN A DISRUPTIVE MANNER TO LEAVE THE MEETING AND THAT THE MEETING MAY BE ADJOURNED IF NECESSARY WHILE THAT IS ARRANGED.

If you need to leave the meeting before its end, please remember that others present have the right to listen to the proceedings without disruption. Please leave quietly and do not engage others in conversation until you have left the meeting room.

AGENDA ITEMS

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements 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

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 an item at any time prior to the consideration of the matter.

4. MINUTES

To approve as a correct record the minutes of the Joint meeting of the Audit and Pensions Committees held on 15 September 2009 and the Committee meeting held 15 September 2009 and to authorise the Chairman to sign them.

5. ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS – report attached

6. ANNUAL AUDIT LETTER - To follow

7. RESPONSE TO ISA260 - report attached

8. TREASURY MANAGEMENT UPDATE - report attached

9. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS – To follow

10. HOUSING BENEFIT FRAUD PROGRESS REPORT - report attached

11. INTERNAL AUDIT PROGRESS REPORT - report attached

12. ADULT SOCIAL SERVICES REVIEW – report attached

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.

14. EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 1 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

15. CONSIDERATION OF CHIEF EXECUTIVE'S REPORT CONTAINING EXEMPT INFORMATION

Cheryl Coppell
Chief Executive

MINUTES OF A SPECIAL MEETING OF THE AUDIT COMMITTEE
Jointly with the Pensions Committee
Havering Town Hall, Romford
15 September 2009 (7.00pm – 7.30pm)

Present:

COUNCILLORS

Conservative Group   Gary Adams, Michael Armstrong, Frederick Thompson and Eric Munday.

Residents' Group   Clarence Barrett and Steve Whittaker**.**

An apology for absence was received from Councillor David Grantham.

The following members were also present:

Councillors Robby Misir, Robert Benham, Linda Van den Hende and Melvin Wallace.

NB Councillors Eric Munday and Clarence Barrett are also members of the Pensions Committee.

10.   CHAIRMAN OF MEETING

With the agreement of all members present the chair at this special joint meeting was taken by Councillor Robby Misir.

All decisions were made with no member voting against.

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

Councillor Frederick Thompson declared a personal interest, which was not prejudicial, in the business before the special joint meeting as he was a member of the Local Government Pension Scheme.

11.   ISA260 REPORT

PricewaterhouseCoopers (PWC) presented their draft report on the results of their audit work for 2008/9. They confirmed that there were no issues to prevent them issuing an unqualified opinion on the accounts, the Pension Fund Accounts and the use of resources. During the audit PWC identified four significant issues which they

wished to bring to the Committees attention:
- Accounting treatment of assets under construction;
- Accounting treatment of the impairments of enhancement works;
- Accounting treatment of the impairments to infrastructure assets: and
- Impairment of Icelandic Bank deposits.

PWC advised the Committees that CIPFA had issued an updated Local Authority Accounting Panel (LAAP) Bulletin on 8 September setting out its revised views as to the correct accounting treatment of investments with Icelandic Banks, or their UK subsidiaries. PWC indicated they were still in discussion with CIPFA on this matter and as a result had not suggested any further amendments to the accounts.

The Committees **noted** that at year end there may be some capital projects which were incomplete and need to be classified as 'fixed assets under construction'. The term could include assets which were completed but not yet operational. Such assets should not be depreciated until they are complete and brought into operational use, at which point they should be revalued. PWC had identified two projects which were incomplete at year end and following discussions with management, it had been agreed to amend the draft accounts for these assets under construction this year and account for them in accordance with the Statement of Recommended Practice (SORP) in 2009/10. .

PWC advised the Committees that of the £43.2m in capital additions in the 2008/9 draft accounts, £32.4m was impaired in the year and written out to the Income and Expenditure account. While this was allowed in the SORP the determination of whether or not the enhancement works had added value or not was being determined by the corporate finance team and not by qualified valuers. PWC had advised management of the need to get a qualified property valuer to assess whether capital expenditure had enhanced the value of a fixed asset or not.

Management had taken this on board and the Committees **noted** that the determinations of the corporate finance team had been confirmed by a qualified property valuer, therefore no adjustment had been necessary.

The Committees were advised by PWC that the local authority SORP required councils to account for infrastructure assets based on their historic costs. During the testing of additions PWC had identified a significant proportion of capital expenditure on infrastructure assets that were being capitalised and written out as impairment in the same financial year. The Authority's accounting practice was therefore not in accordance with its stated accounting policy or the requirements of the SORP, therefore a revision to the accounting policy was required.

The Committee:
1. **noted** the contents of the report;
2. **noted** that officers will be responding in detail to the comments from PWC to the next meeting in December: and
3. **approved** the draft Letter of Representation.

12. STATEMENT OF ACCOUNTS 2008/9 AND IFRS PROJECT PLAN UPDATE

(a) Statement of Accounts 2008/9

The Council's Statement of Accounts was required to be published, after the conclusion of the external audit of accounts, by no later than 30 September 2009. As indicated above PWC have issued an unqualified opinion on the accounts. Following the conclusion of the audit, the opportunity was taken to make some presentational changes to the statements, however, the financial results for the year ended 31 March 2009 remained unchanged from those approved by the Audit Committee on 23 June 2009.

A small number of errors had been identified by PWC. The majority of these related to amendments to Homes in Havering's audited accounts which were approved after the date of approval of the Council's Group Accounts. These items had not been amended on the grounds of immateriality. The errors do not impact upon the level of useable reserves or balances.

(b) IFRS Implementation

In 2007, the Government announced that the Statement of Accounts of all Government Departments and Local Government would in future be prepared in accordance with International Financial Reporting Standards. Central Government departments will prepare accounts on an IFRS basis for the first time in 2009/10. Local Authorities will follow in 2010/11.

Although the Council will not be required to publish IFRS based accounts until 2010/11 it would be necessary to produce information at a much earlier stage in order to comply with the Central Government timetable. In particular the Council will need to:

a) Restate its closing Balance Sheet at 31 March 2009 on an IFRS basis;
b) Restate its 2009/10 accounts on an IFRS basis for comparative purposes and to complete the Whole of Government Accounts (WGA) return by 30 September 2010.
c) Agree accounting polices and implement system changes prior to the commencement of the financial year 2010/11.

CIPFA were in the process of developing an IFRS based code of practice. The draft code had been released for consultation. Finance staff had received training via CIPFA's finance advisory network and this training programme would continue throughout the implementation phase and provided invaluable support for the IFRS project plan.

Officers had identified a number of key areas where a significant level of preparation was required. These areas and the progress made to date are reported below;

(a) Asset valuation and reporting

All asset valuations carried out on or after 1st April 2010 would need to be made in accordance with IFRS. The new standards required the separate valuation of land, buildings and major components. Asset valuations might continue to be carried out on a five year rolling cycle but it would be necessary to carry out an annual review to ensure that the value of assets was not materially over or understated. These additional valuation requirements were expected to have cost implications.

(b) Identification and treatment of leases

The accounting treatment and disclosure of leases might change under IFRS. Arrangements were underway to identify and review all existing leases. It would also be necessary to review service contracts to determine whether they contained any embedded leases.

One consequence of lease reclassification might be to switch the expected funding stream from revenue to capital. The resulting funding problem could be avoided by making an appropriate revision to the Minimum Revenue Provision policy or by adjusting revenue contributions to capital.

(c) Private Finance Initiatives (PFI) and other off-balance sheet financing

The Council had entered into a Public Private Partnership (PPP) in 2003 lasting fifteen years. The disclosure requirements for such arrangements had altered significantly and officers were in the process of gathering sufficient information to comply with the requirements. No other existing arrangements had been identified at this stage which would be affected.

(d)   Accrual of employee benefits (e.g. leave carried forward at year end)

Under IFRS the Council would have to accrue for employee benefits not taken but paid for at the year end. The affect would be to increase expenditure in 2010/11. The Government had indicated that it proposed to issue regulations to reverse the impact of this accounting adjustment so that it had no impact upon the level of Council Tax.

Officers were proposing to collect sample data from which the calculation would be made. Work would need to commence during 2008/09 in order to prepare effectively for full IFRS implementation.

The Committee:
a)   **Confirmed** that no amendments were required to be made to the accounts in respect of the items set out in Appendix 'B' to the Auditors report;
b)   **Noted** that the audited accounts must be published by 30 September 2009; and
c)   **Noted** the IFRS project plan and the actions required to collect data in advance.

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
15 September 2009 (7.30pm – 9.05pm)

Present:

COUNCILLORS

Conservative Group   Gary Adams, Michael Armstrong, Frederick Thompson and Eric Munday.

Residents' Group   Clarence Barrett and Steve Whittaker**.**

An apology for absence was received from Councillor David Grantham.

13.   CHAIRMAN OF MEETING

In the absence of the Chairman, Councillor Thompson, Vice Chairman assumed the chair.

All decisions were made with no member voting against.

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

Councillors Barrett, Munday, Thompson and Whittaker declared a personal interest, which was not prejudicial, in Item 5 as they all served on school governing bodies.

14.   MINUTES

The minutes of the meeting held on 23 June 2009, were agreed as a correct record, subject to minor typographical changes, and subsequently signed by the Chairman

15.   REVIEW OF SCHOOLS INTERNAL AUDIT: 2008/9

The Strategic Finance Manager in the Education and Learning Directorate had delivered a briefing on the Schools Internal Audit prior to the meeting. Under the current audit regime schools were audited every three years by auditors appointed through competitive tender (currently Deloitte and Touche) and in interim years receive a health audit check completed by an in house audit resource that is part of the Schools Finance Section in Social Care & Learning.

70 of the 82 Havering schools received an internal audit during the academic year. Four schools had postponed their audits due to unavoidable pressures within the individual schools. Five schools were not audited during the year because they

were audited late in the summer term of the previous year and were assessed as part of the Financial Management Standard in Schools during 2008/9. Three schools were not audited for other reasons. All 12 schools were on the audit programme for completion early in the Autumn term 2009.

Of the 70 schools audited, five reports were outstanding and were therefore, not included in the figures given in the report. Of the 65 schools included in the figures (0) had received full assurance, 59 (91%) had received substantial assurance, 6 (9%) received limited assurance and 0 had received no assurance. Deloitte Touché advised the Committee that they considered 91% of the schools receiving substantial assurance to be a very good result and compared favourably with other London Boroughs. All six of the schools which received Limited Assurance had the capacity to improve and support would be provided by the Schools Financial Support Team to ensure they address the issues raised. This would be a particular focus for four schools which were due to be assessed under the Financial Management Standard in Schools by March 2010.

In conjunction with the Institute of Public Finance the Department of Children, Schools and Families (DCSF) had developed a Financial Management Standard and Toolkit, which was intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. During 2008/9, 26 Primary Schools had undertaken a self assessment of their financial management which was then externally assessed. Schools received a separate report detailing any recommendations arising from the Financial Management Standard in Schools and a certificate from the DCSF confirming they had met the standard. Only one school had failed to meet the standard but it was expected, by officers, to meet the standard on re-inspection.

The Committee noted that no schools had received Full Assurance 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.

In response to questions from members officers advised the Committee that training was available to Head Teachers, Bursars and Governing Bodies. However, it was not possible to enforce attendance. In special cases officers from the School Finances Section would go in to schools and provide additional training for Finance Committees.

The Committee **noted** the report and thanked David Allen for his earlier presentation.

Audit Committee 15 September 2009

16. INTERNAL AUDIT OF BUSINESS CONTINUITY

Further to Minute no. 7 of the meeting held on 23 June 2009 officers submitted a further report regarding the audit of Business Continuity. Internal Audit had issued an unqualified audit has the system of control was generally in place and any recommendations were being made to enhance the control environment. Members had expressed a number of concerns and this report responded to those concerns.

Officers had responded to the Summary of Findings in the original report giving details of the current position. In response to members questions officers advised that the effectiveness of the procedures was regularly tested with exercises regularly run to ensure appropriate officers are aware of procedures and are able to response quickly and effectively to any emergency. The Council had also had to respond to real emergencies in the last 9 months, including the loss of all power to the Town Hall on two occasions in December, the unexpected levels of snow on the 2nd and 3rd of February and prior to that the fuel dispute. On each occasion the Council had responded positively and lessons learnt on each occasion.

One area of concern was how we communicate with the public without IT and officers were able to assure that Committee that alternative means of communication were available. The Committee were pleased with the work being done to work with local business and assist them in drawing up Business Continuity Plans.

The Committee **noted** the report which had reassured them with regard to the effectiveness of the Council's Business Continuity plans.

17. INTERNAL AUDIT PROGRESS REPORT

The report related to work completed at the end of June. Four 2009/10 unqualified reports were issued in final form and one 2008/9 was revised to an unqualified opinion. Management summaries were included in the report, two relating to asbestos management and asylum seekers which were follow ups of 2008/9 qualified audits.

The assurance provided regarding Commissioning of Residential Placements was increased after the service invested some resource into getting to the bottom of the issues raised in the report and demonstrating that risks were being managed in different ways. Despite the fact that an unqualified assurance was being provided a follow up has been planned for later this financial year to ensure actions have been implemented and risk continues to be managed.

The progress report included the six monthly update on fraud work, with details of fraud hotline reports, completed cases, the results of proactive work and work in progress. Some budget and resource information was presented as well as Key Performance Indicators indicating that 15% of plan had already been delivered, 20 briefs had been delivered indicating that the team was ahead of target. Five draft reports and two final reports had been issued leaving the team behind target, but

officers indicated that they expected to be back on track by the end of the 2nd quarter.

The final section of the report provided an update on all outstanding audit recommendations at the end of June.

Members raised questions re the proactive audit of the Blue Badge scheme. The check on 50 deceased badge holders revealed that the badges were no longer being used. However, the Council was not proactive in ensuring that badges were returned on the death of the badge owner. Officers advised that we were sharing information on blue badge holders with other boroughs across London.

The Committee **noted** the report.

18. ANNUAL REVIEW OF THE ANTI-FRAUD & CORRUPTION ARRANGEMENTS

The report detailed the annual review of anti-fraud and corruption arrangements. This review had been carried out in conjunction with Exchequer Services who were responsible for the Councils Housing Benefit Fraud Team.

The Committee were concerned that these arrangements should apply to Homes in Havering. Officers advised the Committee that Homes in Havering should have their own arrangements. The Committee asked that officers seek an assurance as to how they tackle anti-fraud and corruption issues.

Officers advised the Committee that Homes in Havering appointed their own Internal Auditors, although officers gave an assurance they would bid to assume that role when the current arrangements expired.

The Committee:
1. **Noted** the report; and
2. **Approved** the revised Anti-Fraud & Corruption Strategy subject to the correction of the minor typographical errors.

Havering
LONDON BOROUGH

AUDIT COMMITTEE

REPORT

08 12 2009

Subject Heading:	Annual Review of the Effectiveness of the Audit Committee
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To advise the committee of the results of the recent effectiveness survey
Financial summary:	N/a

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

This report reviews the outcome of the recent survey regarding the effectiveness of the Audit Committee and proposes actions where applicable.

RECOMMENDATIONS

1. To review the results of the self assessment undertaken by Members and Officers set out in the report and attached as Appendix 1

2. To agree to undertake similar reviews on an annual basis

   3. To consider and agree the actions outlined in the report.

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REPORT DETAIL

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CIPFA guidance recommends that Audit Committees should review their effectiveness at least annually. In previous years a CIPFA self assessment document has been used as criteria to benchmark the Audit Committees effectiveness against. For the 2009/10 review the Members of the Audit Committee were independently asked to complete a survey still based on the guidance provided by CIPFA but also acknowledging the principles applied within the Private Sector. The survey was provided by the Council's External Auditor PricewaterhouseCoopers and was produced to assist Audit Committees in this annual task.

The survey includes questions about skills and experience, resources available, attendance at meetings etc and seeks to identify areas where potential improvements could be made.

A copy of the survey, a summary of the results and comments made and actions identified are included in Appendix A.

The results of the survey have been reviewed and actions proposed either where the majority of the responses were 4 or under or if one response of 3 or under had been received. Actions proposed include:
  - Review of the Committee's forward plan for manageability, appendix B, also considering:
    - o The level of detail provided in Internal Audit reports;
    - o The approach to challenging the management of Corporate Risks.
  - Review of the training schedule and methods of training/development;
  - A more detailed Annual Report of the Audit Committee being produced.

The results of the effectiveness review are included in the Annual Report to Council which is agreed at the April meeting and presented to Council in July.

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IMPLICATIONS AND RISKS

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Financial implications and risks:

None arising directly from this report, however the existence of an effective Audit Committee is fundamental in ensuring the Council maintains a robust system of internal control. Failure of the Audit Committee to undertake its duties in an effective manner may result in appropriate action not being taken to address issues that arise.

Legal implications and risks:

None arising directly from this report. Any amendments to the Committee's terms of reference would need to be reported to and agreed by the Governance Committee and Council.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

CIPFA publication 'Audit Committees – practical guidance for Local Authorities'. PricewaterhouseCoopers publication 'Assessment of the effectiveness of the Audit Committee'.

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APPENDIX A – SUMMARY OF RESULTS FOR THE NOVEMBER 2009 AUDIT COMMITTEE EFFECTIVENESS SURVEY

1 = Disagree   **2 = Partly Disagree**   **3 = Partly Agree**   **4 = Agree**   **5 = Fully Agree**

The results of the survey have been reviewed and actions identified against any question where either the majority of the responses were 4 or under or where any one survey response provided a rating of 3 or lower.

BEHAVIOURS

REF	SURVEY QUESTION	SUMMARY OF SCORES	PROPOSED ACTIONS
	Understanding of core business		
1	I feel I have a good understanding of the different risks inherent in the Council's business activities	**Mainly 5's**	
	Focus on appropriate areas		
2	I feel as an Audit Committee we focus on the right questions and the big issues	**All 4's**	**See action against Q15 below.**
	Quality of interaction with internal auditors		
3	I feel the Audit Committee demonstrates appropriate scrutiny in the work of internal audit and its findings.	**Mainly 5's**	
	Understanding of key financial/governance issues		
4	I have a good understanding of key financial/governance issues, Icelandic Bank, Relationship with Homes in Havering, Previous Adult Social Care Overspend and the future implications of IFRS.	**All 5's**	

REF	SURVEY QUESTION	SUMMARY OF SCORES	PROPOSED ACTIONS
	Understanding of how assurance is gained		
5	I understand the interaction between the various sources of assurance available to me and the Audit Committee as a whole.	**Mainly 5's**	
	Rigour of debate		
6	Audit Committee meetings encourage a high quality of debate with robust and probing discussions.	**Mainly 4's**	**See action against Q15 below.**
	Reaction to bad news		
7	I think the Audit Committee responds positively to bad news in order to encourage future transparency.	**Mainly 4's**	**Committee to note responses.**
	Quality of chairmanship		
8	The chairmanship operates satisfactorily in terms of promoting effective and efficient meetings.	**All 5's**	
	Open channels of communication		
9	The Audit Committee has open channels of communication which facilitates the surfacing of issues and reports appropriately to the Council.	**Mainly 4's**	**More detailed Annual Report to Council.**

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LONDON BOROUGH

PROCESSES

REF	SURVEY QUESTION	SUMMARY OF SCORES	PROPOSED ACTIONS
	Members of appropriate skills and expertise		
10	I feel I have the relevant skills and experience to fulfil my role as a member of the Audit Committee.	**Mainly 5's**	
11	I feel the Audit Committee as a whole comprises members with an appropriate mix of skills and experience, including recent and relevant financial experience.	**One 3**	**See action against Q19 below.**
	Clear roles and responsibilities		
12	There are clear terms of reference, with clarity as to roles, responsibilities and reporting lines.	**Mainly 5's**	
13	I understand the Council's strategies and my responsibility with regards Internal Control and Risk Management and Fraud.	**Mainly 5's**	
	Structured and appropriate agenda		
14	There is a structured annual agenda of matters to be covered with focus on the right areas.	**Mainly 5's**	
	Sufficient number of meetings and access to resources		
15	The number and length of meetings and access to resources is sufficient to allow the Audit Committee to fully discharge its duties.	**Mainly 4's**	**Review forward plan to consider manageability of agendas.** **Consider approach to challenging and seeking assurance on the contents of corporate risk register.**
	Concise relevant and timely information		

16	Audit Committee papers are concise, relevant and timely and are received sufficiently far in advance of meetings.	**One 3**	**Review content of reports to allow members to focus on key issues.**
	Right people invited to attend and present at meetings		
17	Senior Management and others are asked to present on topics, as appropriate.	**Mainly 5's**	
	Sufficient time and commitment to undertake responsibilities		
18	I feel I have sufficient time and commitment to fulfil my responsibilities.	**Mainly 5's**	
	Ongoing personal development to remain up to date		
19	I feel I am supported in my ongoing personal development activities and am able to update my skills and knowledge.	**One 3**	**Review the members training programme and method of delivery.**
	Role in relation to whistle blowing		
20	The Audit Committee has been informed of the whistle blowing procedures in place within the organisation and undertakes its defined role in relation to them.	**All 5's**	

APPENDIX B

AUDIT COMMITTEE – FORWARD PLAN / TRAINING

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
8th December 2009	• Annual Review of Risk Management Arrangements • Treasury Update • Annual Audit Letter • Response to ISA260 • Internal Audit Progress Report • Housing Benefit Fraud Progress Report • Annual Review of Audit Committee Effectiveness • Exempt item re Homes in Havering • Adult Social Services Update	Session of Fraud & Corruption
2nd March 2010	• Audit Plan and Strategy • External Audit Progress • Internal Audit Report • Fraud Progress Report • IFRS update	Session on Risk Management & Assurance Framework
April 2010	• Annual Grants review • Interim Internal Audit Progress Report • Money laundering • Whistle blowing • Internal Audit Charter and Terms of Reference • Annual Report of Audit Committee	To Be Confirmed
June 2010	• External Audit Fee Letter • Annual Letter 2008/09 • 2008/09 Use of Resources Report • Annual Accounts including AGS for noting • External Audit Progress • Internal Audit Progress Report • Head of Audit Annual Report and Opinion • Housing Benefit Fraud Progress Report	Session on Annual Accounts
September 2010	• External Audit Progress Report • External Audit Annual Plan • Internal Audit Progress Report inc Outstanding Recommendations Report • Annual School Report • Annual Review of Anti Fraud and Corruption Arrangements	Session on Schools Audit

7

AUDIT COMMITTEE

08 12 2009

REPORT

Subject Heading:	**Council response to the Report To Those Charged With Governance considered by this committee on the 15th September 2009**
Report Author and contact details:	**Owen Sparks (Financial Services Manager)** Telephone: 01708 432203 Email: - owen.sparks@havering.gov.uk
Policy context:	This report sets out the Council's response to the issues raised with regard to accounting practices set out by the external auditor in the Report To Those Charged With Governance.
Financial summary:	Additional costs are likely to arise in respect of external valuation fees. These can not be accurately quantified until further accounting guidance is issued by CIPFA.

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   [X]
High customer satisfaction and a stable council tax   [X]

SUMMARY

This report sets out the Council's response to the issues raised with regard to accounting practices set out by the external auditor in the Report To Those Charged With Governance (ISA 260). This was reported to a joint Audit and Pensions Committee on the 15th September 2009.

RECOMMENDATIONS

To note the contents of the report.

To endorse the actions put forward to address the issues raised by the external auditor as set out in this report and summarised at appendix 1.

REPORT DETAIL

Officers have considered the issues raised in the Report To Those Charged With Governance. This has been undertaken in the context of the potential impact, risk and value for money implications of each recommendation. The considered responses are detailed below.

A summary position is attached at appendix 1.

Impairment of Icelandic bank deposits

The Council and the external auditors, PwC, have agreed the appropriate accounting treatment. No adjustments were required to be made to the Statement of Accounts in this respect.

Officers will continue to monitor the Icelandic investment situation and take account of future accounting guidance issued by CIPFA. Any significant developments will be discussed with the auditor to ensure a consistent interpretation.

Assets under construction

This asset category was established within the 2008/09 Statement of Accounts. For future periods capital expenditure will be reviewed and any relevant expenditure will be treated appropriately.

Impairment of Enhancement Works

The closure programme and processes will be developed to ensure that a qualified valuer assesses whether or not capital expenditure has enhanced the value of an asset. The actual accounting treatment will remain unchanged.

This may give rise to additional costs. These will be quantified in discussion with the valuer, also considering the additional burden under IFRS as further guidance becomes available.

Infrastructure Assets

The authority will review its ongoing treatment of capital expenditure on infrastructure assets. This will no longer be automatically impaired, but will be held at cost and depreciated as appropriate.

The process will be reviewed in light of the requirements of IFRS going forward into 2010/11.

NNDR Shared Service Agreement

The service agreement will be reviewed to ensure that adequate risk management arrangements are in place. The authority will ensure that sufficient comfort can be obtained through the controls and processes that deliver services to its resident businesses.

School's Bank Accounts and supporting documentation

Through legislation, school governing bodies have responsibility to manage the budgets delegated to them by their local authority. For this reason, they are not obliged to use council negotiated contracts and services. This includes their choice of bank, subject to the approval of the Director of Finance & Commerce. The contractual relationship is between the school and their banking provider. The authority is not a signatory on any school's bank mandate.

The vast majority of schools bank with Lloyds TSB. Lloyds offer a value for money service, which is competitively priced and receptive and responsive to the business needs of a school.

The Council's own banking contract, currently with Nat West, is due for renewal in April 2011. As part of the tender process the needs of schools and potential value for money implications will be considered. It must be noted however, that schools may not wish to use any contract that the authority puts in place.

Schools are required to authorise access to banking information by external audit. This is only a major exercise when Havering changes its auditors. The authority is put in place on an ongoing basis and as such does not have to be repeated every year.

Authorisation has now been given to PwC. The closure timetable will be updated to include a process to review any changes in schools' banking arrangements and obtain any new authorities required. This will be undertaken in advance of the summer break to ensure it can be delivered to allow the smooth delivery of the audit.

The majority of individual transactions over £100k in schools are likely to be in respect of capital.   The Council however, has limited access to data, which is consolidated on a quarterly basis.

It is not deemed to be an appropriate use of resources to collect the details of all transactions, when only a sample is likely to be required by the external auditor. As a consequence it will be essential that the audit sample is chosen significantly in advance of the summer holiday in order that the appropriate supporting paperwork can be received. PwC must address this in their audit timetable.

Authorisation of journals

Access, controls and authority within the general ledger are separate to those in the other ledgers e.g. purchase ledger. Authorisation of journals within the general ledger is not required based on an assessment of the risk, potential loss and cost of implementation.

Within the general ledger it is not possible to make, authorise or approve payments or transfer cash. In this respect the risk of actual financial loss to the authority is minimal. Of potential concern is the ability to misstate transactions leading to errors in financial reporting. This risk however, is mitigated through other processes such as analytical review and routine financial management.

There is also a risk that routine authorisation could impede the delivery of key financial processes, most notably the production of the Statement of Accounts. Within a small authority there are very limited staff that are able to actually review complex accounting journals and add value. This would make staff availability an even greater process risk.

There is currently a retrospective authorisation process in place for journals over £100k.

Authorisation of newly opened and closed bank accounts

During 2008/09 the Council opened 5 new bank accounts and closed 4. These were in respect of petty cash. One of the accounts opened was not authorised by the director of Finance and Commerce as required in the financial framework. This was approved retrospectively and a reminder of the correct process has been issued to appropriate staff.

The 4 accounts which were closed were also not authorised by the director of Finance and Commerce, but this is not a requirement of the financial framework. Due to the limited risk associated with account closures, no amendment to the current process is deemed to be necessary.

Review of the creditors control account reconciliation

This reconciliation will be reviewed within the 2 week period as suggested. The task will be prioritised although there are many high priority conflicting deadlines to be met within the hectic closure period.

In all circumstances officers undertaking reconciliations would immediately bring to the attention of senior management any issues that seemed pertinent and required immediate action.

Payment of loan interest

The Council has one commercial loan for which interest is payable bi-annually. The amount due will vary slightly depending on the timing of the payment in respect of weekends etc.. With this in mind the notification email is helpful to check the precise amount payable.

The interest due dates have now been noted in the treasury log and the borrowing company will be contacted ahead of this if no notification is received.

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IMPLICATIONS AND RISKS

</div>

*There is a **corporate** requirement to set out the implications and risks of the decision sought, in the following areas*

Financial implications and risks:

The processes described can be met through the prioritisation of existing resources. This is with the exception of valuation advice which is likely to involve additional cost.

Discussions with the Council's external valuer are under way to determine the exact scope of the services required. This will also involve meeting the additional burdens placed upon the authority in respect of adopting IFRS. A resolution can not be reached until the final accounting guidance is issued by CIPFA and this has been discussed with the external auditor.

Legal implications and risks:

The Council is under a legal obligation to produce a Statement of Accounts in accordance with relevant statutory and professional guidance. The accounts are externally audited to ensure they present fairly the financial position of the authority.

Human Resources implications and risks:

There are no Human Resources implications and risks.

Equalities implications and risks:

There are no Equalities implications and risks.

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BACKGROUND PAPERS

</div>

There is a **statutory** *obligation to list papers relied on in the preparation of the report,* **unless:**

1   *It is an exempt report*

2   *Papers relied upon are already in the public domain as "published papers". This can include: books, magazines and newspapers; Government publications; Council publications (including previous reports and minutes of meetings)*

Appendix 1 – Summary Recommendations and Proposed Actions

Accounting Practice Observation	Response/Proposed Action	Responsibility	Timescale
Impairment if Icelandic bank deposits - Local Authority Accounting Panel (LAAP) Bulletin 82	No further adjustments required to the Statement of Accounts Situation to be monitored on an ongoing basis	Corporate Finance Manager	Ongoing
Assets under Construction – asset category to be recognised if appropriate	Asset category established within the 2008/09 Statement of Accounts. For future periods capital expenditure will be reviewed and any relevant expenditure will be treated appropriately.	Corporate Finance Manager	Ongoing
Impairment of enhancement works – to be informed by a qualified professional valuer	Impairments were reviewed by a professional valuer in 2008/09 and this will be undertaken in the future	Corporate Finance Manager	Ongoing
Infrastructure Assets – account for at historic cost	Expenditure will no longer be automatically impaired, but held at cost and depreciated as appropriate	Corporate Finance Manager	Ongoing
NNDR shared service agreement – assurance over the operation of systems and processes	The service agreement will be reviewed to ensure that adequate risk management arrangements are in place	Head of Exchequer Services	31/12/09
School's bank accounts and supporting documentation	The closure timetable will be updated to include a process to review any changes in schools' banking arrangements and obtain	Corporate Finance Manager	Ongoing

	any new authorities required. As part of the Council's tender arrangements for its own banking services the needs of schools and potential value for money implications will be considered		
School's transactions over £100k – supporting documentation	Collecting all documentation is not seen as a value for money activity. PwC will need to provide a sample early in the closure process, being mindful of the school holiday period	PwC	June 10
Authorisation of journals	Due to the limited risk, mitigated by other controls, this is not seen as value for money activity	No further action	
Authorisation of newly opened and closed bank accounts	For opening bank accounts a reminder of the correct process has been issued to the appropriate staff For closing bank accounts, due to the limited risk, no change to current procedures is deemed necessary	No further action	
Creditors control account reconciliation – timely authorisation	The review will be prioritised to ensure it is completed within the 2 week timescale suggested	Financial Systems Manager	Ongoing
Timely payment of loan interest	Interest due dates have been noted in the treasury log and the borrowing company will be contacted ahead of this if no notification is received	Capital & Treasury Manager	Ongoing

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AUDIT COMMITTEE

08 12 2009

REPORT

Subject Heading:	**Treasury Management & Prudential Code Monitoring Report – Quarter 2 2009/10**
Report Author and contact details:	**Owen Sparks (Financial Services Manager)** Telephone: 01708 432203 Email: - owen.sparks@havering.gov.uk
Policy context:	Treasury Management Q2 monitoring, Treasury Management risk register and procedure check list.
Financial summary:	There are no significant financial implications directly associated with the report

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   [X]
High customer satisfaction and a stable council tax   [X]

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SUMMARY

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This report sets out the latest monitoring information with respect to the treasury management function and performance to date against all the prudential limits approved by the Council in March 2009. It also sets out the current treasury management risk register and treasury management procedure checklist.

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RECOMMENDATIONS

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To note the report and make any comments on the report, which he/she considers appropriate

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REPORT DETAIL

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This report is being made available to audit committee with respect to the requirement under the Local Government Act 2003 and the Prudential Code that Members monitor performance against the prudential indicators that have been set.

Detailed analysis of the prudential indicators is shown in Appendix A along with the latest economic forecasts.

The following key points should be noted

Treasury Management Performance as at 30th September 2009

The Treasury Management Strategy agreed as part of the 2009/10 budget allowed for base rate to remain at 0.5% for the duration of the financial year.

Although current rates being received on fixed term deposits are on average below the budgeted 1.5% rate of return, historic deposits where rates achieved, were in excess of 6% have meant that the annual rate of return achieved for the year is currently 2.49%

For prudence, to manage risk, savings are only released when realised against the full year budget. This is in case rates or the cash flow later in the year were to significantly fall

Management of Council's Cleared Bank Balance

The Treasury Management section have a performance target to keep the cleared bank balance within the range of £75,000 in hand to £75,000 overdrawn on at least 90% of days each financial year.

The target is intended to ensure that borrowing at the bank's overdraft rate is minimised whilst still achieving a better rate of return on surplus funds.

The percentage of days in which the target for the cleared balance was met as at 30th September 2009 was 96.17%

Cash Flow Management

The Council has significant cash flows going in and out of the authority on a daily basis e.g. grants, council tax payments and salary payments. These are monitored and predicted as far as possible. Decisions on borrowing and investments are then taken in accordance with this information to identify future needs or cash surpluses.

Returns on Investments

	2009/10	2008/09	2007/08
Return on Investments	2.49%	5.48%	6.03%
Annualised Base Rate	0.50%	3.63%	5.54%
Return above Annualised Base Rate	1.99%	1.85%	0.49%
3 month LIBID (benchmark)	0.67%	4.49%	5.92%
Return above benchmark	1.82%	0.99%	0.11%

As a guide, every 1% increase or decrease in the rate of return equates to approximately £1.2m in interest.

Restructuring Savings

No further restructuring has taken place since June 2006 when a modest saving of £5.3k per annum was made

Icelandic Investments

Landsbanki update

Agreement was reached earlier this month on the terms of the deal that will compensate creditors of old landsbanki (including local authorities) in relation to assets transferred to new Landsbanki (which was set up to ensure the maintenance of a banking system in Iceland).

This is a significant point in the process of winding-up the old banks, and follows months of intensive negotiations in which local government's legal advisors and representatives have worked tirelessly alongside UK and Dutch government advisers.

It is too early to say when we will be receiving dividend payments however early suggestions are that we will receive a significant percentage of the money owed.

Heritable update

The administration of Heritable, although inevitably complex, is more straightforward than Landsbanki as it does not involve the added complication of trying to re-establish a domestic banking system from the banks that have collapsed. Following the notice of the first dividend to creditors in July a further dividend payment is expected before the end of the year as the portfolio of Heritable is gradually unwound. Current expectations of repayment are still 80p in the pound, and whilst the administrators are unwilling to increase this original assumption for fear of under achieving any new target set, the process is reported as going well.

Treasury Management Risk Register

Attached at appendix B is the treasury management risk register. This sets out the perceived risks and mitigation measures in place. The report is reviewed on a regular basis.

Treasury Management Checklist

Attached as appendix C is the treasury management checklist. This demonstrates that our current working arrangements comply with our Treasury Management Practices (TMP's) and raises any issues that require attention. The checklist is reviewed on a regular basis.

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IMPLICATIONS AND RISKS
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*There is a **corporate** requirement to set out the implications and risks of the decision sought, in the following areas*

Financial implications and risks:

As mentioned in the detail of the report, the authority is currently outperforming the benchmark by 1.82%. The Council's budgeted investment return for 2009/10 is £1.696m, and performance for the year to date is £798.4k. Savings are only released when realised.

The council is constantly reviewing the Icelandic bank situation and a relevant provision has been made through the excess of interest earned above the budgeted return.

Legal implications and risks:

The Council has a statutory duty to monitor the prudential indicators under the Local Government Act 2003 and the Prudential Code.

Human Resources implications and risks:

There are no Human Resources implications and risks.

Equalities implications and risks:

There are no Equalities implications and risks.

BACKGROUND PAPERS

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*There is a **statutory** obligation to list papers relied on in the preparation of the report,* **unless:**

1   *It is an exempt report*

2   *Papers relied upon are already in the public domain as "published papers". This can include: books, magazines and newspapers; Government publications; Council publications (including previous reports and minutes of meetings)*

Appendix A

Treasury Management update – Quarter 2 - 2009/2010

CIPFA issued an interim Treasury Management guidance document in March 2009, highlighting Best Practice recommendations for Local Authorities to follow. The document suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's recommendations. It is expected that CIPFA will issue an updated Treasury Management Code of Practice in the autumn of 2009, following consultation with Local Authorities during the summer.

Economic Background

The second quarter of 2009 saw:

- There are some signs of recovery in the market, with some sectors showing growth
- Concerns remain about the fragile state of any recovery with the impact of rising unemployment, therefore bank rate/investment rates expected to stay lower for longer
- House prices rise at the fastest rate in over five years;
- An extension of the Bank of England's quantitative easing programme...
- ...but have limited success in boosting credit or money supply growth;
- Unemployment continue to rise and pay growth weaken further;
- Inflationary pressures in the economy ease further, but more slowly than had been expected;
- Conditions in financial markets improve further, and equity prices rally strongly;
- The pound falls back, yielding much of the gains made in the first quarter;
- Other major economies exit the recession, including the US.

At its meeting in August, the Monetary Policy Committee (MPC) increased the amount of asset purchases under the Bank's quantitative easing (QE) programme by £50bn to £175bn.

Net lending to businesses increased in August for the first month since March, however, the household sector as a whole reduced unsecured debt in August. Banks are likely to remain reluctant to lend while conditions in the labour market are still deteriorating. The claimant count rose by 25,200 in July and 24,400 in August. While these were smaller rises than in the first quarter, they were enough to take the claimant count above 1.6m, the highest level since Q2 1997.

Inflationary pressures in the economy eased further in the quarter, although at a slower rate than in the previous quarter, and more slowly than many expected. CPI inflation fell from 1.8% in June to 1.6% in August, largely as a result of falls in the annual rate of food and utility price inflation. However, core inflation rose from 1.6% in June to 1.8% in August – a higher rate than in other advanced economies. The rise most likely reflects the lagged impact of the pound's depreciation last year, and so should prove temporary.

The most upbeat news was from the housing market. The Nationwide house price index rose 3.8% in Q2, the largest quarterly rise since Q2 2004. House prices by this measure are now only 13.5% below their peak. And while the Halifax measure remained more downbeat, it too posted increases in the quarter. However, the rise in house prices appeared to be largely driven by the scarcity of homeowners putting their homes up for sale, suggesting that the rises may therefore only be temporary.

Economic Forecast

The Council's Treasury Advisers, Sector, provides the following forecast

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Bank rate	0.50%	0.50%	0.50%	0.75%	1.25%	1.75%	2.50%	3.00%	3.75%	4.00%	4.25%	4.50%	4.50%	4.50%
5yr PWLB rate	2.80%	2.90%	3.10%	3.20%	3.30%	3.55%	3.85%	4.15%	4.55%	4.60%	4.80%	4.80%	4.85%	4.85%
10yr PWLB rate	3.75%	3.80%	3.90%	4.00%	4.15%	4.30%	4.55%	4.75%	4.95%	5.00%	5.10%	5.15%	5.15%	5.15%
25yr PWLB rate	4.35%	4.45%	4.55%	4.60%	4.70%	4.90%	5.00%	5.00%	5.10%	5.20%	5.30%	5.30%	5.35%	5.35%
50yr PWLB rate	4.50%	4.55%	4.70%	4.75%	4.90%	5.00%	5.15%	5.15%	5.20%	5.25%	5.40%	5.40%	5.45%	5.45%

- The forecast is based on moderate economic recovery and moderate MPC concerns about inflation looking 2 years ahead
- The first Bank Rate increase is expected to be in Q2 of 2010/11
- Bank Rate to reach 4.5% in Q2 of 2012/13
- Long term PWLB rates to steadily increase to reach 5.45% by the end of 2012 due to high gilt issuance, reversal of QE and investor concerns over inflation
- There is a high level of uncertainties in all the above forecasts. This is due to the difficulties of forecasting the timing and amounts of QE reversal, fiscal contraction after the general election expected by May 2010, speed of recovery of banks' profitability and balance sheet positions, changes in the consumer saving ratio and rebalancing of the UK economy towards exports.

Treasury Management Strategy Statement:

Annual Investment Strategy:

The Treasury Management Strategy Statement (TMSS) for 2009/10 was approved by Council in March 2009. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current

economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions.

As illustrated in the economic background section above, investment rates available in the market are at an historical low point. The average level of funds available for investment purposes in the second quarter of 2009/10 was £129.0m**.** These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
3 month	0.67%	2.49%	£1,625.7k

 As illustrated, the authority outperformed the benchmark by 1.82%.   The Council's budgeted investment return for 2009/10 is £1.696m, and performance for the year to date is £798.4k above budget.

Borrowing:

Prudential Indicators:

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits".   Council's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

Officers can confirm that the Prudential Indicators were not breached during the second quarter of 2009/10.

Sector's target rate for new long term borrowing for the second quarter of 2009/10 was 4.55%. Due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement - CFR), no new external borrowing has been undertaken. As outlined below, interest rates have gradually decreased during the quarter across all bands, with the low points during August / September and the high points in July. PWLB rates are currently below Sector's new borrowing targets in some maturity bands. Although It is anticipated that no borrowing will be undertaken during this financial year PWLB rates along with market loan rates will continue to be monitored.

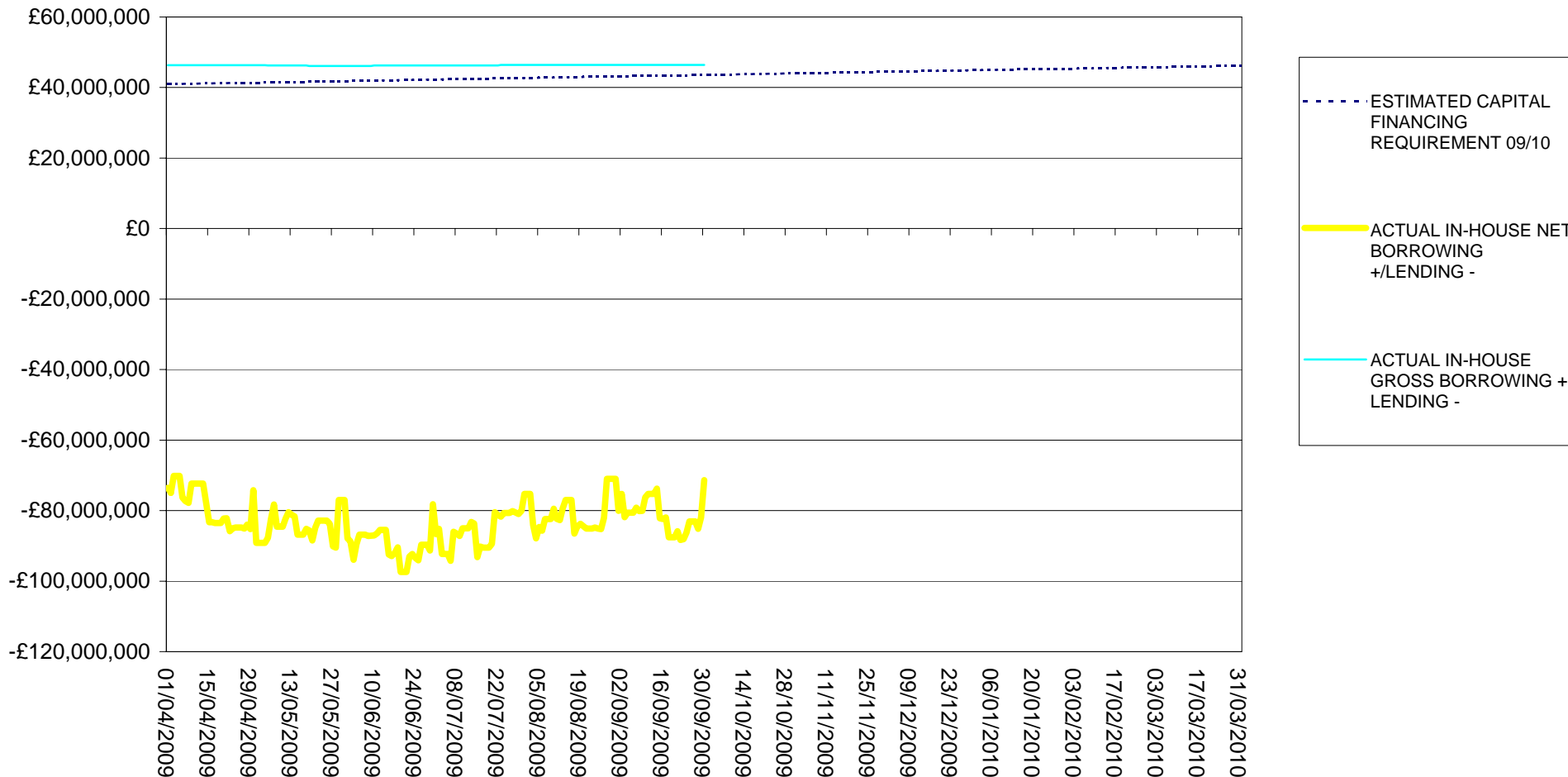|	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.68	2.7	3.69	4.19	4.2
Date	16/09/2009	26/08/2009	27/08/2009	01/09/2009	18/08/2009
High	1.16	3.29	4.15	4.77	4.74
Date	02/07/2009	28/07/2009	24/07/2009	24/07/2009	24/07/2009
Average	0.94	2.98	3.89	4.43	4.46
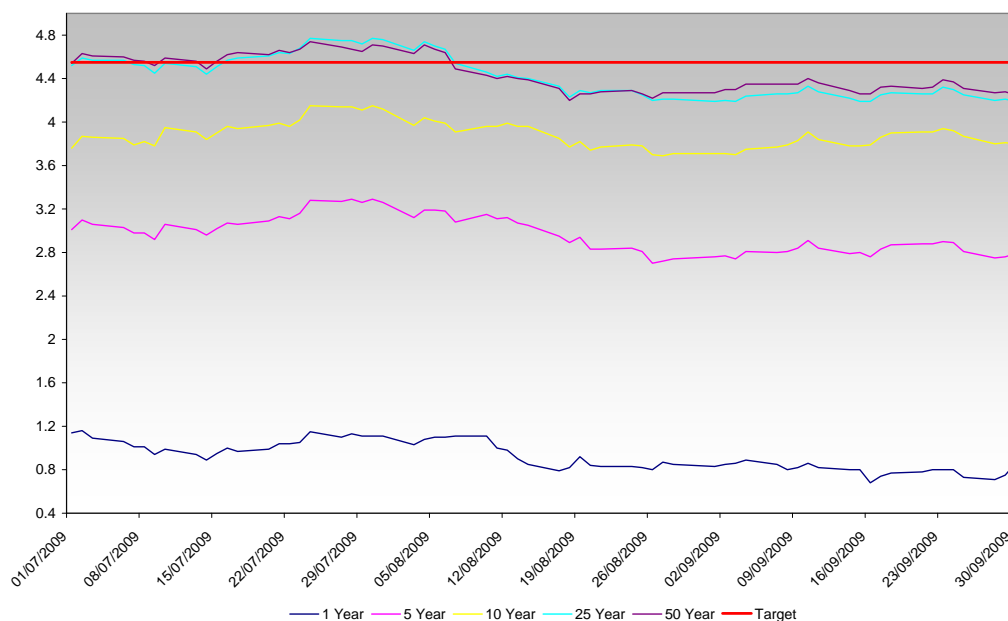
Prudential Indicators – As at 30th September 2009

| Prudential Indicator	2009/10 Indicator £'000	Quarter 2 – Actual £'000	Prudential Indicator Graph Reference
Capital Financing Requirement (CFR)	43,588	N/A	Graph 1
Gross borrowing	46,328	46,431	Graph 1
Investments	106,689	117,770	
Net borrowing	60,361	71,339	Graph 1
Authorised limit for external debt	70,000	46,431	Graph 2
Operational boundary for external debt	57,500	46,431	Graph 2
Limit of fixed interest rates based on net debt	65,000	-66,815	Graph 3
Limit of variable interest rates based on net debt	65,000	-4,523	Graph 4
Principal sums invested > 364 days	60,000	11,000	Graph 10
Maturity structure of borrowing limits			
Under 12 months	0% - 40%	0%	Graph 5
12 months to 2 years	0% - 40%	0%	Graph 6
2 years to 5 years	0% - 60%	0%	Graph 7
5 years to 10 years	0% - 75%	0%	Graph 8
10 years and above	25% - 100%	100%	Graph 9

NET BORROWING & CAPITAL FINANCING REQUIREMENT 2009-10
This Prudential Indicator is to show that any net borrowing is only for a capital purpose. Gross borrowing is now temporarily above CFR.


Legend:
- ESTIMATED CAPITAL FINANCING REQUIREMENT 09/10
- ACTUAL IN-HOUSE NET BORROWING +/LENDING -
- ACTUAL IN-HOUSE GROSS BORROWING + / LENDING -

BORROWING AGAINST PRUDENTIAL LIMITS 2009-10
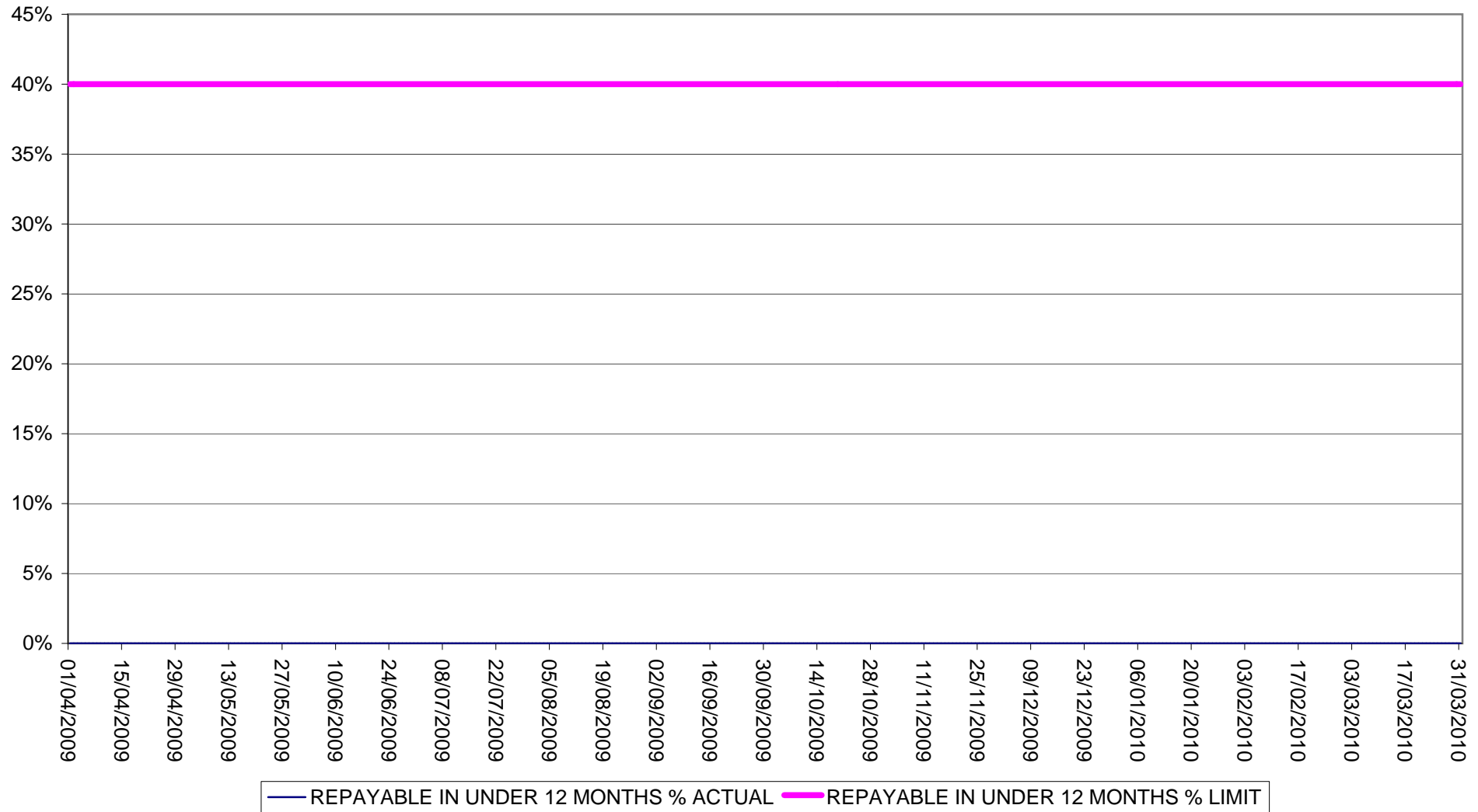**This chart shows Borrowing against the Authorised Limit & Operational Boundary 2009-10**
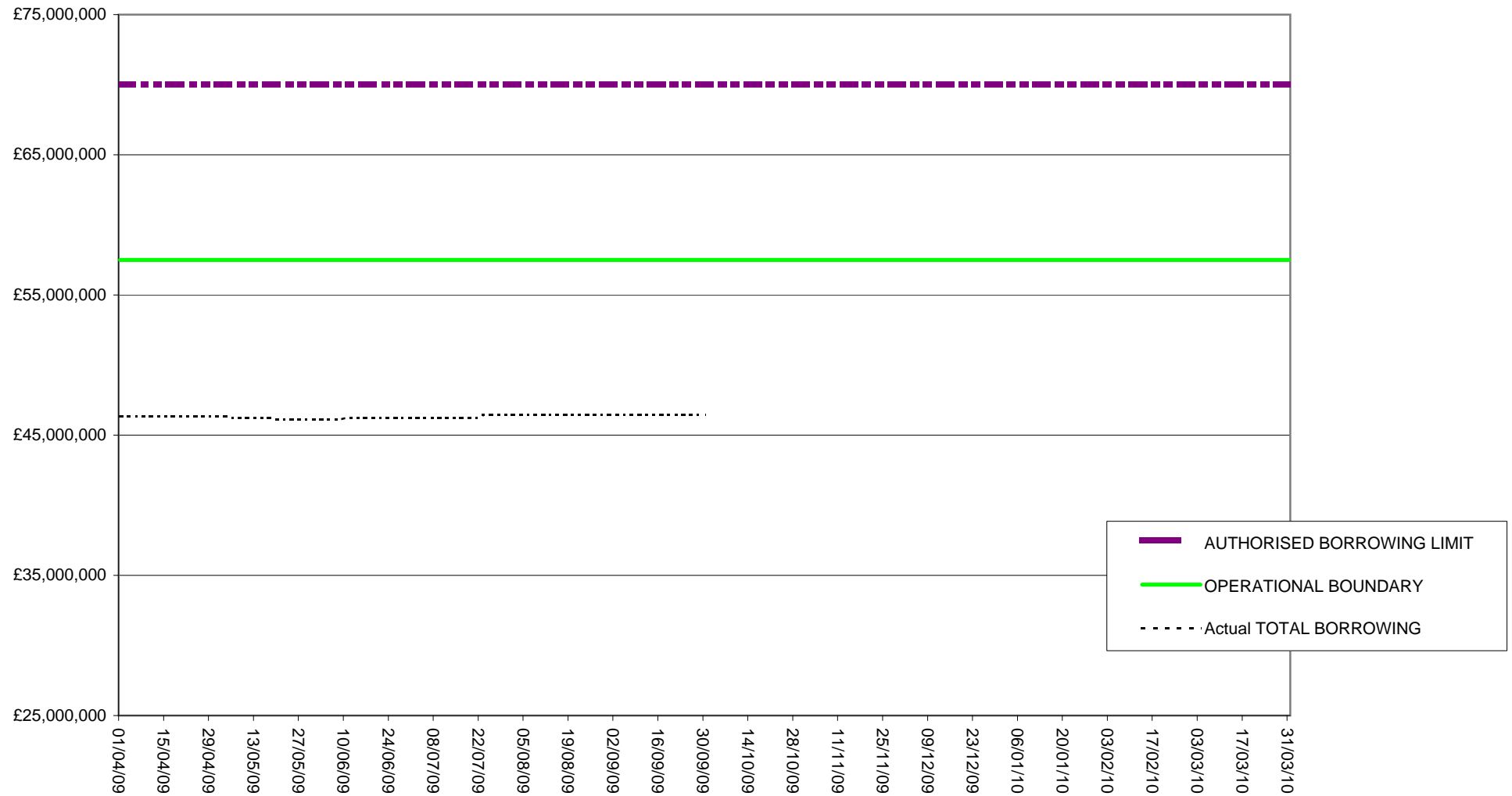
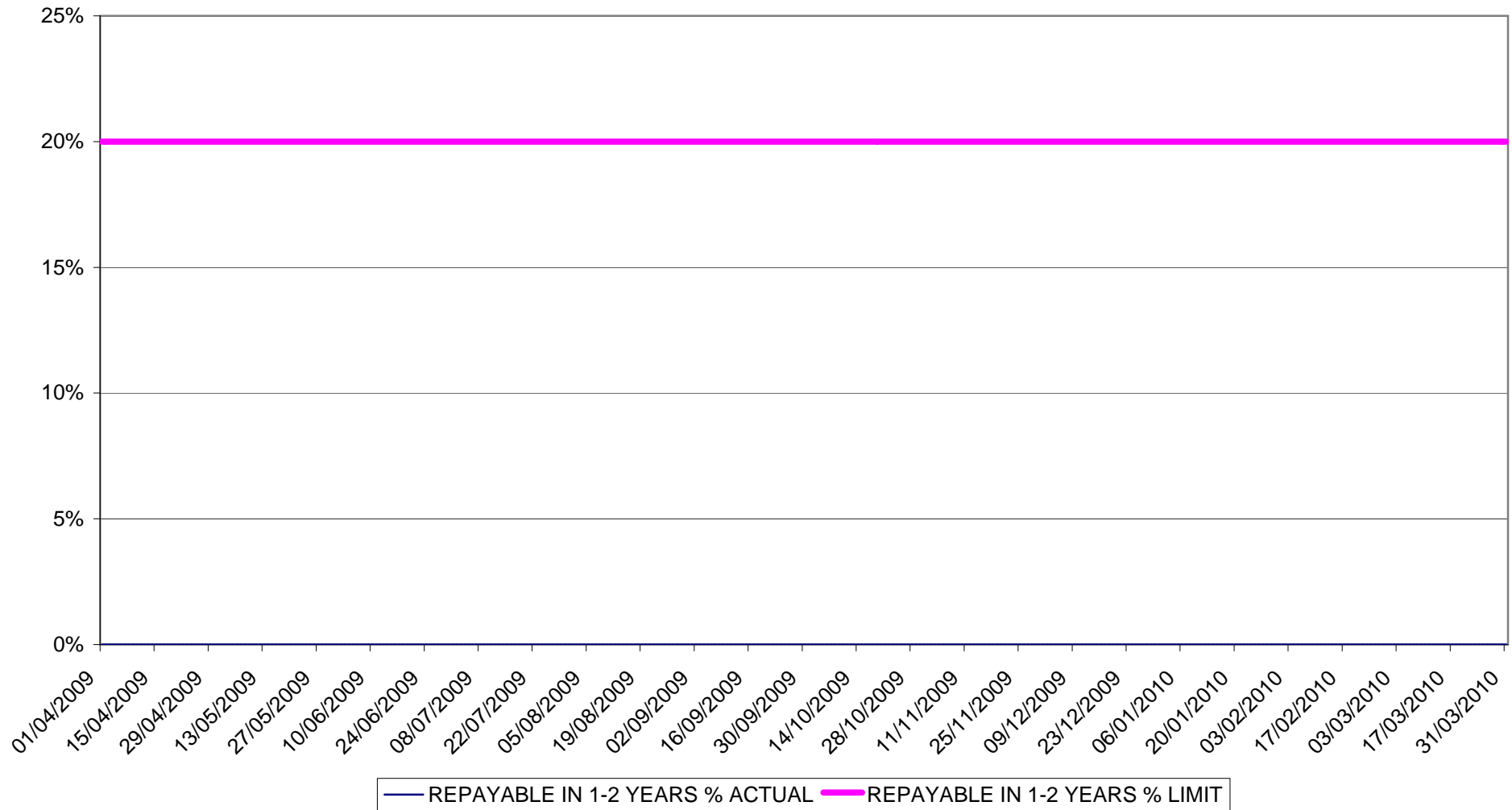## INDICATOR FOR NET FIXED BORROWING AGAINST PRUDENTIAL LIMIT 2009-10
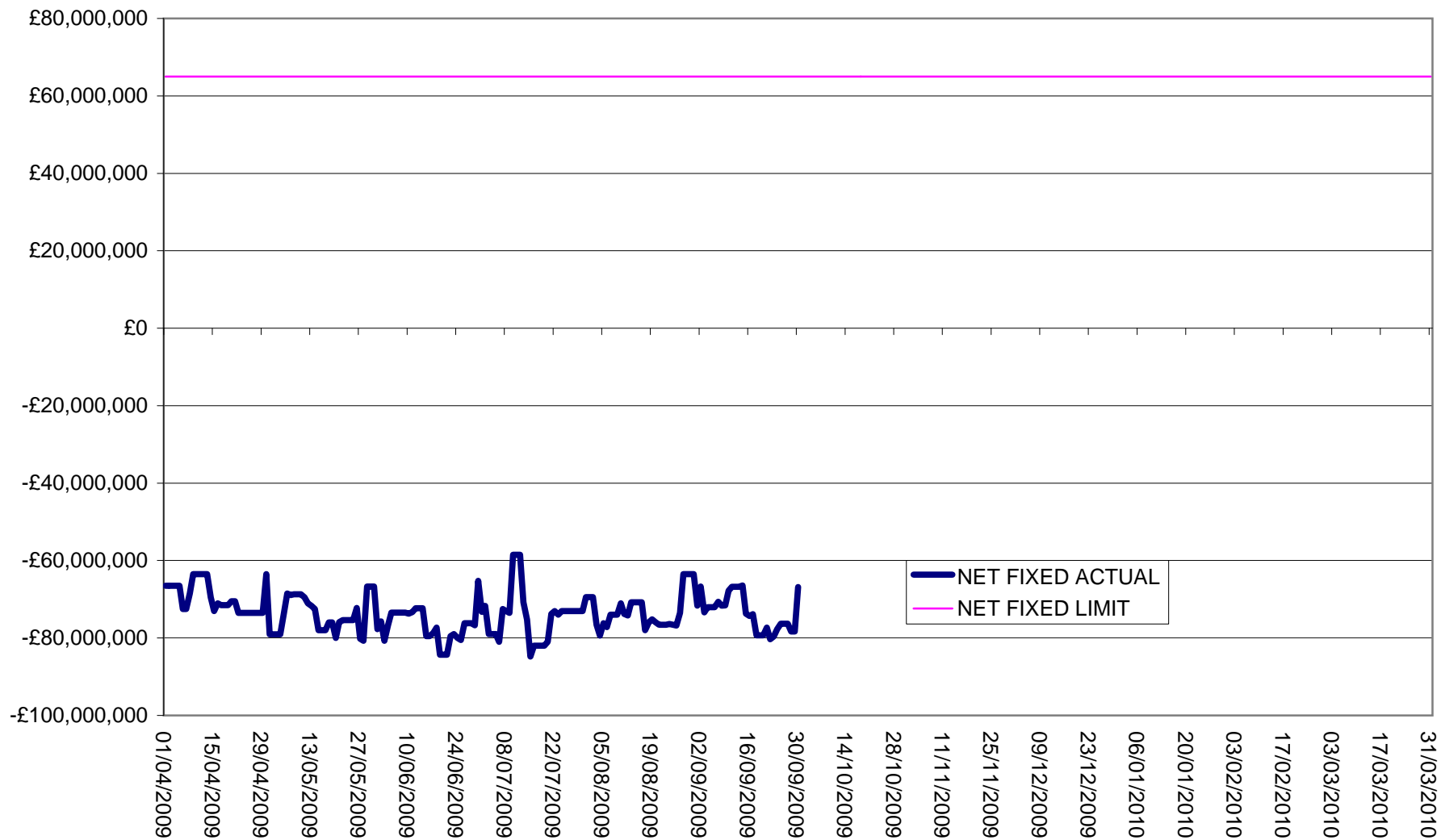
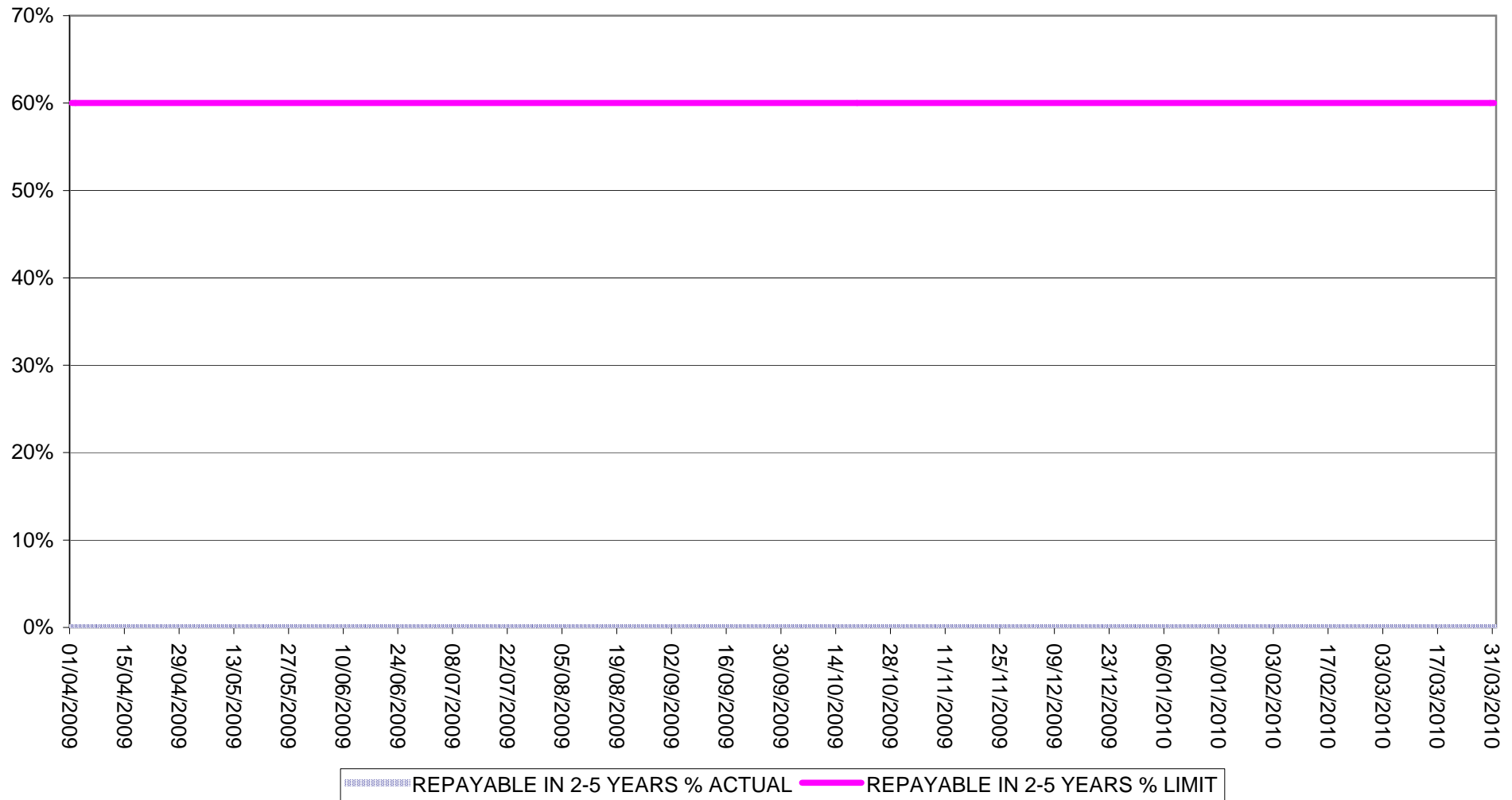## NET VARIABLE BORROWING AGAINST PRUDENTIAL LIMIT 2009-10
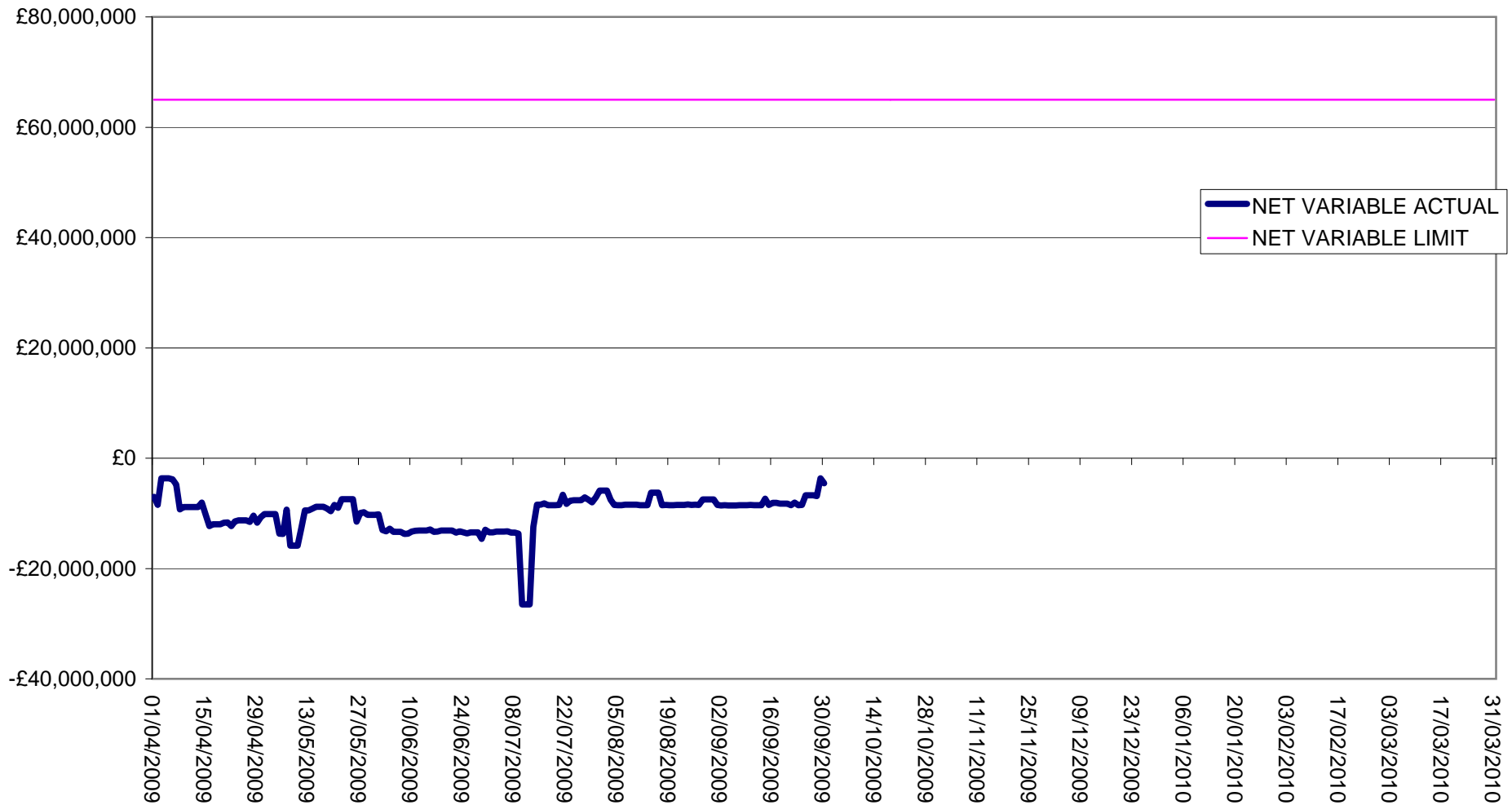
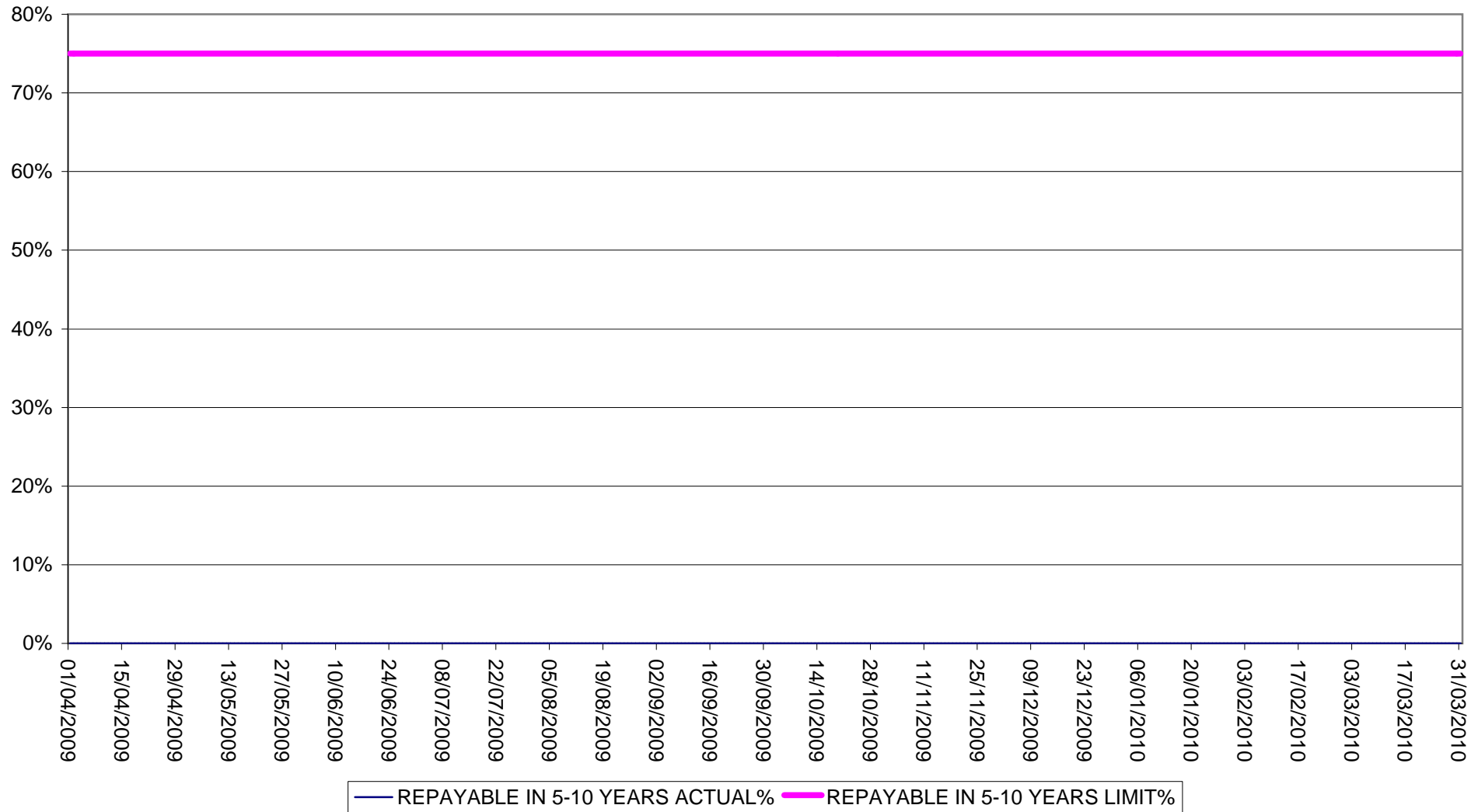## PRUDENTIAL LIMIT FOR FIXED RATE LOANS MATURING IN UNDER 12 MONTHS

Legend: REPAYABLE IN UNDER 12 MONTHS % ACTUAL — REPAYABLE IN UNDER 12 MONTHS % LIMIT

PRUDENTIAL LIMIT FOR FIXED RATE LOANS MATURING IN 1 TO 2 YEARS

S:\BSSADMIN\Committees\Audit\2009\1208\Item 8 Treasury Management update.doc

PRUDENTIAL LIMIT FOR FIXED RATE LOANS MATURING IN 2 TO 5 YEARS

REPAYABLE IN 2-5 YEARS % ACTUAL   REPAYABLE IN 2-5 YEARS % LIMIT

PRUDENTIAL LIMIT FOR FIXED RATE LOANS MATURING IN 5 TO 10 YEARS

Legend: —— REPAYABLE IN 5-10 YEARS ACTUAL%   —— REPAYABLE IN 5-10 YEARS LIMIT%

PRUDENTIAL LIMITS FOR FIXED RATE LOANS MATURING IN OVER 10 YEARS

Legend:
- REPAYABLE IN MORE THAN 10 YEARS ACTUAL %
- REPAYABLE IN MORE THAN 10 YEARS UPPER LIMIT %
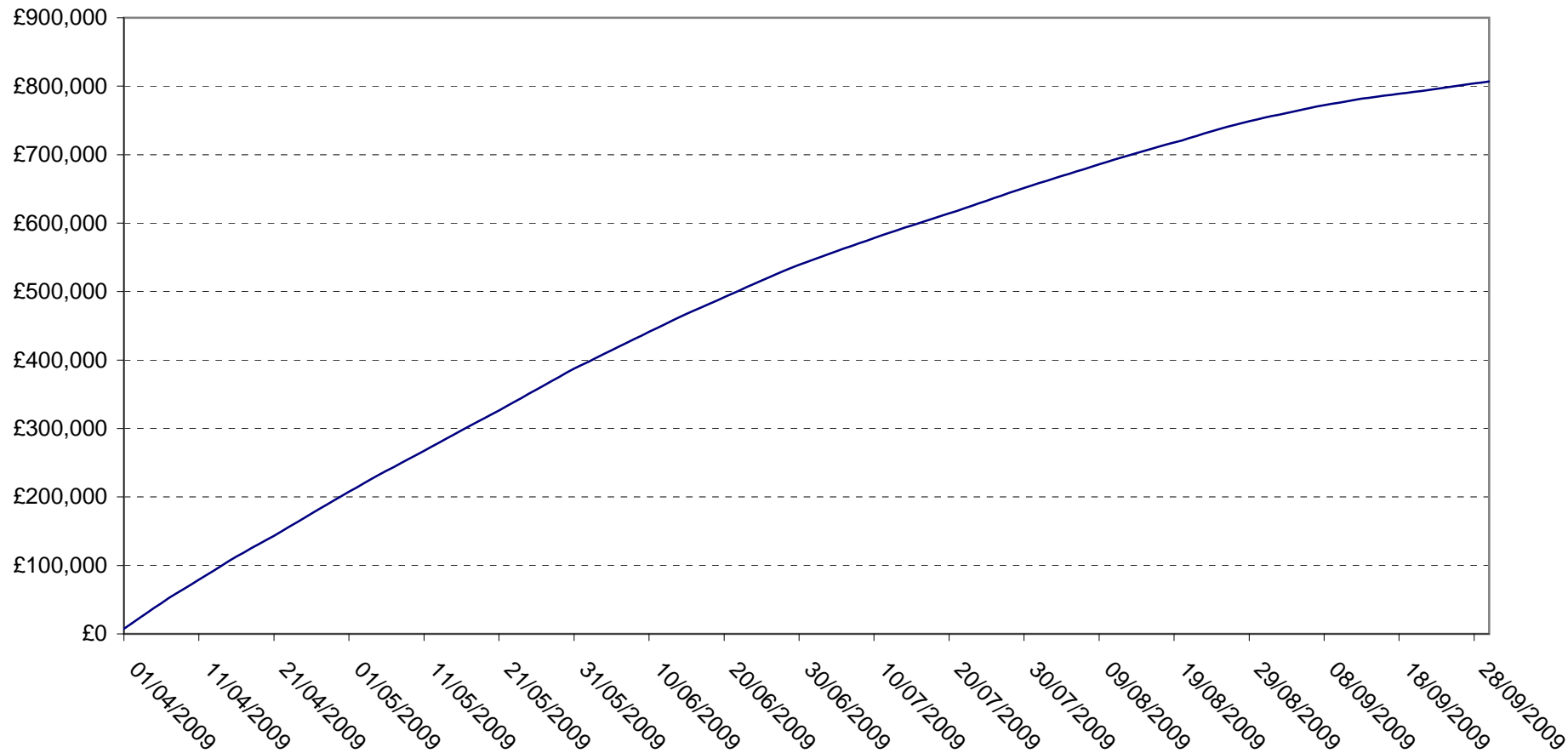- REPAYABLE IN MORE THAN 10 YEARS LOWER LIMIT %
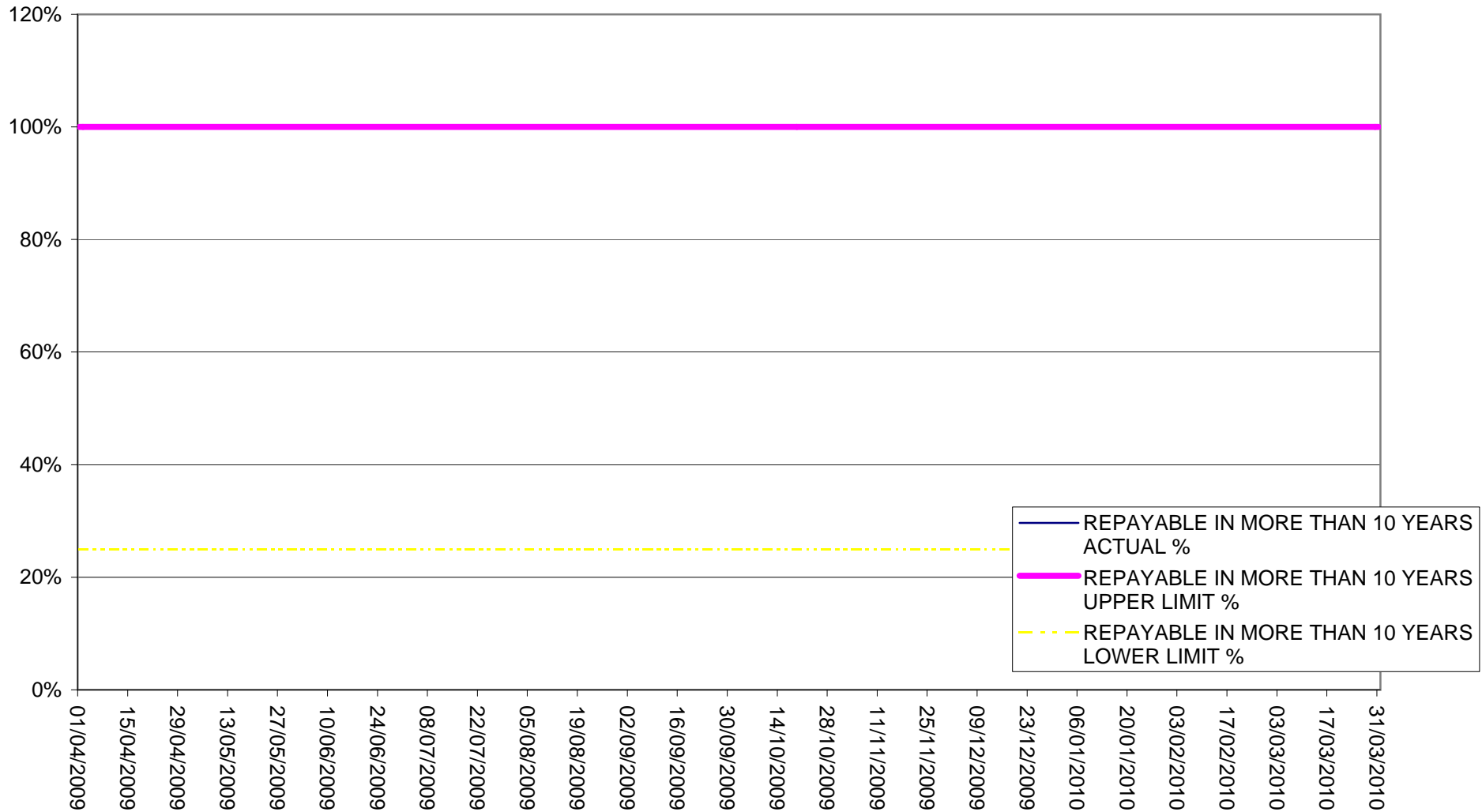
**PRUDENTIAL INDICATOR FOR MATURITY OF INVESTMENTS BEYOND 364 DAYS**
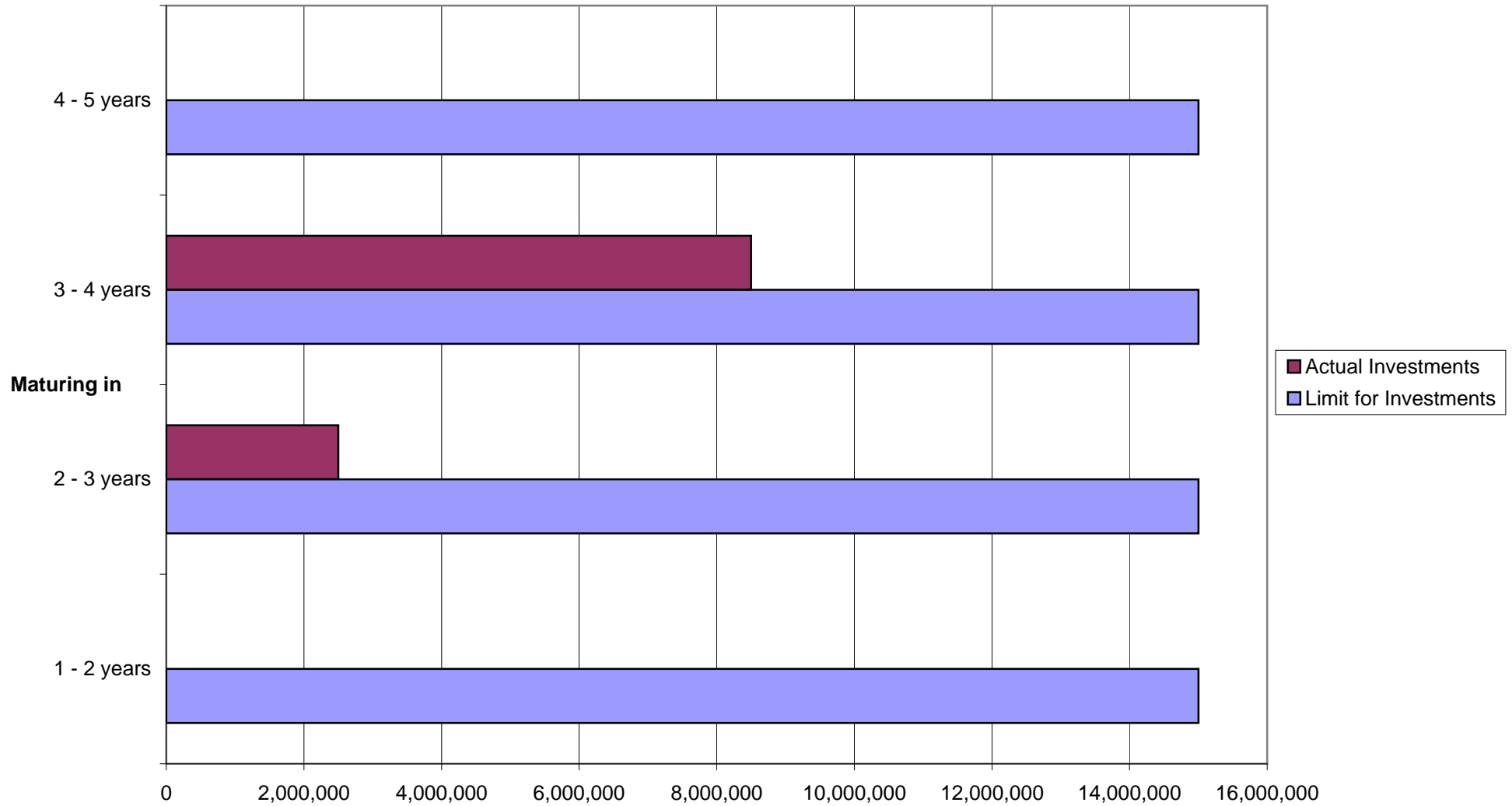
NET IN-HOUSE INTEREST SAVING/LOSS AGAINST BUDGET IN 2009-10
This chart shows the interest saved or lost (-) against the interest budget up to the current date. It doesn't necessarily predict the outturn since that depends on future rates & cash flows.

NET IN-HOUSE LENDING 2009-10 AGAINST BUDGET FORECAST

Havering's net lending is the result of its non-loan cash flows (revenue and capital receipts and payments). This chart shows how actual net lending diverges from the budget forecast.

Legend: ACTUAL IN-HOUSE NET BORROWING +/LENDING -   FORECAST NET IN-HOUSE
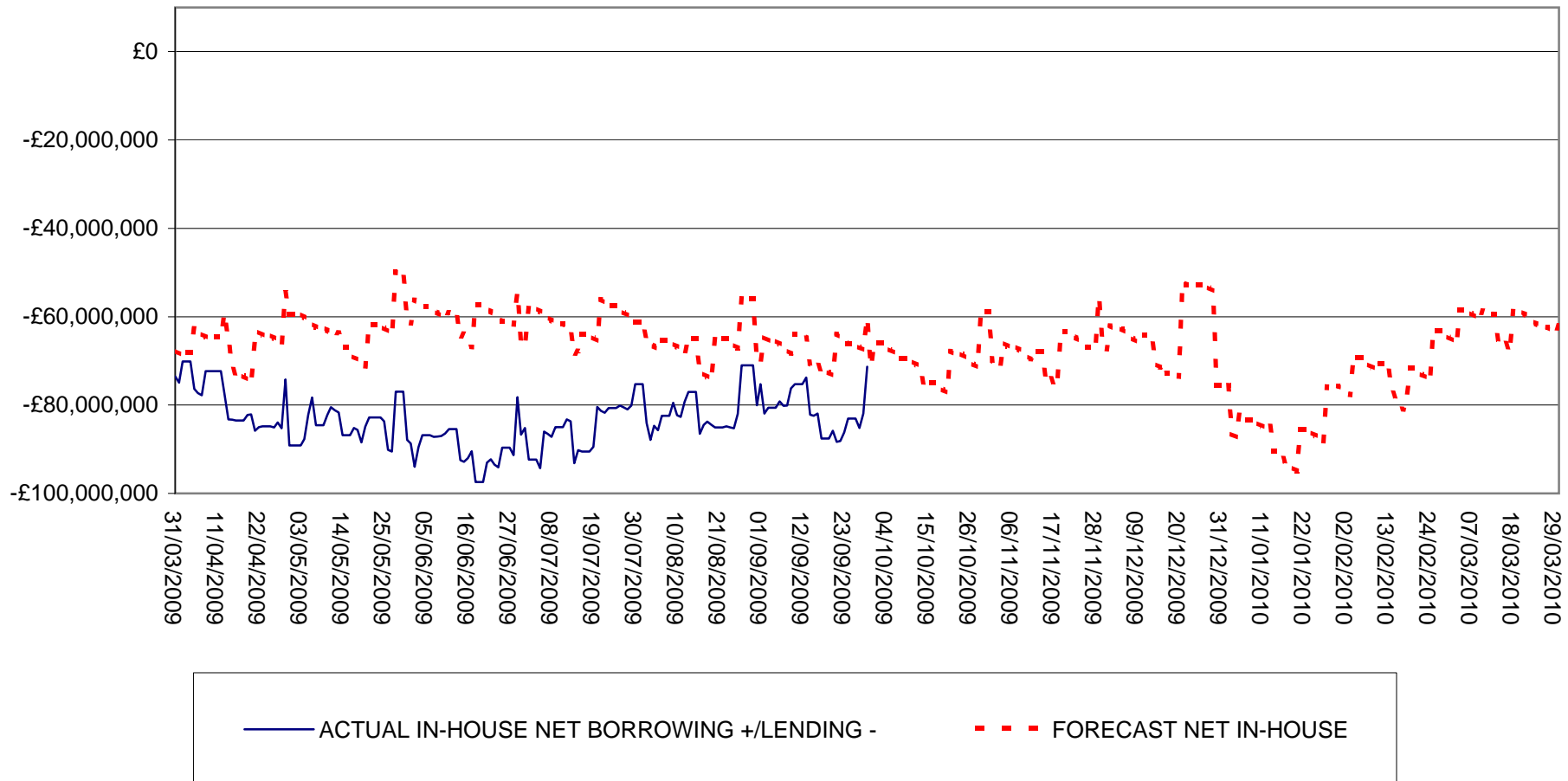
**ELEMENT OF INTEREST SAVING ATTRIBUTABLE TO THE
CASH POSTION FOR NET INVESTMENTS BEING GREATER THAN THE BUDGETED CASH POSITION**
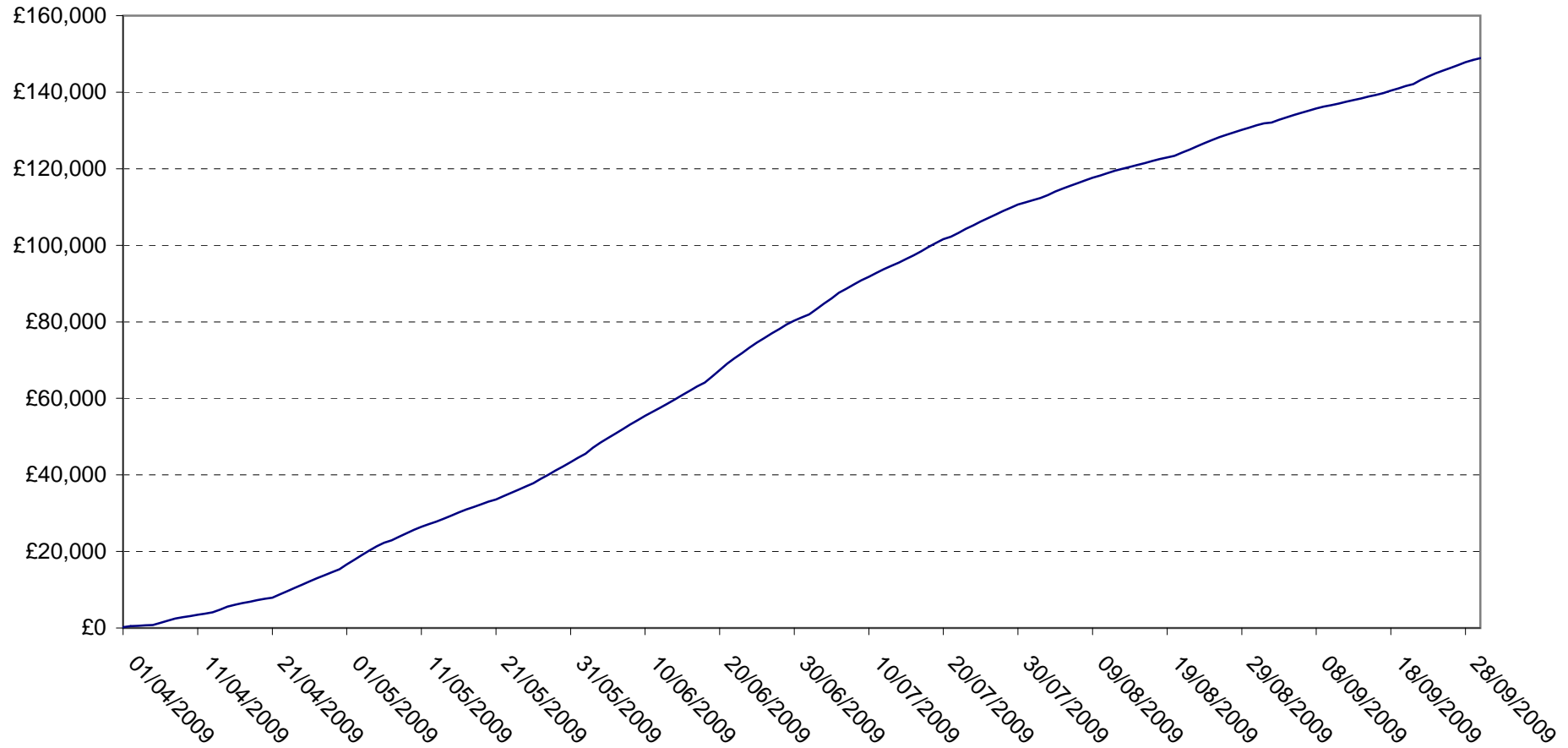
Actual Rate of Return compared to Budgeted Rate of Return

Budgeted Rate of Return — Actual Rate of Return
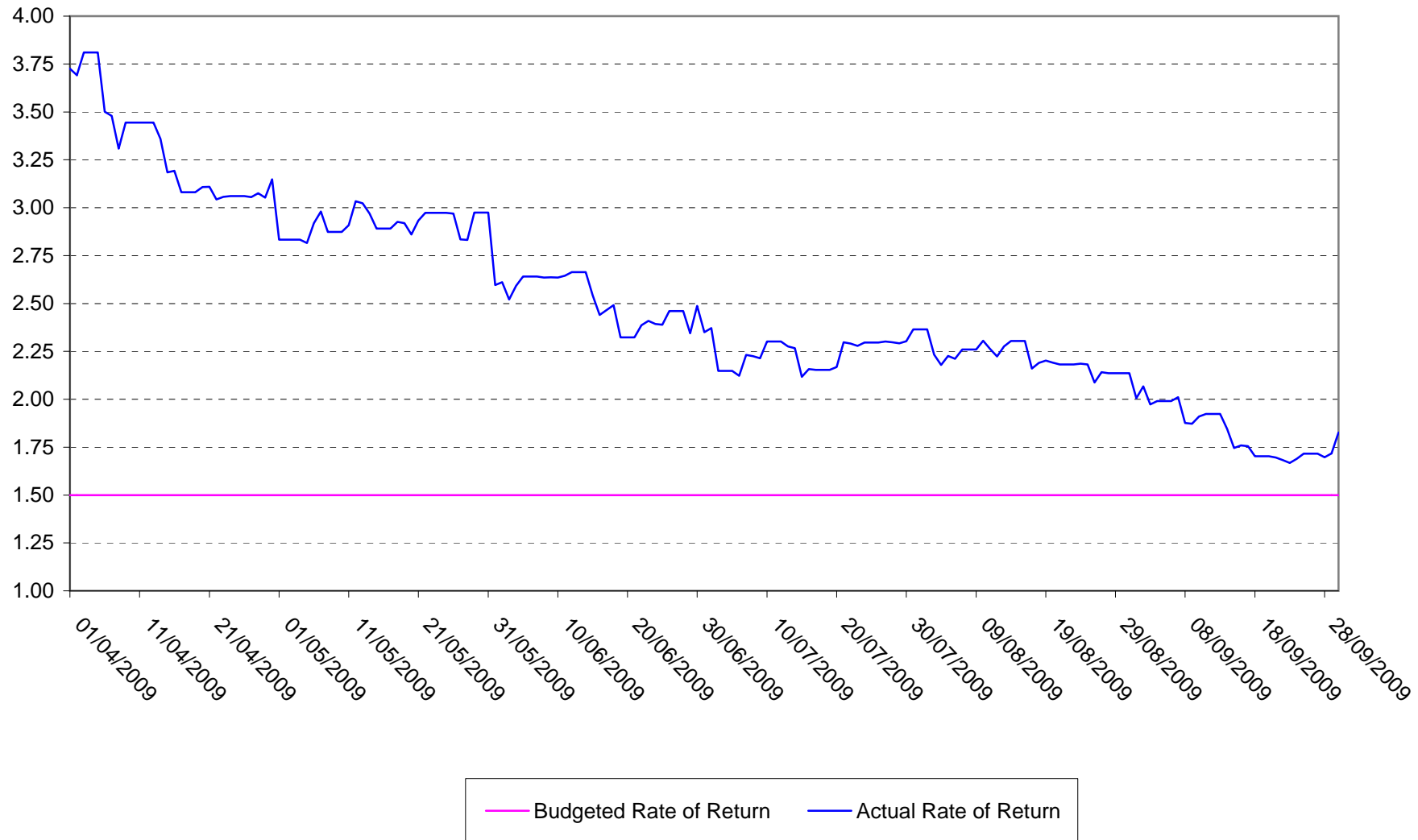
ELEMENT OF INTEREST SAVING ATTRIBUTABLE TO THE
RATE OF RETURN BEING HIGER THAN THE BUDGETED RATE OF RETURN OF 1.50%
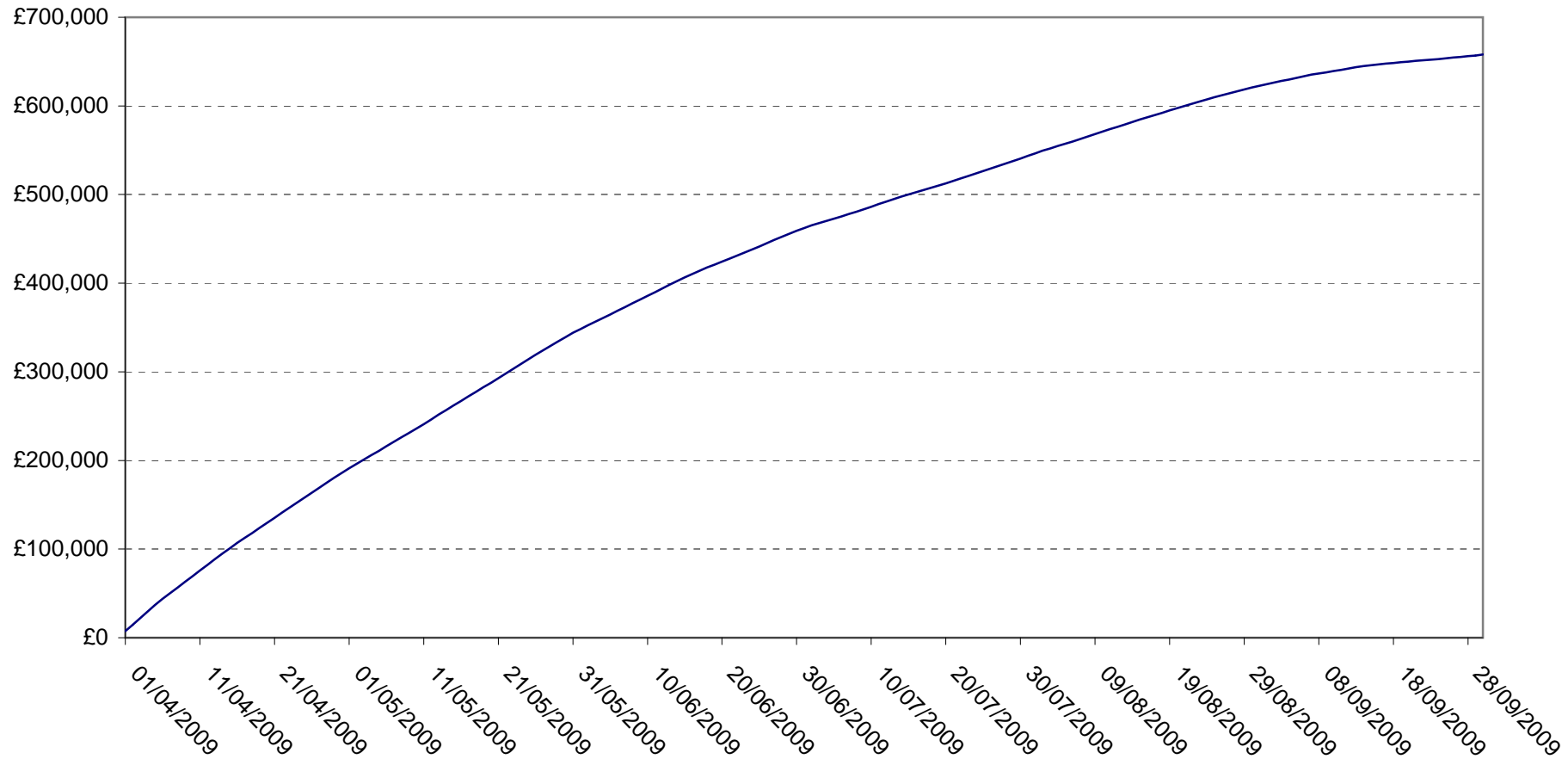
TREASURY MANAGEMENT - DIRECTORATE LEVEL RISK REGISTER

May 2009

"Maximising opportunities and minimising problems - you too can manage risk"

RISK		Trigger	Consequence	COUNTER MEASURES	ASSESSMENT OF RISK						Further Actions Planned	PREDICTIVE RISK						
	Vulnerability			Existing Controls / Actions and Where	LIKELIHOOD		IMPACT		RISK RATING			LIKELIHOOD		IMPACT		RISK RATING		
1	**Counter Party Limits** Counterparty limit is breached resulting in increased risk due to reduced portfolio diversification	Breach of an agreed counter party limit	Increased risk due to reduced portfolio diversification	Management controls as set out in the Treasury Strategy and Treasury Management Procedures	1	4	1	4	1	16	Need to monitor due to regularity of counterparty limit changes necessary to manage fluid market conditions	1	4	1	4	1	16	1
	Capital & Treasury Manager											Moderate scope for improvement of risk res						
2	**Corporate Failure** Financial institution with which a deposit has been made goes into administration or otherwise fails to repay full principal and or interest	Institution unable to meet its financial liabilities	Financial loss and possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures	1	4	1	4	1	16	Need to monitor due to the current volatility of financial markets	1	4	1	4	1	16	1
												Moderate scope for improvement of risk res						
3	**Market Availability** Inability to place a deposit	No appropriate institutions are willing to accept a deposit at a particular time	The Council would have to keep a larger balance in its current account receiving very little interest and limiting diversification. Otherwise counterparty limits would need to be revised through appropriate procedures	Ensure existing controls balance risk management with practicality. Regular reviews of market conditions and meetings with key finance staff and members	1	4	1	4	1	16	Need to monitor due to the current volatility of financial markets	1	4	1	4	1	16	1
	Capital & Treasury Manager											Moderate scope for improvement of risk res						

RISK				COUNTER MEASURES	ASSESSMENT OF RISK				PREDICTIVE RISK			
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Further Actions Planned	LIKELIHOOD	IMPACT	RISK RATING	
4	**Theft or misappropriation of funds** Risk of theft or misappropriation of funds	Inappropriate system controls resulting in theft or misappropriation of funds	Financial loss and possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures. Internal controls surrounding placing and managing deposits	1 4	2 4	2 16	Annual internal audit of procedures in place	1 4	2 4	2 16	1
	Financial Services Manager								Moderate scope for improvement of risk res			
5	**Rating changes not identified** Change in credit ratings or CDS swap profile for a financial institution not identified in a timely fashion	Change in credit ratings or CDS swap profile for a financial institution not identified in a timely fashion	Inappropriate deposit could be made or the possible return of an existing deposit not explored. Either could result in a financial loss or possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures. Procedures in place with treasury advisers to alert of any rating changes	1 4	2 4	2 16	Ongoing review to ensure effectiveness of procedures	1 4	2 4	2 16	1
	Capital & Treasury Manager								Moderate scope for improvement of risk response			
6	**Not picking up significant information** Market intelligence or media coverage of a significant relevant event not picked up or acted upon	Review of "other" information sources does not happen or is not effective	An inappropriate investment is made or the possibility of returning an existing deposit not explored. Either could result in financial loss or possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures.	2 4	2 4	4 16	Ongoing review to ensure effectiveness of procedures. Need to balance resource implications with likely reduction in risk of loss	2 4	2 4	4 16	2
	Capital & Treasury Manager								Moderate scope for improvement of risk res			
7	**Adherence to current procedures** Treasury Strategy or Treasury Management Procedures not complied with	Treasury Strategy or Treasury Management Procedures not complied with	Financial loss and possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures. Annual internal audit of the treasury management process	1 4	2 4	2 16	Ongoing review of practicality of current procedures due to growing complexity	1 4	2 4	2 16	1
	Financial Services Manager								Moderate scope for improvement of risk response			

RISK				COUNTER MEASURES	ASSESSMENT OF RISK				PREDICTIVE RISK			
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Further Actions Planned	LIKELIHOOD	IMPACT	RISK RATING	
8	**Inappropriate credit ratings**	Credit ratings do not appropriately reflect the stability of financial institutions	Financial loss and possible reputational risk to the Council	Management controls as set out in the Treasury Strategy and Treasury Management Procedures. More than one agency considered. Other indicators are used in conjunction with credit ratings e.g. credit swaps, media information	2 4	2 4	4 16	Ongoing review to ensure effectiveness of procedures	2 4	2 4	4 16	2
	Inappropriate credit ratings applied by Fitch, Moody's etc. to financial institutions											
	Financial Services Manager								Moderate scope for improvement of risk response			
9	**Staff Turnover**	Loss of key staff and associated expertise	Loss of experience and expertise leading a greater possibility of inappropriate investment decisions and procedures not being followed	Procedures and strategy in place. Succession planning, training and sharing of skills and knowledge	2 4	2 4	4 16	Review of procedures to retain key staff	2 4	2 4	4 16	2
	Loss of key staff											
	Financial Services Manager											

TREASURY MANAGEMENT CHECKLIST 2009/10

A: STRATEGIC

Issues for Review	Responsibilities	Timescales
• To review the performance of the Council's Treasury management function • To review the policy on lending in the light of market developments and government action	Lead Member Director of Finance and Commerce	On-going

B: OPERATIONAL

Description	Responsibilities	Timescales	How achieved	Comments	RAG Status
TMP 1 Risk Management Practices					
Liquidity Risk	Capital & Treasury Manager	Daily	Effective cash flow monitoring Compliance with prudential indicators Overdraft facility and access to call accounts	Major issues will be discussed with DoF&C as they arise. Otherwise to be included in weekly touchdown meeting	**Green**
Interest rate, exchange rates and inflation risk	Capital & Treasury Manager	Daily	Market intelligence Advise from external TM advisors Sensitivity analysis/prudential indicators	Major issues will be discussed with DoF&C as they arise. Otherwise to be included in weekly touchdown meeting	**Green**
Credit Risk	Capital & Treasury Manager	Annually but monitored on on-going basis	Counterparty limits established as part of TMSS Market intelligence Treasury advisor reports on changes in ratings Consideration of use of CD's	Major issues will be discussed with DoF&C as they arise. Otherwise to be included in weekly touchdown meeting. Counterparty limits for major UK institutions have been increased from £20m to £25m.	**Green**

Description	Responsibilities	Timescales	How achieved	Comments	RAG Status
Refinancing Risk	Capital & Treasury Manager	Annually but monitored on on-going basis	Accurate cashflow monitoring Long term forecasts comparing cashflows with borrowing Market Intelligence and advise from Treasury advisors	Major issues will be discussed with DoF&C as they arise. Otherwise to be included in weekly touchdown meeting.	**Green**
Legal & Regulatory Risk	D of F & C	Annually	Powers and duties clearly set out in the TMSS Compliance with TMSS and Prudential code Consultation with ACE – Legal Services Advice from Treasury Management advisors Annual audit of accounts		**Green**
Fraud error and corruption Risk	Head of Finance & Performance FSM CFM C & TM	Annually	Clearly documented processes and procedures Segregation of duties Documented contingency arrangements Internal Audit		**Green**
Market Risk	D of F & C FSM CFM C & TM	On-going	Degree of acceptable risk is set out in the TMSS through the use of Counterparty limits Clear procedures for investments including referral to CFO/Lead Member for new investments Regular monitoring of performance against benchmarks, forecasts and prudential indicators Market intelligence Advice from Treasury Advisors	Counterparty limits for major UK Institutions increased from £20m to £25m. Nationwide now meet lending criteria. Investigating use of Money Market Funds in line with existing policy.	**Green**
TMP 2 Best Value and Performance Measurement					
Achievement of value for money	C & TM	On-going	Benchmarking of services Comparative data Performance Indicators Reports from external advisors		**Green**
TMP 3 Decision Making and Analysis					
	All	On going	Refer to checklist at section 3 below	Checklist derived from criteria set out in TMP3	**Green**

Description	Responsibilities	Timescales	How achieved	Comments	RAG Status
TMP 4 Approved Instruments, Method and Techniques					
Compliance with CLG guidance	C & TM	Annually	Approved Instruments are set out in the TMP's Prudential Indicators are established for borrowing & investment	Clear procedures in place to deal with new borrowing & lending	**Green**
TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements					
	Head of Finance & Performance FSM CFM C & TM	Annually	Responsibilities and limitations are clearly set out in the TMP and approved annually Clear segregation of duties Clear procedures and practices		**Green**
TMP 6 Reporting Requirements and Management Information Arrangements					
Minimum reporting requirements for Council and Lead Member	D of F & C Head of F& P FSM CFM C & TM	Annual Annual Annual Annual Weekly Quarterly	Annual Treasury Strategy Statement Annual Investment Strategy Prudential Indicators Reports on Treasury Management activity Weekly Management reports Reports to lead member	Annual statements produced in March 2009. Routine reporting is made on weekly or monthly timescales as required	**Green**
TMP 7 Budget, Accounting and Audit Arrangements					
Detailed review of arrangements	CFM C & TM	Annually	Annual review of code of practice and SORP, IFRS etc	Project plan and training initiated in respect of IFRS requirements	**Green**
TMP 8 Cash and Cashflow Management					
	C & TM	Daily	Preparation and maintenance of cashflow model Clear procedures established and documented for managing cash	Model is reviewed annually and updated on an on-going basis	**Green**
TMP 9 Money Laundering					
Review arrangements for anti money laundering	C & TM D of F & C Audit Manager	Annually	Clear procedures for identification of counterparties and record keeping Internal reporting arrangements in place Training		**Green**
TMP 10 Staff Training, Qualifications and Standards					
	D of F & C Head of F& P FSM	Annually	Professional Qualifications Seminars and Training courses Training supplied by TM advisor	Training needs are assessed through PDPA process	**Green**

Description	Responsibilities	Timescales	How achieved	Comments	RAG Status
	CFM C & TM				

Description	Responsibilities	Timescales	How achieved	Comments	RAG Status
TMP 11 **Use of External Service Providers**					
Arrangement to be reviewed annually	D of F & C Head of F& P FSM CFM C & TM	Annually	Annual review of TM advisor contract (SECTOR)	Second advisor appointed to provide alternative source of advice. (BUTLERS)	**Green**
TMP 12 Corporate Governance					
	D of F & C Head of F& P FSM CFM C & TM	Annually (quarterly for lead member reporting)	Compliance with the CIPFA code in relation to the publication of documents		**Green**

C: SELF ASSESSMENT	
The Council should, in respect of all decisions:	**How it is achieved**
• Be clear about the nature and extent of the risks to which it may become exposed.	Effective cashflow forecasting. Compliance with agreed borrowing and lending limits. Compliance with prudential code. Use of external advisors (Sector & Butlers) and on-going training and development of staff. Identify and monitor other external sources of market intelligence. Training of officers and members
• Be certain about the legality of the decision reached and the nature of the transaction and that all the necessary authorisation has been obtained.	Compliance with Treasury Management policies based upon the prudential code. Consultation with external advisors. Advice from ACE – Legal Services
• Be content that documentation is adequate to deliver the Council's objectives and protect its interests and to deliver good housekeeping.	Compliance with code of practice and TM policy. Annual review and approval of prudential indicators which are linked to MTFS and capital strategy. Annual audit of accounts.
• Ensure that third parties are judged satisfactory in the context of credit worthiness policies and that limits have not been exceeded.	Setting of appropriate borrowing and lending limits in accordance with prudential code which are regularly reviewed. Internal evaluation by Treasury Manager against TMP's. Regular monitoring of credit worthiness to ensure status of financial institutions.
• Be content that the terms of any transaction have been fully checked against the market and found to be competitive.	Internal evaluation by LBH staff. Use of 3 brokers for dealing. Consultation with TM advisers. Regular benchmarking and monitoring of performance.
The Council should, in respect of borrowing and other funding decisions:	**How it is achieved**
• Evaluate the economic and market factors that might influence its manner and timing	Consultation with Treasury advisors. Monitoring of performance and market conditions. Cashflow forecasts linked to MTFS and Capital strategy. Training and development of staff.

APPENDIX C

	How it is achieved
• Consider the merits and demerits of alternative forms of funding, including from revenue, leasing and private partnerships	Training and development of staff. Consultation with external investment advisor. Networking with other local authorities.
• Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.	Training and development of staff. Consultation with external Treasury advisor. Networking with other local authorities.
• Consider the ongoing revenue liabilities created and the implications for future plans and budgets	Preparation of cashflow forecasting based upon MTFS/revenue budget and capital programme. Impact of TM and capital spending decisions is reflected in MTFS and revenue budget.
The Council should, in respect of investment decisions	**How it is achieved**
• Consider the optimum period in the light of cash flow availability and prevailing market conditions.	Preparation of cashflow forecasting based upon MTFS/revenue budget and capital programme. Consultation with external Treasury advisors.
• Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.	Compliance with TM policies and prudential indicators. Training and development of staff. Consultation with external Treasury advisors.

Havering
LONDON BOROUGH

AUDIT REPORT

10

08 December 2009

Subject Heading:	Housing and Council Tax Benefit Fraud report.
Report Author and contact details:	Jeff Potter, Head of Exchequer Services Ext 4139.
Policy context:	To advise the Committee of the work and performance undertaken by the Benefit Investigation Section.
Financial summary:	There is no financial impact to be considered from this report.

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

Clean, safe and green borough	[X]
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]

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SUMMARY

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This report advises the Committee of the work and performance undertaken by the Benefit Investigation Section during the period 1 April 2009 to 31 September 2009.

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RECOMMENDATIONS

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

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REPORT DETAIL

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Introduction

This report contains four sections; the content of each section is outlined below:

Section 1.   Background

Section 2.   HB/CTB Fraud Work April 2009 to September 2009
       A)   Referrals
       B)   National Fraud Initiative
       C)   Types of Offences
       D)   HB/CTB fraud overpayments
       E)   Raising Fraud Awareness

Section 3.   Direction of Travel
       A)   DWP, Local Authorities and Police partnerships
       B)   Successful Prosecutions
       C)   Benchmarking

Section 4.   Key Performance Indicators

In this section of the report the results for two fraud specific key performance indicators are presented in graphical form.

Section 1   Background

1.1   Local Authorities are empowered by S151 of the Local Government Act 1972 to undertake housing and council tax benefit (HB/CTB) fraud investigations and prosecute offenders. The Council has a dedicated Benefit Investigation Section which is responsible for the investigation of suspected abuse of the Housing Benefit and Council Tax Benefit scheme and any related Income Support and Jobseekers Allowance.

1.2   The Section aims to investigate claims for HB/CTB and make recommendations about its findings to officers within the Benefits Service and/or Officers within the Job Centre Plus. Recommendations are made in accordance with the Benefits Service Sanctions Policy and the Corporate Strategy for the Prevention and Detection of Fraud and Corruption. In this way the Section maintains its independence.

1.3   At the 30 September 2009, there were 19,950 claims for housing and council tax benefit (HB/CTB) in payment. This is an increase of almost 2000 when compared to the same time last year.

1.4   The Benefit Investigations Section continues to be located within Benefit Services with an establishment comprising one Principal Investigations Officer, one Senior Investigations Officer, five Investigations Officers and one Investigations Assistant under the remit of the Head of Exchequer Services.

1.5   The cost of administering the Benefit Investigation Team is estimated at £475,000 for 2009/10 and is funded through the Benefit Administration grant.

1.6   Data and statistical information in relation to fraud work is provided for a rolling year period from October 2008 to September 2009 comparison purposes.

Section 2   HB/CTB Fraud Work April 2009 to September 2009

A)   Referrals

2.1   The table below provides the sources of fraud referrals for the Investigations Section from April 2009 to September 2009. Referrals for the same time in the previous year have also been presented for comparison purposes.

2.2   The anonymous referrals make up 17% of all referrals across this twelve month period. These types of referrals may appear malicious but this is only conjecture, as there is insufficient information to validate this assumption. However, it can be said the information provided generally has elements of truth contained within it.

2.3   The Housing Benefit Data Matching Service (HBMS) provides quality referrals for investigation that identify undeclared capital and changes in a customer's income such as a customer's entitlement to Job Seeker's Allowance ending.

2.4   External organisation referrals are made up of HBMS data matches and NFI data matches which total 25% of all referrals.

2.5   Referrals from internal departments contribute 58% towards the total referrals in 2009/10 with the majority as anticipated, coming from the Benefit processing teams in Benefit Services.

2.6

Source of Referrals						
Number of Referrals/ Type	**Quarter 1 2008**	**Quarter 2 2008**	**Total**	**Quarter 1 2009**	**Quarter 2 2009**	**Total**
Anonymous	30	32	**62**	40	14	**54**
External Organisations	37	19	**56**	68	42	**110**
Internal Departments	76	161	**237**	68	83	**151**
Total	**143**	**212**	**355**	**176**	**139**	**315**

2.7   The table below shows the categories of the potential fraud referrals from April 2009 to September 09. For comparison purposes referral sources for the same time last year have been recorded. There is a large percentage of "Living Together as husband and wife cases" which is reflected in the statistics below. This may be attributed to greater staff and public awareness.

2.8

<table>
<tr><td colspan="7" align="center">Referrals by Category</td></tr>
<tr><td>Potential Fraud Categories</td><td>Quarter 1 2008</td><td>Quarter 2 2008</td><td>Total</td><td>Quarter 1 2009</td><td>Quarter 2 2009</td><td>Total</td></tr>
<tr><td>Capital</td><td>11</td><td>54</td><td>65</td><td>12</td><td>9</td><td>21</td></tr>
<tr><td>Contrived Tenancy</td><td>7</td><td>3</td><td>10</td><td>3</td><td>13</td><td>16</td></tr>
<tr><td>Income from Other Sources</td><td>23</td><td>38</td><td>61</td><td>25</td><td>7</td><td>32</td></tr>
<tr><td>Living Together</td><td>36</td><td>53</td><td>89</td><td>48</td><td>44</td><td>92</td></tr>
<tr><td>Non-Dependant</td><td>16</td><td>9</td><td>25</td><td>20</td><td>7</td><td>27</td></tr>
<tr><td>Non-Resident/vacated</td><td>24</td><td>28</td><td>52</td><td>34</td><td>35</td><td>69</td></tr>
<tr><td>Other welfare benefits</td><td>1</td><td>1</td><td>2</td><td>8</td><td>1</td><td>9</td></tr>
<tr><td>Working</td><td>20</td><td>21</td><td>41</td><td>17</td><td>17</td><td>34</td></tr>
<tr><td>Non Commercial Tenancy</td><td>1</td><td>3</td><td>4</td><td>3</td><td>6</td><td>9</td></tr>
<tr><td>Other</td><td>4</td><td>2</td><td>6</td><td>6</td><td>-</td><td>6</td></tr>
<tr><td>Total</td><td>143</td><td>212</td><td>355</td><td>176</td><td>139</td><td>315</td></tr>
</table>

B)   National Fraud Initiative

2.9   The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise which runs every two years and is designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse. The core remit of the NFI is to match data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud and tenancy fraud.

2.10   The current NFI exercise commenced in March 2009 where a total of 2,273 original matches involving housing Benefit and Council Tax Benefit were identified. These matches were filtered down to 114 for further investigation.

2.11   To date 84 investigation files have been opened and this has so far resulted in one administration penalty and one caution which has raised a total of £83,000.00 in benefit overpayments.

C)   **Type of Offences**

2.12   The severity of the sanction is determined by the circumstances surrounding
the offence. Guidance to assist in determining the sanction is provided in the
Council's Benefit Fraud Policy which considers a range of issues including:

- The factors surrounding the offence
- The amount defrauded
- The evidential test
- The test of public interest

2.13   The number of successful outcomes from April 2009 to September 2009 is
detailed in the table. For comparison purposes, quarter one and two have
been included from 2008.

2.14

Successful Outcomes						
Sanction/ Offence Type	**Administrative Penalties**		**Cautions**		**Prosecutions**	
2009/10	Qtr 1 & 2 2008	Qtr 1 & 2 2009	Qtr 1 & 2 2008	Qtr 1 & 2 2009	Qtr 1 & 2 2008	Qtr 1 & 2 2009
Capital	3	6	0	2	6	1
Working and Claiming	0	1	4	7	2	2
Contrived Tenancies	0	0	2	3	1	1
Living Together	2	2	0	2	1	1
Income from other sources	1	1	2	1	0	1
Vacated	0	1	1	1	0	2
Other Benefits	0	0	0	5	0	0
Totals	**6**	**11**	**9**	**21**	**10**	**8**

2.15 Although this table shows eight successful prosecutions this figure is likely to rise substantially in the next six months as there are currently 25 cases at Court or being considered for legal action.

D)   HB/CTB Fraud Overpayments

2.16 Overpayments are identified and classified as fraudulent following a sanction. This can be a Caution, Administrative Penalty or successful Prosecution.

2.17 The Council's commitment to recovering overpayments is reflected in the authority's corporate strategy for the prevention and detection of fraud and corruption. With regard to subsidy and expenditure, fraudulent overpayments are recorded as eligible overpayments and the Authority receive 40% of the overpayment amount in subsidy from the DWP. For the purpose of overpayment recovery, any Housing Benefit overpayment that is fraudulent can be recovered at a higher rate from ongoing entitlement if the claimant has 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

2.18 When recovering housing benefit overpayments from ongoing entitlement, maximum rate of recovery from housing benefit is £9.75 per week. If the overpayment has arisen as a result of fraud, this figure increases to £12.80 per week. The rate of recovery can increase even further if the claimant is working, in receipt of a war pension or receives income from a charity,

2.19 The value of fraudulent housing benefit overpayments generated for the first half of the 2009 financial year totalled £184,482. A balance of £146,772 remains outstanding of which £63,709 is the subject of arrangements.

E)   Raising Fraud Awareness

2.20 Raising awareness is an important tool in combating fraud in the benefit system and is a key objective for Exchequer Services and the Council. Benefit Services encourage employees and the public to be vigilant against fraud.

2.21 The rolling programme of improving fraud awareness includes:

- Regular fraud awareness training for all staff in Benefits Services and Homes in Havering.

- The Immigration department providing training on detecting false documents.
- An advertisement placed in the Havering Community Safety Handbook which is delivered to every home in the borough inviting the community to tell us if they suspect fraud.
- An advertisement has also been placed in a fold out information booklet prepared by the Primary Care Trust advising residents to report suspected fraud. The fold out document has also been made into a poster and placed up in every surgery, hospital and chemist in the borough.
- Every successful prosecution generates an article for Living in Havering.
- Regular benefit fraud articles are also produced for the Financial & Commerce staff magazine.
- Members have been issued with a contact sheet to assist residents who suspect fraud.
- A poster campaign

2.22   The BBC also commissioned a 15 part documentary series on the welfare benefit system. The television company worked closely with the Department of Work and Pensions, and several London Boroughs including Havering in relation to the fraudulent claims aspect of the series. The case of Mr D Ham who was successfully prosecuted for fraudulently claiming £26,631 of benefit in 2008 was used in this in the documentary and the programme was aired in August 2009.

2.23   There is no obvious increase in referrals from the public when an advertisement or article appears in the press. This may be due to the regularity of advertisements and the increased frequency of media articles.

2.24   A monitoring exercise will begin in November 2009 to determine the success of the advertising campaign.

Section 3   Direction of Travel

A)   DWP, Local Authorities and Police Partnerships

3.1   From 7 April 2008 the Welfare Reform Act 2008 (WRA) gave Local Authorities powers to investigate and prosecute offences against certain national social security benefits alongside local ones. The WRA and associated regulations allow the Council to investigate both HB/CTB and national benefits together.

3.2   Currently, Havering Council is jointly investigating 25 cases with the DWP where HB/CTB and another benefit are involved.

3.3   The Benefit Investigation Section is also working on five cases in partnership with other local authorities.

3.4   For the period April 2009 to September 2009, there have been five cases where the DWP and Havering Council have worked together and prosecuted individuals for a fraud in relation to HB/CTB and another welfare benefit.

3.5   Havering is now working more closely with the Local Safer Neighbourhood Police. There have been seven arrests made to date. This included one claimant who was residing in France and traveled to England to claim benefits. The individual is currently being held on remand in Holloway Prison.

B)   Successful Prosecutions

3.6   There were 14 cases summonsed to the court for prosecution from April 2009 to September 2009. Also, during this period 8 defendants either pleaded guilty or were found guilty of benefit offences under social security legislation. Details of two of these cases are outlined below.

Case 1. Ms C

3.7   Ms C was prosecuted in November 2009 at Havering Magistrates Court for benefit fraud.

3.8   A Data match referral was received which stated Ms C was no longer in receipt of Income Support. An investigation commenced which also revealed Ms C appeared to have a partner living with her.

3.9   Further enquiries were made with various agencies, these included banks, the local PCT, two employers and Langtons the local registry office. The evidence gathered showed the partner of Ms C, a Mr B was the father of three of her children, was employed as a builder and had been living with her since 2006.

3.10   Ms C was interviewed but denied the allegation, she stated Mr B only stayed with her occasionally and never gave her any money towards their three children's upkeep. The claimant continued with this line of defence during cross examination in Court.

3.11   Mr B gave evidence and stated the reason he could not pay anything towards his children's upkeep was that he had drug debts for which he would be killed if he did not keep up the payments.

3.12   Ms C was found guilty of claiming almost £11,000.00 in Housing & Council Tax Benefits. District Judge Woollard sentenced Ms C to two months imprisonment suspended for twelve months and ordered her to undertake 100 hours unpaid work.

3.13   In summing up, District Judge Woollard stated that Ms C had obviously lied throughout her interview and he would have sent her straight to prison if he thought her partner was capable of looking after her five children.

Case 2. Mr V

3.14   At Basildon Crown Court in September 2009, 36 year old Mr V of Rush Green Road, Romford pleaded guilty to failing to advise the London Borough of Havering of the existence of bank accounts owned by him and his wife and details of the capital held therein which resulted in an overpayment of £31,405 Housing and Council Tax Benefit.

3.15   Mr V, who had been claiming Housing and Council Tax Benefits since 1999, stated on his application forms that he worked part time, earned around £50.00 per week and did not have any bank accounts. However, an Investigation by Fraud Officers at Havering exposed HSBC and Barclays Bank accounts owned by Mr V and his wife which showed credit and debit transfers of large amounts of money. Between May 2003 and December 2007 the total amount of undeclared credits was in excess of £160,000.00.

3.16   During an interview under caution, Mr V claimed that the credits were loans which had to be repaid and had been obtained for 'business' purposes. However, at Southend Crown Court on Thursday 22 October 2009, Mr V denied the existence of a business and failed to provide a satisfactory explanation to account for the money.

3.17   In his summing up of the case Judge Saggerson accepted that Mr V may have accumulated personal debts but stated that the only principal motive was greed. Mr V was sentenced to twelve months imprisonment.

3.18   The financial investigation unit of the Police considered whether this money could have been a proceed of crime but despite a thorough investigation this could not be proven.

D)   Benchmarking

3.19   The table below represents a benchmarking survey undertaken by London Boroughs Fraud Investigations Group for 2008/09.

3.20

3.20 **Bench Marking**	Hackney	Lewisham	Brent	Wandsworth	Westminster	Redbridge	Hammersmith	Hillingdon	**Havering**	Merton	Sutton	Richmond
Benefit caseload 000's HB/CTB	38	33	33	27	23	22	22	21	**18**	15	13	10
Fraud Officers	6	7	6	7	6	7	7	3	**5**	5	4	2.5
Prosecutions	37	18	44	26	7	25	11	13	**20**	18	15	3
Sanctions	117	159	97	76	113	97	104	54	**71**	74	106	38

3.21   Havering Council has a lower than average caseload in this group but has an average number of Fraud Officers and maintains an average prosecution rate.

Section 4   Key Performance Indicators (KPIs)

4.1   The graph below shows the number of sanctions and successful prosecutions from April 2009 to October 2009.

4.2
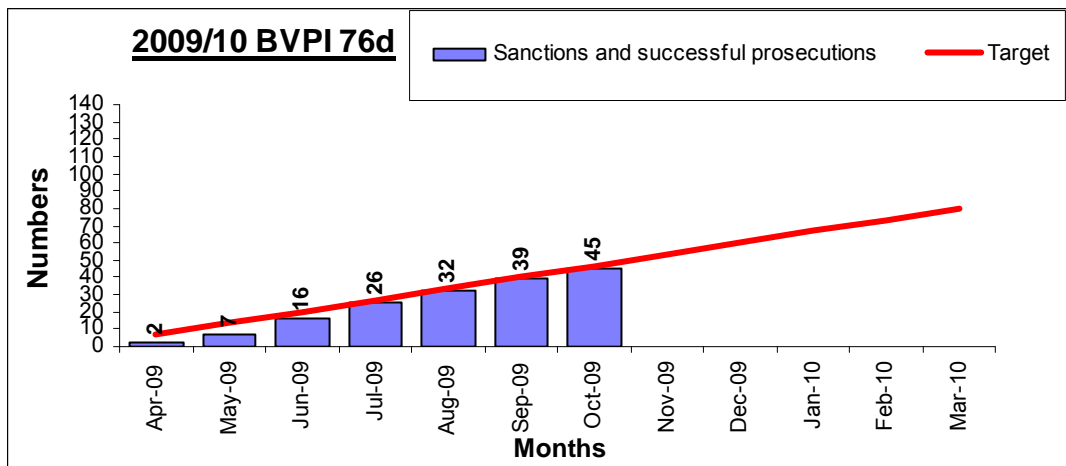
4.3   The investigation process has been reviewed and improved. The results of this process can be seen in the improved performance in the first 6 months of this year. It is envisaged this improvement will continue as the work procedures continue to evolve.

4.4   The number of sanctions and prosecutions attained so far this year also exceeded performance for the same time last year as can be seen from the graph below.

4.5
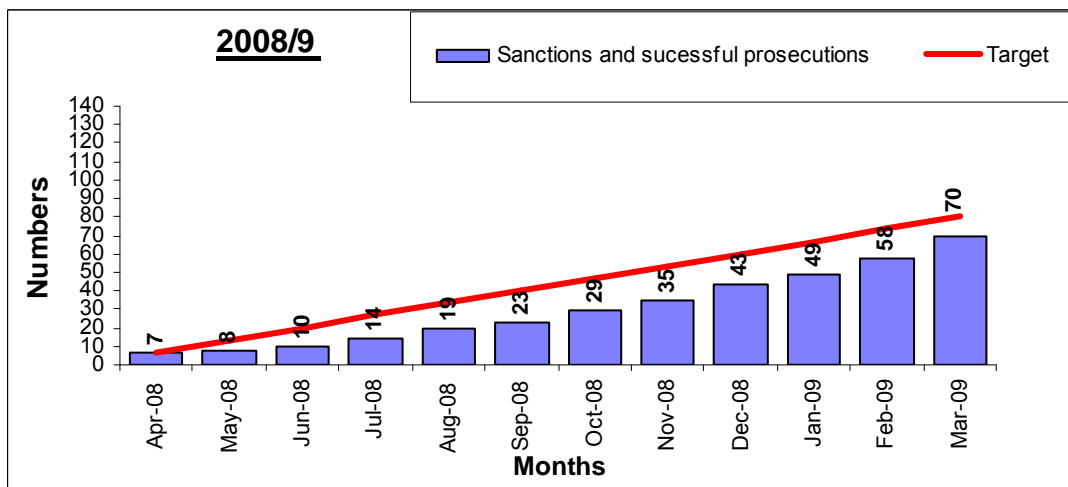
4.6   The graph below shows the number of investigations undertaken between April 2009 and October 2009. The number of investigations undertaken already exceeds performance for the same time last year which is a reflection of the new procedures.

4.7
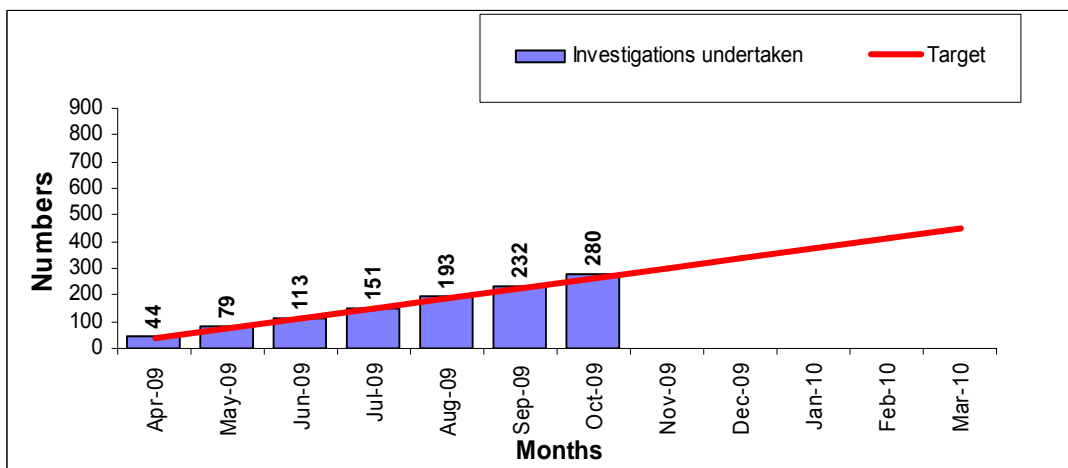
4.8   As can be seen from the graph below, the number of investigations undertaken compared to this time last year as has also improved.

<div style="border: 2px solid black; text-align: center;">

IMPLICATIONS AND RISKS

</div>
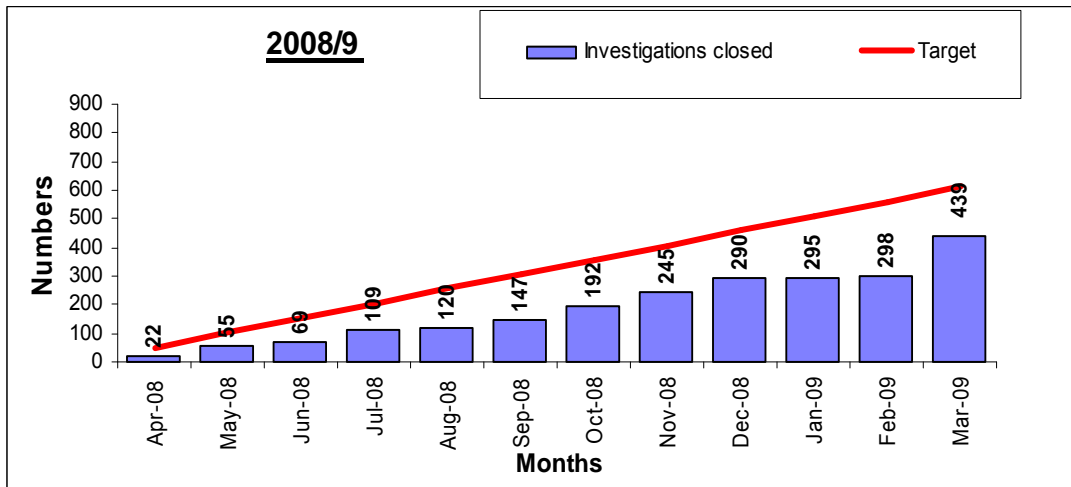
Financial implications and risks:

The Benefits Service administers HB/CTB on behalf of the Department for Work and Pensions who provide the Council with 100% subsidy for the expenditure it occurs from payment of HB/CTB. However, subsidy is reduced where overpayments occur as there is an expectation that Councils will recover the overpaid HB/CTB. The DWP will allow 40% subsidy in the case of fraudulent overpayments.

Therefore the work of the Benefit Investigation Team regularly identifies losses which are to be recovered by the Council. There are however, 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.

<div style="border: 2px solid black; text-align: center;">

BACKGROUND PAPERS

</div>

None

Havering
LONDON BOROUGH

11
REPORT

AUDIT COMMITTEE
08 12 2009

Subject Heading:	Internal Audit 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 inform the Committee of 'quarter two' audit progress information
Financial summary:	N/A

REPORT OF THE CHIEF EXECUTIVE

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1 July 2009 to 30 September 2009.

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 five sections.

Page

Section 1.   Audit Work 1 July – 30 September 2009   4

A summary of the progress made to deliver the plan in quarter two is detailed in this section of the report.

Section 2.   Management Summaries   5

Summaries of all final reports issued in quarter two.

Section 3.   Budget & Resource Information   30

The budgetary and resource position at the end of September are included for information.

Section 4.   Key Performance Indicators   31

The actual performance against target for key indicators is included.

Section 5.   Outstanding Audit Recommendations Tables   32

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

IMPLICATIONS AND RISKS

Financial implications and risks:

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

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.

Section 1   Audit Work 1 July 2009 – 30 September 2009

At the end of September 38% of the audit plan had been delivered. This was against a target for the period of 40%.

Schedule 1 details the work completed in quarter 2. Details are listed in the table below and management summaries under Section 2 starting on page 5.

SCHEDULE 1: 2009/2010 – Audits Completed

Report	Opinion	Recommendations				Ref below
		High	Med	Low	Total	
Fairkytes	Unqualified	1	2	1	4	**2**(1)
Homecare Income	Unqualified	0	1	0	1	**2**(2)
Contract Procedure Rules Compliance and Contract Monitoring	} Unqualified }	0	2	1	3	**2**(3)
Corporate Contracts	Unqualified	0	2	0	2	**2**(4)
Adult Learning	Unqualified	0	0	3	3	**2**(5)
Street Cleansing Management	Unqualified	0	2	1	3	**2**(6)
Parking Income	Unqualified	0	1	1	2	**2**(7)
Complaints	Qualified	2	4	0	6	**2**(8)
Oracle CRM & e-Procurement	Unqualified	0	6	5	11	**2**(9)
Burials (follow-up)	Unqualified	0	0	0	0	**2**(10)
Deputyships, Appointeeships, Client's Savings and Securities (follow-up)	Unqualified	0	0	0	0	**2**(11)
Server Virtualisation Initiative	Qualified	2	5	2	9	**2**(12)
E-payments (follow-up)	Unqualified	0	0	0	0	**2**(13)
Total		**5**	**25**	**14**	**42**	

Section 2   Management Summaries

Fairkytes	**Schedule 2(**1**)**

2.1   Background

2.1.1   The Fairkytes Arts Centre is used by up to 2,000 people per week and generated £151k of income during 2008/09.

2.1.2   The centre may hold workshops and classes for all, summer schools for children, exhibitions and children's shows as well as hiring out rooms for use by other groups and the local community.

2.1.3   Summary of Audit Findings

2.1.4   At times limited staff resources available within Fairkytes Art Centre raise issues such as security, health & safety as well as an overall effect on the day to day running of the art centre.

2.1.5   Testing on hire agreements to establish that relevant checks had been completed, prior to use of the premises, indicated that in two cases required evidence was not recorded.

2.1.6   Methods of taking credit/debit card payments are not in accordance with good practice. This was rectified at the time of the audit.

2.1.7   At the time of the audit no reconciliations were taking place between FIS and the Fairkytes cashbook, however, agreement on how this will be achieved has since been reached between the service and their finance support.

2.1.8   Questionnaires completed by members of the public were found to be confusing and not providing the appropriate management information.

2.1.9   Audit Opinion

2.1.10 As a result of this audit we have raised one high, two medium and one low priority recommendations.

The recommendations relate to:

- A review of the resources at Fairkytes Art Centre; (High)
- Hire agreements spot checked; (Medium)
- Reconciliation of income; (Medium)
- Review of collection of information from the public. (Low)

2.1.11 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.

| **Homecare Income** | **Schedule 2**(2) |

2.2 Background

2.2.1 The Service has approximately 1,600 live cases, involving the management of over £0.5M of accumulated client contribution debt. Each Homecare client is asked to undergo an assessment to establish their eligibility for care and financial ability to contribute towards the cost of the care provided within Havering's Fairer Charging Policy. Clients can be asked to contribute anything from £nil to £230, the latter being the maximum contribution under the Fairer Charging Policy.

2.2.2 Where only a part of a week's care provision is provided, clients only pay for the actual cost of their care up to and including their maximum assessed contribution amount. Adjustments to their accounts and weekly invoices are input manually. Should a client choose not to undergo an assessment, they are charged the full cost of their care.

2.2.3 The Homecare Income Service attempts to collect all re-chargeable client contributions, see these are accurately recorded, banked timely and intact.

2.2.4 Summary of Audit Findings

2.2.5 The Commissioning of the care is computerised using CM2000, but this does not yet include the re-charge of client contributions. The current charging system is an Access database, which acts as the principle financial record for outstanding contribution debts, with adjustments being made manually to it. The possibility of manual error is high and given that amendments can be undertaken solely by one officer, the ability to suppress charges cannot be overlooked. Should invoices be overlooked, disputed or understated, the likelihood of loss to the Council increases. There is a replacement database being developed which will be written into Oracle. This database will allow for the upload of information from CM2000 and Swift thus automating the adjustment function. Until the new database is complete, an exceptions report is used to scrutinise the manual amendments made to the database, however this will not provide a control against the possible suppression of invoices / debt.

2.2.6 The Service has begun to undertake recovery action, where appropriate, for currently incurred / outstanding debts. It has not however attempted any recovery action, outside of the corporate debt recovery process) against the more historic overdue accounts. All unpaid debts are identified and provision raised against a percentage being 'bad'. As the computerisation of many existing, manually performed functions takes hold, staffing resources will be freed to undertake greater and more robust debt recovery.

2.2.7   Currently, four of the five officers within the Homecare Income section, are employed through external agencies with the fifth being held on a temporary contract. Given the expertise of these officers, and the limited notice required from agency staff, the Homecare Income Service could quickly be rendered unable to fulfil its functions should a number of the key staff leave. It is understood that sanction has now been given to regularise the employment status of many key personnel within the section, currently employed through agencies, to provide greater abilities to retain these staff.

2.2.8   **Audit Opinion**

2.2.9   As a result of this audit we have raised one medium level recommendation

The recommendation raised relates to:

- The lack of verification or checks to the manual inputs and actions required in contribution invoicing changes, which could result in possible invoice suppression.

2.2.10 An **unqualified** audit opinion has been given as the audit found that the system of control is generally in place and action is already in-hand to address outstanding service risks.

Contract Procedure Rules Compliance & Contract Monitoring	**Schedule 2**(3**)**

2.3   Background

2.3.1   The Contract Procedure Rules form part of the Council's Constitution, they govern the process which must be applied before the organisation can enter into and manage a contractual arrangement.

2.3.2   The Contract Procedure Rules reflect both Domestic and European Law and were reviewed in 2008/09, prior to a programme of awareness/training sessions.

2.3.3   These audits have focussed on the central controls in place in relation to compliance with both legislative and council requirements when tendering and monitoring a contract.

2.3.4   In order to test compliance, ten contracts were selected at random for review. This sample excluded contracts within Social Care and Learning as these had recently been selected for review by Price Waterhouse Coopers, the Council's external auditors. Any specific compliance issues identified from this testing will be reported separately to the relevant officers.

2.3.5   Summary of Audit Findings

2.3.6   Sound procedures are in place to guide officers in the approved methodology for letting a contract and monitoring its performance. Training has been made available, on a voluntary basis, to officers and guidance is available on the Council's intranet.

2.3.7   There are currently limited actions in place to identify effectively where the procedures, and therefore controls in the process, have not been complied with. The responsibility currently lies with management to comply although the risks of non compliance would potentially have wider implications on the organisation.

2.3.8   The audit testing did identify some issues of non compliance.

2.3.9   The accuracy and completeness of the information on the Council's contracts register may not be sufficient to facilitate monitoring and sound business decision making.

2.3.10 **Audit Opinion**

2.3.11 As a result of this audit we have raised three medium priority recommendations.

Recommendations raised relates to:
- Compulsory 'e' training for relevant staff;
- Spot checks to ensure compliance; and
- Evidence to be submitted alongside Form L's for contract inclusion onto the register.

2.3.12 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.

Corporate Contracts	**Schedule 2**(4**)**

2.4   Background

2.4.1   Corporate Contracts allow the Authority to gain best value for money where procurers of specific goods and services have the same or similar needs across the Authority.

2.4.2   Reviews of spending patterns are a way of ensuring that wherever possible, Corporate Contracts can be established.

2.4.3   The London Borough of Havering is also part of the London Contracts and Supplies Group (LCSG). The LCSG allows the Authority the opportunity to enter into contracts already established by other London Boroughs.

2.4.4   Summary of Audit Findings

2.4.5   Whilst it is not deemed possible to implement controls to fully mitigate the risk of non compliance to corporate procedures, the continued provision of information to staff to ensure awareness and the educate staff may help in reducing the impact on the Authority.

2.4.6   There is a lack of management information being passed up the management chain in relation to non compliance with the Contract Procedure Rules specifically in relation to Corporate Contracts and off contract spend.

2.4.7   Audit Opinion

2.4.8   As a result of this audit we have raised two medium priority recommendations.

Recommendations related to the need for:
- All staff to be provided with regular updates regarding changes in relation to Corporate Contracts; and
- Robust management information to be provided to and reviewed by the Corporate Management Team in order for spend to be adequately reviewed.

2.4.9   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.

Adult Learning	**Schedule 2**(5)

2.5   **Background**

2.5.1   Adult Education refers to post 16 years learning. This is mainly provided through courses delivered by Havering Adult College. Provision is also made by the Youth Service, Leisure Services and schools.

2.5.2   The Council receives funding from the Learning and Skill Council (LSC) for the provision delivered by Havering Adult College. Currently the Council is in receipt of three LSC funding streams

1) Learner Responsive. This stream relates to the provision of courses offering employment related skills.
2) Employer Responsive. This stream relates to the provision of accredited courses for those in employment.
3) Adult Safeguarded Learning. This stream relates to the provision of non accredited courses including Family Learning, Family Literacy and Numeracy, Neighbourhood Learning in Deprived Communities and Personal and Community Development Learning.

2.5.3   The service is a member of the 'East London Partnership', comprising the London Boroughs of Barking & Dagenham; Redbridge; Tower Hamlets and Havering. It is the subject of peer assessments from within this group, and further inspections by the LSC and OFSTED. As such this audit did not seek to cover ground that is already undertaken by these external bodies.

2.5.4   Havering Adult College works in partnership with employers, voluntary and community organisations, local groups and individuals to meet the needs of learners. .

2.5.5   **Summary of Audit Findings**

2.5.6   Havering Adult College adheres to the guidance set by LSC. The condition of funding contract which specifies the funding streams was found to have been appropriately signed.

2.5.7   There are two main providers of adult education courses within the borough, Havering Adult College and Leisure Services. Leisure Services courses are delivered mainly at the Fairkytes Centre and Emerson Park School and are 100% Council funded. Although there are a few accredited courses the majority of provision is non accredited, with the main motivation for participation being pleasure.

2.5.8   OFSTED undertake inspections of Havering Adult College. Their last inspection made a few recommendations but concluded that the college is making steady progress toward addressing the community needs for both accredited and non-accredited learning.

2.5.9 There was also a peer review report that offered recommendations for improvements however as these were not mandatory they have yet to be implemented.

2.5.10 Both Havering Adult College and LBH Leisure Services carry out monthly budget monitoring to identify overspends. The LSC also undertakes periodic reviews of the programmed contract delivery and use of funding.

2.5.11 There was evidence to indicate some duplication of effort on courses offered, between the Adult College and Leisure Services. The college is currently working on benchmarking its courses to similar colleges elsewhere to ensure value for money is offered. Annual feedback is obtained from course clients by both providers through the use of survey questionnaires.

2.5.12 Regular reports are produced by the college for the LSC..

2.5.13 Overall a good degree of fairness was found in the provision of courses offered by Havering Adult College and Leisure Services. Both adequately provide courses that meet the needs of the community. The college meets most of its targeted client groups but falls short in adult male participation. Black & minority ethnic participation aligned to that nationally.

2.5.14 Although there are no formally documented disaster recovery procedures at the College or Fairkytes Centre, informal arrangements for course delivery exist that are considered sufficient and user data is protected by the Council's normal ICT recovery arrangements.

2.5.15 **Audit Opinion**

2.5.16 As a result of this audit we have raised three low priority recommendations.

Recommendations relate to;

- Consideration of the peer review recommendations;
- Minimising duplication in course effort; and
- Attracting greater course participation from male members of the community.

2.5.17 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.

| **Street Cleansing Management** | **Schedule 2**(6) |

2.6 Background

2.6.1 StreetCare provides a range of statutory services on behalf of the Council. Within StreetCare is Environmental Services. Environmental Services are responsible for maintaining the Borough's roads and footways.

2.6.2 The Street Cleansing team, is part of Environmental Services and, is responsible for ensuring the cleanliness of the Borough's 1,230,632 linear metres of highway and 2,522,587 square metres of footway.

2.6.3 In 2008/09 the budget for Street Cleansing was £4,736,100. This budget pays for the provision of services to tackle issues including fly tipping and graffiti.

2.6.4 Summary of Audit Findings

2.6.5 Inconsistencies were identified between the central record of training received by staff and the retention of evidence within individual staff files.

2.6.6 Weaknesses were found in relation to the performance monitoring of staff by supervisors, potentially impacting on the performance figures currently being reported to Senior Management. Similar issues were found regarding the completion of supervisor inspections.

2.6.7 The current Business Continuity Plan for Environmental Maintenance is dated July 2006. No recommendations have been made regarding this issue as management were already aware of this issue. Recently, the management team looked at the existing business continuity information contained within the Business Impact Assessment database, a full update has been arranged for October 2009.

2.6.8 Audit Opinion

2.6.9 As a result of this audit we have raised three medium priority recommendations.

Recommendations related to the need for:
- A consistent approach to the recording and retention of training documentation;
- Update of paperwork used; and
- Appropriate sign off and supervisory checks be completed to give assurance that performance information is robust.

2.6.10 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.

Parking Income	**Schedule 2**(7)

2.7   Background

2.7.1   The regulation of available parking space within Havering is a very necessary function but however a very visible and often a contentious one.

2.7.2   The Council operates a number of car parks, charging various tariffs depending upon the car park's locality and the day of the week the facility is used. On-street parking provisions, such as meters or pay and display parking are also operated.

2.7.3   With the need to regulate on-street parking also comes the requirement to take enforcement action against those who choose not to pay or park illegally. This is achieved by the issue of Penalty Charge Notices (PCNs). The Traffic Management Act (TMA) 2004 provides the guidance as to how this enforcement function should be carried out and this has been adopted by Havering.

2.7.4   The Council has automated much of its PCN issuing and enforcement using a bespoke computer system 'Chipside' that progresses each step in the enforcement chain from the issue of the PCN to, if necessary, the application for a bailiff's warrant to permit the forcibly recovery of the outstanding PCN fine.

2.7.5 Summary of Audit Findings

2.7.6   Council parking procedures take into account changes in circumstances and income trends are tracked by the use of 'Chipside' and the Council financial accounting package 'FIS'.

2.7.7   'Chipside's' configurations are compliant with the TMA, therefore, manual intervention is only required to cancel/withdraw a PCN or to write-off a debt as irrecoverable.

2.7.8   Although PCN enforcement is now automated, individual members of staff have the ability to cancel these without management monitoring or confirmation. It is acknowledged the volume of PCNs is large but the present system could permit suppression to take place and prevent the Council from receiving full value.

2.7.9   Residents and business permits sales are made to applicants whose homes or businesses are within Controlled Parking Zones (CPZs). There is also availability of visitors permits although limits are applied to prevent abuse. Permit sales are recorded on 'Chipside'.

2.7.10 Car parking, pay and display and meter incomes are kept under dual control and banked daily via Group 4 security. Other income received normally uses the Council's main receipts or accounting systems.

2.7.11 Much greater use of the 'Chipside' system is now being made for PCN income, allowing good levels of comparison data to be available to management. Car parking income is tracked by the Parkeon or Metric systems. Blue badge issues will also be transferred to 'Chipside' shortly. Work is currently being undertaken to align 'Chipside' with FIS to allow accurate reconciliations to be made.

2.7.12 **Audit Opinion**

2.7.13 As a result of this audit we have raised one medium priority recommendation and one low priority recommendation.

The recommendations raised relate to:

- Monitoring or confirming cancelled PCN's, to prevent possible suppression (Medium); and
- Exploring if further 'post write-off' value can be obtained from the possible sale of recovery rights to unpaid PCN debt. (Low)

2.7.14 An **unqualified** audit opinion has been given as the audit found that the system of control is generally in place.

| **Complaints** | **Schedule 2**(8) |

2.8   Background

2.8.1   The Corporate complaints process was approved by Cabinet and then implemented in September 2008. This new process replaces the previous arrangement.

2.8.2   A MORI survey and comparisons with other organisation indicated, the former complaints procedure was deemed to be in need of improvement. The survey identified only 26% of Havering residents are satisfied with complaints handling compared to London average of 32% and 36% in England.

2.8.3   A six month review was due to take place to ensure the new complaint process as well as the Customer Relation Management (CRM) which records complaints were working as intended. This review has been delayed due to resource constraints.

2.8.4   In order to ensure complaints are dealt with promptly and efficiently, the original business case identified a dedicated complaint support team was to be established. The current complaint support team is not solely responsible for complaints but also has other call centre responsibilities. Some responsibilities and duties have yet to be transferred to the Complaint Support Team but have remained with the CRM Project Team.

2.8.5   **Summary of Audit Findings**

2.8.6   There is no resource solely dedicated to the management of the corporate complaints process. Instead, this duty has been added to an already existing post within Customer Services. As a result, control and ownership of the process must be established within service areas to ensure the objectives of this system are achieved.   The required controls have not been consistently implemented.

2.8.7   Some complaints which go directly to the service areas may not be logged onto the corporate complaints system by those services or officers reducing the usefulness of management information and potentially leading to unidentified non compliance with procedures and timescales.

2.8.8   The management information currently used could be improved to better drive improvements in the organisations performance.

2.8.9   Some complaints are incorrect or incomplete when entered onto the system causing inefficiencies in the process.

2.8.10 The facility to change a complaint to a service request or cancel a complaint is not restricted or monitored.

2.8.11 CRM is unable to interface with other council systems, which have been cited by users as causing inefficiencies in the process, however, this would be costly to rectify.

2.8.12 Some complaint owners require further training and support in using the system.

2.8.13 There is some unwillingness to use the corporate system to log and deal with complaints as it is perceived that the corporate system is adding to the workload of officers dealing with complaints and therefore reducing the time available to actually resolve issues and respond to residents.

2.8.14 **Audit Opinion**

2.8.15 As a result of this audit we have raised two high and four medium priority recommendations.

The recommendations relate to:

➢ Identification of complaint champions within service departments (High)
➢ Management information produced. (High)
➢ Reminders and training for staff on logging complaints. (Medium)
➢ Monitoring of status changes. (Medium)
➢ A review of the Council's website. (Medium)
➢ Review of the CRM systems functionality. (Medium)

2.8.16 A **qualified** audit opinion has been given as weaknesses have been identified in the system of control, which could result in key risks materialising including the failure to respond to complaints in a timely manner. However, resources are now being put in place to strengthen this system of control.

| **Oracle CRM & e-Procurement** | **Schedule 2**(9) |

2.9   Background

2.9.1   CRM and e-Procurement form part of the Council's Oracle e-Business suite of software which also includes the integrated financials system. The systems are contractually covered under the Oracle e-Business suite support arrangement and share a number of system controls relating to password access controls and Oracle's audit trail facility.

2.9.2   The e-Procurement element of the system was implemented in 2006 and was audited shortly after its implementation. Since the last audit the system has been upgraded to include e-invoicing, which allows the initial purchase orders to be converted into an invoice. The system is currently primarily used for the purchasing of office goods such as stationery, as well as some other services, however, it is intended that the purchase of IT hardware will soon be permitted using this system.

2.9.3   e-Procurement system development and management is administered by two e-Procurement advisors within the Business Development unit. Username and password access is administered by the Systems team within Financial Services.

2.9.4   CRM is not used to log all customer queries. Calls and queries relating to areas such as payments and council tax are addressed directly in their respective applications, resulting in CRM being by-passed. The system has been in operation since 2002 for Street Care and September 2008 for Corporate Complaints. CRM users consist of Call Centre and Public Advice and Service Centres (PASCs) staff, as well as back-office staff within multiple Council services.

2.9.5   The CRM system is administered by the CRM Support team, Customer Services Development Team. There is one system administrators in this team responsible for all aspects of user and system management. Back up is provided by the Development Officer or the Development Manager within the team.

2.9.6 **Summary of Audit Findings**

2.9.7   A number of recommendations have been made as a result of user access control testing to the Oracle system. There is currently no strict system enforcement of password expiry and password history is not set to remember previous passwords used and passwords are not required to be constructed of alpha/numeric characters.

2.9.8   Although user set up requires the use of standard access request forms, changes to user setup in e-procurement, are not captured in standard forms. Also for e-procurement, there is not always the facility on the form used to

authorise system access for management to authorise the set up of the users on the system.

2.9.9 There is currently no restriction for users when using the e-procurement module and ordering items on cost centres that they do not have responsibility for. Currently staff can make purchases across all cost centres if their requisition is authorised by an appropriate approver.

2.9.10 There is currently no defined CRM strategy for the continued development of the CRM system within the organisation. The initial strategy was developed in 2001 and has not been updated since then. Currently the CRM system is not used to log all residents interaction with the Council.

2.9.11 When users are using the e-procurement module there is currently no process to verify if sufficient funds exist in the cost centre to support the goods being purchased in the cost centre.

2.9.12 Some service requests on the CRM system have been closed despite the request still being active. There were also a number of corporate complaints that had been marked as not a complaint. Therefore indicating that some calls have been incorrectly categorised.

2.9.13 Processes for allocating user access within Oracle and system administration functions differ between the two areas audited (CRM and e-Procurement). User password changes are set at different values and the review of security violations are not regularly communicated to the CRM team for review.

2.9.14 Users are currently able to authorise their own access requests within the CRM application.

2.9.15 There is currently no field validation on the GL date field and it is possible to select a value that is in the past however this is only able to be in the current open period.

2.9.16 The use of CRM Universal Work Queue is currently not always used and instead there is a reliance on emails to the back office to track CRM interactions with the back office.

2.9.17 Testing identified multiple incomplete requisitions which remain on the system without having been approved, these date back to 2007 and 2008. No report is run by the e-Procurement team to follow-up and cleanup incomplete requisitions on the system.

2.9.18 Disaster Recovery (DR) for the systems is based on TSM backups and offsite tapes held at Mercury House. Written DR procedures do not currently exist, and it is intended that these will be created as part of a current project to revise Disaster Recovery within the Council. Central IT staff responsible for DR are trained on new Oracle versions to ensure that they have the

required skills to recover the database. As part of the current DR project the Oracle e-Business suite will be moving to a new data centre. The project is currently in the 'Discovery phase' where information about the applications and their interfaces is being gathered. As a result we have not raised a specific recommendation pertaining to disaster recovery.

2.9.19 **Audit Opinion**

2.9.20 As a result of this audit we have raised 6 medium priority and 5 low priority recommendations.

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

- Password expiry, complexity and history controls be strengthened; (Medium)

- System administrative responsibilities are clearly defined and standardised to avoid inconsistencies and inefficiencies between Oracle functions; (Low)

- The ICT Network Access e-form be modified to ensure users cannot approve their own forms to request their own access; (Low)

- The use of e-forms in e-Procurement user access processes should be modified to better mitigate the risk of unauthorised access; (Medium)

- e-Procurement should be restricted to ensure the requisitioning of goods, is restricted to only authorised individuals who have authority to purchase goods on the cost centre; (Low)

- Validation controls should be placed over the GL Date field on e-Procurement to ensure a date in the past cannot be selected; (Low)

- Incomplete requisition, that have been deemed by administrators to be outdated and no longer required, should be removed from the system where appropriate to ensure the e-Procurement only displays current requisitions; (Medium)

- Insufficient budgets should be identified by the e-Procurement system at time of requisitioning goods; (Medium)

- The strategy for CRM development should be redefined to identify the future direction of CRM within the Council and the expected areas for the development of CRM within the Council; (Medium)

- The use of emails with back office systems should be avoided where CRM has the capability to accommodate communication relating to service requests; (Low) and

- Sufficient notes be entered against CRM service requests and service request identification should be improved. (Medium)

2.9.22 An **unqualified** audit opinion has been given as the audit has found there is a basically sound system of internal control, with weaknesses which may put some of the Council's objectives at risk.

Burials (follow-up)	**Schedule 2**(10)

2.10   Introduction

2.10.1 This audit has been undertaken in accordance with the 2009/10 Internal Audit plan. The audit looked at the controls in place over Burials and Protection of Property

2.10.2   Progress Implementing Recommendations

2.10.3 The audit found some weaknesses within the control environment and as a result fourteen recommendations were raised including; one high priority, nine medium and four low priority recommendation, all of which have been set out in detail in the attached schedule

2.10.4 A follow up audit has been carried out to review the progress made to implement the recommendations raised during the initial audit

2.10.5 Set out below is information regarding the recommendations and the current position regarding their implementation

Recommendation Category	Rec No	Present Position
Low	1	Implemented
Medium	2	Closed
Low	3	Implemented
Low	4	Closed
Medium	5	Implemented
Medium	6	Implemented
Low	7	Closed
Medium	8	Implemented
Medium	9	Implemented
Medium	10	Not Implemented
Medium	11	Closed
Medium	12	Implemented
Medium	13	Implemented
High	14	Implemented

2.10.6 Audit Opinion

2.10.7 An unqualified opinion has been given as nine recommendations have been implemented, four have been attempted but cannot be implemented and one is reliant on external policy guidance which is yet to be received

 * *The additional information requested during the September Committee meeting has been communicated to the Member concerned outside the Committee.*

Deputyships, Appointeeships, Residents Savings and Securities (follow-up)	Schedule 2(11)

2.11 Introduction

2.11.1 This audit has been undertaken in accordance with the 2008/09 Internal Audit plan. The audit looked at the controls in place over Deputyships.

2.11.2 Progress Implementing Recommendations

2.11.3 The audit found some weaknesses within the control environment and as a result eight recommendations were raised including; one high priority, six medium and one low priority recommendation, all of which have been set out in detail in the attached schedule.

2.11.4 A follow up audit has been carried out to review the progress made to implement the recommendations raised during the initial audit.

2.11.5 Set out below is information regarding the recommendations and the current position regarding their implementation.

Recommendation Category	Rec No	Present Position
Medium	1	Implemented
Medium	2	Implemented
Low	3	Implemented
Medium	4	Implemented
Medium	5	Implemented
Medium	6	Implemented
High	7	Implemented
Medium	8	Implemented

2.11.6 Audit Opinion

2.11.7 An unqualified opinion has been given as all recommendations have been implemented.

2.11.8 Recommendation 2 has been implemented and complete, but due to the Interim Manager Modernisation leaving the Council's employment, a new mandate is currently being raised.

Server Virtualisation Initiative	Schedule 2(12)

2.12 **Background**

2.12.8 The effective use of server virtualisation technologies can help organisations improve the efficiency and availability of resources and applications. Server virtualisation benefits can include reducing an organisation's carbon footprint, saving physical space through consolidation, reduction in hardware costs, reduced power consumption and the ability to rapidly deploy new systems assisting IT service continuity and disaster recovery arrangements.

2.12.9 The London Borough of Havering (LBH) has entered into a managed services agreement with ANIX to provide a hosted secure and resilient data centre with disaster recovery capabilities. The Council has established an Enterprise Project to oversee the delivery of this agreement including the setup and migration to the new data centre and recovery site. This initiative also includes a technology refresh which will use a virtualised infrastructure from VMware. The project will also require a full business transformation and restructure to be undertaken over the Business Systems department which will lead to significant organisational and cultural change. The project is currently in Phase One – Planning and Design Specification and is anticipated to be completed in quarter four of 2009/10.

2.12.10 Key project documentation has been prepared as required by the London Borough of Havering project management methodology including a Business Case, Project Initiation Document (PID), Risk and Issues logs, Highlight reports and Project Plan. Governance arrangements including a Project Board has also been established, which meets monthly and includes representatives from Business Systems, ANIX, Business Efficiency and the Programme Office. The Technical Design Authority (TDA) is also being used to provide technical quality assurance and fitness for purchase checks.

2.12.11 Under the agreement, ANIX are responsible for the design and implementation of the virtual infrastructure solution. ANIX have prepared a detailed design document to provide a highly available and resilient enterprise class VMware environment utilising ESX 3.5 and VirtualCenter 2.5. This solution has been developed using ANIX's baseline standard and incorporates requirements identified by the Council. The proposed solution will also make use of additional VMware modules (high availability and distributed resource scheduler).

2.12.12 As part of the service level agreement, ANIX are responsible for the management of IT service continuity and to demonstrate to the Council that the service meets the Council's recovery objectives. Disaster recovery arrangements will also be tested on an annual basis. Under the service level agreement, ANIX will also provide management, monitoring and incident support over the virtual infrastructure.

2.12.13 **Summary of Audit Findings**

2.12.14 The ANIX Enterprise project will lead to a transformation of the Council's ICT network and support for Business Systems. This project has been identified as a significant risk to the Council and therefore requires strong senior management direction to ensure the project objectives are successfully achieved. As a result it is critical that LBH have adequate and effective project management controls and governance arrangements in place. However, whilst a number of controls have been implemented to oversee the implementation of virtual infrastructure, these have not been adequately designed to ensure the solution is delivered on-time, within budget and consistent with management expectations. Consequently, significant proactive management is now required to bring the project back on-track.

2.12.15 As required by the corporate project management methodology, a Project Initiation Document (PID) was developed for the ANIX Enterprise Project. However, this document lacks adequate detail to provide a sound basis for defining and managing the project (including the delivery of virtual infrastructure) to successfully achieve its objectives on-time and within budget. It was also noted that the Havering project management team has not previously had the project and technical experience in migrating physical server environments to a virtual infrastructure.

2.12.16 As part of the business case and tender specification development, the Council undertook a virtualisation assessment which identified high-level business benefits. However, it was noted these benefits are incomplete and not linked to the Enterprise Project goals and objectives. Furthermore, no benefit realisation plan has been established for the project to help measure and monitor the achievement of benefits.

2.12.17 The Enterprise Project team have yet to develop a success or acceptance criteria to assess whether project deliverables are meeting the expectations of LBH management, stakeholders and end-users who are affected by the project outcomes.

2.12.11 Whilst fortnightly project highlight reports are prepared, they currently do not include rationale for any slippage on deliverables. The timing for completion of project deliverables has also not yet been determined. Furthermore, the Project Sponsor is not a member of the Project Board and their role and responsibility has not been formally defined.

2.12.12 A risk log has been established for raising and managing risks relating to the Enterprise Project and server virtualisation. However, it was noted that risks are inconsistently recorded and counter-measures are inadequate to provide the appropriate treatment of identified risks. Furthermore, risks raised in highlight reports do not correlate to the risk log.

2.12.13 ANIX has prepared a VMware virtual infrastructure detail document using their baseline solution. Whilst this document has an overview of the layout and configuration for the proposed solution, it does not give a detailed specification of the planned ANIX baseline virtual server configuration and settings (i.e. software patch management). Furthermore, this document does not effectively map the current existing physical solutions to the proposed virtual infrastructure or provide a detailed strategy and plan for migrating LBH applications and operating systems. It was also noted that the document refers to unsupported platforms such as Windows NT4.

2.12.14 Benchmarking of the Council's capacity management arrangements against the best practice Information Technology Infrastructure Library (ITIL) criteria shows that the Council's arrangements meet or exceed 56% of the ITIL evaluation criteria and are 78% above the industry average. However, it was noted that the Council currently monitors capacity requirements on a reactive basis and does not set or review targets/objectives. Furthermore, Havering does not have a formal capacity management plan or standards and other quality criteria applicable to capacity management activities explicit and applied.

2.12.15 The transition of network support arrangements to ANIX is expected to significantly change the existing roles and responsibilities of the Havering network support team and their involvement in managing the virtual infrastructure. However, the extent of changes to the network support team is unable to be determined until completion of the ANIX service catalogue review and Business Systems restructure. This also impacts the identification of skills and training requirements in order for the network support team to perform their future role.

2.12.16 ANIX's procedure manual for managing and monitoring the performance and availability of virtual infrastructure is unable to be clearly established and documented until the full extent of services outlined in the ANIX service catalogue and statement of work are reviewed, considered and agreed. It is noted that a formal Service Level Agreement (SLA) has been established based on initial support arrangements agreed within the managed services agreement. However, LBH responsibilities for monitoring compliance with the SLA are yet to be determined.

2.12.17 Audit Opinion

2.12.18 A **qualified** audit opinion has been given as the audit has found that the system of control is generally weak and we have raised two high priority recommendations, five medium priority recommendations and two low priority recommendations to enhance the control environment.

2.12.19 To further improve the existing control framework management need to ensure that:

- The Enterprise Project baseline documentation, including the Project Initiation Document, needs to be refreshed to help maximise the use of resources and harmonise the use of best practice standards. The project refresh should also involve conducting a workshop with all of the ICT and business stakeholders to reassess all aspects of the existing project framework, e.g. the role of the Project Sponsor should be formally defined and consideration given to the potential advantages of Project Board membership including HR and the Project Sponsor.

- The VMware virtual infrastructure detailed design documentation requires revision and update to adequately reflect the proposed software infrastructure components and include an effective application migration plan.

- A benefits realisation plan should be established and monitored for achievement of both the financial and non-financial benefits to be provided from the Enterprise Project (including the virtual infrastructure environment).

- The Enterprise Project Management team should develop suitable project success and acceptance criteria.

- An end-date should be established for the project, and the associated stages. The highlight reports should be prepared and communicated to management in a timely manner and must include comments on the accountability and rationale for any slippage in project deliverables.

- The Enterprise project risk log should be reviewed on a regular basis to ensure that risks are adequately and consistently evaluated. High level risks should be included within the fortnightly Project Board highlight reports.

- Existing capacity management practices are enhanced by including the development of a formal capacity management plan which is proactively monitored for achievement.

- The ANIX service catalogue review and Business Systems restructure are completed in a timely manner with impacts and changes to the network support team understood and applied. The training needs assessment should also be performed to help ensure the network support have appropriate skills to effectively perform their role.

- As part of the project pre-go-live deliverables, virtual infrastructure management and monitoring activities are formally defined and assigned within the ANIX procedures manual and the LBH service level compliance monitoring responsibilities.

* This audit will be followed-up in advance of the Audit Committee meeting of 8th December 2009, when a verbal updating report will be given to Members

E-Payments (follow-up)	Schedule 2(13)

2.13   Introduction

2.13.1 This audit has been undertaken in accordance with the 2009/10 Internal Audit plan. The audit looked at the progress of implementing recommendations raised as a result of the e-payments audit carried out in October 2008.

2.13.2 **Progress Implementing Recommendations**

2.13.3 The original audit found some of weaknesses within the control environment and as a result eight recommendations were raised: two high priorities, five medium and one low priority, all of which have been set out in detail in the attached schedule. Of these recommendations a total of seven were agreed by management.   At the time of the follow up four where due to have been implemented and the remaining three had a target deadline of December 2009.

2.13.4 Set out below is information about the recommendations and the current position regarding their implementation.

| Ref	Recommendation Category	Rec No	Present Position
1	High	R1	Implemented
2	High	R2	In progress – not due until December 09
3	Medium	R3	In progress
4	Medium	R4	Closed – Recommendation not accepted by management
5	Medium	R5	In progress – not due until December 09
6	Medium	R6	In progress – not due until December 09
7	Medium	R7	In progress
8	Low	R8	Partially Implemented

2.13.5 **Audit Opinion**

2.13.6 Due to the progress noted an unqualified opinion has been given, however efforts must be made to ensure all recommendations are implemented by the end of December, particularly those which are overdue and where external parties need to take action.

Section 3   Budget & Resource Information

2009/2010 Budget Analysis

Internal Audit (F620) 2009/10 Year to Date Expenditure and Forecast as at Sept' 2009

	As at June 2009	As at Sept' 2009	Forecast for Dec' 2009	Forecast for March 2010
Year to Date Budget (£)	104,901	243,294	345,413	460,100
Year to Date Actual or Forecast (£)	110,971	247,534	345,413	460,100
Variance (£)	**6,070**	**4,240**	**0**	**0**

Internal Audit Expenditure Year to Date and Forecast 2008/09
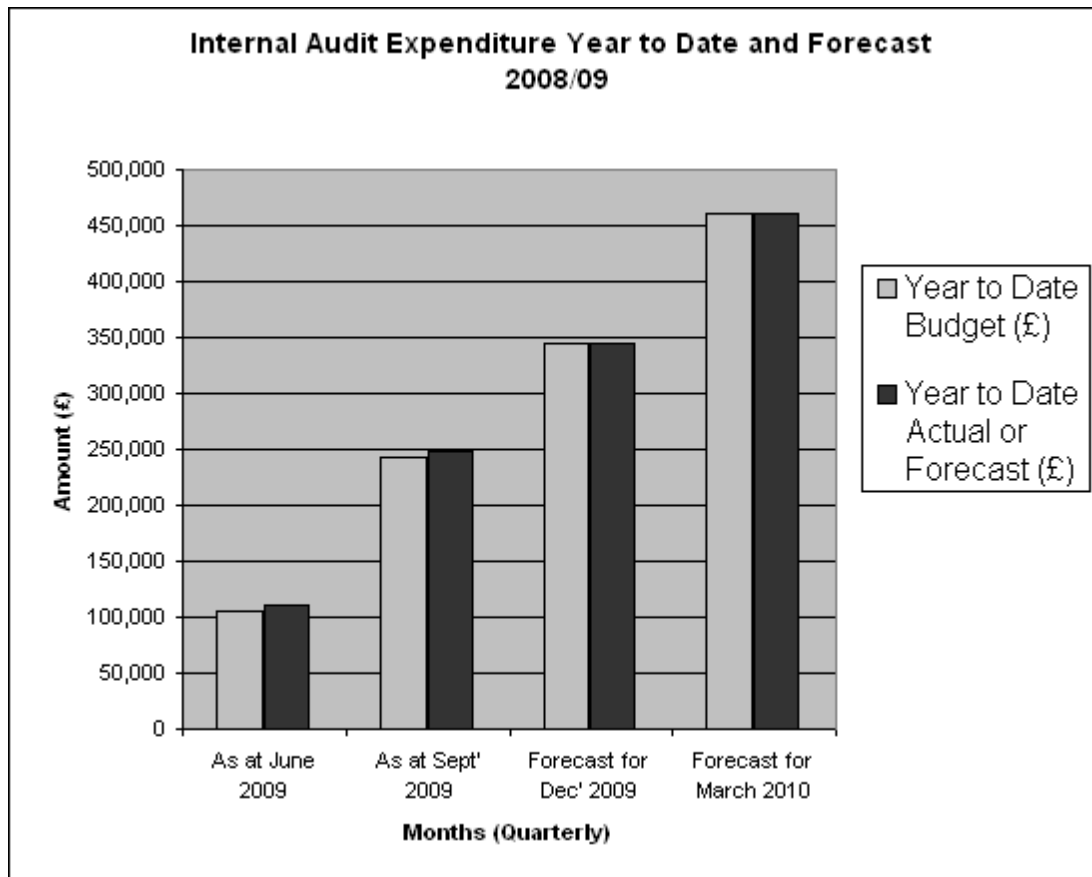
Quarter 1 variance due to incorrect budget profiling which has since been resolved.

Quarter 2 overspend due to full fraud campaign budget spent in first two quarters and IDEA training.

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 (%)												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Actual	5	10	15	23	30	38						
Cumulative Target	5	10	15	23	31	40	50	60	69	78	88	98

At the end of September the team is marginally behind target with 38% of the audit plan having been delivered.

KPI 01 - Brief issued												
	Apr	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Actual	3	15	20	24	34	43						
Cumulative Target	5	11	19	24	29	36	43	50	56	62	65	65

At the end of June the target of 36 briefs has been exceeded.

KPI 02 – Draft Reports												
	May	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**
Actual	0	5	9	17	20							
Cumulative Target	0	8	13	18	23	29	35	40	47	55	63	65

The issue of draft reports was behind target by three at the end of September however a number of audits are nearing completion so it is anticipated that performance will be back on track at the end of the next quarter.

KPI 03 – Final Reports												
	May	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**
Actual	0	2	1	10	14							
Cumulative Target	0	5	11	17	23	29	35	41	47	54	61	65

Performance against targets for final reports is lagging due to delays in issuing drafts in earlier months and responses not being received from management by required deadline. The team is chasing responses and will escalate via audit representatives in directorates if required.

Section 5 – Outstanding Audit Recommendations Tables

Categorisation of recommendations

High: *Fundamental control requirement needing implementation as soon as possible.*
Medium: *Important control that should be implemented.*
Low: *Action pertaining to best practice.*

Outstanding Internal Audit Recommendations – 2006/07

Review in 2006/07	HoS Responsible	Outstanding			Position as at end September 09		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Providing Services for the Physically Disabled	Adult Social Care	1	1		2		
Governance	Housing & Public Protection			1	1		
Liquidated and Ascertained Damages	Streetcare			1	1		
Total		**1**	**1**	**2**	**4**	**0**	**0**

Liquidated and Ascertained Damages has a revised deadline of August 2009, Governance has a revised deadline of December 2009 and Providing Services for the Physically Disabled now has a revised deadline of June 2010 for both recommendations. These actions are included in the planned 'Fairer Charging Policy Review' which has been delayed due to resource funding issues.

Outstanding Internal Audit Recommendations – 2007/08

Review in 2007/08	HoS Responsible	High	Medium	Low	Position as at end September 2009		
			Outstanding		In Progress	Not Started	Position Unknown
Street Lighting	Street Care		1		1		
Asbestos Management	Asset Management		1		1		
Cash and Bank	Asset Management	1			1		
Civil Contingencies	Development & Building Control		1		1		
Pensions	Exchequer Services			1	1		
Petty Cash	Finance & Performance		1		1		
Total		**1**	**4**	**1**	**6**	**0**	**0**

The Street Lighting recommendation has a revised date of November 2009.

All other recommendations are expected to be implemented by December 2009.

Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end September 09		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Small Works Project	Adults Social Care		1		1		
E Payments	Business Systems		4	1	5		
Commissioning of Works	Asset Management	3			3		
Licensing	Environmental Health	1			1		
Burials	Adults Social Care		2				
Total		**4**	**7**	**1**	**10**	**0**	**0**

The Small Works Project has a target date of August 2009

All other 2008/09 recommendations currently have target dates of December 2009 and beyond.

Havering
LONDON BOROUGH

12
REPORT

AUDIT COMMITTEE

8 December 2009

Subject Heading:	ADULT SOCIAL SERVICES REVIEW
Report Author and contact details:	Contact: James Goodwin Designation: Committee Officer Telephone: 01708 432432 E-mail address: James.Goodwin@havering.gov.uk
Policy context:	To review progress since the last review in September 2008
Financial summary:	

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   [x]
High customer satisfaction and a stable council tax   []

SUMMARY

The Panel had reviewed progress to ensure the recommendation agreed by the CMT had been implemented.

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RECOMMENDATIONS

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To note the report.

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REPORT DETAIL

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1.   Background

Last year a Review Panel comprising members of the Audit Committee and the Corporate and Adult Services Overview and Scrutiny Committees had met to investigate the budget problems experienced in 2007/8.

Having reviewed and discussed the circumstances, the Panel requested the Group Directors for Social Care and Learning and Finance and Commerce discuss with CMT the following:

- Systems are reviewed to ensure:
    a)   Clear accountability for data quality with adequate cross checks to validate accuracy and "smartness"
    b)   Links exist between financial and non-financial information, e.g. number of placements, and are used in managing the service
    c)   The establishment reconciles to the budget and is reported upon at the review meeting in 6 months.

- Group Directors should satisfy themselves that:
    a)   performance reporting, including finance, is robust and provides adequate challenge;
    b)   savings options being put forward are robust and sustainable.

- Audit recommendations are addressed promptly and Heads of Service report to Audit Committee to explain when this has not been achieved.

- Managers are encouraged to share problems they have in order to get support in resolving these.

These recommendations were discussed at the Corporate Management Team and agreed.

2.   Progress.

The Group Director Social Care and Learning assured the Panel that all the recommendations had been implemented. He met regularly with the Chief

Executive and Group Director Finance and Commerce to ensure progress was maintained.

A Medium Term Financial Strategy had been agreed and this included savings targets which were monitored through the monthly cycle. A robust process of budget setting included a reconciliation of budget and Establishment.

The budget outturn for 2008/9 provided a small under spend that was consistent with the monthly reporting. Current financial projections forecast that budget spending was on target for the current year.

A significant number of service improvements and efficiency gains had also been achieved, examples were:

- Closure of Winifred Whittingham and Elmhurst Residential Care Homes.
- Introduction of CM2000 across all domiciliary providers (this won a national award for innovation).
- The delivery of the Carer's Strategy and introduction of the Carer's Card and Single Point of Contact.
- Implementation of the Day Opportunities Strategy.
- Successful piloting of the Individual Payment Card for users to purchase their own care.
- Development of a comprehensive reablement service including the opening of Royal Jubilee Court Reablement Service.
- 35 service users had moved onto individual budgets.

As of August this year there were only two outstanding Audit recommendations both from June 2009.

Support to managers had been addressed in a number of ways, through supervision and Personal Development Plans, provision of mentoring and Action Learning sets, delivery of specific training in partnership with finance colleagues and through the monthly Performance Monitoring meetings.

3.   Conclusion

Whilst some further work was necessary cultural change in the department was progressing and the necessary restructuring proceeding. These changes were developing from a much firmer base.

The Panel recognised the progress that has been made and have confidence that the systems now in place will prevent any further significant problems

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IMPLICATIONS AND RISKS

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Financial implications and risks:

The budget monitoring process now incorporates good use of Business Objects reports which extract placement data from SWIFT (Client, date entered the service, length of stay, cost per week. Moving forward, data control needs to be benchmarked to ensure consistent quality standards across the services. Responsibility within the Service needs to be clear, a systems protocol is recommended.

The checking of this activity information is a monthly exercise in conjunction with the budgetary control cycle, and as a longer term check finance also analyse actual payments in the Finance System to compare to the SWIFT provision information to pick up anomalies.

Activity data per client for external homecare has been less readily available but robust monitoring of payments to individual providers in Oracle has enabled Finance to forecast expenditure and it is hoped that reports will soon be available from the Care Monitoring 2000 system to improve this.

Much work was done by finance during 2009/10 budget development to reconcile the establishment to the staffing budgets available and this has been achieved in most areas with the exception of Physical Disabilities, Commissioning and Performance. An MTFS pressure was entered for 09/10 to resolve these issues; however, any prospective restructure should take account of this available budget. The pressures need to be revisited as part of 10/11 budget development taking into account the impending Commissioning restructure. In Physical Disabilities a lot of work enabled the establishment to fit more closely to budget available but there are still some unfunded vacant posts. There are also some posts where the long term strategy needs to be worked up in terms of pressures in the service and existing budget. For the purposes of the budget books and budgetary control, any posts that are unfunded are reported separately so that this can be managed.

Budgetary control and monitoring meetings take place on a monthly basis with Finance and the relevant Cost Centre Mangers. The forecast is reported and verified by the Head of Service before being reported to Corporate Finance and CMT members for inclusion in the monthly performance reporting pack.

The Adults Transformation Programme is being rolled out which encompasses various initiatives such as the Daycare review, Purchase Cards, PA Commissioning and the Resource Allocation Questionnaire.

There is a Programme Board in place which oversees such activities, which are in line with the national Personalisation agenda.

Savings options as part of the 2009/10 MTFS were reviewed in May 2009 for robustness and are be monitored on an ongoing basis. Further 09/10 savings and future savings are being allocated against budget lines and will be monitored going forward.

The changes introduced over the last year have reduced the financial risks associated with Adult Social Care to a level where these can be managed appropriately within the Authority's normal financial management arrangements. It is important implemented controls and procedures are maintained and built on to ensure the position remains transparent and any emerging pressures, for example as a result of changing demographics, are picked up and addressed on a timely basis.

Legal implications and risks:

None specifically from this report

Human Resources implications and risks:

None specifically from this report

Equalities implications and risks:

None specifically from this report

BACKGROUND PAPERS

Notes of the meeting of the Review Panel held on 1 October 2009

Havering
LONDON BOROUGH

AUDIT COMMITTEE **SUPPLEMENTARY AGENDA**		

7.30pm	**Tuesday,** **8 December 2009**	**Havering Town Hall,** **Main Road, Romford**

Agenda items 6 and 9 are submitted with the agreement of the Chairman as an urgent matter, pursuant to Section 100B (4) of the Local Government Act 1972

Item 6

ANNUAL AUDIT LETTER

Report attached

Item 9

ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

Report attached.

For information about the meeting please contact: **James Goodwin (01708) 432432** **E-mail: james.goodwin@havering.gov.uk**

Audit Committee, 8 December 2009

6

AUDIT COMMITTEE

REPORT

08 12 2009

Subject Heading:	**Annual Audit Letter 2008/09**
Report Author and contact details:	**Owen Sparks (Financial Services Manager)** Telephone: 01708 432203 Email: - owen.sparks@havering.gov.uk
Policy context:	Updates the Audit Committee on the external Auditor's annual letter for 2008/09.
Financial summary:	Implications of audit recommendations are considered when they are accepted. There will be some additional cost of implementing IFRS, which is still to be quantified

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   [X]
High customer satisfaction and a stable council tax   [X]

SUMMARY

This report updates the Committee on the external auditor's annual letter for 2008/09.

RECOMMENDATIONS

Audit Committee is asked to: -
   a) note the contents of the report;

   b) note the report will be presented at Cabinet on the 16th December 2009 including the recommendation to delegate the monitoring of the Annual Audit letters' recommendations to the Audit Committee.

REPORT DETAIL

Each year the Council receives an Annual Audit letter setting out a summary of audit and inspection results, which support the CAA process.

The Annual Audit letter relating to 2008/09 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, with the exception of valuation advice which is likely to involve additional cost.

Discussions with the Council's external valuer are under way to determine the exact scope of the services required. A resolution can not be reached until the final accounting guidance is issued by CIPFA and this has been discussed with the external auditor.

There are no other 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

*There is a **statutory** obligation to list papers relied on in the preparation of the report,* **unless:**

1   *It is an exempt report*

2   *Papers relied upon are already in the public domain as "published papers". This can include: books, magazines and newspapers; Government publications; Council publications (including previous reports and minutes of meetings)*

November 2009

London Borough of Havering
2008/09 Annual Audit Letter

PRICEWATERHOUSECOOPERS 🅿

The Members
London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BB

12 November 2009

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2008/09 audit. We look forward to presenting it to members on 8 December 2009.

Yours faithfully

PricewaterhouseCoopers LLP
Encs

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

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. 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 to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. 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.

Contents

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2008/09 audit work we have undertaken at the London Borough of Havering that is accessible for 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 2008/09 financial statements, dated 30 September 2009, incorporating the conclusion on Use of Resources;

- 2008/09 Report to those charged with Governance (ISA (UK&I) 260), dated 4 September 2009; and

- Report to the Chief Executive following the conclusion of our Use of Resources work, dated 7 October 2009.

The matters reported here are those that we consider are most significant for the Authority 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 Authority 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 Authority's Annual Governance Statement;

- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and

- undertaking any other work specified by the Audit Commission.

Our 2008/09 audit work has been undertaken in accordance with the Audit Plan that we issued on 17 June 2008.

Audit findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 30 September 2009.

We identified the following key issues from our audit which were included in our report on the accounts presented to the Audit Committee, as those responsible for governance at the Authority, on 15 September 2009:

- **Accounting treatment of assets under the course of construction:** At any point in time, the Authority has a range of capital projects in operation. As a result, at year end there may be projects which are incomplete and should be classified as 'assets under construction'. Assets under construction are recognised at cost and treated as non-operational, until they are brought into use. Our review of the Authority's draft accounts noted that it did not account for 'assets under construction' separately in the balance sheet. Through discussions with management, the final accounts were amended in this respect. £1.3m of assets were transferred to the assets under construction category as at 31 March 2009 and this approach will be adopted to account for assets under construction going forward.

- **Infrastructure impairments:** Local authorities are expected to account for infrastructure assets at cost. The Authority currently writes off some of the costs on smaller schemes as it did not have the detailed analysis necessary to comply with the expected accounting practice. Going forward, the Authority will consider ways in which it can comply more fully with the requirements and in the interim has revised its disclosed accounting policy to reflect the current treatment of these costs.

- **Systems of internal control:** As part of our work on the audit of accounts we documented and assessed the control systems and processes supporting financial reporting. We drew attention to areas where there were potential risks which could be addressed by modifying or strengthening controls in our report to the Audit Committee. We recommended modified checks on the processing controls for business rates to reflect the revised arrangements for this service and stronger monitoring and authorisation procedures for the operation of school bank accounts.

We have reported all of these matters to Management and agreed and appropriate course of action. We will follow up the implementation of our recommendations next year.

Use of Resources

The Audit Commission requires us to assess the overall arrangements that the Authority has in place in the following three areas:

- Managing finances;

- Governing the business; and

- Managing Resources.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE) and reached a score for each based on the following:

1. Failure to meet minimum requirements – inadequate performance;

2. Meets only minimum requirements –performs adequately

3. Exceeds minimum requirements –performs well; or

4. Significantly exceeds requirements – performs excellently.

The scores for these KLoEs then determines the overall score for each area, using rules issued by the Commission. The Commission in turn then determines an overall score for the Authority.

Managing Finances

We have scored the KLoEs for managing finances reporting as follows:

Key Line of Enquiry		Score
1.1	The Authority plans its finances effectively to deliver its strategic priorities and to secure sound financial health	3
1.2	The Authority has a sound understanding of its costs and performance and achieves efficiencies in its activities	3
1.3	The Authority's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people	2

The Council plans its finances effectively in consultation with its partners and the local community to enable it to direct money to areas of strategic need and to demonstrate improvements in priority service areas. A robust Capital strategy is in place covering an 8 year period with funding plan in place linked to agreed capital priorities. The Council's improved financial strength and forward financial planning has been underpinned by creating a £17m strategic reserve. The Council understands its costs, and has shown how whole life costing has been used to improve the efficiency of service delivery. It has exceeded its efficiency targets; the total savings figure delivered to the end of 2007/08 was £22.3m, of which £17.3m was cashable against a target of £13.3m. It has put in place capacity to analyse and deliver improvements in its efficiency and improve services. Financial Reporting is generally sound but could be improved.

We drew attention to the following examples of areas for improvement:

- Review the form and content of external reporting to provide a more rounded and accessible summary of financial and service performance.

- Agree actions to deal with the small number of areas of non-compliance with local authority accounting practice and continue to monitor and liaise on new developments.

- Continue to refine the budget monitoring reports for Members to ensure reports meet their needs.

Governing the business

We have scored the KLoEs for governing the business as:

Key Line of Enquiry		Score
2.1	The Authority commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money	3
2.2	The Authority produces relevant and reliable data and information to support decision making and manage performance	2
2.3	The Authority promotes and demonstrates the principles and values of good governance	2
2.4	The Authority manages its risks and maintains a sound system of internal control	2

The Council has built capacity during 2008/09 to enable it to take a corporate approach to delivering improved commissioning, efficiency and improved interaction with its customers. It bases its performance on reliable data which is reviewed regularly by officers and Members and has lead to improvements in outcomes in Adult Social Care, Parks and Open Spaces and Libraries. The Council's governance arrangements are sound and it has developed an approach to assist in working effectively with partners. The system of internal control generally meets expected standards and the quality and effectiveness of internal audit and the Audit Committee continue to improve. If this rate of improvement is sustained it would be reflected in higher scores in these areas in 2010.

We drew attention to the following examples of areas for improvement:

- Continue to work with NHS Havering to develop and implement strategic commissioning based on the Joint strategic Needs Assessment to ensure appropriate services are commissioned for all residents in need.

- Strengthen data security and business continuity arrangements.

- Ensure that the agreed improvements to partnership agreements and arrangements for consultation on the value for money of particular partnerships are implemented.

- Consider the scope to increase reliance on the framework of internal control assurance and to incorporate more added value work in the internal audit programme.

Managing resources

We have scored the KLoEs for managing resources as:

Key Line of Enquiry		Score
3.1	The Authority makes effective use of natural resources	2
3.2	The Authority manages its assets effectively to help deliver its strategic priorities and service needs	3

3.3	The Authority plans, organises and develops its workforce effectively to support the achievement of its strategic priorities	N/A

The Council understands and can quantify its use of some natural resources and can identify the main influencing factors. It can demonstrate that it has taken specific actions to reduce its impact on the environment and has worked with partners on a range of projects which have taken into account the joint impact on the environment. The Council has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes. It actively monitors the performance of its assets to ensure that they are fit for purpose and provide value for money. In redeveloping its Libraries and through its Office Property Strategy the Council has worked with partners and community groups to maximise the use of its assets for the benefit of the local community.

We drew attention to the following examples of areas for improvement:

- Strengthen performance monitoring for the main indicators for environmental sustainability and monitor the effectiveness of the Sustainability Impact Appraisals

Conclusion on Use of Resources

We were also required to issue a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on the Authority's arrangements for its Use of Resources on 30 September 2009.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS) which is included in the financial statements.

We reviewed the AGS to consider whether it complied with the relevant guidance and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern in terms of

the content of the statement.

Treasury Management

The Authority had £12.5m invested in Icelandic Banks and has accounted for these investments and the potential for losses in line with guidance prepared for local authorities. The potential losses as at 31 March 2009 were calculated at £2.7 million and the Authority has taken this into account when assessing its level of reserves and its financial projections.

Alongside our audit work, we carried out a separate review of the Council's treasury management activities in 2008. The review concluded that although the Council's arrangements were similar to those we had seen in other places there was a need to broaden the range of measures used by the Council to assess the suitability of financial institutions with whom it might invest. In view of the greater risks apparent in 2008, the Authority had already implemented a number of measures to strengthen its arrangements and has taken account of our recommendations as part of its revised arrangements. As a result, we did not identify any issues of concern based on the scope of a subsequent programme of work on Treasury Management mandated by the Audit Commission in 2009.

Members' Allowances

As part of our work on Use of Resources we reviewed the Council's scheme for members' allowances. This work was also mandated by the Audit Commission. We considered whether the Council is complying with the regulations applying to Members' Allowances schemes, and whether they have made the required disclosures in respect of the scheme. We did not identify any matters of concern.

London Borough of Havering Pension Fund

We have completed our audit of the Council's Pension Fund and did not identify any significant issues to be brought to the attention of the Pension Fund Panel. We issued an unqualified opinion on the Pension Fund accounts on 30 September 2009.

Matters affecting future accounting periods

Transition to International Financial Reporting Standards (IFRS)

There are proposed changes to the basis of financial reporting which are being introduced across the public sector. This will apply to accounting periods starting on or after 1 April 2010. Because of the need to have comparative information for the first set of full IFRS accounts the effective date of the transition is 1 April 2009. The Council will need to be aware of the additional requirements for assets and transactions that will be required to comply with IFRS from this date.

In advance of full adoption, the 2009 SORP adopts IFRS accounting principles for PFI schemes and similar service arrangements. Under IFRS there is an expectation that more of these types of schemes will be accounted for as "on balance sheet", in contrast with current practice under UK GAAP and the SORP, where many schemes are predominately accounted for as "off balance sheet".

The Authority will need to ensure that it has a good grasp of the changes to accounting requirements and that it has robust plans in place to enable collection and processing of the information needed to comply with the new requirements.

In our experience the key features of a successful IFRS conversion project have proven to be:

- Completed impact analysis and comprehensive conversion plans;

- The commitment of key stakeholders in the organisation;

- Operational steering and technical groups;

- Cabinet/audit committee oversight;

- Regular progress reporting against the plan;

- The necessary project management resources; and

- Appropriate and timely training for all members and officers with IFRS involvement.

Summary of recommendations

Page	Recommendation	Management Response	Target Implementation Date
5	**Business Rates Shared Service Agreement** The Authority should include in its shared service arrangement the provision of assurance over the operation of the systems and processes operated by the shared service provider.	The service agreement will be reviewed to ensure that adequate risk management arrangements are in place. The authority will ensure that sufficient comfort can be obtained through the controls and processes that deliver services to its resident businesses.	1 April 2010
5	**School Bank Accounts** The Authority's rights to information should be reflected in bank mandates to open and operate school bank accounts. The Authority should also review value for money considerations of schools setting up their own bank accounts against the potential efficiencies to be achieved from the Authority consolidating its banking arrangements with a single provider.	The closure timetable will be updated to include a process to review any changes in schools' banking arrangements and obtain any new authorities required. The Authority will not become a signatory. In addition the Authority will seek to include schools within its corporate banking contract and will ask the banks to consider the level of service they can provide to the schools.	1 March 2010

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LONDON BOROUGH

AUDIT COMMITTEE

08 12 2009

9 REPORT

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 review the Committee's role as having overall responsibility for overseeing Risk Management arrangements.

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

3. To approve the Risk Management Strategy, Appendix A, incorporating any amendments from recommendation 1.

4. 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

5. 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 November 2009.

2. The annual review notes that the Council has been working 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 reported to the Risk Management Group.

3. The first phase of this work was to establish current arrangements and acknowledge recent developments and the potential impact of these going forward. A significant change to risk management in 2008/09 included the further integration of risk management in the service planning process and the introduction of new service plan templates. The inclusion of the service plans onto the Havering Performs (HP) system in 2009/10 brought about a second significant change, as this meant that risk is not reported in the same way. Although the long term plan is to have risk reported alongside performance in HP compensating processes have had to be applied in the interim period. The interim arrangements have been designed to ensure the processes have remained robust and have been communicated to Senior Management for implementation. The third change to the arrangements meant that risk registers would no longer be reviewed bi annually by Internal Audit as it was deemed that Risk Management was sufficiently embedded to business processes to make this inflexible control obsolete.

4. The second phase of this work, with ZM, therefore focused on updating the current Risk Management strategy to reflect these changes and to go on to consider its robustness to stand up to the new tougher challenges the organisation will face under the CAA regime. This review is complete and a revised strategy is attached at Appendix A.

5. Key changes to the strategy are outlined below for information:

- Evidencing actions, and the monitoring of actions, coming out of the risk management process clearly in risk registers or within separate action plans.
- Red risks at service level are reported and discussed at management team meetings.
- Matrices for Service Risk Registers to facilitate easier review at management team.
- Clear and evidenced processes for quarterly review of the register and escalation of risks as required.
- Headline red risks reported to Audit Committee.
- Ensure Council's processes overlap are also fed by and feed into Risk Management for the Havering Strategic Partnership.

6. Following Member approval of the Strategy, further actions are planned:

- Update officer guidance and the intranet in accordance with new strategy;
- Undertake a risk exercise with Corporate Management Team;
- Attend Directorate and Service Management Teams to workshop risk;
- An interactive Risk Management workshop with Audit Committee members and Risk Management awareness sessions with other Members;
- A review of the roles of the Risk Management Group and the Risk Management Sub Group; and
- Develop Governance / Risk Management arrangements within partnerships.

7. 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;
- Peer review, with cooperation from other authorities;
- Training and awareness sessions and bulletins to be discussed at team briefs; and
- Staff poster on awareness of managing risks.

8. The Corporate Risk Register has also been reviewed and is attached as Appendix B. In doing so the, Corporate Management Team have:

- Confirmed their existing controls are still in place.
- Reviewed actions planned and annotated:
  - o what has been completed;
  - o which, as a result of (i) could therefore be moved into existing controls;
  - o added any new actions planned.
- Reviewed their risk rating pre and post planned actions and amended as necessary.
- Advised of any new risks that should appear, keeping it to a manageable number.

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:

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

RISK MANAGEMENT STRATEGY

(Version 7. November 2009)

1

Contents

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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)   Implementation of the new 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.

e)   Positive feedback from External Audit regarding the Key Lines of Enquiry within the Use of Recourses assessment contributing to a strong overall assessment for the authority – this will be evidence via the auditors reports presented to Audit Committee.

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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 Best Value reviews of Services; and
- Monitoring arrangements on an on-going basis.

CHERYL COPPELL
CHIEF EXECUTIVE

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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 theirs 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.

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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.

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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).

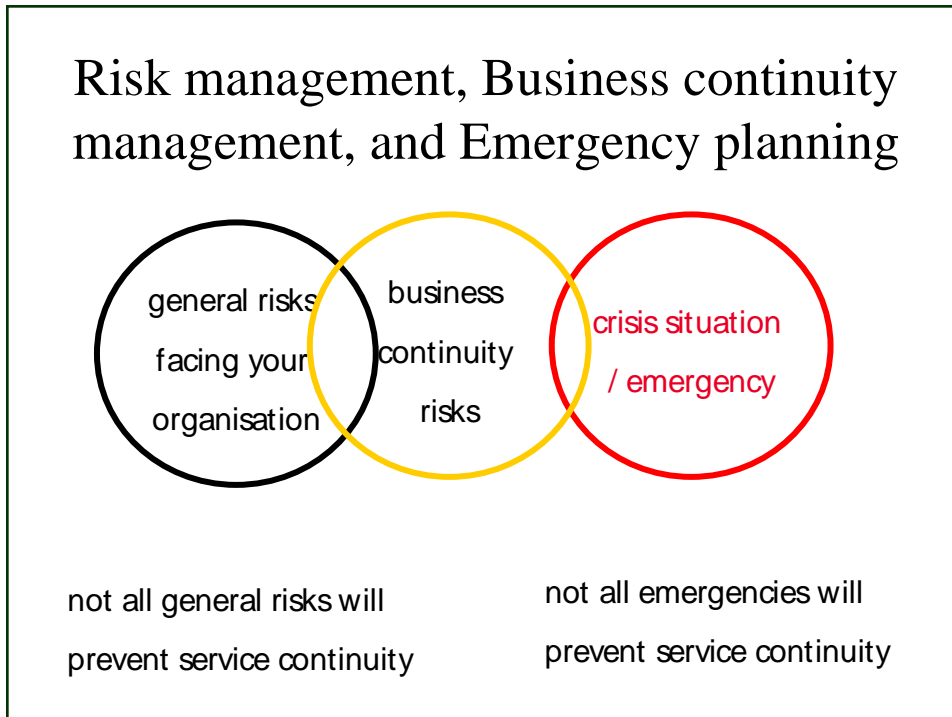## National drivers behind strategic risk management

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, (formerly Statement on Internal Control). This looks at a number of key areas, including ensuring an effective risk management system is in place.

- Within the Use of Resources assessment, the Audit Commission specifies risk management as a key discipline that public sector organisations should be carrying out. This assessment includes a 'Key Line of Enquiry', 2.4, specifically around whether the organisation has effective and embedded risk management arrangements. This will examine a number of areas including whether an organisation has assessed the risks inherent in its corporate and service plans, projects and partnerships. It also looks for evidence of a robust risk management strategy and approach that is used in planning and delivering services.

- 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, Business continuity management, and Emergency planning

general risks facing your organisation

business continuity risks

crisis situation / emergency

not all general risks will prevent service continuity

not all emergencies will prevent service continuity

- **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 - The authority is currently developing a robust approach to partnership working, of which risk management will be a key aspect. The approach taken will be 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.

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;

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- 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 Corporate 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

S:\BSSADMIN\Committees\Audit\2009\1208\Item 9 Appendix A - Risk management Strategy November 09.doc

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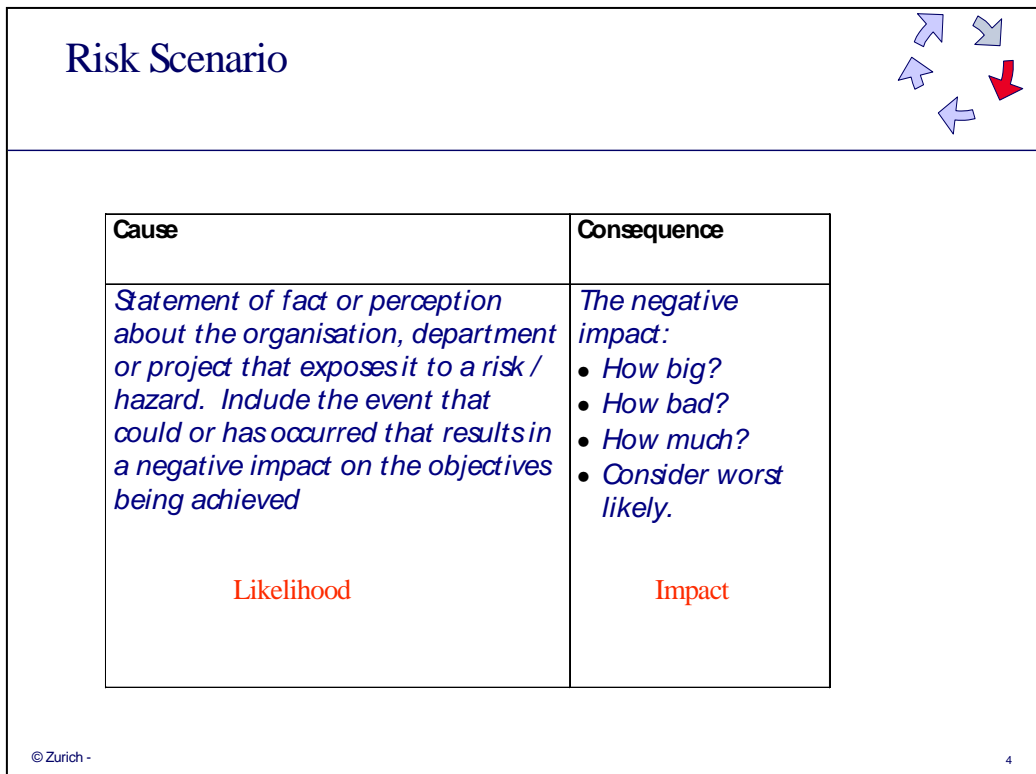
Each risk scenario is logged on the respective risk register, these registers could be potentially strategic, against a specific Service Plan, or relating to a project or partnership. The purpose of the risk register is to store details of the risk, its likelihood and impact (see stage 3) and mitigation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

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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.

Likelihood
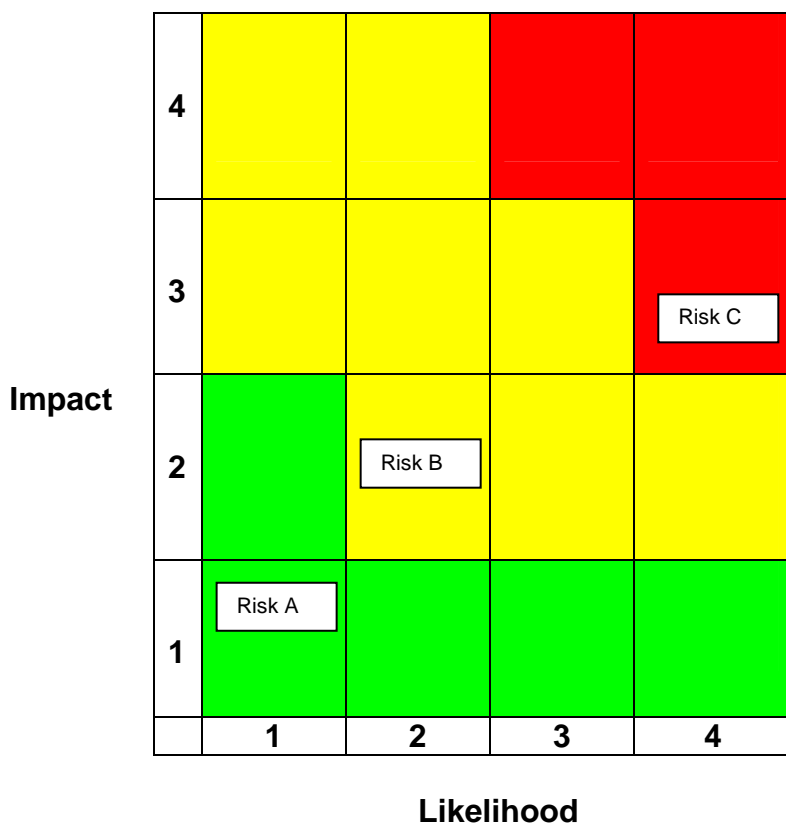
Figure 3: Example of the Council risk matrix

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

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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 and therefore contributing towards the Use of Resources standards for risk management:

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.

The Corporate Area Assessment brings new challenges and sound management of risks and relationships with partners will be key to success in this assessment. Resources are focused on ensuring that our risk management processes continue to adapt to the changing demands the organisation faces.

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

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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.

<u>Conclusion</u>

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 next annual review of this strategy is planned to take place during October 2010.

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

Corporate Risk Register   **December 2009**

Risk				Counter Measures	Assessment			
No.	**Vulnerability**	**Trigger**	**Consequence**	**Existing Controls / Actions and Where**	**Likelihood**	**Impact**	**Risk Rating**	**Change since last time**
1	**Recruitment and Retention** 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.	Havering fails to attract and retain quality staff	- 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	- Staff development (PDPAs, 1 to 1s, induction) - Some recruitment and retention packages - Reassessment achieved for corporate IiP - 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 - IiP health check - Agency Review - Competencies Framework being rolled out - CEME as a dedicated training site - Training and Development standards set - Apprenticeship scheme in place	1/4	2/4	2/16	↓
	Risk Owner: Andrew Blake Herbert							

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
2	**Succession Planning** The Council has an increasing age profile across its workforce. There is little new blood and succession planning. Budget constraints may inhibit capacity to develop staff.	Significant numbers of staff retire / leave simultaneously	- Loss of key skills / experience - 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	- 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) - Youth network established	2/4	1/4	2/16	↓
	Risk Owner: Andrew Blake Herbert							
3	**Organisational capacity/capability** (i) The Council undertakes a variety of long term projects, which require effective overall project programming (ii) A proportion of	(i) Project programming is ineffectively managed (ii) Some managers are unable to deal with, for example, a sensitive	- 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 more	- 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 reviews	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
	managers have proven technical expertise but lack the more general management skills such as people and business management (iii) Absence management. Havering 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.	personnel/management competency issue. Some managers are unable to show effective leadership or business skills (iii) The programme is unsuccessful and levels of staff absence remain high, or increase	- 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	- IiP accreditation - Legislation tracking - Competency Framework - Council restructure and creation of Assistant Directors - Increased electronic arrangements eg HP				
	Risk Owner: Cheryl Coppell							
4	**Community Engagement**	Lower than expected scores for CAA	- Council's external reputation damaged - Council uses more resources	- Successful CPA report and 3 star rating - Performance Management in place - Monitoring of inspections/audit	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
	Our latest CPA rating is 3 stars. CPA is now replaced by CAA. 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. 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.	The public are unsure of what the Council does (well) and only hears bad news about the Council. Breakdown in community relations, intergenerational issues and political activism may all impact negatively. Socio-economic factors may also contribute, as negative preconceptions may increase further. Breakdown in community	fire fighting the fallout from CPA - "Eye taken from strategic objectives" - Threat of intervention increases - Ability to access funding damaged - Disappointment amongst staff and members leading to morale problems - Staff criticised - Recruitment and retention problems - Public perception of the Council diminishes and therefore overall user satisfaction - Complaints outweigh compliments - Staff morale suffers - Front line staff do not act as advocates - Council suffers low self-esteem - Plans difficult to implement - Council struggles to move forward - Key opinion formers in the community not engaged	recommendations - Improvement & Delivery Board and other formal processes to manage performance in place - High Corporate engagement in CAA - Communication and consultation strategies - Local Offices/PASC - "Living" now fortnightly - 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				

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	Havering has one of the largest shopping centres with 10,000 visitors to the market on 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.	relations, intergeneration al issues and political activism may all impact negatively. 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	- 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.	- 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				

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
		further impacts upon this.	- Havering becomes a focus for local/national media. - Issues are highlighted on a national & international platform. - Havering's image is tainted. - Council's reputation is at stake. - Council has significant and negative issues to manage. - Divisions within local groups are difficult to heal.					
	Risk Owner: Cheryl Coppell / Cynthia Griffin							
5	**Causing harm to people we owe a duty of care** Havering provides high profile and high risk services and employs a significant number of staff.	Serious injury or fatality to staff member/service user leading to sustained media, legal and audit attention	- Someone is hurt or dies - HSE prosecution - Service is frozen - Financial penalties incurred - Negative impact on rest of organisation - Loss of confidence in management - Criticism of officers - Reputation of council damaged	- Health and Safety Management System agreed and in place - H & S budgets in place - H & S action plans in place - Risk assessments - Management inspections - Directorate and corporate H&S advisors - Insurance in place - Corporate Health and Safety Group and coverage - Risk Management Group and coverage	1/4	4/4	4/16	=

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
			- Recruitment is inhibited - Loss of quality staff - Loss of confidence in council - Loss of public trust	- 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	**Children's Act: Every Child Matters** Implementation of the Children's Act involves major strategic, cultural and operational changes for the Council. Children's Services represent a significant proportion of the Council's overall budget and manage some of the most high profile	Project is ineffectively managed Additional referrals following baby P overload service	- System fails and a child dies or is injured - Delays in implementation - Resources wasted - Costs increase - Opportunities missed - Lose confidence of key stakeholders - Staff morale declines - Objectives not achieved - Vision of Children's Act not achieved - Adverse inspection - Adverse publicity - Failure to progress	- Strategy for Implementation and Action Plan agreed at Cabinet - Model of workstreamed with designated HoS as Leads - CYP Plan sets out priorities. Plan has been renewed and reported to Overview and Scrutiny. - Operational plans in place to ensure delivery - Monitoring by GOL, DfES. APA grading was high - JAR inspection October 2006 - High rating - JAR Action Plan - CYP plan reviewed and implemented -Ofsted rated as good – 2009 Additional resources allocated to safeguarding children	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
	services delivered by it. ECM must be joined in with the Corporate issues, e.g. health housing		Children's Trust -Failure in an unannounced inspection -failure in a children's services inspection	-independent chair of safeguarding Board appointed -review of safeguarding undertaken new member monitoring process in place				
	Risk Owner: Andrew Ireland							
7	**Lack of Infrastructure Development** The east of London and Thames Gateway will be subject to massive housing development. This will assist in meeting affordable housing targets which are a challenge. Key concerns however are that: (i) increased levels of housing must be accompanied by improved levels of infrastructure within the Borough, e.g. transport; (ii) new housing meets the targets.	Infrastructure development does not match housing development levels e.g. road improvements, hospitals, schools. Land for development is not available and homes developed fall well short of targets. CLG/LTGDC/GLA/Housing Corporation do	- Demands on services increase - Infrastructure and transport, including congestion, is put under pressure - Borough becomes less attractive to employees/residents - 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 - Increased recruitment/retention issues for public bodies including	- Operation of London Thames Gateway Development Corporation - Continued involvement in Thames Gateway "family" - Establishment of Planning Framework - Maximising of borough influence with CLG/LTDC/GLA/Housing Corporation etc - Development of detailed proposals for area action, e.g. Rainham, Rainham Marshes - Implementation of Romford and Hornchurch Urban Strategies - Develop partnership with PCT and bringing forward primary health facilities - Agreement of clear Havering Regeneration Strategy - Ensure S106 agreements are delivered, including LTGDC area - Use of LDF to guide development - Use of Planning Delivery Grant although reducing to improve planning processes - Development of wider Rainham Strategy	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
		not prioritise Rainham for investment.	Havering - 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					
	Risk Owner: Cynthia Griffin							
8	**Adult Transformation** There is a whole change programme incorporating on service improvement, budgetary control, and service transformation to the Personalisation of self-directed care model within Adult Social Services	Inadequate systems Service overspends budget Non delivery of aspect Delays.	- Budget instability and overspends - Needs being met inappropriately - Services are not appropriate - Failure to meet performance and transformation target.	- Budget monitoring system brought in line with Council model - Local action plan is monitored and reported - Strategic review of service delivery - Continue with the system integrity project and improve control and information - Improved income systems - Overall improvement plan in place by interim management support (moved from Further actions planned) - Identifying and tracking demand and cost of provision	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
				- Contracts being looked at Transformation Project Board in place -service upgraded to 2 star in 2009 CQC assessment				
	Risk Owner: Andrew Ireland							
9	**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)	- 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 lack of preparedness - Council unable to demonstrate correct procedures - Operating in contravention of legislation - Censure by audit/inspection	- 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 - Website advice in place - Increased awareness being undertaken - Flu spend protocol - BC now part of all system audits - Emergency spend protocol	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
			- Adverse publicity					
	Risk Owner Andrew Blake-Herbert							
10	**Partnerships** 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	Partnership members work to different priorities/objectives and the partnership struggles to deliver	- 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 - Failure to deliver good CAA results - Data quality amongst partners 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 - Positive feedback from CA - Partnership toolkit relaunched to be applied to key partnerships - Awareness of financial issues - Split risk HSP and partnerships - LAA 2 in place - Closer working with PCT and health developed. Risk assessments for key partnerships	2/4	4/4	8/16	=
	Risk Owner: Cynthia							

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	Griffin							
11	**Financial Arrangements and Resource availability** (a)Grant reductions widely predicted following General Election by May 2010 Havering faces challenging financial times; one of the highest Council tax levels, but lowest levels of Government aid. (b) Council fails to set a robust budget and/or fails to set an appropriate level of reserves and contingency (c) Central Government offers streams of funding for some key projects and local authorities must bid for these. (d) There is a concern	Council will need to identify ways of substantially reducing expenditure Possible failure to meet targets and outcomes previously set Council fails to take some tough/innovative decisions on spending plans for the future. There is an unexpected financial burden with significant consequences. Council misses a possible	- 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	- 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	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
	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. (e) Tighter budgets will require more accurate monitoring to avoid overspend	external funding opportunity.	- Need for material in-year savings or S114 notice					
	Risk Owner: Andrew Blake Herbert							
12	**Housing** The Council does not have sufficient funding to meet the decent homes standard for its housing stock within any reasonable period due to Government withdrawal of funding and likely changes in housing funding regimes The route it has chosen to achieve this is an	Changes in Government funding priorities	- Investment in transfer process wasted - Staff demoralised - Members and officers in conflict over outcome - Council must review its options with time running out - Decent homes may not be achievable Tenants forced to live in homes that need investment	-judicial Review of Government funding withdrawal -Further review of any other options to improve stock - Mardyke Delivery Plan completed 1 April 2008 and follow up work in hand	4/4	4/4	16/16	↑

Risk				Counter Measures	Assessment			
No.	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	Likelihood	Impact	Risk Rating	Change since last time
	'Arms Length Management Organisation' The ALMO has financial difficulties.							
	Risk Owner: Cynthia Griffin							

13	**Credit Crunch And Economic Climate**
	
	The current economic climate is challenging in a variety of ways for the Community and Council
		Lack of Funding
		
		Partner/supplier financial collapse
			- Increased community as users eg employment, financial hardship, debt
			- Financial strain on country
			- Delay on ceasing of capital schemes
				- Bridge funding to provide capital support
				- Monitoring of Dashboard indicators assessing Community impact
				- Action plan in place covering
				   • Industrial support
				   • Business support
				   • Coping within the Council due to increased demands on services
				- Website launched
				- Risk Assessing and monitoring key suppliers
				- Regular review matters against other authorities
				- One off Council investment in a number of initiatives
				- Council wide meetings taking place to discuss issues
					3/4	3/4	9/16	=

	Risk Owner: Cynthia Griffin							
14	**Information Governance/Data**	Loss of or inappropriate	Investigation by Information Commissioner.	Information Security policy and procedures. Information Governance added to Governance	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
	Quality The Council holds significant and varied data some of which is personal and must be appropriately protected. The quality of data is inadequate to underpin the Council's performance management and decision-making processes	access to data. National Indicators are qualified by external/ internal audit Poor use of resources assessment	Reputation damage. Information is uncontrolled and used inappropriately Information for decision-making is unsuitable, leading to poor/unsupported decisions being reached Qualifications via external agencies which feature in CAA	Group agenda to ensure clear roles and responsibilities. Internal audit review underway. 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 - HP system in place - Unqualified audit opinion on NIs received from internal audit - Processes in place to collect NI data - 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 reviewed to consider further implications on information governance, security and records management - Records management policy available giving guidelines on document retention for all services. - The Council's Information Governance policies will be further reviewed by audit to assess further actions to be taken				

Risk				Counter Measures	Assessment			
No.	**Vulnerability**	**Trigger**	**Consequence**	**Existing Controls / Actions and Where**	**Likelihood**	**Impact**	**Risk Rating**	**Change since last time**
	Risk Owner: Andrew Blake–Herbert / Cynthia Griffin							

GRAPHICAL SUMMARY OF CORPORATE RISKS   **DECEMBER 2009**

Impact		Likelihood 1	Likelihood 2	Likelihood 3	Likelihood 4
	4	5. Causing harm to people we owe a Duty of care (Christine Dooley)	10. Partnerships (Cynthia Griffin)		12. Housing (Cynthia Griffin)
	3		8. Adult Transformation (Andrew Ireland) 3. Organisational capacity/capability (Cheryl Coppell) 6. Children's Act: Every Child Matters (Andrew Ireland) 4. Community Engagement (Cheryl Coppell or Cynthia Griffin)	13. Credit Crunch (Andrew Blake-Herbert) 7. Lack of Infrastructure Development (Cynthia Griffin) 14 Information Governance/Data Quality (Andrew Blake-Herbert Cynthia Griffin) 11. Financial Arrangements (Andrew Blake-Herbert)	
	2	1. Recruitment and Retention (Andrew Blake-Herbert)		9. Business Continuity and Emergency Planning (Andrew Blake-Herbert)	
	1		2. Succession Planning (Andrew Blake-Herbert)		
		1	**2**	**3**	**4**

Likelihood