



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.30pm	Tuesday, 09 December 2008	Havering Town Hall Main Road, Romford
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Members 8: Quorum 3

COUNCILLORS:

Conservative Group (5)

David Grantham (C)
Frederick Thompson (V.C)
Gary Adams
Michael Armstrong
Roger Ramsey

Residents' Group (2)

Clarence Barrett
Andrew Mann

Rainham Residents Group (1)

Mark Stewart

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NOTES ABOUT THE MEETING

1. 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.**

2. 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.

3. 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 Committee meeting held 16 September 2008 and to authorise the Chairman to sign them.

5. ICELANDIC BANK BRIEFING (*Verbal*)

6. EXTERNAL AUDIT PROGRESS REPORT

7. INTERNAL AUDIT PROGRESS REPORT

8. HOUSING BENEFIT FRAUD REPORT

9. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS (including progress report for Quarters 1 and 2 of 2008/09)

10. 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.

Cheryl Coppell
Chief Executive

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
16 September 2008 (7.30pm – 10.00pm)**

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), Gary Adams, Roger Ramsey and Frederick Thompson.

Residents' Group Clarence Barrett and Andy Mann

Apologies were received from Councillor Michael Armstrong.

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.

The Chairman also welcomed representatives of Audit Commission.

There were no declarations of interest

10 MINUTES

The minutes of the meeting held on 25 June 2008, were agreed as a correct record, subject to the following amendment and signed by the Chairman.

Item 6 should read in the third paragraph: 'Examples of how the Council has responded as part of the Internal Audit process were provided.'

11 EXCLUSION OF THE PUBLIC

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of section 1 of Part I of Schedule 12A to the Local Government Act 1972 which could reveal the identity of a individual and it was not in the public interest to publish this information

12 PERSONNEL ISSUE

The Group Director Finance and Commerce provided an overview regarding an individual case raised by Members at the last meeting. Additional information was also provided by the Head of Children and Young People's Services. The Committee received the report and noted the actions taken by officers. Detailed are contained in an exempt appendix (Appendix One) that is not in the public interest to publish as it could reveal the identity of party concerned.

At the conclusion of these discussions the public were welcomed back into the meeting.

13 ANNUAL GOVERNANCE REPORT 2007 – 2008

The report was presented by the District Auditor, Audit Commission who advised the Committee that the report was nearly completed and apologised for its late availability. The processing of the reported accounts was going well, with the final quality assurance procedures being completed and it is anticipated that an unqualified opinion will be given which will feed into the use of resources judgement.

The District Auditor took Members briefly through the report and highlighted the following points:

- The financial statements of the Council and its Group that were submitted for audit were complete and were supported by comprehensive working papers.
- During the audit a material amendment was made to the Housing Revenue Account (HRA) to correctly disclose impairment charges. This amendment does not impact on the bottom line of the HRA.
- A re-classification was required on the Council's balance sheet and in the Pension Fund accounts to improve disclosure of the year end debt owed by the Council to the pension Fund.
- Several Deferred Government Grants are being written down at a different rate to the assets that they are funding. Audit work is ongoing to quantify their extent.
- As was the case last year, some delays were experienced in obtaining information for the cut-off testing. However, the process undertaken to produce the group accounts including the agreement of inter party balances with the ALMO, showed significant improvement.
- The Council continues to streamline its accounts closure process without incurring additional costs

Members' attention was drawn to the key areas of judgement and audit risk, the accounting practice and financial reporting and the recommendation of the report.

In response to Members' questions the District Auditor explained the treatment recommended for the Council's pension fund monies and how this was invested within the Council's Treasury Management systems.

Last year the Council made changes to reduce the number of adjustments required.

The committee received and **noted** the contents of the Annual Governance Report.

14 AUDIT COMMISSION PROGRESS REPORT.

The Audit Manager, Audit Commission presented the report to the Committee. An unqualified opinion was expected with regards to the accounts audit.

The following points were highlighted for Committee Member's benefit:

- The Council had undertaken its self assessment for use of resources and this was followed by two briefing sessions with the Audit Commission.
- The Audit Commission was in the process of completing the Grants Claim audit.
- Reference was made to the latest 'KLOE' regarding staff retention and the recently issued report entitled 'Tomorrow's people: Building a local government workforce for the future.'

In answer to a question the Committee heard that the Council compared favourably to other local authorities on the issue of staff retention. However, the challenge of the demands from the 2012 Olympics was also noted. The October Cabinet would receive the Workforce Strategy.

The committee **noted** the contents of the Audit Commission progress report.

15 REVIEW OF SCHOOLS INTERNAL AUDIT 2007/8.

A report on the Schools audit was presented by the Schools Strategic Finance Manager.

Members' attention was drawn to table two which confirmed that the majority of schools had received a 'substantial' level of assurance, with only one providing 'limited' assurance.

The number of recommendations was slowly reducing year on year as schools become more familiar with the reporting requirements.

A revised appendix 2 document was issued to Committee Members showing some additional information. A total of 599 recommendations had been made, of which 81 had not to-date been implemented. These were drawn to Members attention. An explanation of the financial standards was given to the Committee.

Members posed questions relating to a recent press report concerning a local secondary school which had accumulated a significant deficit. Members expressed concerned that this had not been raised by the Council's Schools Auditor in their reports.

The Schools Strategic Finance Manager explained that these reports consider the position against specific audit criteria which does not solely focus on the existence of a deficit but more on the future processes employed by the school to eliminate the deficit position. More stringent and robust procedures have now been put in place to improve financial budgetary management at the school

The meeting heard that local ward Members had met the Head Teacher and Governing Body to investigate ways the Council could help. Prior to the meeting they were unaware of any difficulties as the Schools Auditor's reports made no mention of any problems.

The Schools Strategic Finance Manager advised the Committee that school budgetary positions are reported to the Schools Forum, although the Group Director Children's Services has been asked to provide an assurance to his Finance & Commercial counterpart before the statutory statement can be given on the Council's behalf.

Members enquired regarding the level of experience and expertise found on school governing bodies and whether the Council was in a position to offer support to governors. The Committee heard that training is regularly offered to governing bodies however it is unfortunately not always taken up.

Members were informed that the Council has issued a 'Notice of Financial Concern' to the school currently running the large deficit position and continues to monitor its efforts to improve its finances very closely. Members were concerned this had not been formally advised to Members, however the schools Strategic Finance Manager advised that the Lead Member had been advised.

The committee also expressed concern that other schools might be in a similar position without their knowledge. Members asked what steps could be taken to avoid similar situations arising. It was noted a review was taking place.

The Schools Strategic Finance Manager advised the Committee that Schools need to seek approval to run a deficit financial position. The ultimate sanction available to the Council is for it to withdraw delegation from the school; however the first step would be to issue a Notice of Financial Concern. In Comparison to neighbouring local authorities the Council's systems and procedures were considered good.

The Committee **noted** the contents of the report.

16 INTERNAL AUDIT PROGRESS REPORT.

Members were taken through the elements of the report by the Internal Audit & Corporate Risk Manager including:

- Audit work completed 1 April to 30 June 2008.
- Direction of Travel.
- The 9 Key Performance Indicators including target and reporting information.
- Budgetary Performance.

- Outstanding audit recommendations.

Two 2007/8 qualified audit were followed up in quarter one. All the actions required in accordance with the recommendations in respect of Employment Status were now completed. With regard to Street lighting all bar one of the recommendations were now met. In this case the target date had been extended and would continue to be tracked by the quarterly updates from Heads of Service.

It was reported that progress had been made in strengthening and stabilising the Audit Team, but work was still ongoing. The appointment of two new permanent employees within the team reduced the reliance on agency resources and was a more financially viable alternative.

It was stated that although expenditure at the end of June was under budget, with the appointment of 2 new members of permanent staff the budget position became more certain and some of the under spend would be used to purchase additional resources to ensure the budget plan was completed.

All the outstanding Internal Audit recommendations were now in progress.

The Committee **noted** the progress in delivering the 2008/9 Audit Plan and other key performance data.

17 FRAUD PROGRESS REPORT.

The Internal Audit & Corporate Risk Manager presented a report outlining the anti fraud and corruption work undertaken by the internal audit team during the period 1 April to 30 June 2008.

Two Key Performance Indicators had been fulfilled without difficulty.

The Internal Audit & Corporate Risk Manager responding to Members questions confirmed that the introduction of single status will address issues concerning the overpayment of some staff allowances, (travel, subsistence and car allowances).

Members were advised of the safeguards taken in the recent clearance of the Cashiers safes and the disposal of historic lost property items.

Alleged Internet misuse or abuse was discussed by Members. The Committee noted the Council's policy on internet use, its current procedures and specialist software employed to monitor this problem. Although a number of investigations involved the alleged Misuse and Abuse of the Internet it is not perceived that the Council had a significant problem. The Council's policy is a very strict one and often Managers have concerns that need investigating. The Internal Audit Team focus is the top 50 council internet users.

The Committee **noted** the report.

18 ANNUAL REVIEW OF THE ANTI FRAUD AND CORRUPTION ARRANGEMENTS.

The Internal Audit & Corporate Risk Manager presented the report.

Members' attention was drawn to the 6 main areas and the Services consulted within the Council for each, contained in appendix 1 of the report.

Members were also asked to promote the Fraud Hotline as part of the responsibility they and their colleagues have to actively report suspected fraud.

The Committee **noted** the report and **approved** the revised Anti Fraud & Corruption Strategy.

19 ANNUAL REVIEW OF THE EFFECTIVENESS OF AUDIT COMMITTEE

The Committee received the report from the Internal Audit & Corporate Risk Manager.

From the schedule within the report, the items regularly reported to the Committee were outlined. Members were also advised that these did not include any exception matters.

The Internal Audit & Corporate Risk Manager suggested improvements that the Committee might wish to consider to streamline future Committee reporting.

Members briefly discussed the Committee's composition, establishment issues and duties. It was noted that whilst the Committee's workload is not considered and approved at Cabinet they are discussed and approved by Council. The Constitution does not permit the Committee to report on specific issues to the Cabinet.

The Committee also **confirmed** the results of the self assessment.

The Committee **recommended** to the Governance Committee that it considers changing the existing reporting arrangements to permit the Audit Committee to receive and consider issues relating to the Confidential Reporting 'Whistle Blowing' Policy. Currently these are considered and regulated by the Standards Committee.

The Committee **agreed** the recommendations of the report with the exception of the suggested revised Committee Terms of Reference which, due to time constraints, could not be considered fully.

It was further **resolved** that the Chair invite the External Auditor to meet with him annually.

19 ADULT SOCIAL SERVICES REVIEW

The Group Director Finance & Commerce outlined the Review Panel's considerations from her report, drawing Members attention to the outcomes.

The Review Panel intend to meet again, in approximately 6 months, once the Adult Social Services budget proposal is in place to ensure the budget is robust. The Committee asked that the Review Panel's further deliberations be reported to Cabinet quickly, via the Cabinet Member for Resources, to allow any forthcoming recommendations to be fed into the Medium Term Financial Strategy considerations.

The Committee **noted** the report



MEETING

DATE

ITEM

AUDIT COMMITTEE

9 December 2008

6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: AUDIT COMMISSION PROGRESS REPORT

SUMMARY

This report updates the Committee on work completed by the Audit Commission since the last meeting of the Committee, and of the work to be completed during the rest of the financial year.

RECOMMENDATION

To consider the contents of the report.

REPORT DETAIL

See attached report from the Audit Commission

Financial Implications and risks:

Recommendations may arise from any audit undertaken and managers have the opportunity of commenting 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. There are no other financial implications or risks arising directly from this report.

Legal Implications and risks:

None arising directly from this report

Human Resource implications and risks:

None arising directly from this report

Equalities and Social Inclusion implications:

None arising directly from this report.

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CHERYL COPPELL
Chief Executive

Background Papers

None

Audit Summary Report

December 2008



Progress report to the Audit Committee

London Borough of Havering

Audit for 2007/08

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 –and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Introduction

- 1 We aim to issue regular progress reports throughout the year in order to keep the Audit Committee informed of progress against our Audit and Inspection Plan. This report updates the December 2008 Audit Committee on work completed since the September 2008 Audit Committee and the work to be completed during the rest of the year.
- 2 This report includes:
 - a summary of current work in progress at Appendix 1 (this excludes completed items that have been reported to the Audit Committee previously).
- 3 We have not issued any reports to the Council in the period September to December 2008.

Appendix 1 – Progress in delivering the audit and inspection plan

Key area of audit plan	Named contact	Start date	Target completion date	Final report date	Comments
2007/08 Audit and Inspection Plan					
Audit					
Opinion on the Financial Statements	GDF&C	January 2008	30 September 2008	30 September 2008	<p>An unqualified audit opinion on the Council's financial statements was issued on 30 September 2008.</p> <p>An unqualified audit opinion on the Whole of Government Accounts was issued on 24th October 2008.</p>
Use of resources					
Value for money conclusion	GDF&C	July 2008	30 September 2008		An unqualified value for money conclusion was issued on 30th September 2008.
Use of resources assessment	GDF&C	May 2008	December 2008		<p>The Use of Resources assessment has now been completed.</p> <p>We notified the Group Director, Finance and Commercial of the Council's draft scores on 11th November 2008.</p> <p>These scores are still subject to the National quality control process currently underway.</p> <p>The Audit Commission will notify the Council of</p>

6 Progress report to the Audit Committee - September 2008 | **Appendix 1 – Progress in delivering the audit and inspection plan**

Key area of audit plan	Named contact	Start date	Target completion date	Final report date	Comments
					its final scores on 8th December 2008.
Data quality	GDF&C	July 2008	November 2008		<p>We have completed our review of the Council's arrangements for ensuring data quality and found them to be adequate.</p> <p>We have completed our spot check review of a sample of the Council's published performance indicators. Of the 5 indicators we reviewed, there were 3 amendments and no reservations.</p>
Certification of claims and returns					
Grants audit	GDF&C	July 2008	December 2008		There are no late claims to report at this stage.

Key	Title
GDF&C	Group Director Finance and Commercial

MEETING	DATE	ITEM
AUDIT COMMITTEE	09 DECEMBER 2008	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report advises the Committee of the systems work undertaken by the internal audit team during the period 01 July to 30 September 2008.

RECOMMENDATION

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

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

Section 1. Audit Work 01 July – 30 September 2008

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

Summaries of all final reports issued in the period are included.

Section 3. Key Performance Indicators

The key performance indicators for the audit team are outlined in this section of the report; along with current performance.

Section 4. Budget & Resource Information

The budgetary position at the end of September along with forecasted positions for each quarter and year end are included for information. Information is also highlighted regarding the team's resources.

Section 5. Outstanding Audit Recommendations Tables

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

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 Resource implications and risks

None arising directly from this report

Equality and Social Inclusion implications

None arising directly from this report

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CHERYL COPPELL

Chief Executive

Background Papers List

None.

Section 1 Audit Work 1st July 2008 – 30th September 2008

There have been no changes to the approved audit plan during the period.

At the end of September 35% of the audit plan had been delivered. Performance is 5% behind the profiled plan this is due to delays in recruitment and variations in annual leave plans from those anticipated at the start of the year. Despite this other key performance indicators remain on target.

Schedule 1 details the final reports that were issued between July and September 2008. Details are listed in the table below and management summaries under Section 2 starting on page 4.

SCHEDULE 1: 2008/2009 Audits Completed To Final Report Stage

Report	Opinion	Recommendations				Ref below
		High	Med	Low	Total	
Management of car parks and parking meters	Unqualified	0	0	0	0	2.1
Parking Ticket Issue & Processing	Unqualified	0	3	0	3	2.2
Permits & Other Parking	Unqualified	0	3	0	3	2.3
Registrars	Unqualified	0	1	2	3	2.4
Provision & Commissioning of Learning Disabilities Services	Unqualified	1	2	0	3	2.5
Provision & Commissioning of Mental Health Services	Unqualified	1	2	0	3	2.6
Small Works Project	Unqualified	0	1	3	4	2.7
E Payments	Qualified	2	5	1	8	2.8
Change Control	Unqualified	0	4	0	4	2.9
Academy Revenues & Benefits	Unqualified	0	7	3	10	2.10
Best Value Performance Indicators	Unqualified	0	0	0	0	2.11
Total		4	28	9	41	

The Internal Audit & Corporate Risk Manager has met periodically during the period with the Audit Manager from Price Waterhouse Coopers, the Council's incoming External Auditor, to discuss working arrangements. A formal protocol has been agreed outlining roles and relationships. The 2008/09 External Audit Plan was presented to the Audit Committee in June 2008. This document has not been subject to amendment and will therefore not be represented.

Section 2 Management Summaries

Management of Car Parks & Parking Meters	Schedule 2(1)
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2.1 Background

2.1.1 The management of car parks and parking meters is the responsibility of Parking Services within the Culture & Community directorate. Due to the recent corporate restructure the team now reports to the Head of Street Care.

2.1.2 Summary of Audit Findings

2.1.3 No issues arose with regards the system of internal control in this area.

2.1.4 The service is currently considering alternative methods of payment to the traditional cash parking meters and pay and display machines.

2.1.5 It was noted to management that there may be some efficiencies in the completion of paperwork to be investigated by the service.

2.1.6 Audit Opinion

2.1.7 As a result of the audit we have raised no recommendations.

2.1.8 An **Unqualified** audit opinion is given as the audit has found that the system of control is in place.

Parking Ticket Issue and Processing	Schedule 2(2)
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2.2 Background

2.2.1 Penalty Charge Notices (PCNs), better known as parking tickets, are issued by the Council's Civil Enforcement Officers (CEOs) under the Traffic Management Act 2004. A PCN may be issued to any vehicle seen parked illegally on the Borough's roads or in the Council operated car parks.

2.2.2 The Chipside parking management system was procured by the Council in 2007 to replace the obsolete system being used at the time. That system would not have been capable of handling the legislative requirements of the Traffic Management Act 2004 (TMA 2004) which was introduced in March 2008. The Chipside system is now fully installed and is providing enhanced management reporting and increased processing efficiency. Additionally, the transition to the TMA 2004 was successfully managed by the service.

2.2.3 Summary of Audit Findings

2.2.4 It was noted during the audit that the quality of photos taken by CEOs may not be scrutinised until an appeal occurs and that errors occurred on input of the CCTV enforcement log.

2.2.5 No timetable of reports to be produced for management information purposes has been devised. Additionally, the number of reports available is somewhat generous but unwieldy and they need to be pared down to provide more specific information and ease of use.

2.2.6 There is currently no check to ensure that all write offs processed on the system have been authorised.

2.2.7 Audit Opinion

2.2.8 As a result of the audit we have raised three medium priority recommendations.

2.2.9 Recommendations related to quality checking of photos and enforcement log; a timetable for generation of system reports and reconciliations of write offs.

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

Permits and Other Parking	Schedule 2(3)
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2.3 Background

2.3.1 The London Borough of Havering allows people to park sensibly, but without causing an obstruction to other road users. Demand for parking spaces is high and therefore to allow residents and local businesses to have access to street parking, Havering have a number of Controlled Parking Zones (CPZs) accessible with the use of a permit.

2.3.2 The disc parking scheme was introduced into Havering in 1999. Disc bays were sited where previously there had been a single yellow line outside or near local shops and cafes. The discs are not vehicle specific and can be shared between members of the same household.

2.3.3 The types of permits available are as follows: Business Permits; Health and Home Care Permits; Residents Permits; Visitors Permits; and Voucher Permits.

2.3.4 There are six areas in Havering that have been designated as controlled CPZs. They are: Gidea Park; Harold Wood; Hornchurch; Romford; Upminster; and Upminster Bridge. They have been created to prevent all-day parking by commuters, who would otherwise park their cars on the street while they travel to London by train, preventing residents from parking outside their homes.

2.3.5 Summary of Audit Findings

2.3.6 Income analysis for permits and discs is currently undertaken but there is no reconciliation of sales to FIS could be evidenced.

2.3.7 No specific local indicators exist for the sale of permits/discs.

2.3.8 Liaison with Public Advisory Service Centers (PASC) over any new changes which affect the sale of permits could be improved

2.3.9 Audit Opinion

2.3.10 As a result of the audit we have raised three medium priority recommendations.

2.3.11 Recommendations relate to analysis and reconciliation of income, performance monitoring and quarterly briefings for the PASC officers.

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

Registrars	Schedule 2(4)
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2.4 Background

2.4.1 The Registrars are based at Langtons House with staff also located at the Public Advice Service Centre (PASC) to provide services for the registration of Births, Deaths and Marriages. The service was subject to independent checks carried out by the General Registration Office (GRO) which ceased on 31st March 2008 as Registrars became Local Authority employees.

2.4.2 There are four registrars (for Births, Deaths, Marriages and Civil Partnerships) and a Superintendent Registrar. Income received by the service for the financial year 2007/08 totalled £356,071.

2.4.3 Summary of Audit Findings

2.4.4 There is no regular reconciliation of income received and banked currently performed by management.

2.4.5 Spot checks of certificates issued against income received are not carried out by management.

2.4.6 Accounts previously completed and certified by the Superintendent Registrar for the GRO are still in place and should remain so for future audit checks.

2.4.7 Audit Opinion

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

2.4.9 The recommendations relate to the systems of control in place for the reconciliation of income and management checks.

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

2.5 Background

2.5.1 Learning Disabilities are usually present from birth and are irreversible. They can cause learning or performance limitations, behavioural problems and/or social disadvantages. Learning disabilities can be categorised into a high, moderate or low need. They are categorised into the three tiers by looking at the severity of the learning disability; the ability to function independently; how often they need help from others and how much of a risk they are to themselves or others, due to their disability.

2.5.2 In order to benefit from these services individuals must be living in Havering or have a contract agreement with Havering Adults Social Care and another authority, they must also be diagnosed to have a learning disability, need day services or help with living and social skills and finally does not have a principle diagnosis of mental health or physical disabilities.

2.5.3 Summary of Audit Findings

2.5.4 No assurance could be provided at the time of the audit that volunteers working at an establishment in the Borough had been Criminal Records Bureau (CRB) checked. Responsibility for this and compliance needs to be clearly established.

2.5.5 In one case, out of a sample of nine, it was noted that despite quarterly returns not being received the direct payments had continued to the client.

2.5.6 The risk of the Section 75 (S75) agreement failing are not highlighted in the service risk register.

2.5.7 The auditor was advised that prior to the audit, officers had identified that projections of income did not reflect the actual income which is likely to be received. Mechanisms are in place to monitor budgetary position so no formal recommendation has been raised, however management are reminded of the importance of close budget monitoring as over estimating income may result in an overspend.

2.5.8 Audit Opinion

2.5.9 As a result of the audit we have raised one high and two medium recommendations.

2.5.10 Recommendations related to CRB checks for volunteers; checks on clients receiving direct payments to ensure all have submitted a quarterly return and a reminder to staff that failure to comply with this should trigger a removal of the direct payment and inclusion of the risks relating to the S75 agreement on the service risk register.

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

2.6 Background

2.6.1 Mental Health issues can affect one in four of the population. However, there are different forms of mental disorder and the severity of the disorder can also be variable. Mild depression, such as when an individual has had a bad day is a relatively minor mental health case, which disappears when the issue is resolved or more extreme cases of mental health including: Depression. Bipolar, Psychosis, Schizophrenia, Anxiety and Obsessive Compulsive Disorder. In these instances more professional and continuous treatment must be provided.

2.6.2 A mental health needs assessment for outer North East London in 2004, projected that in Havering the need for mental health services for adults is likely to increase by 10% over the next decade.

2.6.3 Summary of Audit Findings

2.6.4 There are a number of areas which currently lack formal agreements or contracts etc this will be covered by the new Section 75 (S75) agreement, which is currently in draft format and under discussion.

2.6.5 It was found during the audit review that there was an absence of a strategic plan to compliment the S75; a strategic plan would provide a tool for monitoring by the Commissioning Board.

2.6.6 The risks associated with failing to agree the S75 or the signed agreement subsequently failing are not highlighted in the service risk register.

2.6.7 Audit Opinion

2.6.8 As a result of the audit we have raised one high and two medium recommendations.

2.6.9 Recommendations related to formalisation of agreements; the need for a strategic plan for monitoring purposes and inclusion of the risks relating to the S75 agreement on the service risk register.

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

2.7 Background

2.7.1 The Small Works Project is a centre that provides therapeutic work for people who have mental health issues. The project is funded by the council and the PCT with any income received through works carried banked into the Council's banking system.

2.7.2 The Small Works Project is run by two members of staff responsible for the day-to-day running of the projects and up to eight service users. The grant received from the PCT during 2007/08 totalled £31,370 with income generated of £14,992.

2.7.3 Summary of Audit Findings

2.7.4 There is a lack of separation of duties and a need for management checks on income and banking.

2.7.5 A number of purchases that could be made by purchase card are still being made through the use of petty cash highlighting a need for the issue of a secondary card to be issued.

2.7.6 There are no set procedures in place for chasing outstanding invoices prompting a need for debt recovery procedures to be implemented.

2.7.7 A fire risk assessment on the small works project building had not been carried out for a number of years. There is an assessment due which management will need to ensure is carried out.

2.2.8 The need for a secondary purchase card within the team was raised and during the course of the audit a secondary card was issued.

2.7.9 Audit Opinion

2.7.10 As a result of this audit we have raised one medium and three low priority recommendations.

2.7.11 Recommendations related to management checks of income and banking, use of petty cash and purchase cards, implementation of debt recovery procedures and fire risk assessment of the small works building.

2.7.12 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.

E Payments

Schedule 2(8)

2.8 Background

2.8.1 e-Payments is the processing of electronic payments via the Council's website (www.havering.gov.uk). In addition, automated telephone payments (Interactive Voice Response-IVR) are also processed by residents ringing the Council payment number. The PARIS application is used by the Council as the cash receipting system which also supports the modules used for online payments and provide a means of distributing income to a range of recipient Council services.

2.8.2 The management of e-Payments within the London Borough of Havering is supported from a technical view point by Business Systems and the third party supplier (Anite) and is administered on a daily basis by Customer Services located in the Town Hall.

- 2.8.3 There was a separate Payment Card Industry Data Security Standard (PCI-DSS) exercise being conducted at the time of the audit, which aimed to ensure that the Council, and its services, were compliant with the requirements and where possible we have recommended that this is completed to support the security of online payment transactions.
- 2.8.4 For disaster recovery requirements, the London Borough of Havering was at the tender stage during the field work of this audit. The tender related to a new corporate computer centre which would help to improve disaster recovery capabilities for the Council as a whole including coverage of the e-Payments system.

2.8.5 Summary of Audit Findings

- 2.8.6 The server hosting the APACS application and data was found not to have additional security controls in place and default Windows password controls in place.
- 2.8.7 The PARIS application is not yet compliant with the PCI-DSS requirements and no date has been provided by the vendor as to when this will be achieved.
- 2.8.8 A strategy for the development of the e-Payments service should be formalised. At present there is only documentation relating to the closure of the cashiers service, however, this does not identify when enhancements to electronic payments functionality may be delivered.
- 2.8.9 In order to maintain system integrity and continuity, departmental procedures should be in place to review the current security settings on the internal network and to keep up to date with the latest patches and settings. At present, patches are only applied when advised by the vendor.
- 2.8.10 The Havering e-Payments website should be easy to use for residents. However, erroneous error messages are given when key payment card fields are not completed or are completed incorrectly. Messages do not provide a clear description on what the error is and how it should be resolved. The payment method logos show a variety of payment cards that can be accepted, however the help section of the payments website does not confirm that Visa may be used.
- 2.8.11 The PARIS system has been live since October 2005. To date, no retention periods for transactional data has been formalised or communicated to payees for Data Protection purposes. In addition, payment card details are held on the APACS server encrypted by the COMMS XL software and on the PARIS database.
- 2.8.12 There is no procedure in place for the recovery of card data and information from PARIS APACS server.
- 2.8.13 The Website should have a facility for users that are either unsure or who have queries on the e-payments system to ask for assistance. This should also contain a privacy statement identifying the key steps that will be taken with payments or a Frequently Asked Questions (FAQ) section. Testing revealed

that; the main “Help” facility is only available from the “Welcome” screen. If the user requires “Help” during the transaction process, it is not available on the screen. To access the main “Help” facility, the user must go back to the “Welcome” screen, via logging in again through the “Home” page; if a user requires assistance and would like to speak to a Council employee, there is no information or contact details available from the e-Payments webpage’s.

2.8.14 Audit Opinion

2.8.15 As a result of this audit, we have raised 2 high priority recommendations, 5 medium priority recommendations and 1 low priority recommendation.

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

- The APACS server has improved password controls and the number of users who can access the system should be restricted.
- The PARIS system is PCI-DSS compliant on a timely basis.
- A formal strategy for e-Payments is developed.
- Procedures exist for reviewing current security settings on the internal network and that the latest patches have been timely and correctly applied, if patches are deemed adequate, necessary or relevant by IT Management.
- The “Help” facility, the “User Assistance, and Contact/Query Information” is available to users from the payment pages.
- Appropriate retention period procedures for transactional data is formulated and communicated to payees.
- Procedures are formulated to identify if transactions could be recreated in the event of the main processing facility becoming unavailable.
- The Havering e-Payments website is reviewed to ensure that error messages provide a clear description of the error and how to resolve; and the methods of payment for the Authority are correctly stated.

2.8.16 A **qualified** audit opinion has been given as the audit has found weaknesses in the system of internal control that may put the Council’s objectives at risk.

Change Control	Schedule 2(9)
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2.9 Background

2.9.1 Change Control concerns the management of ICT system changes within the Councils IT environment including the main infrastructure and for Council applications. This seeks to ensure that changes to the IT infrastructure are managed, authorised and recorded according to a standard process that ensures an effective, efficient and managed environment to allow ICT systems to

be migrated successfully between versions. This also helps to ensure that changes in the overall ICT infrastructure are managed and planned. This audit reviewed the adequacy of the control environment established over change control within the Council.

- 2.9.2 The London Borough of Havering “Havering” has developed a Change Management Process which went ‘live’ in November 2007. The corporate Change Management Process arose due to Havering developing operations in order to operate and comply with requirements under the IT Infrastructure Library (ITIL) framework. At the time of audit, two areas were under the scope of Change Management (Town Hall Data Centre and Network Improvement Project) and these are required to follow the Change Management Process.
- 2.9.3 Changes to applications do not currently fall under the remit of the new Change Control Process and the practice followed differs to the corporate Change Management Process. It is anticipated that applications will be brought under the corporate process.
- 2.9.4 The responsibilities of key roles for Change Management are specified in the Change Management Policy. The policy was last updated in May 2008.
- 2.9.5 Change requestors are required to complete a Request for Change (RFC) upon identification of the need for a change. Any member of the Business Systems (BS) team is able to request a change and this can be completed via the Havering intranet. As the change requestor completes the RFC and the details of the RFC determines the priority of the change. The completed RFC is then submitted to the Change Manager who logs and records receipt of all RFC’s received and seeks authorisation from the appropriate technical lead.
- 2.9.6 The management of change control for Havering’s applications is undertaken by the application support teams within Havering’s ICT department. Change requests are received from the business and are logged as Work Orders within the Service Desk system. The overall process for the management of change for applications varies between the applications themselves as they are managed by separate teams.

2.9.7 Summary of Audit Findings

- 2.9.8 The corporate documented standard is a generic process describing the overall change management process for Havering. It was identified that there is currently no documented standard in place covering the change control for Council business applications. Change requests are allocated default priority levels and the course of action to take in the event emergency changes are necessary is not established.
- 2.9.9 Any member of Business Systems is able to raise an RFC, which is then sent to be authorised initially by a specified Technical Lead and then by the Change Advisory Board (CAB). Change requests for applications are usually received from senior officers; however, technical and business leads are not currently formally specified for all applications.

2.9.10 Change requestors are required to complete a formal RFC for changes made under the Change Management Policy, however, these are inconsistently applied as there are different processes and forms used for Council applications. For Academy a System Development / Enhancement Form is completed, however, for Swift no such formal documentation currently exists.

2.9.11 Audit testing was unable to identify if images are taken before and after the change to provide evidence that the change has been successfully applied and provide evidence for future reference.

2.9.12 Audit Opinion

2.9.13 As a result of this audit we have raised 4 medium priority recommendations.

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

- The Change Management Policy is updated and expanded as appropriate to ensure that it is extended to include the policy for changes to applications as well as the corporate environment.
- Business and technical leads are specified and consulted for the authorisation of requests for changes for all application change requests.
- Change requests for applications should complete the Request for Change Form as standard.
- Images and printouts prior to the change and after the change has been applied to show the effects of change implemented

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

Academy Revenues and Benefits	Schedule 2(10)
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2.10 Background

2.10.1 The Academy application is an integrated system that supports Council Tax (Ctx) and Housing Benefits (HB) processing within the Council. The application is administered by the Business Systems Support Team and this includes seven user accounts with System Administrator permissions. Further support from the application is obtained from the Software supplier - Capita.

2.10.2 The application was implemented in 1998 and retains many of the features of the original system. There are however, continuous upgrades in the form of new software releases provided by the software supplier. The application is currently running release 49 of the software.

2.10.3 There are currently 99,006 registered properties on the Academy application which are liable for Council Tax and this estimates an annual income of approximately £130 Million that is managed by the system.

2.10.4 There were 4266 new Housing Benefit and Council Tax Benefit claims processed on the Housing Benefits module for the financial year 2007/2008 and some 6,896 changes in circumstances cases processed.

2.10.5 Summary of Audit Findings

2.10.6 Audit testing identified two generic accounts (academy and aisdba) for which access is shared by seven business support team members. There is limited accountability for these accounts and the actions of individuals on those accounts cannot be determined. Consequently, any unauthorised activity can not be directly attributed to an individual user.

2.10.7 Group permissions and membership is currently not regularly reviewed on the Academy system to ensure user permissions are up to date.

2.10.8 The strong password combination feature has not been configured on the application and the system time out facility has also not been set to time users out of the system.

2.10.9 Although the system has been set to lock the user account after 2 unsuccessful attempts, there is no regular review of unsuccessful login attempts to the system.

2.10.11 We were unable to confirm the exact number of Academy Decision Support (ADS) licenses and there is therefore a risk that the Council could hold insufficient or too many licences.

2.10.12 Activity on the system by the system supplier is not reported and is consequently not reviewed to identify the activity the supplier has been performing on the application.

2.10.13 There is currently no mandatory data input field in place to report on new claims such as applications from single mothers who are currently receiving other benefits.

2.10.14 There is an error in the scripts that are running which causes some jobs on the batch scheduler to fail.

2.10.15 There is currently no record of the officer who has removed details of cheques from the safe.

2.10.16 The Council does not actively monitor calls to the Software supplier and as a result there is no complete record or formal review of supplier performance.

2.10.17 Audit Opinion

2.10.18 As a result of the audit we have raised seven medium priority and three low priority recommendations.

2.10.19 Recommendations relate to the granting of access to named individuals, the periodic review of group permissions and membership, the configuration and enabling of strong passwords and system idle time respectively, amendment of lockout setting and the review of the security log, performance monitoring, review of ADS licenses, review of third party activities, implementation of mandatory controls, maintenance of the batch scheduler and signing of the cheque register.

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

Best Value Performance Indicators	Schedule 2(11)
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2.11 Background

2.11.1 Up to 2007/08 it has been a statutory requirement for the Council to report performance against the BVPI definitions. In 2008/09 BVPIs have been replaced by a new suite of PIs known as National Indicators (NIs).

2.11.2 The list selected for audit is detailed below:

- BVPI 78a and b
- BVPI 165
- BVPI183 a and b
- BV199 a, b and c
- BV212
- Public Library Service Standards - feeding into BVPI 220.

2.11.3 Summary of Audit Findings

2.11.4 The audit trails for each of the PIs was reviewed and a risk assessment carried out to gauge the level of work required in each case. Minor areas for improvements with regards audit trails were noted during the audit but as these are applicable going forward they will be reported as part of the audit of the new National Indicators and Data Quality Arrangements which will be completed later this month.

2.11.5 Audit Opinion

2.11.6 As a result of this audit no recommendations have been raised.

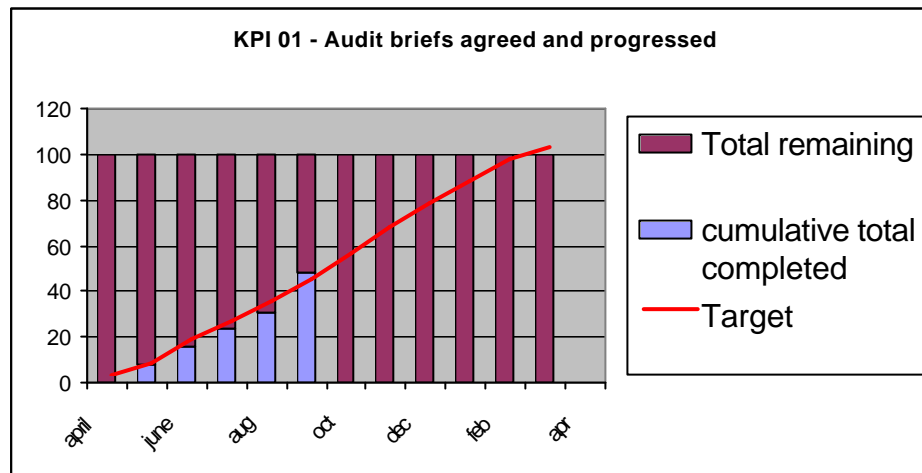
2.11.7 An **Unqualified** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

Section 3 Key Performance Indicators (KPIs)

Listed below are the KPIs for the audit team as outlined in the 2008/09 Service Plan.

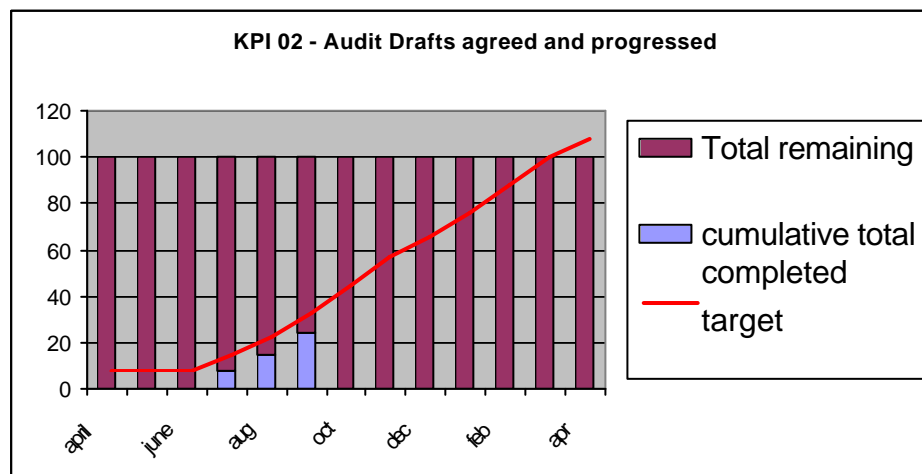
KPI results are reported monthly to the Head of Service, Group Director, External Audit and Audit Representatives and included quarterly in Head of Service Pack, Corporate Management Team reports and reports to Audit Committee.

KPI 01. The total number of audit briefs issued as a percentage of the total annual number of planned reviews (%).



Performance with regards the issue of audit briefs is ahead of target at the end of September.

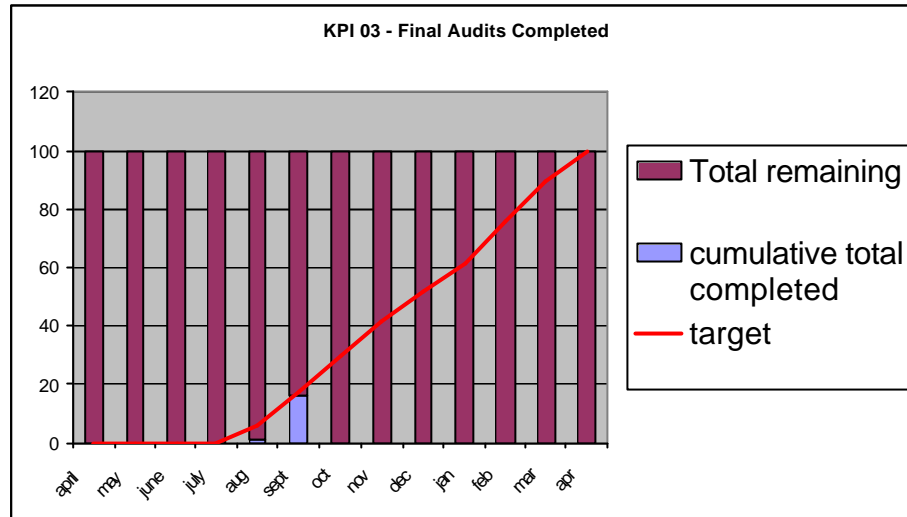
KPI 02. The number of audit reviews completed to draft stage as a percentage of the total annual number of planned reviews (%).



The issue of draft reports is on target at the end of September.

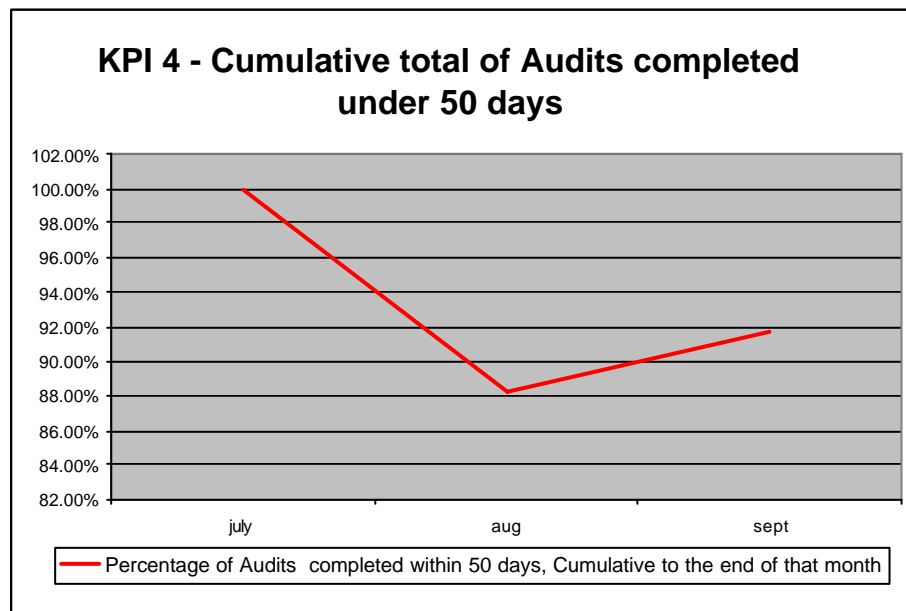
KPI 03. The number of audit reviews completed to final stage as a percentage of the total annual number of planned reviews (%).

Targets for final reports have been profiled to reflect the planned issue of draft reports. It is aimed that all final reports will be agreed by the end of April 2009.



Targets for final reports are on target at the end of September.

KPI 04. Performance against target time: 50 days max to complete an audit from start to release of a draft report (%).



Three reports have been issued after the 50 day target date in 2008/09; two were from the outsourced provider and to rectify this going forward expected draft issue dates are now agreed at the start of the audit and a reminder issued if required. The other was due to conflicting audit priorities in the audit team requiring an audit to be put on hold temporarily so that another could be progressed.

KPIs 05. Systems audit survey forms assessed (%).

KPIs 06. Fraud audit survey forms assessed (%).

KPIs 07. Management Satisfaction Survey forms results above average/satisfactory (%).

Limited responses to feedback requests had been received at the end of the period. The new electronic form has been implemented and responses are received in a more timely manner now and tracking responses is more efficient.

All feedback received at the time of preparing this report was above average/satisfactory.

KPI 08. % of plan delivered against target.

The target for quarter two was to have 40% of the plan completed. Actual performance at the end of September was 35%, this is due to recruitment dates for new staff being later than planned and the majority of annual leave being taken in the early months of the year.

KPI 09. % of audit recommendations agreed by management.

A target of 90% has been set for this KPI. At the end of September 98% had been agreed by management. There are no specific issues to bring to the managers attention regarding the recommendations not accepted by management.

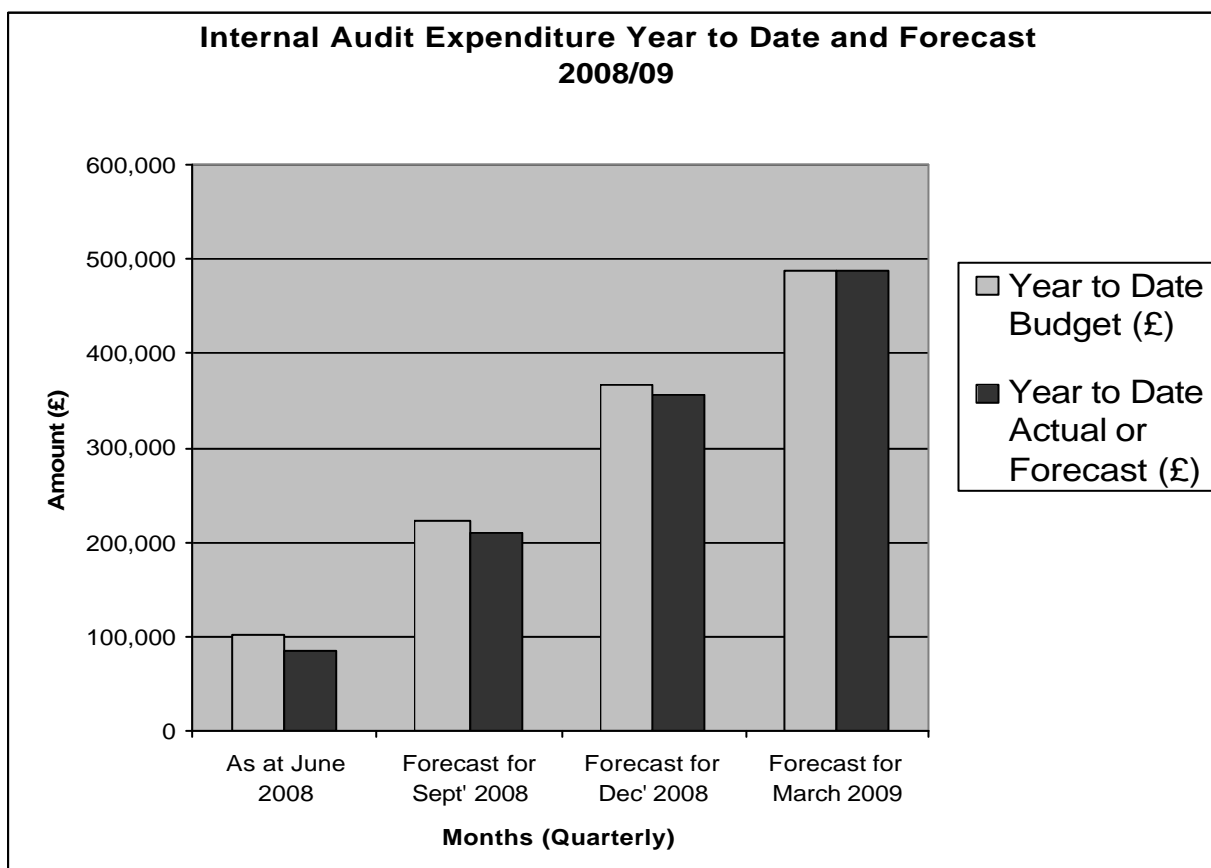
Section 4 Budget & Resource Information

2008/2009 Budget Analysis

Internal Audit (F620) 2008/09 Year to Date Expenditure and Forecast as at September 2008

	As at June 2008	Forecast for Sept' 2008	Forecast for Dec' 2008	Forecast for March 2009
Year to Date Budget (£)	102,014	223,216	366,285	488,380
Year to Date Actual or Forecast (£)	86,444	208,965	355,000	488,380
Variance (£)	-15,570	-14,251	-11,285	0

The under spend is due to the vacancies in the team in the earlier months of the financial year, recruitment has taken place however as the successful applicant was already a member of the team a vacancy still remains. The budget for 2008/09 is sufficient to allow timely delivery of the audit plan and allow the team to be flexible in the service it provides to the Council. Possible solutions regarding the shortage in resources are currently being considered and the cost associated with each action will be considered before a decision is made. Changes to the plan will be necessary to accommodate additional audits requested by management since October 2008 and as a result other audits may be removed, delayed or reduced in scope. Members of the Committee will be briefed on required changes to the plan verbally at the meeting.



Section 5 – Outstanding Audit Recommendations Tables

There is a noticeable reduction in the number of prior year audit recommendations which remain outstanding and the implementation of more recent audit recommendations continues to become more timely and efficient.

It is anticipated that by March 2009 all audit recommendations prior to 2006/07 will have been actioned.

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 – 2003/04

		Outstanding			Position as at end September 08		
Review in 2003/04	HoS Responsible	High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Community Care Placements	Adult Social Care		1		1		
Libraries	Culture & Leisure		1		1		
Total		0	2	0	2	0	0

Deadline for the two remaining 2003/04 audit recommendations are March 2009.

Outstanding Internal Audit Recommendations – 2004/05

At the end of September it was confirmed that the two outstanding audit recommendations relating to 2004/05 have now been fully implemented.

Outstanding Internal Audit Recommendations – 2005/06

Review in 2005/06	HoS Responsible	Outstanding			Position as at end September 08		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Prov of Services learning disabilities	Adult Social Care		1		1		
Total		0	1	0	1	0	0

Completion of the above remaining audit recommendation is linked to the 2003/04 Community Care Placements work and therefore also has a deadline of March 2009. As no change is anticipated these schedules will be excluded from the March Audit Committee report and only reintroduced for future reports should the deadlines fail to be met.

Outstanding Internal Audit Recommendations – 2006/07

Review in 2006/07	HoS Responsible	Outstanding			Position as at end September 08		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Providing Services for the Physically Disabled	Bob Morgan	1	1		2		
Repairs and Maintenance Contracts	Mark Butler			1	1		
Honoraria	Jackie Atchinson			1	1		
Governance	Barry Kendler			1	1		
Use of Consultants	Mike Stringer		1		1		
Creditors	Mike Stringer		2		2		
Oracle and Accounts Payable Application	Mike Stringer		2		2		
Liquidated and Ascertained Damages	Bob Wenman		1		1		
Street Lighting	Bob Wenman		1		1		
Total		1	8	3	12	0	0

Outstanding Internal Audit Recommendations – 2007/08

Review in 2007/08	HoS Responsible	Outstanding			Position as at end September 08		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Street Lighting	Street Care		1		1		
Asbestos Management	Mark Butler	1	3		3	1 (not due)	
Civil Contingencies	Patrick Keyes		1		1		
Pensions	Jeff Potter			1	1 (not due)		
Payroll	Jeff Potter		1		1		
Petty Cash	Mike Stringer		1		1		
Content Management	Ray Whitehouse		2		2		
Freedom of Information	Ray Whitehouse			1	1		
Creditors	Mike Stringer	1	1		2		
Compliance with Contract Procedure Rules	Mike Stringer	3			3		
Total		5	10	2	16	1	0

AUDIT COMMITTEE

SUPPLEMENTARY AGENDA

7:30pm

Tuesday
9 December 2008

Havering Town Hall
Main Road, Romford

Agenda items 8 & 9 are submitted with the agreement of the Chairman as urgent matters, pursuant to Section 100B (4) of the Local Government Act 1972

- 8 HOUSING BENEFIT FRAUD REPORT – Report attached
- 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

Cheryl Coppell
Chief Executive



MEETING	DATE	ITEM
AUDIT COMMITTEE	9 December 2008	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: HOUSING AND COUNCIL TAX BENEFIT FRAUD REPORT

SUMMARY

This report advises the Committee of the work and performance undertaken by the Benefit Investigation Section during the period 01 April to 30 September 2008.

RECOMMENDATION

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

Section 1. Background

Section 2. HB/CTB Fraud Work April 2008 – Sept 2008

- 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) LA and DWP Working together.
- B) Management of the Investigations Section.

- C) Benefits Key Line of Enquiry**
- D) Overview and Scrutiny HB/CTB Fraud Topic Group**

Comparative data for 2008/09 from local authority colleagues is not available at the time of writing but will be provided for the next report to Audit Committee.

Section 4. Key Performance Indicators

The results for the three, fraud specific, key performance indicators are presented in graphical format in this section of the report along with commentary.

Section 1 Background

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 responsible for the investigation of suspected abuse of the Housing Benefit and Council Tax Benefit scheme and any related Income Support and Jobseekers Allowance. The Section aims to investigate claims for HB/CTB and make recommendations about its findings to the Benefits Service and/or the Benefit Agency Decision-Maker for adjudication 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.

At October 2008, there were 17,952 claims for housing and council tax benefit (HB/CTB) in payment.

The Benefit Investigations Section is located within Benefit Services and consists of one Principal Investigations Officer, one Senior Investigations Officer, five Investigations Officers and one Investigations Assistant.

Section 2 HB/CTB Fraud Work April 2008 – Sept 2008

A) Referrals

The table below details the sources of work, referrals, for the Section. The number of referrals received from external organisations in the second quarter of 2008 are substantially higher than those received in the first quarter of 2008. This can be explained by the Department for Work and Pensions (DWP) suspending transmission of data including Housing Benefit Data Matching referrals during the early part of the 2008 year.

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 Job Seekers Allowance ending. HBMS has since resumed and the increased

in referrals can be seen in quarter 2 of 2008 specifically in relation to 'External Organisations' in the table below.

Number of Referrals/Type	Quarter 1	Quarter 2	Total
Anonymous	30	32	62
External Organizations	37	95	132
Internal Depts	76	85	161
Total	143	212	355

The table below shows the categories of the potential fraud referrals. There is a considerably increase in 'Living Together' as husband and wife cases which is reflected in the statistics below. This can be attributed to greater staff and public awareness.

Potential Fraud Categories	Quarter 1	Quarter 2	Total
Capital	11	54	65
Contrived Tenancy	7	3	10
Income from Other Sources	23	38	61
Living Together	36	53	89
Non-Dependant	16	9	25
Non-Resident/vacated	24	28	52
Other welfare benefits	1	1	2
Working	20	21	41
Non Commercial Tenancy	1	3	4
Other	4	2	6
Total	143	212	355

B) National Fraud Initiative

The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise that 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 of the NFI is the matching of data to help reduce the level of housing benefit fraud, payroll and occupational pension fraud and tenancy fraud.

The last NFI exercise took place in 2007 where a total of 2817 original matches involving housing Benefit and Council Tax Benefit were identified. These matches were filtered down to 224 for further investigation. Of those, fraud was established in only five cases with two resulting in an Official Caution and an Administrative

Penalty. Items referred for investigation from the NFI match are contained within the overall figures for referrals in Section 1A) above.

There are two cases still being investigated which may come to prosecution shortly. The remaining cases were closed with no fraud established, either after the initial check or following a full investigation.

The next NFI data matching exercise is due to take place in January 2009.

C) Type of Offences

The severity of the sanction is determined by the circumstances surrounding the offence. Guidance to assist determine 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

The number of successful sanctions is detailed in the table below.

Sanction/ Offence Type	Administrative Penalties	Cautions	Prosecutions
Undeclared Capital	2	0	6
Working and Claiming	0	4	3
Contrived Tenancies	0	2	1
Living Together	1	0	1
Income from other sources	1	2	0
Vacated	0	1	0

D) HB/CTB Fraud Overpayments

Overpayments are identified and classified as fraudulent following an investigation and recommendation from the Benefits Investigations Section.

The Council's commitment to recovering overpayments is a tool 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 an eligible overpayment and the Authority receive 40% 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

When recovering overpayments from ongoing entitlement, the standard maximum rate of recovery is £9.15 per week from 1 April 2008. If the overpayment has arisen as a result of fraud this figure increases to £12.00 per week. In addition to the above rates of recovery, the local Authority can increase deductions by 50% of certain disregards, if applicable, for

- Earnings
- Regular charitable income or voluntary payments
- War Disablement Pension or War Widows pension

The table below reflects the value of fraud overpayments created between April and September 2008.

Fraud Overpayment Value (£)		
Quarter 1	Quarter 2	Total
198,548	115, 399	313,947

E) Raising Fraud Awareness

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 encourages employees and the public to be vigilant against fraud using measures which include:

- Team Briefings
- J C Decaux advertising boards
- Posters
- Leaflets
- An external email address
- Fraud hotline
- Fraud awareness training for relevant departments
- Articles including successful prosecutions published in Inside Havering, Heart of Havering and other local media
- Anti-fraud adverts in external publications delivered to Havering Residents

Regular articles are also produced for the Financial & Commerce Briefing publication, which will be sent via e-Mail, to all staff in Finance & Commerce.

Section 3 Direction of Travel

A) LA and DWP Working Together

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 Regulations allows the Council to investigate both HB/CTB and certain national benefits namely

- Income Support
- Jobseeker's Allowance
- Incapacity Benefit
- State Pension Credit, and
- Employment and Support Allowance

Currently, Havering Council are jointly investigating 42 cases with the DWP where HB/CTB and a national benefit is involved.

During April to September 2008, 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 a national benefit.

B) Management of the Benefits Investigation Section

In the last three years, there have been three unsuccessful attempts to recruit a permanent Principal Investigations Officer, therefore this role has been filled by an Interim. However, the Government's agenda to work in partnership, improve efficiency and share services has prompted Benefits Services to seek out fraud management services from its colleagues in neighbouring boroughs. Redbridge and Tower Hamlets' Councils have both expressed an interest in providing fraud management services and a specification is currently being drafted to identify requirements.

C) Benefits Key Line Of Enquiry

From April 2008 the Audit Commission introduced Key Lines of Enquiry (KLOEs) to assess the standard of service provided for local people by the Benefits Service. The KLOEs measure a number of areas including the extent to which the local authority provides value for money and protects the public purse when dealing with overpayments, fraud and error.

The Benefits Investigation Section will need to assess its operation against the KLOE and consider whether

- the service is combating fraud by continuing to reduce the amount of fraud and error entering the benefits system through raising fraud awareness and publicising successful prosecutions as a deterrent
- improvements in the quality of benefit investigations can be seen such as the standard of evidence obtained
- there is an opportunity for alternative ways of working

Following an internal assessment, areas identified for improvement will be included in the KLOE Improvement plan.

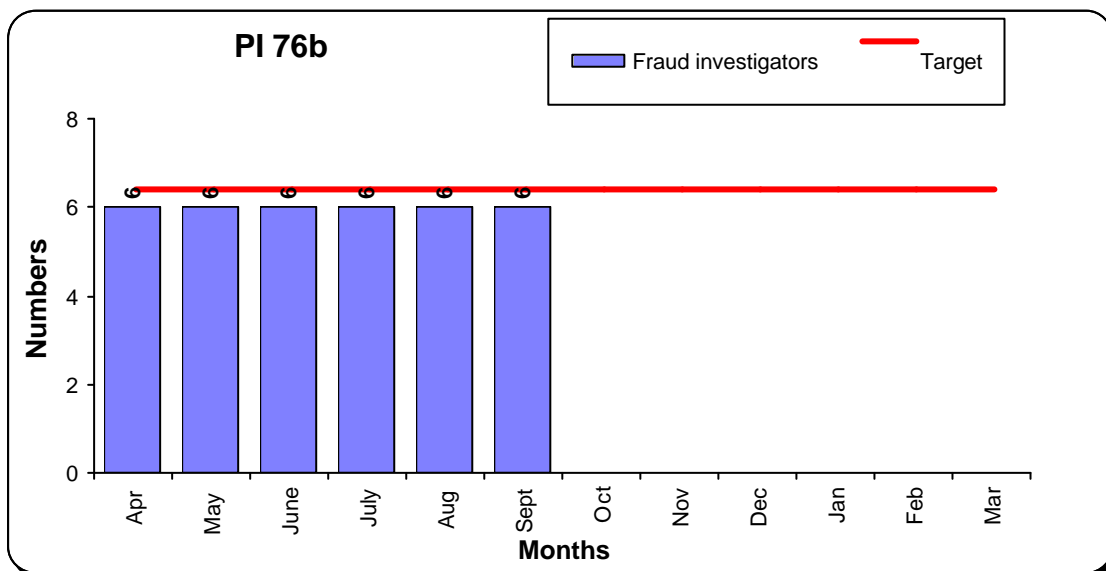
D) Overview and Scrutiny HB/CTB Fraud Topic Group

A topic group consisting of Councillor Robby Misir (Chairman), Councillor Ray Morgon, Councillor Melvin Wallace, Councillor Fred Osborne, Councillor Robert Benham and Councillor John Mylod was formed to examine HB/CTB Fraud in Havering. At the topic group’s request, a contact sheet explaining how to assist customers who wished to report Fraud was sent to all members. The contact sheet provides detail of who to contact in relation to suspected fraud and includes the Whistle Blowing Issues hotline.

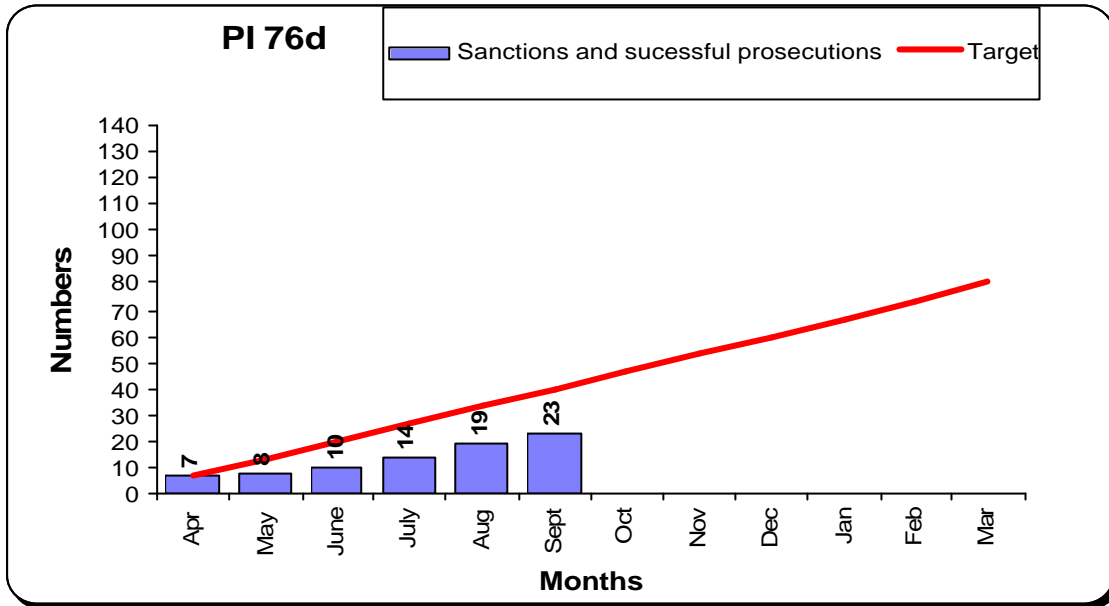
The topic group have reached its findings and recommendations which will be reported to Corporate Overview & Scrutiny Committee on 10 December 2008.

Section 4 Key Performance Indicators (KPIs)

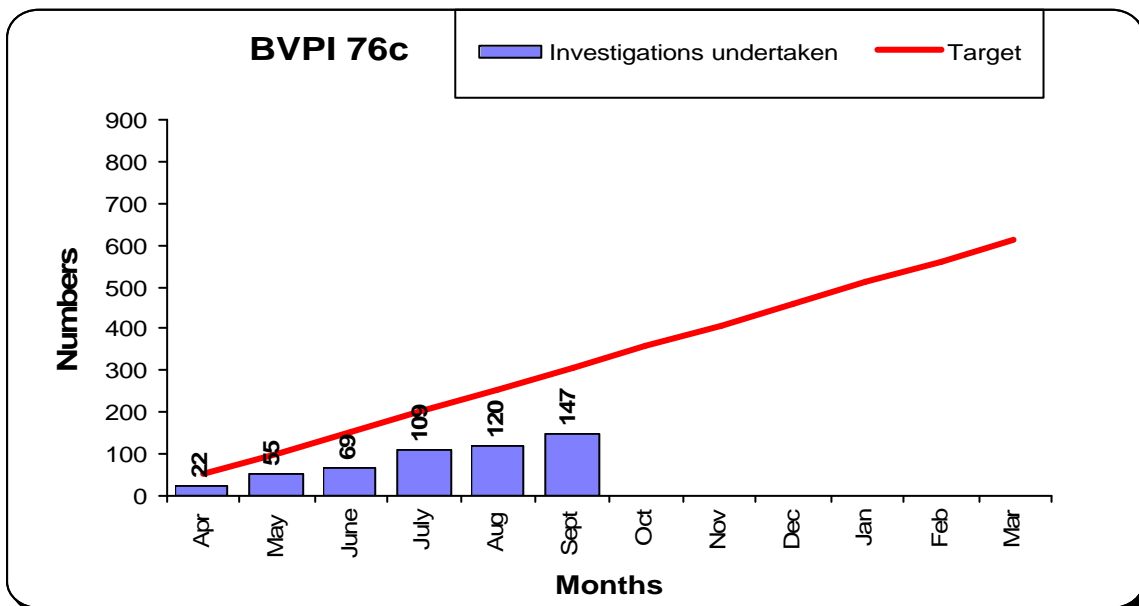
The graph below details the number of Investigations Officer employed in the Section between April and September of 2008.



The number of sanctions is depicted in the graph below. A number of issues have affected performance in the first six months of the year but these have now been addressed and it is hoped an improvement will be seen in the second half of the year.



The number of investigations undertaken in quarter 1 and quarter 2 reflect the growing complexity of investigations work. Performance is not on track as can be seen by the graph below and this has also been compounded by a reduction in quality referrals. Procedures are now under review and more quality referrals are now being received so it is likely an improvement will be seen in the coming months.



Financial implications and risks:

On completion of an investigation, a recommendation is made to a Benefit Officer which could indicate that HB/CTB has been fraudulently claimed for a period of time. The Benefit Officer must make an independent decision based on the Investigation Section's recommendation and their knowledge of the claim. If the Benefit Officer finds that benefit has been claimed fraudulently, it is likely an overpayment will occur.

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 clawed back 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 Section regularly identifies losses which are be recovered by the Council. However, there are no financial implications or risks arising directly from this report.

Legal implications and risks

None arising directly from this report

Human Resource implications and risks

None arising directly from this report

Equality and Social Inclusion implications

None arising directly from this report

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CHERYL COPPELL**Chief Executive****Background Papers List**

None.

MEETING	DATE	ITEM
AUDIT COMMITTEE	9 DECEMBER 2008	9

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS



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.



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. Members are asked to note the Corporate Risk Register and consider:
 - Does it include all the appropriate key corporate risks
 - Are the actions being taken sufficient
 - Are the ratings accurate
 - Is sufficient progress being made
4. To approve the Risk Management Strategy, incorporating any amendments from recommendation 1.
5. To note the Policy Statement.

6. To consider if any additional work should be undertaken by the Committee as part of its work plan and advise on what the planned Risk Management training for March should focus on.

REPORT DETAIL

1. The annual review of the Council's Risk Management arrangements was undertaken, as planned, during October and November 2008.
2. Two stratagems have begun in the current year to continue embed risk management, these are:
 - The establishment of the Risk Management sub-group to examine risk management aspects at an operational level;
 - The integration of risk management within service planning supported by Havering Performs (HP).
3. As the use of HP develops it will permit encourage the management of risk to be more closely integrated into everyday service management functions it will also permit more robust links between service risks and corporate risks to be developed and evidenced.
4. The Corporate Risk Register has also been reviewed and is attached as Appendix A. In doing so the, Corporate Management Team have:
 - (a) Confirmed their existing controls are still in place.
 - (b) Reviewed actions planned and annotated:
 - (i) what has been completed;
 - (ii) which, as a result of (i) could therefore be moved into existing controls;
 - (iii) added any new actions planned.
 - (c) Reviewed their risk rating pre and post planned actions and amended as necessary.
 - (d) Advised of any new risks that should appear, keeping it to a manageable number.
5. The annual review also considered the content and wording of the Risk Management Strategy, included with this report as Appendix B. This now shows the establishment of the Risk Management Sub-group (RMSG) and its operational function below the Risk Management Group (RMG) to whom it will report.
6. Work will continue on risk management, including:
 - (a) Periodic reviews of manual registers until the process is fully supported by HP when the focus of these reviews will evolve with the process;
 - (b) Learning from best practice;

- (c) Promoting risk management throughout the organisation to achieve better outcomes and deliver priorities;
- (d) Peer review, with cooperation from other authorities;
- (e) Training and awareness sessions and bulletins to be discussed at team briefs; and
- (f) Staff poster on awareness of managing risks.

7. The annual review is an opportunity for the Committee to consider whether any further training or other work should be undertaken.

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 is 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.

Human Resource Implications and Risks:

None arising directly.

Equalities and Social Inclusion Implications and Risks

None arising directly.

Staff Contact: Vanessa Bateman
Title: Internal Audit & Corporate Risk Manager
Telephone: 01708 43 3733

CHERYL COPPELL
Chief

Executive

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

RISK				COUNTER MEASURES		ASSESSMENT OF		Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
Recruitment and Retention There is a buoyant economy, in particular 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. The impact of the Regional Agenda will also feature	Havering fails to attract and retain quality staff	<ul style="list-style-type: none"> - Key post is not filled - Key post not filled with the right calibre staff - Quality of implementation of major activities or projects is put at risk - Pool of Quality employees diminishes - Dutch auction of salaries to attract new people - Risk of Quality staff moving on to greener pastures - High standards of council not maintained - Objectives not achieved - Member criticism of officers - Image of council damaged 	<ul style="list-style-type: none"> - Staff development (PDPAs, 1 to 1s, induction) - Some recruitment and retention packages - Reassessment achieved for corporate liP - Further expansion of management development programme - New HR structure implemented - dedicated Workforce Strategy team in place and a team of recruitment advisors to plan and deliver innovative recruitment solutions - Recruitment and Retention Strategy in place - Workforce Plan in place and embedded as part of service planning process - Regular Review of reward strategies e.g. consideration of market supplements - liP health check - Review of Recruitment & Retention - Agency Review 	3 / 4	3 / 4	9 / 16	=	
Risk Owner	Rita Greenwood							
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	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Workforce Strategy team established - Business Continuity Plans established - Talent Strategy Manager appointed to develop retention solutions - Recruitment and Retention Strategy agreed and 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) - Establishment of Business Continuity Plan - Commenced work experience 	3 / 4	3 / 4	9 / 16	=	
Risk Owner	Rita Greenwood							

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
3	London Olympics	Havering does not maximise the opportunity which the London Olympics presents (or is adversely affected by overheating economy it creates)	<ul style="list-style-type: none"> - Housing and infrastructure do not come to Havering - Failure to maximise the benefits of publicity and incoming economic wealth - Construction and maintenance costs soar for asset management - Loss of artisan skills to key Olympic projects - Loss of key staff to prestige projects - Other boroughs benefit from publicity and incoming economic wealth - Construction traffic coming via borough - Environmental impact 	<ul style="list-style-type: none"> - Cabinet agreed to an Olympic strategy and 10 themes in January 2007 - Cabinet agreement to develop an outcome focussed plan by Spring 2007 to mitigate these risks - Current work under way in partnership with 5 non Olympic NE London boroughs to promote region as a venue and suppliers of goods and services - Significant investment in parks and externalisation of Leisure will lead to significant improvement in our 'offer' - New tech services contract - mix of skills - Council fully involved in the Cultural Olympiad including organising a festival and possible installation of a live site screen in Romford town centre 	2 / 4	3 / 4	6 / 16	?
	London has won the right to host the Olympic Games in 2012. The focus of the games will be in East London and a number of London boroughs will be affected. There will be a massive capital development, infrastructure build, financial impact and media attention.							
	Risk Owner	Cynthia Griffin						
4	Organisational capacity/capability	<ul style="list-style-type: none"> (i) Project programming is ineffectively managed (ii) Some managers are unable to deal with, for example, a sensitive 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 	<ul style="list-style-type: none"> - Projects not managed to time or budget - Projects fail to deliver objectives - Project planning called into question - Ineffective use of resources - Failure to deliver value for money and resources cost more - 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 	<ul style="list-style-type: none"> - Monthly monitoring of key projects - Post implementation reviews - Monitoring of contractor/contract performance - Contract monitoring responsibilities defined - Training - Management - Staff development (PDPAs, 1 to 1's, induction) - Sickness monitoring, including RTWs and reviews - IIP accreditation - Legislation tracking - PDPAs - Improvement in sickness absence record - ODPM funding to develop staff - Sickness performance regularly monitored by management teams, CMT and Member Board - Competency Framework being developed - Council restructured however recruitment has been difficult 	3 / 4	3 / 4	9 / 16	=
	(i) The Council undertakes a variety of long term projects, which require effective overall project programming (ii) A proportion of 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.							

RISK				COUNTER MEASURES	ASSESSMENT OF			Change since last time
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	
	Risk Owner	Cheryl Coppell						

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
5	CAA	Lower than expected scores for CAA	<ul style="list-style-type: none"> - Council's external reputation damaged - Council uses more resources 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 	<ul style="list-style-type: none"> - Successful CPA report and 3 star rating - Performance Management in place - Monitoring of inspections/audit recommendations - Improvement & Delivery Board and other formal processes to manage performance in place - Preparation for CAA developing 	2 / 4	3 / 4	6 / 16	?
	Our latest CPA rating is 3 stars. CPA will be replaced by CAA in 2009/10 and we are preparing for this.							
	Risk Owner	Cheryl Coppell						
6	Causing harm to people we owe a duty of care	Serious injury or fatality to staff member/Service User leading to sustained media, legal and audit attention	<ul style="list-style-type: none"> - 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 - Recruitment is inhibited - Loss of quality staff - Loss of confidence in council - Loss of public trust 	<ul style="list-style-type: none"> - 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 - 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 	1 / 4	3 / 4	3 / 16	=
	Having high profile and high risk services and employs a significant number of staff.							
	Risk Owner	Christine Dooley						

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
7	Children's Act: Every Child Matters	Project is ineffectively managed	<ul style="list-style-type: none"> - System fails and a child dies or is injured - Delays in implementation - Resources wasted - Costs increase - Opportunities missed - Lose confidence of key stakeholders - Merger with Social Services undermined - Staff morale declines - Objectives not achieved - Vision of Children's Act not achieved - Adverse inspection - Adverse publicity 	<ul style="list-style-type: none"> - Strategy for Implementation and Action Plan agreed at Cabinet - Model of workstreamed with designated HoS as Leads - CMP 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 - Capacity not affected by JAR and CPA inspections 	1 /4	3 /4	3 /16	=
	Implementation of the Children's Act will involve major strategic, cultural and operational changes for the Council. Children's services will represent a significant proportion of the Council's overall budget and manage some of the most high profile services delivered by the Council. ECM must be joined in with the Corporate issues, e.g. health housing							
	Risk Owner	Andrew Ireland	DA to provide update					
8	Community Safety	Council fails to provide adequate funding and resource to manage the situation and/or fails to mainstream community safety within the organisation	<ul style="list-style-type: none"> - Uncontrollable environment exists - Increase in violent crime - Town/areas of the borough labelled as a no-go area at night - Claims re breach of legislation - Increased demands of Council service (e.g. street cleaning, maintenance) - Effect on Council tax/reserves/funding streams - Censure by audit/inspection - Adverse publicity - Partnership relationships damaged, e.g. police/HCSP - Image of Council damaged - Perceptions of crime do not decrease 	<ul style="list-style-type: none"> - Increased funding was provided for Community Safety in 2006-07 and has been expended on environment matters - Antisocial Behaviour Strategy Alcohol Harm Reduction Strategy both written - JAG in place - Partnership working with the police on the JAG - Community Safety Partnership - Various Strategies - Community Police Support Officers - HCSP working more effectively - Potential roll out of CCTV to other town centres to be completed by December 2008 - Youth service additional funding provided 	1 /4	2 /4	2 /16	?
	Community Safety is a significant issue for the Borough. Fear of crime is much greater than actual crime.							
	Risk Owner	Christine Dooley						

RISK				COUNTER MEASURES		ASSESSMENT OF		Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
9	<p>Lack of Infrastructure Development</p> <p>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.</p>	<p>Infrastructure development does not match housing development levels e.g. road improvements, hospitals, schools.</p> <p>Land for development is not available and homes developed fall well short of targets.</p> <p>CLG/LTGDC/GLA/Housing Corporation do not prioritise Rainham for investment.</p>	<ul style="list-style-type: none"> - 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 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 	<ul style="list-style-type: none"> - Operation of London Thames Gateway Development Corporation - Continued involvement in Thames Gateway "family" - Establishment of Planning Framework - Maximising of borough influence with 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 	2 /4	3 /4	6 /16	?
	Risk Owner	Cynthia Griffin						
10	<p>Breakdown in Social Cohesion</p> <p>Havering has been a predominantly White Christian community. However the demographics are changing and will continue to change. This is impacting upon the settled White working class community in particular.</p>	<p>Breakdown in community relations, intergenerational issues and political activism may all impact negatively.</p> <p>Socio-economic factors may also contribute, as negative preconceptions may increase further.</p>	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Carefully managed community consultation and engagement (through ICAN) - Capacity building and succession planning in local marginalised communities - Activities to raise awareness and break down barriers between communities - Intergenerational work - Work with Governors and schools - Training of staff and members on E&D and cohesion issues - Achievement of Equality Standard - DSG and "Diverse Havering" - 6 point Diversity Strategy and E&D Performance Framework - Crime and Disorder Strategy - Regeneration Strategy 	2 /4	3 /4	6 /16	?
	Risk Owner	Cheryl Coppell						

RISK				COUNTER MEASURES		ASSESSMENT OF			
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where		LIKELIHOOD	IMPACT	RISK RATING	Change since last time
11	Adult Transformation								
	There is a whole change programme incorporating on service improvement and budgetary control 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	- Monitoring meetings periodically - 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) - Improvement Board in place - Identifying and tracking demand and cost of provision - Contracts being looked at Revise risk ratings?	4 /4	2 /4	8 /16	New	
	Risk Owner	Andrew Ireland							

RISK				COUNTER MEASURES	ASSESSMENT OF			Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
12	<p>Poor Management of Council's Assets</p> <p>Having Council has a significant of capital assets which require effective management, including improved maintenance.</p>	<p>Management in a key areas fails, e.g. disposal programme, property management, maintenance.</p>	<ul style="list-style-type: none"> - Unplanned/unbudgeted work required to assets - Unplanned closure of facilities resulting in loss of income/service - assets remain/fall into state of disrepair - Council cannot plan properly for the future in terms of using an asset in the business and cost of using asset - Business decisions cannot be taken properly - Claims against Council e.g. DDA/H&S - Bad publicity - Risk of exposure to member of staff or the public - Disposal valuations affected - Capital Programme unfunded - Services under utilised 	<ul style="list-style-type: none"> - Asset Management Plan in place and refreshed annually - Strategy for addressing backlog - Capital resources in place - Reviews by ZM - CAMG in place and functioning - Quarterly Member reviews in place - Property database - Condition survey completed and analysed - Performance Indicators set and review process in place - Backlog strategy reviewed for condition survey (moved from Further actions planned) - Capital Strategy being refreshed - New Tech Services contract in place - Corporate Property Strategy ongoing - Office centralisation into Romford leading to reduced maintenance costs reduction in office accommodation outside of central Romford - ICT Disaster Recovery Implementation plan agreed by Council to go to tender and tender process started. 	2 /4	2 /4	4 /16	?
	Risk Owner	Rita Greenwood						
	Business Continuity and Emergency Planning			<ul style="list-style-type: none"> - Major Emergency Plan - Emergency spend protocol 				

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
13	The Council is required to respond to both external and internal business continuity issues.	Ineffective response to an incident (or business continuity plan fails)	<ul style="list-style-type: none"> - Services disrupted - Staff unaware of correct procedures - Decision-making in the heat of the moment - Resources wasted reacting - Information lost - Loss of revenue - Increased cost of providing back-up services - Council seen as being ineffective - Council is challenged over its lack of preparedness - Council unable to demonstrate correct procedures - Operating in contravention of legislation - Censure by audit/inspection - Adverse publicity 	<ul style="list-style-type: none"> - Emergency spend protocol - Establishment of Service Business Continuity Plans - Emergency Plan in place and schedule of call-out officers established - BC Strategy in place and tested regularly - IT back ups taken - Training programme devised - Risk Management/Business Continuity Group - Overall Business Continuity Plan formulated and database in place - Website advice in place - Regular review of Emergency Plan - Regular exercises - Increased awareness being undertaken - Flu spend protocol (moved from Further actions planned) - BC now part of all system audits - IT strategy being implemented 	2 / 4	3 / 4	6 / 16	=
	Risk Owner	Rita Greenwood						

RISK				COUNTER MEASURES		ASSESSMENT OF		Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
14	<p>Perception of the Organisation and Poor Reputation</p> <p>The Council must both communicate and consult with residents and service users but does not publicise itself effectively and does not have a systematic approach to communication embedded across departments.</p>	<p>The public are unsure of what the Council does (well) and only hears bad news about the Council.</p>	<ul style="list-style-type: none"> - 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 - Poor coverage in media - Lack of understanding of council services and value for money 	<ul style="list-style-type: none"> - Communication and consultation strategies - Press Office - 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: Back to the shop floor etc - Communications Champions - New structure has been agreed and is being filled - Staff focus groups - Ipsos - MORI annual survey 	2 / 4	3 / 4	6 / 16	=
	Risk Owner	Cynthia Griffin						
15	<p>Partnerships</p> <p>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</p>	<p>Partnership members work to different priorities/objectives and the partnership struggles to deliver</p>	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 launched - Awareness of financial issues - Split risk HSP and partnerships - LAA 2 in place 	3 / 4	3 / 4	9 / 16	=
	Risk Owner	Cynthia Griffin						

RISK				COUNTER MEASURES		ASSESSMENT OF		Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
<p>Financial Arrangements</p> <p>(a) Some services have lacked a robust financial management system and budget management and ownership have been weak. This has led to overspends and an inability to deliver the budget on target for some services.</p> <p>(b) Havering faces challenging financial times; one of the highest Council tax levels, but lowest levels of Government aid.</p> <p>(c) Council fails to set a robust budget and/or fails to set an appropriate level of reserves and contingency</p> <p>(d) Central Government offers streams of funding for some key projects and local authorities must bid for these.</p> <p>(e) There is a concern that there is a lack of a joined up approach to funding, and funds may be available and the organisation is not aware of these.</p>	<p>Overspends/failure to meet targets continue.</p> <p>Council fails to take some tough/innovative decisions on spending plans for the future.</p> <p>Or</p> <p>There is an unexpected financial burden with significant consequences. This may be caused by poor financial management.</p> <p>Council misses a possible external funding opportunity.</p>	<ul style="list-style-type: none"> - Negative impact on balances/Council Tax - Political fallout - Service reductions - Increased uncertainty - Lack of VFM demonstrated - Harder and harder to make efficiency savings targets - Improvement goals in key services are not met - Business investment withdrawn - Risk of service failure or inappropriate/unlawful action - Capacity is further stretched - Staff disillusionment, stress and absenteeism - Council criticised publicly and through audit - Additional funding is lost - Additional projects/initiatives cannot go ahead - Residents do not understand why Council does not have access to this funding - Image of Council damaged - Services overspend without prior warning - Need for material in-year savings or S114 notice 	<ul style="list-style-type: none"> - Financial procedures and manuals - Financial controls - MTFS and budgetary process - Out-turn reviews - Monthly monitoring - Audit reports - Adequacy of reserves/contingencies - Fraud and corruption strategy - Central Government lobbying - Establishment of grant spending plans - Grants co-ordination roled - Staff training - Debt recovery policy and procedures - Grant protocol - Longstop review arrangements - Action taken as necessary - Collation of information on grant budgets - 3 year financial settlement - Risk assessment of savings proposals and budget areas - FPR reviewed - MTFS Meetings - Adult Social Services stabilised - LAA Financial procedures drafted 	2 / 4	2 / 4	4 / 16	=	
Risk Owner	Rita Greenwood							
<p>ALMO/Decent Homes Standard</p> <p>The Council is required to meet the decent homes standard for its housing stock in 2010.</p> <p>The route it has chosen to achieve this is an 'Arms Length Management Organisation'</p> <p>The ALMO has financial difficulties</p>	<p>ALMO does not achieve 2 * status</p>	<ul style="list-style-type: none"> - 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 - Council is seen to have failed community 	<ul style="list-style-type: none"> - ALMO Delivery Plan - Commitment of Senior Management across the Council - Mardyke Delivery Plan completed 1 April 2008 Project Group 	4 / 4	4 / 4	16 / 16	?	
Risk Owner	Cynthia Griffin							

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
18	Contract Dependency	A key contract fails or is ineffectively negotiated	<ul style="list-style-type: none"> - Council taken advantage of by contractor - Benefits of procurement approach not realised - Efficiency savings not made - Time is wasted - Increased pressure on staff - Contract(s) fail - Procured service not value for money - Procured service is poor - Waste of resources - Lack of major systems 	<ul style="list-style-type: none"> - Procurement Strategy - Procurement Framework - Contract Procedure Rules - Strategic Procurement Group - Training - Contract Register - Contract Monitoring - Business Continuity - ASD Project Team in place - Risk assessment model - HoS reporting - Risk System in place - BC review underway - Skills development - Turbulent financial market has had no impact - ASD programme under development 	2 / 4	2 / 4	4 / 16	=
	The Council has a number of key contracts. It is taking measures to address this, but there is still a need for skills to be embedded in the organisation and is hence at risk.							
	Risk Owner	Rita Greenwood						
19	Compliance with Legislation	Having fails to respond effectively to a new piece of legislation	<ul style="list-style-type: none"> - Lack of knowledge/ownership - Failure to disseminate new legislation - Missed deadlines - Not prepared - Failure to comply/manage response - Criticism of Council by stakeholders - Legal challenge - Intervention by Monitoring Officer - Costs and time of managing challenge and costs of non-compliance - Work pressure on legal department 	<ul style="list-style-type: none"> - Providing a linkage between Code of Conduct, Human Rights, Freedom of Information and Discrimination legislation - Report to Standards Committee November 2007 - Assessment of the laws, policies and practices required to comply with legislation - Allocation of responsibility for compliance with new legislation/regulations - Provision of appropriate training (general and/or specific) for staff/officers/members - Dedicated staff to co-ordinate and progress new legislation/regulations - Standing item on management meetings - Completion of equalities impact assessments in connection with all equalities legislation (moved from Further actions planned) 	1 / 4	2 / 4	2 / 16	?
	There is a raft of (new) legislation placed on Local Authorities and it is down to the authority to respond effectively.							
	Risk Owner	Christine Dooley						
	Credit Crunch							

RISK				COUNTER MEASURES	ASSESSMENT OF			Change since last time
Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING		
20 The current economic climate is challenging	Various	- Increased community as ussyes eg employment, financial hardship, debt - Financial strain on contry - Delay on capital schemes	- Action Plan being populated	3 /4	3 /4	9 /16	New	
Risk Owner	Rita Greenwood							

RISK				COUNTER MEASURES		ASSESSMENT OF		
	Vulnerability	Trigger	Consequence	Existing Controls / Actions and Where	LIKELIHOOD	IMPACT	RISK RATING	Change since last time
21	Violent Extremist Activity							
	<p>Having 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.</p>	<p>Breakdown in community relations, intergenerational issues and political activism may all impact negatively.</p> <p>Socio-economic factors may also contribute, as negative perceptions may increase further.</p> <p>With tighter security in Central London, Outer London Boroughs may be potential targets for maximum effect. Having having a predominately White, Christian community further impacts upon this.</p>	<ul style="list-style-type: none"> - Community tensions increase and result in attack. - Political agendas are used to impact upon issues negatively. - Local politicians raise concerns. - Havering becomes a focus for local/national media. - 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. - Agenda overall becomes unmanageable locally. 	<ul style="list-style-type: none"> - Carefully managed community consultation & engagement (through ICAN). - Capacity building & succession planning in local marginalised communities. - Activities to raise awareness and break down barriers between communities. - Intergenerational work. - Training of staff and members on E&D, including issues such as Islamophobia. - Achievement of Equality Standard. - DSG & `Diverse Havering` - 6 Point Diversity Strategy and E&D Performance Framework. - Crime & Disorder Strategy. - Regeneration Strategy - Business Continuity Plan 	2 /4	3 /4	6 /16	?
	Risk Owner	Cheryl Coppell						

**LONDON BOROUGH
OF
HAVERING**

**A CORPORATE STRATEGY
FOR RISK MANAGEMENT**

(Version 6. Last updated November 2008)



RISK MANAGEMENT STRATEGY

1. Introduction:

Risk Management is the management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence, it is about making the most of opportunities (making the right decisions) and achieving objectives once those decisions are made. The London Borough of Havering will achieve it by:

- Controlling risks
- Transferring risks
- Living with risks.

The Risk Management Strategy assists the Council in achieving its vision priorities and objectives by ensuring 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.

2. Benefits of a robust Risk Management programme:

A robust and systematic approach to risk management provides London Borough of Havering with the following benefits:

- On-going risk management framework and action plans;
- Corporate Governance support;
- Identified managed and unmanaged risks;
- Increased risk control awareness and focus on key risk areas;
- Promotion of effective and efficient controls;
- Identification of roles and responsibilities;
- A system for continuous improvement;
- Greater assessment of financial impact and control of costs in its services and operations;
- Support for the Best Value process and; and
- The means to protect and enhance London Borough of Havering's reputation.

The Lead Member Resources and the Group Director Finance and Commerce take overall responsibility and champion Risk Management in the authority.

3. Role and responsibility for Risk Management (see Appendix 1 for details):

Risk Management is not simply a compliance issue. It is a fundamental and critical part of ensuring that we most efficiently deploy our resources and effectively deliver our services. Members, Corporate Management Team, managers, staff and partners are all risk managers. Each manager within the Council is responsible for managing the risks inherent in the operations for which they are responsible.

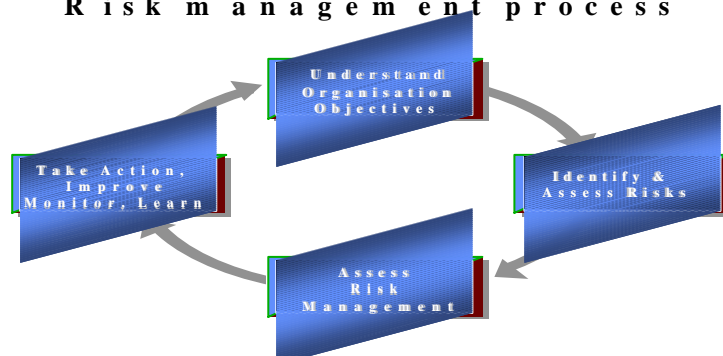
Managers will discharge this responsibility by:

- identifying the risks in those operations as part of the business planning process;
- determining the severity of those risks;
- assessing whether the level of risk being carried for each function is appropriate (neither too much risk being carried nor a too risk averse approach being taken); and
- allocating responsibility for the management of those risks.

Where stakeholders assess levels of risk as being appropriate for the function, managers will continue to monitor risk to ensure that this remains so. Where stakeholders assess levels of risk as being inappropriate then managers are required to take remedial action such as:

- Put in place strengthened controls to reduce risk to an acceptable level to management.
- Act to mitigate or transfer the impact of the risk such as, where appropriate, insuring against the risk occurring.
- Equally, if the function is being managed in too risk averse a fashion this can cause operations to be ineffective by stifling initiative and in addition can cause inefficiency and lack of economy by operating unnecessary or excessive controls. In this situation, it may be appropriate to reduce controls.

R i s k m a n a g e m e n t p r o c e s s



Responsibilities:

a) Elected Members

Members have the role of overseeing the effective management of risk by Officers. In effect, this means that they will agree the proposed strategy framework and process put forward by Officers – as well as the priorities for action. They will also review the effectiveness of risk management. The Audit Committee have overall responsibility for overseeing risk management arrangements.

b) Corporate Management Team

The Corporate Management Team has a crucial role to play in Risk Management. The Chief Executive is the overall owner of the Risk Register and nominates Members of the Management Team to lead on her behalf. The Corporate Management Team needs to take a lead in ensuring that there is the identification and management of risks and opportunities facing the Council.

c) Heads of Services and Service Managers

These managers will initiate and/or extend the process cascaded from levels above to within their own service areas. Managers are responsible for identifying, evaluating, and managing risks in their service area. They are responsible for managing and reporting actions on their respective registers that contribute to the corporate and service risk register.

d) Staff

Staff has the responsibilities of participating in the risk management activities of their service areas and Directorates. Staff should use the opportunities to obtain applicable risk training, identify risks and ensure that adequate controls are in place, and notify their managers of changes in the risk environment.

e) Risk Management Group (RMG)

The role will be to act as a source of guidance and advice to Directorates and Managers, and to co-ordinate the integrated process. The Group will:

- Monitor the effectiveness of the Risk Management Sub Group (RMSG) who deal with the operational issues relating to Risk Management;
- Consider cross cutting risks associated with new policies and service delivery and with existing operations;
- Consider the Corporate Risk Register at least annually and make suggestions to CMT regarding additions and deletions. Whilst ensuring actions are being taken to manage risks in CRR;

- Ensure a consistent approach to Risk Management and compliance with policies and strategies across the Council; and
- Make decisions regarding strategy, framework and process and with regards specific issues highlighted via the RMSG or otherwise.

f) Risk Management Sub-group (RMSG)

The Sub-group will provide a more operational function and perspective to the review of risk management issues. The RMSG reports to RMG. RMSG has the following objectives:

- To ensure compliance with operational Risk Management Processes;
- Promotion of Risk awareness and incorporation in to Financial Procedures;
- To review performance in key areas and report back findings, recommendations to RMG;
- Regularly identify the role of this group and whether it is to continue and add value;
- Review the Risk Management Strategy annually;
- Review the new Risk Management module on Performance + each meeting until otherwise decided;
- Review risk registers (or a sample at each meeting);
- Identify any areas of concern to raise at RMG;
- Oversee or develop appropriate Policies, manuals and other such procedural documentation as the RMG deems appropriate to ensure excellence in risk management and in accordance with appropriate nationally recognised Best Practice;
- Monitor and review the exercising and testing of risk management and emergency plans;
- Raise the profile of Risk Management throughout the organisation as part of good corporate governance;
- Prepare annual workshops to re-identify and re-evaluate high level risks; and
- throughout the authority and to ensure risk management is being embedded throughout services.

g) Internal Audit

Internal Audit has an integrated role in the Authority's risk management strategy. Internal Audit has to:

- Focus audits on areas of risk;
- Provide an independent opinion;
- Provide assurance on the risk management strategy;
- Facilitate risk management improvement;
- Promote risk awareness; and
- Provide proactive risk advice and support.

Each audit undertaken by Internal Audit considers compliance with the Risk Management principals and ensures that identified significant risks have been appropriately included within the service Risk Registers.

h) 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 new 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.

4. Corporate Governance:

Risk Management fits into the Corporate Governance process in the following areas:

- Community Focus: Strategic Development, Visioning and Community Development activities;
- Structures and Processes: Effectiveness of political and managerial structures and open and robust decision making;
- Service Delivery: Continuous improvement through the Best Value Review and Performance Management processes;
- Risk Management Internal Controls: Corporate approach to risk management and guidance on internal controls; and
- Standards of Conduct: Policies that define the expected standards of personal behaviour and conduct by members, staff, and officers involved in service delivery.

5. Risk categorisation:

<u>STRATEGIC RISKS</u> Risks that require consideration when assessing medium to long-term objectives of the council. These may be:	<u>OPERATIONAL RISKS</u> Risks that managers encounter in their day-to-day work. These may be:
Political: Those associated with a failure to deliver local or central government policy or meet the Council's Strategic Objectives	Professional: Those associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants)
Economic: Those affecting the ability of the Council to meet its financial obligations. These include budgetary constraints and consequences of proposed investment decisions	Financial: Those associated with financial planning and control commitments and the adequacy of insurance cover
Social: Those relating to changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.	Legal: Those related to ultra vires, non-compliance with legislation, procedural issues leading to judicial review and challenges, failure to deliver the service i.e. complexity and capacity issues.
Technological: Those associated with the capacity of the Council to deal with technological change and changing demands. This may also include the consequences of technological failure.	Physical: Related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc).
Legislative: Those associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE Regulations).	Contractual: Those associated with the failure of contractors to deliver services or products to the agreed cost and specification, and/or there financial failure.
Environmental: Those relating to the environmental consequences of progressing the Council's objectives (e.g. in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc).	Technological: Those relating to reliance on operational equipment (e.g. IT systems or equipment).
Competitive: Those associated with the competitiveness of the Service (cost/quality) and its ability to deliver value for money efficiency of operations.	Environmental: Those relating to such issues as pollution, noise or energy.
Customer Focus: Those associated with the failure to meet current and future needs and	Business continuity: Those relating to failure to establish an alternative service arrangement and/or plan

<p><u>STRATEGIC RISKS</u> Risks that require consideration when assessing medium to long-term objectives of the council. These may be:</p>	<p><u>OPERATIONAL RISKS</u> Risks that managers encounter in their day-to-day work. These may be:</p>
<p>expectations of customers and citizens</p>	<p>ahead.</p>
<p>Reputational: Those associated with events/activities in the Council’s operations that may lead to negative publicity, like the failure to secure adequate resources to deliver an ambitious project.</p>	<p>Fraud: Those associated with events/activities that result in loss of assets, equipment e.g. theft, misappropriation or falsifying documents.</p>
<p>Human Rights Act: “The Act gives every citizen a clear statement of rights and responsibilities. And it requires all of us in public service to respect human rights in everything we do” Tony Blair July 1999</p> <p>For Havering, the Act makes it a legal duty to act compatibly with the Convention rights. If a person’s rights are harmed, he or she can take the Council to criminal or civil court.</p>	
<p>Corporate Manslaughter: This Act deals with the circumstances in which an organisation and/or officers can be prosecuted for manslaughter committed in the course of its operations.</p>	

6. Risk Management Framework:

Risk Management is not about eliminating risk but rather about understanding risk in the London Borough of Havering’s processes and making the management of risk integral to all the business processes. The Risk Management Framework consists of:

- a) Approval by Audit Committee of a Risk Management Strategy.
- b) Ownership of risk by Members, Managers and staff. This includes the consideration of risk for all decisions and proposals.
- c) Executive support for the Risk Management Group.
- d) Provision of appropriate training and qualifications for stakeholders on an annual and continuous basis as required.

- e) Active participation by the Risk Management Group and Risk Management Sub Group (see roles and responsibilities).
- f) Establishment of the Corporate and Service Risk Registers.
- g) Bi-annual review and continuous identification and evaluation of the corporate risk registers (April and October) and service risk registers (March and September).
- h) Responsibilities for the risks on the register:
 - Corporate Risk Register, which covers the big cross cutting issues affecting the achievement of business objectives – Corporate Management Team.
 - Service Level, which covers the issues affecting the achievement of service objectives – Heads of Service.
 - All risks, which covers issues affecting the achievement of service project and operational objectives – Managers
- i) Action to deal with risks through the Medium Term Financial Strategy and establishment of adequate budgets and resource redirection as necessary.
- j) Risk Management assessment in all committee reports.
- k) Reporting and monitoring of identified risks to the Risk Management Group, Corporate Management Team and Audit Committee.
- l) Internal & External Audit involvement by facilitating risk management, establishing risk based audits, monitoring the Council’s risk management programme, and providing assurance on the effectiveness of the programme.
- m) Communicating of risk management issues.
 - Financial Services Briefing Edition to Senior Managers to include examples
 - Articles drafted for Living in Havering and Inside Havering
 - The Risk Management Group to include the Council’s insurance provider
 - Key officers encouraged to attend professional associations like ALARM and Better Governance Forums.
- n) Undertaking bi-annual reviews of the risk management process and annual reviews of the strategy.
- o) Programme of training and awareness of risk management issues.

7. The Risk Management Process at Havering

	<u>Key objective</u>	<u>Actions</u>
Step	Identification of	There is a need to identify the potential risks that may

1	Risks looking at our vulnerabilities and the risk owners	arise if informed decisions are to be made about policies or service delivery methods. These risks may arise because of the generality of the environment in which a Council operates or in relation to a specific option under consideration or decision made. The key element of this stage is that all appropriate categories of risk are considered in relation to the specific objectives of the option or decision and that an appropriate and suitable risk owner is assigned.
Step 2	Analysis of Risks	Available data should be used to provide information to help assess the likelihood of any risk arising, including triggers and the consequence or impact it may have if it does arise.
Step 3	Profiling/Rating Risks	Risks can then be profiled according to their likelihood and impact having regard to existing controls and arrangements. How the Council assesses this is set out below.
Step 4	Determine risk appetite to prioritise further actions	Further action can then be determined based on the Council's appetite for, or tolerance to, risk and the availability of limited resources. The identification of a target risk assists this.
Step 4	Determining Further Action to take on Risk	The risk owner should then consider the priorities for further action. Can or should resources be directed so the risk be avoided, eliminated, reduced, transferred or accepted, and what impact will this have on the risk profile/rating and achieving the target risk rating.
Step 5	Controlling Risk	Once appropriate action is decided for each risk and the responsibility for this allocated, the control process can start. This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should it occur. It also involves continuing with existing controls and implementing the new controls.
Step 6	Monitoring and Reporting on Progress	Progress in managing risks should be monitored and reported so that losses are minimised and intended actions are achieved. Reporting upwards is necessary on the whole spectrum of risks in the risk profile – not just on those being controlled.

In order to profile/rate risks, the authority considers over the next 3-5 years:

- 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 (not those planned or not yet in operation) how likely is the impact to occur within the timeframe of the Corporate Plan on the following scale:
 - 1 – almost impossible
 - 2 – unlikely but possible
 - 3 – likely
 - 4 – very likely

- When assessing the further action to take, along with a target risk rating, the Council will consider if there is:
 - significant scope for improvement of the risk response
 - moderate scope for improvement of risk response
 - sufficient risk response

8. External Review:

Risk Management is reviewed annually by the External Auditor as part of their Use of Resources judgement, which contributes to the overall Corporate Assessment. The Authority considers recommendations made as part of its annual review.

9. 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:

- a) Both our Insurer and Insurance specialist Officers are actively involved in risk management activities.
- b) Regular reviews of insurance claims are undertaken by the Risk Management Group.
- c) There is a learning culture encouraged from claims history.

10. Gaining and Maintaining Competence:

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

In this sense, traditional views of risk management as being bound up with insurance, worthy only of cursory attention on a once per annum basis, has

been left behind. Risk Management is dynamic. In broadest application, it is concerned as much with optimising risk as it is with minimising it. This requires the building of competency and provision of Risk Management training for all involved in developing the strategy and in operations.

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

11. Measurable Outcomes

- 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 Sub 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 and Risk Management Group.
- c) Implementation of the new risk management process supported by the HP system to ensure streamlined processes are in place – this will be measured by the ability to undertake service risk register reviews using the HP system and feedback from Risk Management Group and Corporate Management Team regarding the use of the system and the management information available to support the process.
- 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.

12. Annual Review of the Risk Management Strategy

The annual review of this strategy is planned to take place during October 2009.

Summary of roles and responsibilities

Appendix 1

	Elected Members	Corporate Management Team	Heads of Services	RMG & RMSG	Internal Audit	Service Managers	Service providers (contractors, partners)
Framework, Strategy and Process	Agree the Council's risk management policy and strategy	Approve the strategy, framework and process	Implement the strategy in line with the framework	Determine the strategy, framework and process. Provide support to services on implementing the strategy	Ensure the adequacy of the Council's strategy and framework	Analyse and profile service risks	Ensure Councils risk management policy is understood
Identifying risks	Obtain appropriate risk identification training. Identifying risks in proposals and proposals and cross-profiling activities of cutting risks the Council	Identify strategic and cross-cutting risks	Identify risks in their service areas.	Provide advice and support in the bi-annual corporate and service risk reviews	Undertake an annual risk plan review to inform the risk based audit plan. Use the service risk registers in systems work	Obtain appropriate risk management training. Actively participate in the bi-annual corporate and service risk reviews	Ensure Council is notified of any contractual risks

	Elected Members	Corporate Management Team	Heads of Services	RMG & RMSG	Internal Audit	Service Managers	Service providers (contractors, partners)
Analysing & profiling	Analyse and profile risks in proposals and activities of the Council	Analyse and profile strategic and cross-cutting risks	Analyse and profile service risks	Analyse and profile corporate and service risks	Analyse and profile the risk based audit plan. Assess the Council's corporate risk register	Analyse and profile operational and cross-cutting risks	Maintain awareness of the impact and cost of risks in their service
Establishing of risk registers	Determine the risk appetite and prioritising risks	Approve and monitor the corporate risk register. Ensure resources to action risks.	Establish appropriate service risk registers	Provide support in the establishment and monitoring of the corporate and service risk registers	Produce a risk based audit plan	Actively participate in the establishment, implementing, monitoring and reviewing of service registers	Maintain and provide the council a risk register for contracted service
Implement actions to control identified risks	Ensure appropriate risk controls in proposals. Consider controls in activities of the Council	Determine action on corporate risk registers and cross-cutting risks	Establish an action plan for identified risks in the service risk register	Provide guidance and support for actions on identified risks	Undertake reviews to identify and manage weaknesses in control	Determining actions on service risk registers. Ensure actions to control risks are implemented. Promptly report any adverse results to HoS	Implement actions to reduce the Council's exposure to contractual risks

	Elected Members	Corporate Management Team	Heads of Services	RMG & RMSG	Internal Audit	Service Managers	Service providers (contractors, partners)
Monitoring and reporting on progress	Monitor the Council's risk management strategy	Monitor all aspects of the risk management strategy ensuring compliance to corporate governance	Undertake bi-annual service risk reviews	Continuously monitor implementation of the risk management strategy.	Review the Council's risk management strategy as part of its corporate governance work	Timely provide risk management information. Monitor the risk management process and register for service area	Monitor the contract during its life to ensure that all risks are addressed

Notes:

The Lead Member Resources and Group Director Finance

The Audit Committee has responsibility for overseeing risk management in the authority



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 and 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 identified 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