

AUDIT COMMITTEE

AGENDA

7.30pm

Tuesday,
11 December 2007

Havering Town Hall
Main Road, Romford

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
Barbara Matthews

Rainham and Wennington Independent Residents Group (1)

Mark Stewart

For information about the meeting please contact:

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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 27th September 2007 and to authorise the Chairman to sign them.

5. AUDIT COMMISSION PROGRESS REPORT – Audit Commission

6. INTERNAL AUDIT REPORT

7. ANNUAL REVIEW OF ANTI FRAUD AND CORRUPTION ARRANGEMENTS INCLUDING WHISTLEBLOWING POLICY

8. ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

9. ADULT SOCIAL SERVICES REPORT

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 Coppel
Chief Executive

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
Havering Town Hall, Romford
27 September 2007 (7.30pm – 9.15pm)

Present:

COUNCILLORS

Conservative Group David Grantham (in the Chair), +Steven Kelly, Frederick Thompson and Roger Ramsey

Residents' Group Clarence Barrett

+ Substitute Member: Councillor Steven Kelly for Michael Armstrong

Apologies were received from Councillors Barbara Matthews and Michael Armstrong

Councillors Frederick Thompson and Clarence Barrett declared a personal but not prejudicial interest in the report concerning Annual Review of Schools Internal Audit 2003/2007 as they were both School Governors.

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.

9. MINUTES

The minutes of the meeting held on 27 June and 31 July 2007, were agreed as a correct record, and signed by the Chairman.

10. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT AND RESULTS OF EXTERNAL AUDIT OF ACCOUNTS 2006/07

The Audit Commission's report titled 'Annual Governance Report' and Finance's report titled 'Results of External Audit of Accounts 2006/07' were considered simultaneously by the Committee.

Jon Hayes, the Council's District Auditor, introduced the Audit Commission's report.

The District Auditor advised the Committee that the 2006/07 Governance Report was complementary to the Council.

It was noted that there was some minor work outstanding within the audit but that he expected that he would be able to give an unqualified opinion on Havering's financial statements the following day.

The District Auditor outlined that the issue in paragraph 21 and recommendation 1 of the draft Governance Report had now been resolved and would not be appear in the final version.

In response to a question on the status of the data quality, the Committee was informed that there had been progress on implementing the recommendations but this was still on-going.

The Committee requested the District Auditor make the final version of the Governance Report available to be distributed with the Committee agenda next year. The District Auditor said that he would endeavour to do so.

The Committee **noted** the Audit Commission's Annual Governance Report and the results of the External Audit of Accounts 2006/07 report.

The Committee also recorded their thanks to staff members, for all their hard work.

11. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 01 APRIL 2007 – 29 JUNE 2007

The Interim Audit Services Manager presented this report to the Committee. The report outlined the results of audit activity during the period 01 - April to 29 June 2007.

The Committee was informed that all 2006/07 audit reports, except departmental budgetary control, have now been finalised; and that the Audit Protocol was currently being revised to identify strict deadlines for responses to be provided by management. These deadlines would be closely monitored and escalation procedures applied where necessary; it was hoped that these measures would reduce the time taken to finalise reports and the resource required to chase responses.

The report was discussed by Members and the following questions and issues were raised:

- a) In relation to staff paid. The Committee was informed that this related to staff working over and above their position, generally with regard to additional duties and responsibilities.
- b) Members sought clarification on the detail of the recommendations.
- c) On hotline messages recorded. This figure did not include benefits fraud calls. The Committee was also informed that call ref 008/06 was investigated but no further action was required.
- d) The Committee sought clarification of relevant figures relating to schedule 15 (BVPI76d).

- e) In relation to schedule 11; the Committee sought confirmation whether performance was improving with regard to implementation of recommendations. The Committee was informed that there had been increased focus on ensuring that management were taking the agreed action in accordance with prescribed timescales and that follow up of recommendations will in future be undertaken by the internal audit team, and therefore this should ensure that this focus and the resulting improvement in performance continues.
- f) The details of critical areas, in the Telecommunications report, were outlined as
- The lack of a tested disaster recovery plan for voice systems; and
 - Failure to put in place security procedures for the telecommunications system.

It was noted that although action had been taken by management to address the issues the detail should be included in the final report. The Interim Audit Services Manager agreed that in future all details would remain in the management summary presented to Audit Committee and that the final versions on all audit reports would, for 2007/08, would be made available electronically to members. The Chair reminded members that final reports for all audits currently were available on request.

- g) In relation to, the IT Business Continuity report, and there being no timescale for completion of the project (1.4.1); the Committee was informed that the Council was looking at partnership working with other authorities in order to reduce costs. Members were informed that the project initiation document is kept updated.

Members **noted** the report.

12. ANNUAL REVIEW OF SCHOOLS INTERNAL AUDIT 2006/2007

The Committee received a report outlining the findings from internal audits carried out in Havering's schools during academic year 2006/07.

The Schools Finance Manager introduced the report which provided a high level summary of the findings.

The Committee was informed that the 2006/07 academic year was the third year of the revised internal audit arrangements in schools. These included a robust, risk based triennial audit by auditors appointed through competitive tender (currently Deloitte and Touche) and an annual health check audit provided as part of Children's Services School Funding and Assurance section.

Under each audit, schools are given a level of assurance as an overall assessment of the internal controls in place and the effectiveness of the operation of those controls. The levels of assurance are determined by the classification of the priority levels of the recommendations made.

The new arrangements also included follow up and support to ensure schools address the issues raised, leading to an improvement in subsequent years.

83 of the 86 Havering schools received an internal audit during the academic year, three having had their audit postponed until early autumn 2007 due to unavoidable pressures within the individual schools. Two schools had draft reports yet to be finalised and these were therefore not included in the audit.

The report was discussed by Members and the following questions and issues were raised:

- a. The 26 Priority 1 recommendations not implemented. The Committee was informed that this mainly related to issues which had not been addressed the previous year. These were originally lower level recommendations which were automatically re-assigned Priority One because of their non-implementation.

This means that although in 2005/06 they were priority 1 recommendations in their own right they were mainly priority 2s or 3s in the previous year (2004/05) which had not been implemented by the time of the next audit in 2005/06. At that point they became priority 1s.

- b. The Committee was informed that it was expected that the Head Teacher would ensure that audit findings would be considered by the governing body as part of the annual cycle of finance committee meetings.
- c. The Committee was also informed that naming schools on the report was not an issue of confidentiality. Schools were not named as the audit process was intended to be supportive and used to encourage improvement rather than to expose their weaknesses in a public document.
- d. The Committee noted that all secondary schools had met the Financial Management Standard in Schools (FMSiS) and was assured that in comparison to other Local Authorities, Havering had done quite well.

Following further discussion, Members **noted** the report.

13. DATA QUALITY REVIEW 2006/07

This report advises the Committee of the annual review by the Audit Commission of the performance information the Council publishes and its arrangements for ensuring that the data is robust. The report outlined the following:

- a. That much of the Council's data was robust such as the annual performance plan (which received a favourable auditor's opinion) There was however work to do to make all of the performance information published of a consistent standard.
- b. The review was seeking to determine whether proper corporate management arrangements for data quality are in place and whether these are being applied consistently in practice.

- c. The full report outlined several tests applied to a sample of the performance indicators the Council publishes.
- d. The auditor's report included an action plan which the Council was asked to agree and allocate responsibilities to. Key steps included agreeing a Data Quality Strategy, documenting the relevant systems and addressing where appropriate the training needs of the staff involved with the systems. There was also a recommendation that the Council's protocols for data sharing be expanded to include the Havering Strategic Partnership.
- e. The overall conclusion by the auditor was:

"The Council's management arrangements for data quality meet minimum requirements. Governance and leadership arrangements are in place and the Council has successfully raised the profile of data quality in recent years. However, policies, systems and processes are not always formalised and applied consistently. Current data quality arrangements focus on reported best value performance indicators. A broader approach to data quality, strengthening management arrangements for all key performance information, would improve performance reporting and provide more robust information for decision making."

- f. A number of the actions described in the Action Plan had now been carried out. The issues relating to training will be picked up and scheduled for implementation as part of the introduction of electronic performance reporting, which will be phased in over the next few months.

The Committee stated that they would like to see the same level of approval and authorisation from a senior officer.

Following the discussion, Members **noted** the report.

14. AUDIT & INSPECTION ANNUAL LETTER 2004/2005 & 2005/2006

The 2004/05 Audit and Inspection Annual Letter was considered by Cabinet on 15 February 2006 and considered by the Corporate Overview and Scrutiny Committee on 13 April 2006.

The letter recommended actions that had now been completed and need not be reported to the Committee any further.

The 2005/06 Audit and Inspection Annual Letter was considered by Cabinet on 18 April 2007 and shared with members. The letter recommends actions to be taken.

This report would also be presented to the Corporate Overview and Scrutiny Committee shortly.

Following further discussion, Members **resolved**:

- a. That the Committee note the contents of the 2004/05 Action Plan and the progress made to date.
- b. That the Committee agrees that the 2004/05 Action Plan has been completed and need not be reported to the Audit Committee again.
- c. That the Committee notes the contents of the 2005/06 Annual Letter.

15. URGENT BUSINESS

The Committee agreed that a report on receivership for elderly persons be presented at the next meeting.



MEETING

DATE

ITEM

AUDIT COMMITTEE

11 December 2007

5

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

Progress report to the Audit Committee

London Borough of Havering

Audits for 2006/07 and 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

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Introduction

- 1 The purpose of this report is to update the December 2007 Audit Committee on work completed since the last Audit Committee in September 2007 and the work to be completed during the rest of the year.
- 2 This report includes:
 - details of those reports issued since our last progress report;
 - a summary of current work in progress at Appendix 1 (this excludes completed items that have already been reported to the Audit Committee in this and previous progress reports); and
 - a summary of recent Audit Commission publications of relevance to the Council.

Finalised reports

Annual Governance Report and the Opinion

- 3 We presented our Annual Governance Report to the Audit Committee on 27 September 2007. This report detailed the key findings from our audit of the Council's Statement of Accounts and the value for money conclusion. The report set out our intention to issue an unqualified opinion on the Accounts and an unqualified value for money conclusion.
- 4 We subsequently issued an unqualified opinion on the Accounts and an unqualified value for money conclusion on 28 September 2007. We also issued our certificate on the 2006/07 audit on the same day.
- 5 Following completion of the Statement of Accounts audit, we reviewed the Council's Whole of Government Accounts consolidation pack. We concluded that, following amendments, the consolidation pack was consistent with the audited Accounts and certified the return to Communities and Local Government on the due date of 8 October 2007.

Setting high ethical standards

- 6 In June 2007, a survey was sent to all Members and senior officers to determine the level of understanding of, and compliance with, the Council's arrangements for maintaining high standards of ethical behaviour. This included awareness of the Code of Conduct and the Council's whistle-blowing policy, how and when to disclose interests and the relationship between Members and officers. Responses were received from 22 Members (41 per cent) and 68 officers (57 per cent).
- 7 The results of the survey demonstrated that both Members and officers have a clear understanding of expected standards of personal conduct and their responsibilities

under the ethical framework. The Leader and Chief Executive are viewed as positive role models who are proactive in promoting the ethical agenda. Decision-making by Members is generally considered to be transparent and Members are considered to be accountable for their decisions and actions.

- 8 The survey did highlight the need for further training for Members on key legislation and the action to take should they believe there has been a failure to comply with the Code of Conduct. There is also a need to better communicate the role of the Standards Committee to officers and the public.
- 9 An action plan has been agreed with officers to address these issues and strengthen further the existing arrangements.

Culture Inspection

- 10 The inspection reviewed cultural services provided by the Council, including libraries, parks and open spaces, leisure services and facilities for the arts. The Inspection found that cultural services are contributing towards the achievement of national and local objectives. There are good examples of partnership working to improve the availability, accessibility and funding of services. Investment is allocated according to responses from user consultation and there is a strong track record of improvement.
- 11 The Inspection found more needs to be done to encourage participation of under-represented groups in the Borough. It also found that standards of service were inconsistent and the Council would benefit from defining more clearly its quality standards. Scope exists to develop on-line access and workforce planning.
- 12 The Inspection concluded that the Council currently provides **fair** (one star) cultural services which have **promising** prospects for improvement.

Appendix 1 – Progress in delivering the 2006/07 and 2007/08 audit and inspection plans

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
2006/07 Audit and Inspection Plan					
Grant claims					
2006/07 grant claims audit	GDF&C	June 2007	February 2008		Our audit of the Council's grant claims and returns is currently in progress.
2007/08 Audit and Inspection Plan					
Performance					
Use of resources assessment 2007	GDF&C	August 2007	November 2007	December 2007	We have completed our 2007 Use of Resources assessment and the Council has been notified of the scores.
Data Quality	ACES&C	June 2007	November 2007	December 2007	We performed a spot check on six performance indicators and made material amendments to two indicators and minor amendments to a further two. There were no qualifications.

Key area of audit plan	Named contact	Start	Target completion date	Final report date	Comments
Inspections					
ALMO Inspection	ACES&C	September 2007	October 2007		The Inspection has been completed and a draft report has been issued to the ALMO.

Key	Title
CE	Chief Executive
ACES&C	Assistant Chief Executive Strategy and Communications
ACEL&DS	Assistant Chief Executive Legal and Democratic Services
ACEHR	Assistant Chief Executive Human Resources
GDF&C	Group Director Finance and Commercial
GDCS	Group Director Children's Services
GDSS	Group Director Sustainable Communities
GDPR	Group Director Public Realm

Appendix 2 – Recent reports issued by the Audit Commission

CPA: the harder test framework for 2007 (single tier and county councils)

Introduction

- 13 Comprehensive Performance Assessment (CPA) measures how well councils are delivering services for local people and communities. Since its introduction in 2002, CPA has evolved in response to changes in the operational and regulatory environment, rising public expectations, and the performance of local government itself.
- 14 Earlier this year the Audit Commission (AC) produced a consultation document on proposed refinements to the CPA framework. Responses showed strong support for minimal changes to the existing framework and a consolidation of the approach rather than any major changes. The AC has taken these views into account and this document, published in August 2007, confirms the framework for 2007. The AC believe that the revisions will ensure that CPA continues to provide a clear picture of councils' performance and support continuous improvement over the few years prior to the implementation of Comprehensive Area Assessment (CAA) from April 2009.

An outline of the document

- 15 The document includes a summary of the response to the consultation process and an outline of the main changes from 2006. Key messages include
 - no significant changes to the approach to corporate assessments, however minor changes may be made to update the methodology to reflect changes in legislation or other requirements if necessary
 - a rule proposed in previous consultations that would have had the effect of giving more weight to the value for money judgement within use of resources will not be introduced for the remainder of CPA
 - no change to the overall approach to the AC service assessments
 - a small number of changes to the PI sets were necessary to address issues such as data availability and national consistency
 - the approach to the direction of travel assessments remains the same but with an intention to increase the focus on customer and resident satisfaction and engagement within the key lines of enquiry (KLOE).

- 16 In addition, consultation responses indicated a desire for results to be published earlier, however, given the need to ensure sufficient time for full consideration of the latest available data in relation to the service assessments and direction of travel assessments the AC have decided that the earliest that reporting can be brought forward is to early February 2008.
- 17 The full document can be found at <http://www.audit-commission.gov.uk/cpa/stcc/stccframework.asp>

Hearts and minds: commissioning from the voluntary sector

What is this report about?

- 18 This report, published by the Audit Commission (AC) in July 2007, notes how the government aspires to develop the role of the voluntary sector in delivering public services. In pursuit of this aspiration it has adopted two broad policy approaches:
 - building the capacity of voluntary organisations to contribute to the delivery of public services
 - encouraging local public bodies to commission services from the voluntary sector where it can contribute most effectively.
- 19 The AC study investigated the impact of capacity-building initiatives at local level; how effectively councils are engaging the voluntary sector in the commissioning process; and what impact current procurement practice is having on the sector, and on councils' ability to secure value for money in service delivery. Key messages from the study include:
 - the voluntary sector's involvement in delivering public services is steadily increasing with councils currently spending over £3 billion in this area, and many voluntary organisations receiving most of their income from public bodies, although larger voluntary organisations are more likely to deliver public services than smaller ones
 - government initiatives to strengthen the voluntary sector's ability to deliver public services have had limited success with capacity-building programmes not showing substantial local impact, to date, and smaller voluntary organisations remaining sceptical of the potential of these programmes to improve their position
 - a few, highly effective commissioners have adopted intelligent commissioning to get the best from the voluntary sector, including involving voluntary organisations in maintaining a detailed understanding of what services their users need, and developing a good understanding of the market

- commissioners need to develop a better evidence base to demonstrate value for money as there is currently little evidence, at national or a local level, on the performance and value for money secured from voluntary sector bodies.

How does this report affect the council?

The report is aimed primarily at managers in local councils who are responsible for commissioning services and contains recommendations to help councils and other audiences address some of the issues raised. We would also be happy to work with the council in addressing some of these issues. The full report can be found at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=418C38AF-0D97-49dd-95D6-EE7E7BA43773&fromREPORTSANDDATA=NATIONAL-REPORT>

Seeing the light: innovation in local public services

What is this report about?

- 20 Published by the Audit Commission in May 2007, this report notes that many authorities, like their counterparts in the private sector, have found that incremental approaches to improvement are now yielding smaller gains in performance and efficiency. These improvement approaches are unlikely to be able to deliver against rising expectations and rather than doing the same thing better, authorities will have to do things differently.
- 21 Key messages include:
 - authorities are already innovating extensively, with nearly half of authorities reporting that they are involved in a great deal of innovation, with innovation not being confined to the strongly performing authorities
 - there is the potential for authorities to organise themselves in ways which make innovation more likely, for example, implementing cross-cutting structures, devolving responsibility to customer-facing staff and fostering an ambitious and open culture
 - effective change management processes are needed to ensure that innovative ideas are successfully implemented, authorities need, for example to deploy adequate managerial capability and engage political leaders, users and partners
 - innovations do not spread quickly with few authorities being able to access examples of successful innovation, while many innovators lack the mechanisms for sharing their experience.
- 22 Central agencies are also cited as having the potential to do more to overcome the barriers to sharing innovative practices.

How does this paper affect the Council?

- 23 'Seeing the light' encourages local authorities to consider innovation as one way of achieving sustained performance improvement. By providing practical advice and support, based on authorities' own experiences of innovating, it aims to assist in creating the conditions in which innovation is fostered, developed and managed effectively. It also reaffirms the Audit Commission's commitment to encouraging innovation and proactively sharing knowledge with other local authorities. At a local level, we would be happy to work with the council to encourage and disseminate innovative practices.

The full report can be found <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=687E80A7-C07E-4d2e-9197-D70A9F271463&fromREPORTSANDDATA=NATIONAL-REPORT&area=hped>

DRAFT



MEETING	DATE	ITEM
AUDIT COMMITTEE	11 December 2007	6

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 01 JULY 2007 – 28 SEPTEMBER 2007

SUMMARY

This report advises the Committee of audit issues from internal audit activities for the period 01 July to 28 September.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.
3. To consider any areas of concern to be included within the 2008/09 Audit Plan.
4. To suggest any changes to be made to the Internal Audit Charter and terms of reference to be actioned in Decembers planned review.

REPORT DETAIL

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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, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. 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 Coppel
Chief Executive

SECTION 1 – AUDIT 2007/08 Plan

The reports were issued as final reports between July and September 2007. Details are listed in the table below and management summaries under schedule 3 on page 5.

SCHEDULE 1: 2007/2008 Audits Completed To Final Report Stage

Report	Issued	Opinion	Recommendations				Ref
			High	Med	Low	Total	
Loans And Investments	28/09/07	Unqualified	0	0	0	0	Sch 3(a)
Business Continuity	30/07/07	Unqualified	0	0	0	0	Sch 3(b)
Street lighting	17/07/07	Unqualified	0	8	2	10	Sch 3(c)
Total			0	8	2	10	

Schedule 2 reports those audits that have been completed to draft stage from 1st July to the 30 September 2007.

SCHEDULE 2: 2007/2008 Audits Completed to Draft Report Stage

Report	Draft Issued	Head of Service	Group Director
Email Security	25/07/07	Business Systems	Finance & Commercial
Freedom of Information	07/09/07	Business Systems	Finance & Commercial
Performance Management	25/09/07	Human Resources	Chief Executive
Income Controls (Planning)	28/09/07	Development & Building Control	Sustainable Communities
Management of Homes in Havering	28/09/07	Housing and Health	Sustainable Communities
BVPI's	28/09/07	Customer Services	Public Realm
Petty Cash	28/09/07	Financial Services	Finance and Commercial

Management have been chased for responses to the above reports and this will continue with the assistance of the audit representatives. All will be finalised by December to ensure inclusion in the next Audit Committee report.

SCHEDULE 3: Management Summaries for 2007/2008 Audits

Loans and Investments	Schedule 3(a)
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1. Management Summary

1.1 Introduction

- 1.1.1 This review was undertaken in accordance with the 2007-08 Internal Audit Plan. The review covered the system for Loans and Investments.
- 1.1.2 CIPFA's Treasury Management in the Public Sector: Code of Practice provides the basis for good management in local authorities. Within this code, Treasury Management is defined as the management of the local authority's cash flows, its borrowings and its investments, the management of the associate risks, and the pursuit of the optimum performance or return consistent with those risks. As such, within local authorities, the limitation of exposure of capital to risk is of primary significance, and the pursuit of high returns is of secondary importance.
- 1.1.3 As at 2nd April 2007 the total of loans amounted to £47,171,217.75 and investments £67,992,339.66.

1.2 Key Risk Areas reviewed

- 1.2.1 This audit reviewed the following key risk areas:
- The Authority does not have a policy for the investment of its funds and therefore inappropriate investments may be made (which may result in the Council acting outside its powers);
 - There is no documentary evidence to support the transfer of funds and therefore unauthorised transactions may be made and remain undetected;
 - Investments are not being made in accordance with the Authority's approved policy and therefore the Council may be acting outside its powers;
 - There is no regular monitoring and reporting of investment performance and therefore inappropriate arrangements or poor performance may not be identified;
 - Investments are calculated and valued inappropriately leading to loss of money;
 - Amendments to the Authority's investment policy are not actioned promptly and therefore staff may be unaware of significant changes in policy;
 - There is no separation of duties and therefore unauthorised transactions could be entered into without being known;
 - There are no clearly defined procedures for the use of investment management brokers and therefore unauthorised investments could be made;
 - Inadequate arrangements are being taken to safeguard the Authority's assets;

- Loan transactions are not being carried out in accordance with the Financial Framework and Financial Procedure Rules;
- The Authority Loan transactions are not properly authorised which could result in the misappropriation of funds;
- There is inadequate documentation to support loan transactions;
- Relevant records and accounts are not being updated to record loan transactions;
- Repayments are not for the correct amount;
- Interest charges and expenses are unreasonable and incorrectly calculated;
- Loan transactions are not being initiated promptly resulting in penalty charges and/or an adverse effect on the Council's cash flow;
- Loan transactions are unauthorised and inappropriate;
- Loans records and documents are not protected against loss or unauthorised access;
- Loan transactions are not reconciled periodically with an independent source and therefore fraudulent transactions could pass undetected;
- The organisation does not have a policy for the investment of its funds and therefore inappropriate investments may be made (which may result in the Council acting outside its powers);
- There is no documentary evidence to support the transfer of funds and therefore unauthorised transactions may be made and remain undetected;
- Investments are not being made in accordance with the organisation's approved policy and therefore the Council may be acting outside its powers; and
- There is no regular monitoring and reporting of investment performance and therefore inappropriate arrangements or poor performance may not be identified.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant areas identified.

1.5 Other matters identified that require Management attention to ensure "good practice" within the control environment.

1.5.1 There were no other matters identified.

1.6 Summary of recommendation(s)

1.6.1 No recommendations have arisen as a result of our work in this area.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion may be given as there are effective control systems in place over Loans and Investments.

1. Management Summary

1.1 Introduction

1.1.1 This review was undertaken in accordance with the 2007-08 Internal Audit Plan. The review covered the system of Business Continuity.

1.1.2 Business Continuity is a process to enable Services to prepare themselves to manage the consequences of an emergency. In compliance with good business practice and the Civil Contingencies Act 2004, the Council has developed a CBCP which is supported by Emergency and Business Continuity Plans (EBCPs) prepared by each Service.

1.1.3 Business Continuity at the London Borough of Havering (LBH) is undertaken in accordance with guidance provided by BS25999-1: 2006 the British Standard Institutions Guidance document for Business Continuity Management. BS25999. The standard states:-“This Standard does not cover the activities of emergency planning in as much as that topic relates to Civil Emergencies”. However, it provides the following relevant definitions:-

- Business Continuity - Strategic and tactical capability of an organisation to plan for and respond to emergencies and business disruptions in order to continue business operations at an acceptable pre-defined level;
- Emergency Management Plan - Clearly defined and documented plan of action for use at the time of an emergency, typically covering the key personnel, resources, services and actions necessary to implement the emergency management process; and
- Business Continuity Management - Holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities. Business Continuity Management involves managing the recovery or continuation of business activities in the event of a business disruption, and the management of the overall programme through training, exercises and reviews, to ensure Business Continuity Plan(s) stays current and up to date.

1.1.4 The EBCPs will provide the basic instructions to enable Services and Sections to manage the consequences of an emergency disrupting their business. The EBCPs will provide the steps required to enable Services to continue to provide a reasonable level of service during an emergency and ensure an organised and effective return to “business as usual”.

- 1.1.5 Any major event that directly affects the wider community anywhere in the Borough is termed by LBH as a 'Major Emergency' and the management processes for dealing with this magnitude of event are set down in the Major Emergency Plan (MEP). This process includes consultation and planning with numerous external emergency services and mutual aid committees. Major Emergency Planning is outside the scope of this audit however it was established as part of the audit that Business Continuity Management is appropriately integrated with the MEP process.
- 1.1.6 The Risk Assessment process at LBH is undertaken by way of a series of assessments being recorded on Service Risk Registers and the Corporate Risk Registers. LBH also contributes to the Community Risk Register, managed by London Fire Brigade, and the Borough Risk Register which is managed by Havering Emergency Services Liaison Panel. The risk assessment process is outside the scope of the audit other than to review the relationship between risks identified on Service and the Corporate Risk Register(s) and the Business Continuity Plan to mitigate the consequences of any interruption to business should be realised.
- 1.1.7 The objective of the CBCP and the EBCPs are to control the immediate consequences of an emergency affecting a council owned or operated premises or asset and support:
- Both the short-term objectives of Business Continuity Management to provide adequate resilience such that, during the disruption, critical services at least, may continue at a sustainable level; and
 - And the longer term objectives to return the Council to full operation as quickly and efficiently as possible.

1.2 Key Risk Areas reviewed

1.2.1 This audit reviewed the following key risk areas:

- There is no Business Continuity Planning;
- Service delivery could be seriously disrupted by a major incident such as natural disaster, fire, theft, etc. and procedures and partnership arrangements aren't in place for an integrated Borough wide response in the event of an emergency;
- No adherence to legislation;
- Business processes are unknown;
- Roles and responsibilities are undefined; and
- No exercises undertaken to ensure business can continue.

1.3 Critical Issues that require immediate Management attention

1.3.1 There were no critical areas identified.

1.4 Significant issues that require Management action to improve the control environment.

1.4.1 There were no significant areas identified.

1.5 Other matters identified that require Management attention to ensure “good practice” within the Control Environment.

1.5.1 There were no other matters identified.

1.6 Summary of Recommendation(s)

1.6.1 We have made no recommendations as a result of our work in this area.

1.7 Audit Opinion

1.7.1 An unqualified audit opinion may be given as there are effective control systems in place for Business Continuity.

1. Management Summary

1.1 Introduction

- 1.1.1 Responsibility for the repairs and maintenance of street lighting and furniture on the public highway within the Borough rests with the Streetcare section. A five year contract was awarded to Maygurney, in March 2005 to carry out the repair work on behalf of the Council.
- 1.1.2 Whilst the contract term is five years, there is also the option to extend for two further years.
- 1.1.3 The exact level of stock held by the Authority in relation to street lighting and furniture is unclear as the stock records are not up to date. However, the section transferred from an old 'Dos' system called 'Highlight' to a new system 'MayRise' on the 23rd April 2007. This system will allow electronic ordering. In addition to the ordering capabilities £80k of funding has been secured to carry out a survey of stock levels. This survey will be carried out and the information entered onto the 'MayRise' system to give accurate up to date details of stock and digital mapping of street lighting assets.
- 1.1.4 The 2007/2008 revenues budget for street lighting, signs and bollards is £1,337,390. This figure includes the energy charges.

1.2. Key Risk Areas reviewed

1.2.1 The audit reviewed the following key risks in detail:

- Lack of departmental procedures;
- Failure to adequately inspect and maintain street lighting assets, resulting in personal injury claims against the Authority;
- Failure to progress the need for repair work in a timely manner;
- Lack of contract monitoring against works undertaken to invoices received;
- Contract monitoring is not undertaken in regards to performance, i.e. issuing penalty / default notices, withholding monies and removal of work from the contractor if service provision is below the agreed standards;
- A register is not maintained of stock, including a schedule of renewal / repair (age of stock), resulting in a potential health and safety risk to members of the public and staff;
- Industry standards are not being met;
- The Risk Register is not robust and does not include all key risks within the Service area; and
- The Risk Register is not being maintained in accordance with the Authority's Risk Management Procedures.

1.3 Critical issues that require immediate management attention

1.3.1 No critical issues were identified during the audit review.

1.4 Significant issues that require management action to improve the control environment.

- 1.4.1 It was found that there are currently no documented departmental procedures in place within the Street Lighting section. In addition the Street Lighting section uses the contract monitoring templates and guidance provided by the Business Development Section, this guidance is general and not specific to the contract monitoring undertaken within Street Lighting.
- 1.4.2 Performance monitoring reports available on the new MayRise System are not being utilised for performance/contract monitoring purposes.
- 1.4.3 It was established during the audit review that the payment of invoices is not necessarily delayed if a discrepancy is identified. Dummy invoices are received before the final invoice. It is at this point that the invoice details are checked to ensure that the information contained is correct. Any issues identified are resolved prior to receipt of the final invoice. However it was noted that payment of invoices is not delayed in all cases if an error is identified on the invoice. Whilst credits are sought where necessary it was noted that a formal record of errors found on final invoices is not retained. Therefore there is no guarantee that all errors found within invoices have been rectified.
- 1.4.4 There are a number of assets within the Street Lighting stock that have exceeded their life expectancy. A plan should be developed setting out the sections aims in relation to replacing these items and how this will be funded through the budget.
- 1.4.5 Currently the Streetcare Service Risk Register is produced and agreed by the Streetcare Management Team which consists of six officers. Whilst the input from the Streetcare Management Team is adequate, as good practice staff should be given this opportunity to participate in the completion of the register in order to provide staff with an understanding of the risks associated to the area within which they work and also to allow staff to provide the Streetcare Management Team with risks they may not have included.
- 1.4.6 Whilst all service areas within the Authority are required to produced and regularly review their service risk register, however there are no Risk Management Procedures in place.

1.5 Other matters identified that require management attention to ensure “good practice” within the control environment.

- 1.5.1 The nightly scout sheets do not prompt the inclusion of the date of the inspection and the date that the inspection results were entered onto the MayRise System. Currently this information is recorded on the nightly scout sheets in some, but not all cases.
- 1.5.2 Whilst there are currently no departmental procedures in place, there is also no set process in place to be followed relating to which officers are responsible for authorising the various stages of the invoice payment process and who is responsible in the event that any of these officers are off work.

1.6 Summary of recommendation(s)

- 1.6.1 This report contains a total of ten recommendations, eight medium priority recommendations and two low priority recommendations.

1.7 Audit Opinion

- 1.7.1 An unqualified audit opinion had been given. The recent introduction of the MayRise System within Street Lighting in April 2007 has necessitated the need for a change in the working practices of the section. It must be appreciated that some teething problems in relation to the new system are inevitable.
- 1.7.2 Whilst there are a number of recommendations raised within the report, the financial risk to the Authority is limited. Most recommendations relate to the streamlining of current practices or the production of departmental procedures in line with the new system.

SECTION 2 – Changes to the 2007/08 Audit Plan

The Annual Internal Audit Plan must be flexible to adapt to unpredicted issues that arise within year, in order to ensure that resources are used to maximum benefit for managers and the organisation as a whole. For this reason a number of contingency days are allocated to ensure resources are available to react to ad hoc requests. Additions to planned work have to be agreed with the Head of Financial Services or the Group Director Finance and Commercial. There were 47 contingency days in the 2007/08 audit plan. Schedule 4 provides a breakdown of how the days have been scoped and the progress with the audits.

SCHEDULE 4 Use of Contingency

AUDITS	STATUS	BUDGETED DAYS
Swift data integrity check - social services request.	Draft Report – further report on the process to be issued.	15
Employment Status.	Final Report	12
Adult Social Services Directorate Review.	Draft Report	20
	TOTAL DAYS	47

Other changes to the audit plan are detailed in schedule 5. Discussions with management are underway as to whether another audit is to be scoped to use these days or whether the IT audit plan will be reduced.

SCHEDULE 5 Additions/Deletions of audits

AUDITS REMOVED	REASON	BUDGETED DAYS
Business Continuity – IT Audit	This area has already been covered as part of the systems audit plan. As a Council-wide business continuity project is underway and so an audit at this stage would also be inappropriate.	9

SECTION 3 – Provision of Audit Service

At the meeting of the Committee in December 2006, Members considered a report on the outcome of an officer review of the provision of the Internal Audit service. Members may recall that the provider of internal audit services to the Council went into Administration on 23 September 2005.

As had been previously reported to the Committee, the Group Director Finance and Commercial took an urgent decision to terminate the internal audit contract with the Company which had gone into administration and to bring the service back in house. 5 of the staff previously employed by pps-Acit transferred back to the Council under TUPE regulations. These staff effectively became employees of the Council on 15 October 2005. Since that time, the service has been managed as an in-house service.

The officer review looked at a range of options, and concluded that the service should continue to be operated in-house, principally owing to a lack of tenable options, but that a further report should be considered in 12 months' time.

During the early part of 2007, the two senior managers within the internal audit service both left the Council; the Audit Services Manager, who had been TUPE-transferred back to the Council, and the Client Manager Internal Audit, who had been managing the contract. To cover the departure of these 2 managers, an arrangement was entered into with Deloitte, who provided a seconded senior audit manager to manage the in-house team. This arrangement has been in place since April 2007.

Although the arrangement has worked reasonably effectively, it is not a full-time arrangement and is also considerably expensive, although currently containable within budget. A decision was therefore taken to put a new structure in place, effectively merging elements of the 2 management posts, and to seek to make a permanent appointment. The recruitment process is currently underway. This approach leaves other options open but provides the opportunity to market test the senior audit market, and, should the recruitment result in an appointment being made, the opportunity to reshape the service through a senior permanent manager.

A further report will therefore be brought to the Committee in March, setting out the outcome of the recruitment process and proposals for the next steps for the service.

SECTION 4 – Compliance with the Cipfa Code

The Accounts and Audit (Amendment) (England) Regulations 2006 states that:

- An authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.
- The authority shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.

In order to ensure that a robust review of the internal audit service has been carried out, the Financial Directors of London Boroughs of Havering, Barking and Dagenham and Redbridge have agreed that, in addition to the internal reviews carried out, peer reviews would be carried out ensure that an external review has also taken place.

The aim of the audit was to meet the following three objectives:

Objective 1: To determine and assess the performance and effectiveness of the internal audit function against professional and local standards.

Objective 2: To identify good practice and make recommendations for ensuring that the Authority's internal audit function is continuously seeking to improve its service and adds value as well as contributes to the organisations strategic objectives / priorities and the effectiveness of and internal control framework.

Objective 3: To provide independent assurance to members, management and the authority's residents, key partners / stakeholders as to the effectiveness of internal audit and the internal control framework.

Assurance Received by London Borough of Havering: A score of 336 has been achieved out of a possible 374 which places the review in the Partial Compliance category, meaning the standard has been met with minor areas for improvement.

Action Plan : The action plan below details the recommendations arising from the peer review. The exercise has been successful, however it is felt that the next step would be for all parties to discuss results as well as best practice examples against the codes requirements. Such a meeting has been requested by the Interim Audit Services Manager and it is hoped a date will be agreed for early 2008.

Recommendation 1 below has been actioned in line with the agreed deadline of November 2007.

Opportunities for future peer review exercises are currently being considered.

SCHEDULE 6 – Compliance Action Plan

Para. Ref	Recommendation	Associated Risk	R	Management's Response	Target Date (dd/mm/yy)	Officer Responsible
1	That the corporate strategy for prevention and detection of fraud and corruption along with financial regulations give consistent advice as to which instances of fraud should be reported to Internal Audit.	Management unaware of when to report suspected frauds to Internal Audit.	M	This will be considered during the next review and amendments made as required.	November 2007	Interim Audit Services Manager
2	That a protocol be implemented defining the working relationship with regulators / inspectors and elected members.	Inadequate reporting lines in place.	M	Agreed.	March 2008	Interim Audit Services Manager
3	The Internal Audit Strategy detail how it will identify and address local and national issues and risks, in addition it should outline the resources and skills required to deliver the Internal Audit Strategy.	Key risks may not be structured into the audit planning process.	H	This will be considered during the next review and amendments made as required.	March 2008	Interim Audit Services Manager
4	The retention of documents policy needs to clearly make reference to the Data Protection Act and the Freedom of Information Act.	Policy may not comply with legislation.	M	Agreed.	March 2008	Interim Audit Services Manager
5	A formalised policy is required in terms of who can access audit files and records.	Records could be lost.	L	Agreed.	March 2008	Interim Audit Services Manager

SECTION 5 – 2008/2009 Internal Audit Planning

The plan below was approved by the Audit Committee in March 2007 and details the 2008/09 allocation of audit days against risk areas.

Consultation with management regarding the 2008/09 plan has commenced via the Audit Representatives Groups and it is intended that meetings will be held with Heads of Service to ensure that the focus of audit resources is appropriate to ensure all risks are appropriately covered and managers receive appropriate assurance regarding specific issues and concerns.

The final plan will be submitted to the Audit Committee at the next meeting.

Schedule 7 - Strategic Audit Plan 2007-2010

Audit Plan – 08/09				
Directorate	Risk Area	07/08 Plan	08/09 Plan	09/10 Plan
ACE's	CPA/Best Value Strategy and Monitoring	0	12	0
ACE's	Register of Interests/Related Party Transactions/Gifts/Hospitality	12	0	12
ACE's	Codes of Conduct and Accountability	12	0	12
ACE's	Governance & Committee Structure including hospitality	0	0	15
ACE's	Constitution, Standing Orders and Scheme of Delegation	0	10	0
ACE's	Crime and Disorder Strategy and CCTV usage	0	15	0
ACE's	Personnel arrangements inc Equality and Diversity	20	0	20
ACE's	Performance Management	18	15	15
ACE's	Annual Review of BVPI's	20	20	20
ACE's	Community Strategy procedures	15	0	15
ACE's	Succession planning	0	15	0
ACE's	LPSA annual audit certificate required	5	5	5
Sub Total for Corporate Issues		102	107	114
Childrens Services	Child Protection	0	12	0
Childrens Services	Commissioning of Transport Services within Childrens Services	0	0	15
Childrens Services	Special Educational Needs	0	12	0
Childrens Services	Provision of services for under 8's	0	15	0
Sub Total for Children's Services		0	39	15
Sustainable Communities	Commissioning of Residential placements and Home care for the elderly	0	12	0
Sustainable Communities	Provision of Services for the physically disabled	0	15	0
Sustainable	Provision and commissioning of	18	0	15

Communities	services for those with learning difficulties			
Sustainable Communities	Joint working with the primary Care Trust	18	0	15
Sustainable Communities	Purchasing services for those with mental health problems	18	0	15
Sustainable Communities	Commissioning services for those with mental health problems	18	0	15
Sustainable Communities	Receiverships/Appointeeships and residents savings & securities	0	12	0
Sustainable Communities	Housing Rents Collection/Arrears	18	18	18
Sustainable Communities	Renovation Grants	0	15	0
Sustainable Communities	Maintaining quality of Housing Stock	10	0	10
Sustainable Communities	Right to Buy	15	0	15
Sustainable Communities	Vehicle Workshops	0	15	0
Sustainable Communities	Procurement and leasing of vehicles	16	0	10
Sustainable Communities	Voids	0	15	0
Sustainable Communities	Housing Aids	0	15	0
Sustainable Communities	Homelessness, B & B Accom and Hostels	0	15	0
Sustainable Communities	Supporting People	12	0	8
Sustainable Communities	Management of HiH	25	15	15
Sub Total for Sustainable Communities		168	147	136
Public Realm	Management of Car parks and Parking Meters	0	15	0
Public Realm	Permits and other Parking	12	0	12
Public Realm	Parking Ticket issue and processing	12	0	12
Public Realm	Streetlighting	0	15	0
Public Realm	Domestic Refuse	15	0	15
Public Realm	Trade Refuse	15	0	15
Sub Total for Public Realm		54	30	54
Finance and Commercial	Housing Benefits	15	15	15
Finance and Commercial	Loans and Investments	15	0	15
Finance and Commercial	Council Tax	15	15	15
Finance and Commercial	NNDR	15	15	15
Finance and Commercial	Business Continuity	15	15	15

Finance and Commercial	Housing Benefit – Subsidy Calculations	0	10	0
Finance and Commercial	Weekly Incorrect Housing Benefit Claims	0	10	0
Finance and Commercial	Main Accounting System	10	10	10
Finance and Commercial	Debtors	10	10	10
Finance and Commercial	Creditors	10	10	10
Finance and Commercial	Insurance	0	10	0
Finance and Commercial	Cash and Banking Control	12	0	12
Finance and Commercial	BACS incl. IT element	0	15	0
Finance and Commercial	Payroll	15	15	15
Finance and Commercial	Pensions Systems	10	10	10
Finance and Commercial	Departmental Budgetary Control	15	15	15
Finance and Commercial	Corporate Financial Procedures	15	15	15
Finance and Commercial	Grant Claims	0	10	0
Finance and Commercial	Risk Management Policy	10	0	15
Finance and Commercial	Achievement of Savings Targets	0	15	0
Finance and Commercial	Petty Cash	15	0	15
Finance and Commercial	Maintenance of an Asset Register	0	0	15
Finance and Commercial	Capital Accounting	15	0	15
Finance and Commercial	Purchasing Strategies	0	10	0
Finance and Commercial	Review of systems to ensure we comply with Int standards of Auditing	15	15	15
Finance and Commercial	Income Controls	0	15	0
Finance and Commercial	Review of Statement of Internal Control	3	3	3
Finance and Commercial	Safer stronger Communities Fund Agreement Audit required by GOL	5	5	0
Finance and Commercial	Mayors appeal Fund Annual Audit Required	1	1	1
Sub Totals For Finance & Commercial		236	264	251
Corporate	Tendering Processes	12	0	12
Sustainable	Certificate Payments	12	0	12

Communities				
Various	Consultants Fees	12	0	12
Environment	Liquidated Damages/Loss and Expenses/Variations	12	0	12
Various	Repairs Maintenance	0	0	12
Housing & Regeneration	Approved List/Contract Register	0	10	0
Various	Contract procedures Rules Compliance	10	10	10
Various	Project Assessment & Management	10	10	10
Various	Partnership Arrangement	0	15	0
Various	Final Accounts	12	0	12
Various	Capital Monitoring	0	13	0
Various	Health and Safety on site	12	0	12
Education	Contract Management	0	12	0
Sustainable Communities	Review of Service contracts	0	13	0
Sustainable Communities	Asbestos management	10	0	0
Various	Vertical Audit Looking at a specific area	7	7	7
Sub Total for Contract		109	90	111
Computer Audit	Various	120	120	119
Sub Total for Computer		120	120	119
Follow ups		20	20	20
Sub Total for Follow Ups		20	20	20
Review Total	Details of Review			
Pro Active	Various	105	105	105
Sub Total for Pro-Actives		105	105	105
Fraud Investigation Contingency		268	268	268
General Contingency		42	34	31
Homes In Havering		0	0	0
Grand Total		1224	1224	1224
ITEMS SHOWN IN BOLD ARE CORE FINANCIAL SYSTEMS				

SECTION 6 – FRAUD AND INVESTIGATION WORK

Fifteen audits were completed by the Fraud and Investigation Team during the period 1st July to 30th September 2007; the details are contained in the table below. September saw the conclusion of the extensive investigation carried out at the Grange Residential Home with the Manager being convicted of theft and receiving a custodial sentence. Residents will be repaid amounts stolen and proceeds of crime procedures have been initiated.

Items 16 and 17 on the table represent on-going fraud job codes. In the period four fraud hotline reports and five requests for information from other agencies were dealt with.

SCHEDULE 8 – Fraud Investigations completed 1st July to 30th September 2007

Ref	Description	Result of audit/Action taken
1.	(T8iaas) Failure to claim grant monies.	Recommendations made to enable unclaimed grant of £7,000 to be applied for and payment received.
2.	(T8jaad) Cost of training.	Following investigation no further action required. Procurement rules had been adhered to.
3.	(T8jaam) Falsification of timesheets and hours.	Improved controls recommended and implemented by management.
4.	(T8iaaq) Allegation re procurement of training consultants.	Following investigation confirmed procurement rules had been applied. Improved controls recommended and implemented by management.
5.	(T8jaax) Misuse of ID card	Investigations identified the misuse.
6.	(T8jaay) Misuse of public car park facilities	Insufficient evidence to pursue allegation.
7.	(T8jaas) Renewal of flag stones – allegation that used/redundant slabs had been acquired.	Investigation confirmed no case to answer.
8.	(T8jaav) Distributing confidential information to local media	Insufficient evidence available during investigation.

Ref	Description	Result of audit/Action taken
9.	(T8haav) Misappropriation of residents monies/savings	The Manager has been convicted of theft and has received a custodial sentence. Residents will be repaid amounts stolen and proceeds of crime procedures have been instigated.
10.	(T8iaae) Review of budget overspend	Report to management identified control weaknesses and lack of authorisation. Disciplinary action taken.
11.	(T8jaak) Right to Buy fraudulent application	Following various enquires and checks there was insufficient evidence to pursue the allegation.
12.	(T8jaao) Misuse of mobile telephone	Member of staff disciplined.
13.	(T8jaar) Right to Buy fraudulent application	Sufficient evidence was obtained that resulted in a Notice To Quit being served. The discount that would have been allowed on the sale would have been £38,000.
14.	(T8jaau) Alleged sub letting of council house	It was not possible to gain sufficient evidence for the matter to be pursued. Management to carryout regular tenancy checks in the future.
15.	(T8jaaz) Receipt of payments and non-declaration of interest	When informed that an allegation had been made and an investigation was to be carried out the member of staff resigned. No further action taken.
16.	(T8jaah) Fraud Hotline reports	Four cases reported and investigations completed either by Internal Audit or Council Tax.
17.	(T8jaai) Requests from other agencies	Five requests received and information supplied.

As at 1st October 2007 the following cases were being progressed.

SCHEDULE 9 – Current Investigations.

Ref	Description
T8gaax	National Fraud Initiative 2006/07.
T8iaao	Illegal payments to member of staff.
T8iaar	Non adherence to procurement procedures.
T8jaab	Misuse of telephone facilities for personal use.
T8jaah	Fraud Hotline.
T8jaai	Other Agency requests for information.
T8jaaj	Review of proxy access requests.
T8jaaw	Inappropriate material on pc.
T8kaaa	Misuse/misappropriation of school budget and school fund.
T8kaab	Use of clients personal information.
T8kaac	Review Business Systems Policy.
T8kaad	Right to Buy application.
T8kaae	Suspected sub letting.
T8kaaf	SurfControl information re Internet misuse and abuse.
T8kaag	Management Access Control system.
T8kaah	Right to Buy.
T8kaai	Right to Buy.
T8kaaj	Theft and misappropriation of receipts.
T8kaak	Abuse of time by member of staff.
T8kaal	Suspected sub letting.

SCHEDULE 10 - FRAUD HOTLINE REPORTS 06/07

Cases reported during 06/07 which have now been concluded during 07/08 are reported below.

REF NO.	CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION	FILE REF
005/06	Anonymous	Letter stating that the Council should review the financial accounting at a named Residential Home.	Internal Audit arranged to visit and carryout spot checks of cash balances from various sources. Manager resigned. <i>Investigation has established that Approx £20,000 has been misappropriated. Manager has received a custodial sentence.</i>	T8haav
013/06	Anonymous	Allegations of illegal payments to member of staff.	Allegations to be investigated. <i>Cooperation to be sought from Met Police Intelligence Unit. Investigation to commence in 2008. Initial results to be discussed with Met Police.</i>	T8iaao
015/06	Member of Public	Representative from company director claimed the Council may not have been following procurement process for the appointment of trainers.	Allegations to be investigated. <i>Final report issued recommendations. Main recommendations re contracts over £5,000 and quotations re continuous working.</i>	T8iaaq
016/06	Anonymous	A letter alleged that certain contracts have been awarded unprofessionally and the award of contracts has not followed Council procedures and staff have acted inappropriately.	Allegations to be investigated. <i>Investigations concluded and evidence reported to management. Further examinations may be required.</i>	T8iaar

SCHEDULE 11 - FRAUD HOTLINE REPORTS 07/08

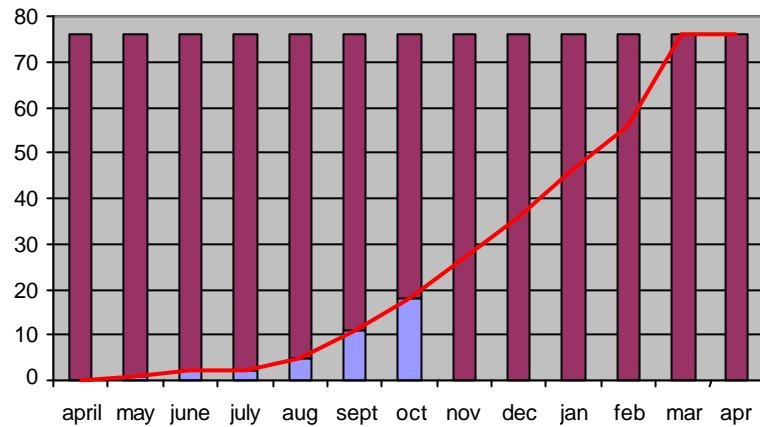
Cases that have been reported during 07/08 are either being investigated, passed to other areas of the Council to review or the investigations have concluded are set out in Section 2.

REF NO.	CALLER	CALL CONTENT	DETAILS/RESULT OF INVESTIGATION	FILE REF
019/06	Anonymous	Caller concerned over the costs for a training weekend for Education staff.	Allegations to be investigated. <i>Investigation completed. Confirmed that procurement rules followed correctly.</i>	T8jaad
001/07	Anonymous	Non Payment of Council Tax	Matter forwarded onto Council Tax Section for Investigation. <i>Council Tax have established person liable for Council Tax and charges now being levied.</i>	Hotline
002/07	Member of Public	The caller stated that flag stones taken up had been purchased by a member of the public from the Contractor and were being stored on purchasers' property. The caller was concerned that the flag stones were property of the Council and that they should not be sold on by the Contractor.	Allegations to be investigated. <i>The paving slabs become the property of the Contractor and they decide how they dispose of the slabs.</i>	T8jaas
003/07	Anonymous	Council property possibly being used for business	Matter to be forwarded onto NNDR Section for Investigation. <i>Matter Investigated. Property is in use as a Live/Work assessment and meet the criteria for a composite Property. Rating Valuation to be reassessed WEF 01/04/07.</i>	Hotline
004/07	Anonymous	Landlord supplied details of former tenants who were liable for Council Tax and left no forwarding address. Alleged Council Tax unpaid for last two years.	Matter forwarded onto Council Tax Section for Investigation. <i>Council Tax pursuing tenants who are liable for Council Tax following information received re Employers and forwarding address.</i>	Hotline
005/07	Member of Public	Caller concerned that a Council employee had divulged his name to the person he had whistleblown on.	Allegations to be investigated. <i>Investigations concluded by management and Internal Audit. No case to answer.</i>	Hotline

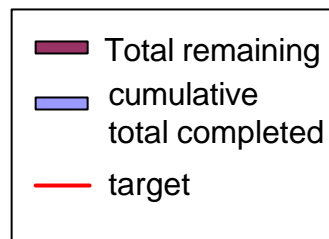
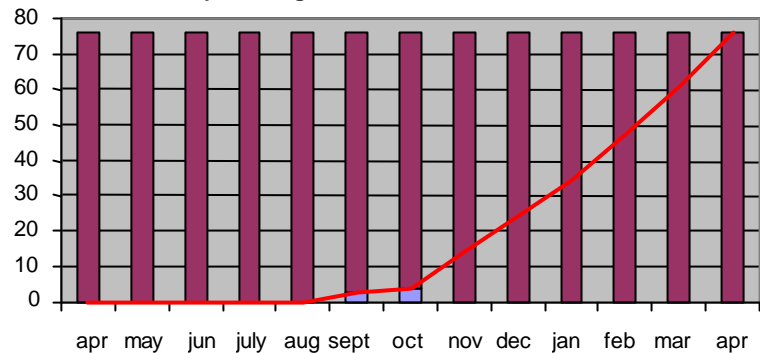
SECTION 7 – PERFORMANCE INFORMATION

The performance is on target with regards KPI 01 – issue of audit briefs, however the progress regarding drafts and final reports has been hindered by staff shortages in quarter one of the year. Some temporary resource has been brought in to assist with the delivery of the plan and momentum of delivery is building as the new structure of the team beds in.

KPI 02 **Number of reviews completed to draft stage as a percentage of the total planned reviews - cumulative**



KPI 03 **Number of audit reviews completed as a percentage of annual total - cumulative**



Section 8 - SUMMARY OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

Schedule 12 - Categorisation of recommendations and totals by year.

High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented

Low: Pertaining to Best Practice

Only the totals in bold have changed since the last table was compiled:

		High	Medium	Low	Total
03/04	Internal	30	261	107	398
	External	94	88	18	200
04/05	Internal	42	221	71	334
	External	38	21	11	70
05/06	Internal	14	180	45	239
	External	29	21	4	51
06/07	Internal	18	121	69	208
	External	13	7	2	22

SCHEDULE 13 - Internal Audit Outstanding Recommendations – 2003/2004

Review in 2003/4	HoS Responsible	Outstanding			Position as at end Sept 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Final Accounts	Bob Wenman		1		1		
Community Care Packages	Peter Brennan		1		1		
Homecare	Peter Brennan		1		1		
Community Care Placements	Peter Brennan	1	1		2		
Total		1	4	0			

SCHEDULE 14 - Internal Audit Outstanding Recommendations – 2004/2005

Review in 2004/05	HoS Responsible	Outstanding			Position as at end Sept 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Crime & Disorder Reduction CCTV	Christine Dooley		2		2		
Landscape Works A1306	Mark Butler	1			1		
Partnership Arrangements	Mark Butler	1	1		2		
Total		2	3	0			

SCHEDULE 15 - Internal Audit Outstanding Recommendations – 2005/2006

Review in 2005/6	HoS Responsible	Outstanding			Position as at end Sept 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Approved Lists & Contracts Register	Mike Stringer		1		1		
Prov of Services Learning Disabilities	Peter Brennan		1		1		
Parking Tickets Issue and Processing	Mark Butler		1	1	2		
Stock & Plant Pro-Active	Barry Kendler		1		1		
Personnel	David Ede		1		1		
Housing Grants & Allowances (Redecoration Vouchers)	Barry Kendler		1		1		
Consultants	David Ede		1		1		
Health & Safety	Mark Butler		2		2		
Provision of Residential Placements and Home Care for the Elderly	Peter Brennan		2	1	3		
Insurance and Performance Bonds	Mike Stringer		2	1	3		
Repairs and Maintenance Contracts	Mark Butler - 1 High & 1 Low, In Progress. 1 Low, Not Started	1		2	2	1	
E Commerce	Dylan Champion		3		3		
New Employees Pro-active	David Ede		1		1		
Total		1	17	5			

SCHEDULE 16 - Internal Audit Outstanding Recommendations – 2006/2007

Review in 2006/07	HoS Responsible	Outstanding			Position as at end Sept 07		
		High	Medium	Low	In Progress	Not Started	Position/ Status Unknown
Certificate Payments	Mark Butler		2		2		
Tender Review of ICS and ISA Systems	Mike Stringer		1		1		
Commissioning of Transport Services within Childrens' Services	Barry Kendler (from Mid July) – 1 Med, In Progress Ruth Jenkins – 1 Med in Progress		2		2		
Income Controls Planning	Patrick Keyes	1			1		
Commissioning of Works Havering Technical Partnership	Mark Butler		3		3		
Management of Car Parks and Meters	Mark Butler		3		3		
Cheque Control	Ray Stephenson		1		1		
Constitution	Christine Dooley			1	1		
PTCS Recharges	Mark Butler		1	1	2		
Capital Monitoring	Mike Stringer		1	1	2		
Special Education Needs	Sue Allen			1			1
Corporate Health & Safety Controls	Ray Stephenson		2	2	3	1	
Council Tax	Jeff Potter		1		1		
Repairs and Maintenance Contracts	Mark Butler	1		1	2		
NNDR	Dylan Champion		1				1
Software Licence	Ray Whitehouse		1	1	2		
Post Completion Project Assessment	Mark Butler			8			8
Payroll	Jeff Potter		1		1		
Providing Services for the Physically Disabled	1 High - Peter Brennan/ David Ede. Peter Brennan – 1 Med, In Progress	1	1		2		
A1306 Phase II Works	Mark Butler		4	1			5
Total		2	25	17			

SCHEDULE 17 – High Priority Outstanding External Audit Recommendations – 2006/2007

HIGH PRIORITY RECOMMENDATIONS				
Reports	Recommendations	HoS Responsible	Current Position	Classification
Grant Report 2005/2006 (audit of grant claims) (Report issued 06/07)	R16 Review the Academy reporting tool to ensure that it reports backdates and extended payments net of overpayments.	Jeff Potter	This recommendation is in the process of being resolved by Academy and officers are monitoring its progress. In Progress - With Academy	In Progress
Grant Report 2005/2006 (audit of grant claims) (Report issued 06/07)	R22 Put in place adequate arrangements to ensure that only eligible expenditure is included in the claim.	Sue Allen	Officers agreed that this would be addressed by meetings with project leaders being held and monitoring by the individual finance officers. A programme highlighting the importance of controlled financial environments has also been put into place.	In Progress

SCHEDULE 18 – Medium Priority Outstanding External Audit Recommendations – 2005/2006, 2006/2007

MEDIUM PRIORITY RECOMMENDATIONS				
Reports	Recommendations	HoS Responsible	Current Position	Classification
Civil Contingencies (Report issued 05/06)	R4 Seek formal approval and funding for the emergency control centre to ensure its location and facilities are accessible and fit for purpose.	Ray Stephenson	Alternative ECC's identified. awaiting Costings and planning regulations for joint centre.	In Progress

(There are no outstanding Low priority recommendations)

SECTION 9 - Benefits Comparative Information

The results against local performance targets for the above period are shown in the table below, together with national and London comparisons. It should be noted that the comparator information is for the first quarter of 2007/08, which is the latest available data.

LBH is currently ahead of target in all areas of performance.

SCHEDULE 19 - Benefit Investigations - 1 April 2006 to 30 September 2007

	LBH Data		Comparator Data			
	2007/8 Target	Achieved YTD	National Average	All London Average	Outer London Average	LBH
Official Cautions administered	27	19	7.06	7.3	6.58	11
Administrative Penalties administered	27	17	4.95	7.82	7.58	5
Prosecutions (convictions)	24	14	3.72	5.15	5.68	9

Summonses Issued	24	17
Administrative Penalties value	Not set	£15,649.12
Prosecution Costs	Not set	£15,281.51
Prosecution Costs Awarded	Not set	£3,250.00

The Security BVPIs contribute to the overall Benefits BVPIs which in turn have a major impact on the overall LBH score. The outturn figures for BVPI 76c and 76d are cumulative and indicate the targets will be exceeded by the end of the year.

Again, it should be noted that the comparator information is for the first quarter of 2007/08.

SCHEDULE 20 – BVPI 76 – Security

BVPI	Description	LBH Data		Comparator Data			
		Annual Target	Outturn YTD	National Average	All London average	Outer London average	LBH
76b	Number of investigators employed, per 1,000 caseload	0.35	0.34	0.24	0.22	0.23	0.34
76c	Number of investigations, per 1,000 caseload	34	17.38	7.64	4.71	5.24	8.60
76d	Number of prosecutions and sanctions, per 1,000 caseload	4.3	2.80	1.17	0.81	0.91	1.40

APPENDIX A - FOLLOW UP REPORT – from the CLIENT FINANCE MANAGEMENT (RECEIVERSHIP, APPOINTEESHIP, RESIDENT SAVINGS AND SECURITIES)

Introduction

It was recommended by Internal Audit, (September 2002) that an Appointeeship & Receivership Department be set up to fall in line with other local authorities. This team was set up 30th January 2005

Appointeeship - is the transfer of responsibility and control of *state benefit* entitlement from a mentally ill person to a relative / friend / representative. Appointeeship covers the receipt of state benefit only, and should only be considered by the authority as a last resort, as administration is expensive and the work is complicated. Only if there is no suitable “relative/best friend” should this action be considered. Consideration should always be given to assisting the client to open up their own bank account with standing orders/direct debits for regular bills. This way they may be able to cope themselves. There are no legal provisions by which the client can be charged for the work undertaken. However, it may be advantageous to the Local Authority if the client is failing to pay their Residential or Home Care debts or claim their entitlement to state benefits.

Receivership - is when someone becomes mentally incapable of handling their own financial affairs, the Court of Protection can appoint someone else, a Receiver, to manage those affairs under the Mental Health Act 1983. The council will act as a Corporate Appointee, thus acting in a corporate capacity and is called a Corporate Acting Body. Receivership also covers state benefits, but is principally concerned with managing a client’s assets. A fee can be charged, set by the Court of Protection.

Banking - The client funds held by the council for both Appointeeship and Receivership cases are held in an interest bearing account (The Shadow) which feeds into and from a current account (The Feeder), into which client funds are received and from which bills are paid. Using computer software called ‘Client Money Services’ funds are transferred to and from the two accounts on a daily basis thus maximizing interest. It is imperative that stringent reconciliation is in place.

Background

An internal audit was carried out in October 2006. This audit reviewed the following key risk areas:

The next of kin are not notified of the Authority’s actions on a regular basis. Actions taken by the Authority are not in accordance with the court order set by the Court of protection.

Deceased client funds are not dealt with accordingly.

Client bills are not dealt with adequately resulting in debts.

Clients’ financial affairs are not being dealt with correctly.

Client records are not independently audited.

Client monies are not being invested wisely.

Fees received by the Authority for the service are not in accordance with those approved by the Court of Protection.

Action taken

In the year subsequent to this report, much progress has been made as evidenced by the follow up by Internal Audit in November 2007. Of the 13 recommendations the subsequent audit showed that 11 have been fully implemented and the remaining two have been partially implemented. However, since that audit, of the two which had been partially implemented, both have now been completed.

Future action

The team has recently been raised to full compliment of staff which will enhance and maintain the progress made. The Access database used to record financial information and notes will be greatly improved using the skills of the interim Client Finance Manager. There will be a closer relationship with the income team to enhance debt collection. This will mean taking on more Appointeeship cases and it is legitimate to take a portion of the interest gained on income invested in our client account, which had it not been for our involvement, would not have been achieved. I will learn from Essex County Council who adopts this method of raising income.

Banking will be streamlined and the margin for error reduced by a switch from the current system to Allied-Irish. The two systems will be run initially in parallel with a pilot of say the Residential Fee cases.

APPENDIX B – INTERNAL AUDIT CHARTER AND TERMS OF REFERENCE

Definition

1. In accordance with Regulation 6 of the Accounts and Audit Regulations 2003, which require the provision of internal audit and its provision in accordance with “proper internal audit practices”, the London Borough of Havering has adopted the CIPFA Code of Practice for Internal Audit in Local Government in the UK (updated 2003) and its definition of Internal Audit:

Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

2. The Internal Audit Service is responsible for conducting an objective and independent appraisal of all the London Borough of Havering’s activities, financial and otherwise.

3. Internal Audit is required to be a continuous service available to all levels of management but its primary responsibility is to give assurance to Members, the Chief Executive, Assistant Chief Executives and Group Directors on all control arrangements, including risk management and corporate governance.

4. Internal Audit is not an extension or a substitute for good management although it can advise management on risk and control issues. It is the duty of management to operate adequate systems of internal control and risk management.

5. It is for management to determine whether or not to accept the audit recommendations and to recognise and accept the risks of not taking action. They must formally respond giving reasons for their decisions.

6. Internal Audit will consider the adequacy of the control environment necessary to secure propriety, strategic management, integrity of information, compliance with laws and regulations and effectiveness of operations in all areas.

Scope

7. All London Borough of Havering’s activities fall within the remit of the Internal Audit Service.

8. Internal Audit will not restrict itself to the audit of financial systems and controls but will cover all operational and management controls.

9. Not all systems will be subject to review each year but they will be included within the overall remit of audit and be subject to the audit needs risk assessment and considered for review as described in the Annual Audit Strategy and Strategic Plan.

10. As Audit can give an opinion on the whole of the system of control it may include areas as diverse as staff turnover, performance management etc. The role of internal audit is to confirm the effectiveness of systems and controls in meeting objectives. It will not make academic or other judgements.

11. It is not within Internal Audit's remit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.

12. The Internal Audit Service may also conduct special reviews and investigations, (i.e. unplanned work) requested by Members, Chief Executive, Assistant Chief Executives and Group Directors and in particular the Finance and Commercial Group Director (F&CGD); provided such reviews do not compromise its objectivity or independence. The impact on the audit plan must be assessed by the Client Manager Internal Audit (CMIA) and, if necessary, the plan must be reprioritised by the Audit Services Manager (ASM). Any significant changes must be reported back to the F&CGD and Members in the next Audit Committee reporting cycle.

13. The F&CGD may require and direct Internal Audit to undertake special proactive fraud investigations. The CMIA and the ASM must report to the F&CGD any impact of these on the Audit Plan.

14. Fraud prevention and detection is the responsibility of managers. However if Audit detects any suspected irregularities during the course of their activities they will report them to the F&CGD. The ASM may review the system for control weaknesses but the F&CGD may require or direct a special investigation. See paragraph 13. The Council's corporate procedures required that the CMIA or the ASM are kept informed of all suspected, or detected fraud, corruption or impropriety, as this data affects the opinion which is given on the internal control environment.

Independence (See Appendix i)

15. Internal Audit is organisationally independent that is; the Internal Audit Service has no operational responsibilities (with the exception of the annual returns to the Inland Revenue), nor does it have responsibility for the development, implementation or operation of systems. However, it may provide advice on implementation, control and related matters, subject to resource constraints.

16. Responsibility for internal control rests fully with management who must ensure that appropriate and adequate arrangements exist without reliance on Internal Audit. To preserve the objectivity and impartiality of the auditors

professional judgement, responsibility for implementing audit recommendations rests with management without reliance on Internal Audit

17. Internal Audit will be free from interference in setting objectives, scope and priorities for the Audit Plan (although they must have due regard for the Authority's strategic objectives and corporate and service risk registers and consult with Members and Officers charged with governance) and in reporting and carrying out their duties. There must be no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

18. Internal Audit is supported by the organisation and its independence is seen as key to providing the London Borough of Havering with an effective service.

19. Internal Audit has direct access to the Chief Executive, the Assistant Chief Executives, all Group Directors, Heads of Services, the Leader of the Council and the Chair of the Audit Committee and report in their own name.

20. The CMIA and the ASM should have sufficient status within the authority to facilitate the effective discussion of audit strategies, plan, results and improvement plans with senior management.

21. In order to maintain organisational independence, Internal Audit has its own budget and is responsible for providing the Internal Audit service within budget.

Access

22. Internal Audit has a right of access to all premises, personnel, documents and information they consider necessary for the purpose of their audits as specified in Financial Procedure Rules Section 6 (b) and to obtain such information and explanations from any employee or member as necessary concerning any matter under review/investigation.

23. Internal Auditors also have the power to require any council employee, agent or Member to produce cash, equipment, computers or other Council property under their control. Internal Audit can retain or seize these items in order to protect the Council's interest, or to preserve evidence, if a suspected irregularity has occurred.

Reporting

24. The F&CGD has the delegated authority to ensure that there is a current and effective internal audit.

25. The CMIA will report monthly (based upon data provided by the ASM), or as required, to the F&CGD and the Head of Financial Services on significant matters relating to the Audit Plan via Project Board reports or the monthly Head of Service Pack.

26. The CMIA will report monthly, or as required to the Head of Financial Services and the F&CGD on progress to plan and other Audit key performance indicators as shown in paragraph 41.

27. The ASM and the CMIA will report at least annually to the Audit Committee on:

- The Audit Strategy,
 - The Audit Charter and Terms of Reference,
 - Audit Plan and resources
- Annual Head of Service Report
 - Statement on Internal Control

28. The CMIA (based upon data provided by the ASM) will report at least quarterly to the Audit Committee on:

- Progress to plan and any significant changes in priority,
- Assurance on internal control and corporate governance
- Any significant control weaknesses

TERMS OF REFERENCE

Responsibilities of the Audit Services Manager and the Client Manager Internal Audit

The CMIA and the ASM are responsible for:

29. Audit Planning

- Identifying the overall remit of audit activity
- Carrying out an audit needs risk assessment and prioritising into strategic and annual plans in consultation with the Assistant Chief Executives, F&CGD, Group Directors, Heads of Services and Members
- Agreeing any significant changes to the Annual Audit Plan with the Assistant Chief Executives, F&CGD, Group Directors, Heads of Services and Members

30. Corporate Management Reporting

- Producing quarterly interim reports on progress to plan and other key performance indicators as well as an end of year report
- Detailing the Audit Strategy in consultation with the F&CGD, Group Directors and Members
- Alerting the F&CGD to any significant areas of financial weaknesses as per her s151 role
- Compiling an annual assurance report on the control framework to the F&CGD and Members

31. Maintaining an adequate and effective Internal Audit Service

- Continuously reviewing the quality of the Audit Service
- Continuously reviewing the effectiveness of the Audit Service
- Periodically reviewing the Audit Charter and Audit Strategy for adequacy and effectiveness
- Maintaining a professional audit team with sufficient knowledge skills and experience to carry out the audit plan

- Ensuring compliance with the CIPFA Code of Practice for Internal Audit 2003
- Fostering and encouraging constructive working relationships between auditors, auditees, managers and external auditors and to ensure that Auditors do nothing to damage these relationships
- Chairing the Audit Representatives Group and ensuring that it meets at least twice per year in March and September)
- Maximising the use of technology for effective service delivery
- Ensuring follow up Audits are undertaken the following year for all qualified audit reviews
- Monitoring the implementation of agreed recommendations in conjunction with the Business Management Office
- Delivering the agreed Audit Plan
- Carrying out special investigations in accordance with agreed principles
- Taking part in the annual National Fraud Initiatives.

32. Objectivity and Confidentiality

- The CMIA and the ASM must take all reasonable measures to ensure that all Internal Auditors have an objective frame of mind and be in a sufficiently independent position to be able to exercise judgement with impartiality.
- Maintaining confidentiality is a particular requirement of Internal Audit. Matters that arise during the course of an audit are confidential if they could prejudice the outcome (e.g. fraud) and distribution of reports restricted as far as possible to officers directly responsible for the area being audited unless they agree otherwise. Once completed the results are reported to the Audit Committee. However, all reports and memos are subject to the scrutiny of the s151 officer as the statutory finance officer, as well as the Audit Commission Auditors as the appointed external auditors of the Authority. All Audit reports maybe subject to disclosure under the Freedom of Information Act but this will be agreed with the relevant officers at the time of each specific request.

Responsibilities of Auditors

33. Process

- Give adequate notice of the start of a planned audit (in accordance with the Internal audit protocol)
- Base opinions on facts and evidence
- Provide practical and timely recommendations in a formal report
- Agree a plan of action to remedy control weaknesses

34. Compliance with Auditing Standards

• Comply with the Audit Manual and Protocol for Internal Audit

- Maintain professional independence, objectivity, integrity and confidentiality
- All auditors must inform the Audit Services Manager of any areas where they could have a conflict of interest which could impair or be perceived to impair their objectivity
- Maintain proper documented files supporting conclusions
- Hold in safe custody any documents or property or other material obtained for audit use or investigation
- Act with due care to provide “reasonable” assurance on the adequacy of control
- Foster good working relationships with auditees, external auditors and managers

Responsibilities of the Finance & Commercial Group Director (F&CGD)

35. The F&CGD has the delegated authority for the provision of the Audit Service. The F&CGD must ensure that:

- The Audit Service is complying with their responsibilities as detailed within this charter and are providing an adequate and effective service
- Any suspected irregularities are properly and appropriately investigated and action taken
- She is satisfied that the control assurance statement either on its own or as part of a combined statement of assurance, reflects accurately the position of the internal control framework
- The section is properly and efficiently resourced to give effective coverage

Responsibilities of Members

36. The Members as the corporate body have the responsibility to ensure that there is a current and effective internal audit function. These responsibilities include ensuring that:

- The function complies with the CIPFA Code of Practice for Internal Audit in Local Government in the UK (updated 2003)
- Audit's status is sufficient within the organisation, is independent organisationally and in its reporting and free to set its priorities
- There are strategic and annual plans focused on the risk and control framework
- Audit is properly and sufficiently resourced to give effective coverage
- Significant weaknesses identified by audit are addressed
- Agreed recommendations are implemented
- They comply with the Internal Audit Protocol

Responsibilities of Auditees

37. In accordance with Financial Procedural Rules 6 (b) Managers must ensure that:

- They maintain a constructive approach to Internal Audit
- They make available employees, documents, computerised systems and information in a timely manner to allow the audit to progress within agreed timescales
- They respond promptly and formally to audit reports within the agreed timescale
- They implement agreed recommendations and within an agreed timed action plan.

External Audit

38. External Audit has rights of access to all premises, personnel, documents and information they consider necessary for the purpose of their audit as specified in Financial Procedural Rules 6 (b).

39. The Internal Audit Protocol defines their respective responsibilities, co-operation arrangements and the performance areas of Internal Audit that will be reviewed and evaluated by the External Auditors. Internal Audit is expected to co-operate and regularly liaise with external auditors to ensure an efficient and effective use of resources is achieved and unnecessary over-lapping of work is avoided.

40. External Auditors have a responsibility to assess whether Internal Audit arrangements are adequate and will, where they are able, place reliance on Internal Audit work when forming their opinion on the Authority's accounts.

Effectiveness of Internal Audit – Key Measures

40. The effectiveness of Internal Audit will be measured by:

- KPI 01 The no. of audit briefs produced each month compared to target
- KPI02 The no. of draft reviews produced each month compared to target
- KPI03 The no. of final reviews produced each month compared to target
- KPI04 the no. of audits completed to draft report stage within agreed timescales
- KPI05 The percentage of system audit questionnaires returned each month
- KPI06 The percentage of fraud audit questionnaires returned each month
- External Auditors are able to rely on the work of Internal Audit when forming their opinion on the Authority's accounts.

The Internal Audit Charter and Terms of Reference have been approved by the Audit Committee (DATE TO BE INSERTED).....

Related Papers:

Audit Strategy and Audit strategic and annual plans

CIPFA Code of Practice of Internal Audit in Local Government UK 2003

Accounts and Audit Regulations 2003

Role of the Finance Director CIPFA January 2003

Improving The Audit Service- Applying Best Value Principles To Internal Audit, published by CIPFA April 2001

APPENDIX i

DEFINITIONS OF INDEPENDENCE AND DECLARATIONS OF INTEREST

The CIPFA definition of internal audit includes the phrase "independent appraisal function". All guidance on best practice insists that the key to audit effectiveness rests with its independence and status.

[Taken from *Improving The Audit Service- Applying Best Value Principles To Internal Audit*, published by CIPFA April 2001] Independence covers the following areas:

Access: the Head of IA should have direct access to and freedom to report to all senior management, including the chief executive and members

Reporting: the Head of IA should have the right of reporting without editing under his or her own name

Independence from line operations: IA should be completely independent of all financial and operational systems within the organisation. **The test for Internal Audit's independence from line operations is that, if it were not present in a system or procedure, that system or procedure would continue without interruption**

Position: Organisational status should be such that IA operates independently of personnel directly responsible for the operations under review. If part of the finance department, the Head of IA should be accountable and be managed by and report directly to the s151 Officer.

Independence of mind: The internal auditor should have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgement, express opinions and present recommendations with impartiality.

Scope: The scope of the IA function should provide an unrestricted range of coverage of the organisations operations and the internal auditor should have sufficient authority to allow them access to the records, assets and personnel as necessary to properly be able to fulfil their duties. IA should be free from the interference of others.

Status: The status of IA should enable it to function effectively. The support of management is essential. IA should be involved in the determination of its own priorities, in consultation with management.

2. OBJECTIVITY

As part of independence of mind as mentioned on the previous page, the Internal Auditor should have an objective attitude of mind, be in a sufficiently independent position to be able to exercise judgement, express opinions and present recommendations with impartiality.

In order to achieve this objectivity in approach Internal Auditors should:

Be free from any conflict of interest arising from either professional or personal relationships or from pecuniary or other interests in an organisation or activity that is subject to audit

Be equally free from any undue influences that might affect the way in which reviews are undertaken, findings are interpreted and recommendations formulated

Not allow their objectivity to be impaired when auditing an activity for which they have had authority or responsibility in the past

Not normally undertake non-audit duties but where they do so exceptionally, they should ensure that management understands that they are not then functioning as internal auditors. Any such activity will be at arms length from IA and not under the direction of the Audit Manager.

3. DECLARATION OF INTEREST

Internal Auditors must declare an interest in an audit area, if they are either asked to carry out the review or can influence (e.g. as lead auditor etc) the review, if they:

Have had responsibility for a line operation within the last 12 months

Have close family ties with any of the managers or senior employees under audit review i.e. people who are in a position to influence the direction of operations

Have strong personal relationships with any of the managers or senior employees under audit review i.e. people who are in a position to influence the direction of the operations

Have other links to any of the managers or senior employees under their direct audit review, some examples being: serving on the same committee of an outside organisation, they are next door neighbours or their families have a close personal tie etc.

Work for an outside organisation that could be subject to audit review by London Borough of Havering

If in doubt Internal Auditors should consult with the Audit Services Manager.

4. AUDIT MANAGEMENT ACTIONS

After discussions with the Auditor concerned management actions could include:
If the reason given or relationship is not considered to be significant enough to impact on the objectivity of the Auditor, the Manager may decide to put a note on file giving reasons and allowing the Auditor to carry out the review

If the reason given, or relationship, is not considered to impact on the objectivity of the Auditor but others outside the Section may view it as being partial, the Manager may decide to allow the Auditor to assist with the review, but another Auditor/Manager will carry out its supervision and direction.

If the reason given is significant or the relationship is so close (e.g. parent and child or husband and wife etc.) that partiality could be an issue, the Manager will ensure that another Auditor carries out the review. This does not preclude the declarer from giving advice on the area being reviewed if the Manager considers it to be appropriate.

In any case, if there is no other available resource, the Manager may decide to allow the Auditor to carry out the review but declare the interest to the Head of Service responsible for the activity under review, stating the reasons for the declaration. The F&CGD will also be notified. The declaration will also state why there will still be impartiality/objectivity and that the Audit manager will manage and direct the review. If there is any objection the F&CGD must decide on what action to take.

5. REPORTING ANY INTERFERENCE ON INDEPENDENCE

The Auditor must report to the CMIA or the ASM any blockages or interference by anyone that prevents them from carrying out or fulfilling their duties or from being independent e.g.;

Being denied access to any person or records/ documents etc under review

Reports are withdrawn or pressure is brought to bear to change facts and alter opinions that the Auditor considers to be correct

Blocks are put on starting reviews or there is a refusal to allow a review or progress of a review is halted without good reason.

The CMIA and/or the ASM (or if they are the problem the auditor) will try and resolve the issues but if not, depending upon the level at which the interference occurs and its severity, may report the matter to any or all of the following:

Head of Financial Services (Line Manager)

The Finance & Commercial Group Director (s151 Officer)

The Chief Executive

The Assistant Chief Executives

Group Directors

The Leader of the Council

The Audit Committee

The Audit Commission

Agreed by Audit Committee on 28th September 2006.



MEETING	DATE	ITEM
AUDIT COMMITTEE	11 December 2007	7

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF ANTI FRAUD AND CORRUPTION ARRANGEMENTS including CONFIDENTIAL REPORTING (WHISTLE BLOWING) POLICY

SUMMARY

This report updates Members on Fraud and Corruption issues as well as reviews the Fraud and Corruption Strategy and Confidential Reporting (Whistle Blowing) Policy.

RECOMMENDATION

Audit Committee Members:

1. To comment on the findings of the overall review.
2. To approve the revised Anti Fraud and Corruption Strategy.
3. To approve the revised Confidential Reporting (Whistle Blowing) Policy.
4. To comment on the progress of the Anti Fraud and Corruption Campaign.
5. To note the "Use of resources" – Criteria and Evidence. To suggest any ways in which members can become involved in anti-fraud publicity.

REPORT DETAIL

1. A review of the Anti Fraud and Corruption Strategy is planned annually. This year's review was conducted during November 2007 and only minor changes and updates were required. The strategy can be seen in Appendix 1. Changes to the wording have been made in italics.
2. The amended Strategy will be placed on the Intranet and staff will be made aware of its existence via global email facility.
3. The Anti Fraud and Corruption Campaign has been updated to show progress made during 2007/08. This can be seen in Appendix 2.
4. The campaign continues to be successful and a number of allegations/reports have been made on the Fraud Hotline and the resulting investigations proving the allegations to be correct.
5. The Council has once again taken part in the National Fraud Initiative exercises which have been conducted for 2006/7 and savings and overpayments have been identified. A NFI Protocol has now been completed in order to ensure cases identified are reviewed systematically, having regard to the risks and resources, to achieve the best outcomes.
6. As previously reported the Council have been involved with a pilot exercise relating to Single Person Discount and the results should be known by April 2008, and will be reported to Audit Committee thereafter.
7. A review of the Confidential Reporting (Whistle Blowing) Policy has also been undertaken, no major updates were required. The policy can be seen in Appendix 3.
8. The number of cases reported to the Fraud Hotline, to date in 2007/08, is seven. A further 88 Housing Benefit cases have been logged. The details of cases and action taken is reported monthly to the Head of Financial Services and the Group Director Finance and Commercial and included in each report to Audit Committee. A formal review of the whistle blowing cases received is to be conducted in 2008, as per the recommendation from the Audit Commission.
9. The Fraud related criteria in the 2006/2007 Use of Resources audit, undertaken by the Audit Commission, have been included for information in the absence of a formal report. The requirements of the 2007/2008 Use of Resources criteria has also been considered and the Council can demonstrate compliance with the standards required. Please see Appendix 4.

Financial Implications and Risks:

The Council continuously campaign to prevent and detect fraud and recent successful prosecutions resulting in custodial sentences illustrate to fraudsters that where possible the Council will take appropriate action including involvement of the Police and subsequent prosecution. Counter measures to prevent fraud are budgeted for on an annual basis, and there has been no overspend.

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: Interim Audit Services Manager
Telephone: 01708 433733

Cheryl Coppell
Chief Executive

Background Papers

Managing the Risk of Fraud, Actions to Counter Fraud and Corruption 2006 (CIPFA)

Internal Audit Plan 2006/7

Anti Fraud and Corruption Strategy 2006

Fraud Campaign 2007/08

Fraud Act 2006

Strategies and Policies of other Boroughs

Code of Practice for Internal Audit in Local Government in the UK 2006 (CIPFA)

APPENDIX 1

**LONDON BOROUGH
OF HAVERING**

**A CORPORATE STRATEGY
FOR THE PREVENTION
AND DETECTION
OF FRAUD AND CORRUPTION**

As at 30.11.07



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FRAUD & CORRUPTION POLICY STATEMENT

This Council requires Members, employees and contractors working on its behalf to act with honesty and integrity at all times, when dealing with resources owned by the Council or those for which it is responsible. This includes the responsibility for ensuring that assets are safeguarded and that procedures exist within areas of their responsibility to prevent and detect fraud.

Fraud is an ever-present threat to resources and hence must be an important concern to everyone. The Council will rigorously enforce sanctions laid down in its "Disciplinary Procedures" and will seek prosecutions where necessary in order to deter fraudulent activity. The Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption within the public sector. We have already established arrangements for co-operation and joint working with outside bodies. In addition we actively foster relationships with external organisations for the purpose of introducing new initiatives to help combat fraud.

We recognise the important part our employees play in countering the damage that fraud can do if unchecked. We actively encourage the reporting of concerns about fraud and corruption and a "Confidential Reporting (Whistle Blowing) Policy" is available to address this.

Cheryl Coppel
Chief Executive

1. INTRODUCTION AND BACKGROUND

1.1 Fraud can consist of a variety of acts that result in obtaining monies, goods or services, gaining advantage or avoiding disadvantage. In an organisation as diverse as the Council, fraud or corruption could be perpetrated in many different ways and by many different parties. For example, staff, benefit claimants, service users, tenants, partners or contractors. Examples of potential fraud or corruption areas are included as Appendix A.

1.2 Definitions:

1.3 The Fraud Act 2006

Identifies an offence of fraud that can be committed in three ways:

- By false representation
- By failing to disclose information
- By abuse of position

The act also contains two other offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in fraud

1.4 The Audit Commission defines corruption' as follows:

"Corruption is 'the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person'".

1.5 Those perpetrating frauds against the Council may feel fraud is victimless, or they may feel they are correcting an injustice that the Council has caused them. They are wrong. They are depriving the Community of resources and their actions may lead directly to already stretched services failing the Community. Monies lost through fraud result either in a reduction in services or an increase in Council Tax.

1.6 Fraud is an ever present threat to the resources available to the Council. It is unfair to honest residents, its perpetrators are criminals and it will not be tolerated.

2. STRATEGIC POLICY

2.1 This Council has formulated a strategy which aims to:

- Demonstrate that it has introduced controls and regulations within all levels of the organisation to combat fraud and corruption.
- Protect any person who draws attention to misconduct in the organisation.
- Provide checks, balances and general safeguards against any abuse of power and authority that might arise anywhere in the Council.
- Reduce the overall level of general fraud and benefit fraud

It has been developed so that it is :

- Promoting an anti fraud **culture**.
 - Maximising **deterrence** of fraud.
 - Aimed at **preventing** fraud which cannot be deterred.
 - Aimed at **detecting** fraud which cannot be prevented.
 - Allowing those with concerns about fraud to **report** these concerns.
 - Ensuring professional **investigation** of suspected fraud.
 - **Sanctioning** (including prosecutions) of those who are found to have committed fraud.
 - Maintaining **intelligence** on those who are suspected of committing Fraud.
 - **Co-operating** with other agencies.
 - **Publicising** our anti fraud activity to further re-enforce the anti fraud culture.
 - **Reducing** losses to an absolute minimum.
- 2.2 The main strategic control is set in place by the establishment of rules and regulations by Members for the control of the Council's administration. These are embodied in the Constitution, Financial Procedure Rules and the Financial Framework which set out the main financial and managerial controls which have been devised to eliminate, as far as possible, the possibility of fraud or corruption within the Council.
- 2.3 The next level is that of the more detailed control wherein line managers from Group Directors, Heads of Service and Head Teachers to Service Managers are required to ensure that the controls set by Members and School Governors are actually being complied with in every area of the Council's activities.
- 2.4 The final level of control is achieved by the provision of:
- An adequate Internal Audit function which aims to review the Internal Control systems as a service to the Council. This Service will objectively examine, evaluate and report on the adequacy of internal controls to all levels of management. This function is also aimed to assist the Chief Financial Officer (CFO) who fulfils the Council's statutory role of ensuring that proper arrangements are made to administer its finances and financial systems. The function also assists the CFO to carry out her Section 151 responsibilities.
 - A dedicated Benefits Investigation Service (BIS), which aims to investigate all allegations and suspicions of Housing Benefit and Council Tax Benefit fraud. This Service will risk assess all cases and wherever possible obtain evidence and advice for the Benefits Manager regarding potential administrative weaknesses.
- 2.5 The purpose of this strategy is to assist managers to prevent abuse by explaining what mechanisms are in place to minimise fraud and corruption and to assist the Audit Commission in discharging its statutory duty to assess the effectiveness of our arrangements. This strategy is a reference

document, which highlights the key principles of the Council's framework strategy and makes reference to the key documents (see Appendix B) supporting these principles.

3. REPORTING OF SUSPECTED IRREGULARITIES

3.1 Whilst the aim is to preclude any acts of fraud and corruption this may not always be "possible" or "achieved" and the Council acknowledges the important role which employees play in being the first people who may notice anything unusual in the Council's financial dealings and the need to bring this to the attention of their managers.

3.2 This fact is enshrined in the Council's Financial Procedure Rules which say:

" It is the responsibility of every employee of the Council to notify his /her Group Director and /or the CFO if s/he is aware of any suspected irregularity in the exercise of the functions of the Council".

3.3 It is recognised that employees are concerned that they may be subjected to harassment, victimisation or discrimination, which directly results from their actions in reporting misconduct. The Government introduced the Public Interest Disclosure Act 1998 which gives rights to protection for persons who report suspected irregularities in good faith (commonly known as Whistleblowers) to an appropriate person. In line with the principles of the Act the Council has in place a "Confidential Reporting Policy" which addresses these concerns and sets out the rights and responsibilities of employees and management when matters of concern are raised.

3.4 A flowchart in Appendix C sets out in more detail the process for reporting suspected irregularities.

3.5 All suspicions of benefit fraud should be directly reported to the BIS.

4. RESPONSIBILITIES

4.1 Managers will be required to establish anti fraud and corruption arrangements within the framework of corporate standards and demonstrate compliance with these standards. Employees will be duty bound to comply with corporate and local standards and will be able to raise concerns if these standards are not being met. Failure of employees or managers to comply with corporate standards may lead to disciplinary action being taken against them. Appendix D has been included to give advice on these issues.

4.2. It is an offence to allow any person to provide false information or fail to declare a relevant change of circumstances to obtain benefit. Managers are also required to ensure that staff report all suspicions of benefit fraud and provide the BIS with appropriate information held within the Authority.

4.3. The effectiveness of our financial arrangements has a major bearing on our ability to minimise fraud and corruption and therefore all managers should recognise their responsibility for these arrangements and for ensuring financial controls do not degenerate over time, thereby increasing the possibility that fraud and corruption may occur.

- 4.4 As stated above employees have a responsibility to report suspected irregularities.
- 4.5 Councillors have a responsibility to ensure that adequate procedures are in place to monitor the provision of the above.
- 4.6 *It is therefore important that all those involved in providing services know and understand their role in the prevention and detection of fraud.*

5. THE ROLE OF COUNCILLORS

- 5.1 As elected representatives of the public, Councillors have a duty to be fair, honest and open in their roles. They are bound by Government legislation, the Constitution and the Council's Code of Conduct for Members. They must also be aware of the need for confidentiality in matters pertaining to the Council's activities where disclosure could give an unfair advantage to another party /or disadvantage the Council.
- 5.2 Of specific relevance is the requirement for them to declare and register any interest they may have in companies, charitable organisations, voluntary groups or other organisations under the Code of Conduct . They are required to abstain from any debate or vote and leave the meeting room when any matter involving a prejudicial interest is being considered. If they have a personal, non-prejudicial interest, they must declare such interest but they may both speak and vote on the matter in question. They should also complete the "Members' Hospitality Register" to record any hospitality offered and whether accepted.
- 5.3 Should there be any allegations against Councillors in accordance with the Code of Conduct, they would be dealt with by the Standards Board for England and/or the Council's Monitoring Officer. The Police would be informed if and when appropriate, and if fraud is an issue, the Council's Section 151 officer would be advised who would liaise with the *Audit Services Manager*.
- 5.4 The key role of Councillors is to take an overview of the anti-fraud and corruption policy and to ensure that the policy is well publicised, and its implementation monitored.
- 5.5 In fulfilling this role, Councillors are committed to ensuring that the Council:
- Develops and maintains effective controls to prevent fraud and corruption.
 - Requires Members, employees and contractors working for the Council to act with honesty and integrity at all times with all public funds.
 - Carries out vigorous and prompt investigation if there is a suspicion that fraud may be occurring.
 - Takes appropriate disciplinary and/or legal action against

perpetrators of fraud.

- Takes appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud.

5.6 Councillors discharge this role by:

- Considering annually at Cabinet and /or Audit Committee any matters raised by the Audit Commission in its Annual Audit Letter.
- Reporting to the Chief Executive any concerns about suspected fraudulent activity.

5.7 In addition, Councillors are committed to acting at all times with honesty and integrity so as to lead by example and promote a culture within the organisation of honesty and opposition to fraud and corruption. To support Councillors in this role, there is:

- A Code of Conduct for Members.
- A Standards Committee.
- Induction information and guidance.
- Guidelines for Members in dealing with staff.
- Training for Councillors in specific areas.
- The local code of Corporate Governance.

5.8 A on-going Fraud and Corruption Campaign is in place within the Council, activities to increase member involvement will be included in the plans for 2008.

6. THE ROLE OF EMPLOYEES AND MANAGEMENT

6.1 Employees

6.1.1 All employees are required to adhere to the Council's:

- Employees' Code of Conduct and, when adopted, the National Employees' Code of Conduct.
- Disciplinary Procedure.
- Council's Constitution.
- Financial Regulations, and Financial Procedure Rules.
- Procedures regarding the acceptance of gifts and hospitality and completion of a register established for the recording of these
- Codes of conduct and ethics issued by professional bodies of which they may be members.
- Employees Register of interests which they must complete whenever their personal affairs impact upon the Council's own interests
- Members of professional bodies are required to adhere to their profession's standards of ethics.

6.1.2 Employees must ensure that they contribute to the establishment and maintenance of systems of internal control and ensure that all Council

resources are properly applied on intended activities. This covers money, stocks, stores, information etc. and even to the use of their time. They must work the hours contracted and not abuse trust e.g. when they are allowed to work away from their administrative centre without direct supervision. More detailed information about these issues are contained in the Council's Constitution, Financial Procedure Rules *and the Financial Framework*.

- 6.1.3 All employees have an important and valued role to play in preventing and tackling malpractice at work. The Council's Confidential Reporting Policy encourages employees not to ignore issues or remain silent but to accept their responsibilities for the Council's interests and voice genuine held concerns about possible fraud and corruption to the Council.
- 6.1.4 In return the Council is committed to investigating concerns in confidence and taking firm management action where malpractice is established. Normally such concerns will be made via the employee's line manager but if necessary, employees can raise concerns directly with a senior manager, *Group Director*, Chief Executive or can contact the *Audit Services Manager*, or the Audit Commission. The Council has a Confidential Reporting Policy which covers this matter.
- 6.1.5 All employees should be aware that failure to comply with any of the above may lead to disciplinary proceedings.

6.2 Managers

- 6.2.1 In addition to their responsibilities as employees managers have a direct responsibility for establishing and maintaining systems of internal control and for ensuring that all Council resources are properly applied on intended activities. In practice this responsibility means that managers are responsible for:
- Identifying the risks to which systems are exposed, minimise these wherever possible and, where not, ensure regular checking mechanisms are in place.
 - Developing and maintaining effective controls to prevent and detect fraud.
 - Ensuring that controls are being complied with and are appropriate.
 - Reminding employees periodically of their responsibilities and obligations in respect of public sector fraud (both general fraud and benefit fraud)
- 6.2.2 Managers must also ensure that any matters, where there is a suspicion of fraud, other financial irregularities and/or corruption, which are brought to their attention by any source are fully documented, reported to their Executive Director, Head of Service and/or the Chief Financial Officer and that parties giving information are safeguarded. It will be for their Group Director, Head of Service and / or the CFO to decide upon the level of investigation and whether the Monitoring Officer should be informed, Internal Audit be asked to assist in the investigation and /or the Police be notified.

- 6.2.3 Managers must take management action as necessary when alerted to issues and not refer matters to audit which should be addressed as normal management action.
- 6.2.4 If the information relates to Housing Benefits irregularities these would be reported to the Benefit Investigation Service rather than Internal Audit.

7. ROLE OF THE CONTRACTORS AND PARTNER ORGANISATIONS

- 7.1 The Council expects all of its contractors, suppliers, agents, partner organisations and individuals, to act with honesty and integrity. Our employees will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and / or contracts include a clause to the effect that the contractor must co-operate with any investigation by Council officers.
- 7.2 Any persons employed either through an agency, as casual staff or temporary appointment, would also be covered by the same rules as affect other Council employees.
- 7.3 *Partnership working is a key focus for the Council and responsibilities regarding preventing fraud and corruption will continue to be communicated to all partner organisations.*
- 7.4 Arrangements to have designated employees who will arrange and control each contract in accordance with Contract Procedure Rules and Financial Regulations.

8. ROLES OF INTERNAL AUDIT, BENEFITS INVESTIGATION SERVICE AND THE AUDIT COMMISSION

8.1 Internal Audit & Benefits Investigation Service (BIS)

- 8.1.1 Whilst it is the role of managers and their staff to prevent and detect fraud and corruption it is the role of Internal Audit to act as “an aid to management” and to test the arrangements that have been put in place. The prime responsibility remains at all times with managers.
- 8.1.2 Internal Audit’s role is a statutory one which is implied by Section 151 of the Local Government Act 1972 and as a specific requirement of the Accounts and Audit Regulations 1996 regulation 5. The role and responsibilities are set in Financial Procedure Rules and the Financial Framework and the whole of Internal Audit’s procedures are contained in their Audit Plan and Audit Manual.
- 8.1.3 Internal Audit and the BIS both have roles in investigating fraud either by proactive anti-fraud reviews or by investigating specific cases. BIS investigate all frauds in relation to Housing Benefits whilst Internal Audit will investigate all other frauds. Both work closely together in order to ensure that common procedures of investigation are followed.

8.1.4 All investigations undertaken by these staff follow the Council's agreed policies and procedures whilst observing an individual's rights under the Human Rights Act 1998. There are detailed fraud response plans in place.

8.1.5 Any investigation which may involve the use of surveillance will be undertaken in accordance with the Regulation of Investigatory Powers Act 2000 and only upon the written approval of a nominated authorising officer.

8.1.6 Internal Audit will support management where disciplinary hearings are required and will produce evidence to assist management in their presentation.

8.2 External Audit

8.2.1 The Audit Commission are the Council's external auditors. Under the Code of Audit Practice issued by the Audit Commission, it is the Council's responsibility to put in place proper arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption. The Audit Commission considers annually whether the Council has put in place adequate arrangements. The Audit Commission's work normally includes a review of the internal audit function, progress in areas such as implementing Codes of Conduct and standards of Corporate Governance, and may also include detailed reviews based on risk. The Audit Commission report their findings to management and summarise them in an Annual Audit Letter to the Members of the Council.

8.2.2 It is not the Audit Commission's function to prevent or detect breaches of proper standards of financial conduct or fraud and corruption. However, The Audit Commission are alert to the possibility of breaches of proper standards of financial conduct and of fraud and corruption in all aspects of their work and would draw any weaknesses promptly to the attention of the Council.

8.2.3 The Audit Commission has a duty to follow up indications or suspicion of improper standards of financial conduct or of fraud and corruption, from whatever source and whatever the likely amount involved. In most cases, the Audit Commission's responsibility will be met by informing the Council and recommending that it take the necessary action. This may include, for example, referral to the Police or other relevant agency or further investigation by Internal Audit.

8.2.4 It is important that the Audit Commission works closely with management, Internal Audit and BIS to achieve a co-ordinated audit approach on fraud. A separate protocol between the Audit Commission and Internal Audit exists to ensure that this occurs.

8.2.5 The Audit Commission issues regular Fraud Bulletins and Warning Notices alerting local authorities to suspected or actual instances of fraud in the public sector. The Audit Commission keeps the Council informed of these and monitors the Council's response. The Audit Commission also monitors

the Council's response on other fraud initiatives such as the National Fraud Initiative data matching.

8.2.6 The Audit Commission are required to submit a monthly return to their headquarters summarising information about the number and types of fraud and corruption identified within the Council. All instances of corruption and all fraud and housing benefit fraud incidences over £10,000 must be reported by the Audit Commission to their headquarters. The *Audit Services Manager* provides the monthly AF 70 returns for general and housing benefit fraud to the Audit Commission.

9. PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

9.1 Fraud and corruption can come in many guises. The following exist to prevent and detect them.

9.2 Council Constitution and Policies

9.2.1 The key characteristics of the Council's Constitution and Policies are that they:

- cover all the key risk areas
- are available to all employees who should be made aware of them
- are reviewed regularly
- are maintained on the Council's Intranet

9.2.2 These must be followed and the Council's Employee Code of Conduct and Disciplinary Procedure clearly set out how breaches in relation to fraud and corruption will be treated. This strategy itself is another means.

9.3 Frameworks and Forms

9.3.1 There are various internal documents such as *the "Business Systems Policy"*, "The Procurement Framework", "The Human Resources Manual" and "Financial Procedure Rules and Financial Framework and Procedures for Schools" which give clear advice on the internal control procedures relating to financial matters. These have been issued to all relevant employees.

9.3.2 Where practical Council documentation highlights what might constitute frauds. Processes and forms are designed so there are clear declarations that the information given is correct. Where appropriate signatures (or equivalent) are required to attest to the correctness of statements. Forms are not processed without these declarations. However, the absence of such a warning will not negate the possibility of action being taken.

9.4 Management Risk Assessments

- 9.4.1 It is essential that these are effective and documented controls and it is the responsibility of managers to ensure that this is the case and that these are reviewed/spot checked.
- 9.4.2 Heads of Service are responsible for overseeing systems, managing projects and managing programmes, to enable the Council to meet its obligations and objectives. Systems, projects and programmes are subject to risk assessment, which includes consideration of fraud risks.
- 9.4.3 Managers are responsible for ensuring that systems are fully documented and that controls operate as intended. Managers keep systems under review, ensure risk assessments remain relevant and instigate changes to risk assessments as necessary.

9.5 Quality systems

- 9.5.1 Additionally internal controls are strengthened where quality management systems have been implemented which are externally accredited (e.g. under ISO 9002) or internally assessed. The quality route ensures processes are documented, are subject to management review and have customer feedback mechanisms.

9.6 Audit

- 9.6.1 Internal Audit review all financial systems on a cyclical basis and their reports encourage preventative measures including:
- tightening existing controls;
 - recommending new systems and procedures;
 - highlighting segregation of duties and the benefits of new technology; and
 - identifying weaknesses in performance management.
- 9.6.2 In addition to system reviews, Internal Audit undertakes proactive fraud audits with the specific aim of identifying fraud and actual control failures.
- 9.6.3 The Fraud and Special investigations team undertake all fraud investigations other than housing benefit fraud cases. The team are also responsible for delivering Fraud Awareness training to staff and members as part of the policy to prevent fraud and error entering the system.

9.7 Benefits Investigation Service

- 9.7.1 In cases of possible Benefit fraud, the Benefits Investigation Service will investigate in accordance with the Social Security Administration Act 1992, other relevant, current legislation and its own Anti-Benefit Fraud Strategy and Prosecution and Sanctions Policy.

9.7.2 The introduction of the Housing Benefit Verification Framework with a series of interventions including more frequent claim reviews, home visits, greater data matching and risk analysis, has also strengthened the Council's benefit fraud prevention and detection controls.

9.7.3 The BIS is responsible for delivering Fraud Awareness training to appropriate staff as part of the policy to prevent fraud and error entering the system.

9.8 **Staff**

9.8.1 Specific staff are responsible for undertaking specific functions within systems to prevent frauds. They should alert management to potential fraud risks should they become aware of issues so that preventative controls can be strengthened.

9.9 **Other initiatives included in this strategy**

9.9.1 These include awareness and communication.

10. **ARRANGEMENTS FOR CONCERNS TO BE RAISED**

10.1 It is essential that formal arrangements exist for employees, Councillors and members of the public, to express their concerns.

10.2 The following procedures exist to support the needs of this key principle:

- **Grievance Procedure.**

The procedure codifies the steps to be taken to ensure problems or difficulties that employees encounter at work are satisfactorily resolved as speedily and informally as possible.

- **Confidential Reporting Policy.**

This code sets out the rights and responsibilities for employees raising issues of concern.

- **Financial Procedure Rules**

It is the responsibility of every employee of the Council to notify either his/her Group Director and /or Group Director Finance and Commercial if s/he is aware of any suspected financial irregularity in the exercise of the functions of the Council.

- **Corporate Complaints**

The Council has a computerised system for recording and tracking all Corporate complaints made by members of the public to ensure that these are actioned and resolved.

10.3 A listing of contacts is attached for reporting problems – Appendix E

11. COMMUNICATION AND AWARENESS

11.1 The Council needs to ensure that employees are constantly reminded of the need to be vigilant against fraud. Measures which have been introduced include:

Team briefings;
 Posters;
 Advertising Boards;
 Leaflets;
 An external e-mail address;
 Fraud hot line;
 Fraud awareness training for relevant staff and members;
 Intranet and website information;
 Payslip reminders;
 Anti-Fraud Awareness articles for the local "Inside Havering" publication;
 and
 Adverts in externally produced publications delivered to Havering residents;

11.2 Regular articles will be produced as requested, for the *quarterly* Financial Services Briefing publication, which will be sent via e-Mail, to staff advising of such things as:

- Frauds identified in other local authorities
- Local issues
- Points of principle
- Common control weaknesses

11.3 Employees will be advised of the strategy as part of their induction and a copy of this document will be kept on the Council's intranet.

12. RECRUITMENT, INDUCTION AND DISCIPLINARY PROCEDURES

12.1 It is essential that there are adequate recruitment and selection and disciplinary procedures.

12.2 The following procedures exist to support this key principle:

12.3 Councillors

12.3.1 All Councillors, on taking up their duties, are provided with a copy of the Members' Code of Conduct; and acknowledge in writing that they understand the Code and will comply with it.

12.3.2 Induction material is provided for all Councillors.

12.3.3 A statutory Members' Register of Interests is maintained.

12.4 **Employees**

- 12.4.1 The Council has a specified Recruitment and Selection Policy and any interview panel has to be compiled from employees all of whom have undertaken the Council's recruitment and selection training programme.
- 12.4.2 Where potential recruits work in certain vulnerable areas with children then Police checks are undertaken.
- 12.4.3 The Council's contract for agency staff includes details of what agencies are expected to check. Agency staff when inducted are to be made aware of expected standards.
- 12.4.4 Procedures have been set out for the following and copies of these can be obtained from the appropriate personnel unit :
- Hospitality, gifts or gratuities. The Guidance is supported by a register kept by each Directorate and advice issued on a regular basis.
 - Private work
 - Disciplinary procedure
 - Poor work performance
- 12.4.5 Conflicts of Interest are expected to be declared in the official registers held within the Council. With regard to contracts the position is governed by the Local Government Act 1972 and also incorporated into the Council's Constitution.
- 12.4.6 The letter of appointment and statement of particulars also makes reference to the Council's disciplinary and grievance procedures.

13 **INVESTIGATIONS**

- 13.1 It is essential that investigations into fraud and corruption are well managed and based on adequate written procedures.
- 13.2 The following are the essential elements of an Internal Audit investigation:
- Detailed procedures for carrying out the investigation are included in the Internal Audit "Fraud & Corruption" manual response plan.
 - Investigations will be managed by either a senior auditor or a more senior officer of the Council.
 - A strategy including scope and employee resources is agreed at the referral stage. The progress on each investigation is monitored, at least once a month.
 - General control issues are raised with the Service.

- Any surveillance required as part of the investigation will be carried out in accordance with the Regulation of Investigatory Powers Act. Any action which includes covert surveillance would have to be authorised by an Authorised Officer.
- The Council's CFO and Monitoring Officer (where appropriate) will be kept advised of the progress on fraud investigations.

13.3 In addition to the above elements, the BIS has:

- Detailed in house procedures making specific reference to the HB/CTB Security Guidance issued by the Department for Work and Pensions;
- Experienced and professionally accredited management and employees
- A commercial computerised Fraud Investigation Management System (FIMS) for control, monitoring, analysis and statistics
- A system for compliance with the Benefit Fraud Inspectorate's recommendations/Secretary of State directions.

14. **SANCTIONING**

14.1 As well as working with other agencies such as the Police, the Council will prosecute people and attempt to recover funds. The Council is a prosecuting Council with powers being derived under the Local Government Acts. It can use a range of criminal statutes, including the Theft Acts and Social Security Acts and in doing so will have regard to the Criminal Procedure and Investigation Act, the Police and Criminal Evidence Act (PACE), the Human Rights Act and the Regulation of Investigatory Powers Act. The precise route depends on the circumstances.

14.2 The Council will pursue the most appropriate penalty available against those committing fraud and corruption.

14.3 Depending on the actual fraud perpetrated this could lead to:

- Prosecution wherever possible
- Official caution
- Administrative Penalty
- Recovery of monies/assets
- Reducing losses to an absolute minimum
- Termination of employment
- Disciplinary action
- Suspension (possibly successive periods)
- Loss of benefits
- Loss of tenancy
- Barring from undertaking work
- Barring individuals from access to service
- Reporting Councillors to the Standards Board

- Reporting individuals to all other appropriate organisations.
- Publicising fraud and outcomes

14.4 Leniency will only be considered upon cases of prompt admission and full co-operation and will depend on the nature of the fraud.

14.5 All internal frauds are reported to the Council's Insurance Officer in case the Fidelity Guarantee Policy applies.

14.6 All employees involved with Housing Benefits should also refer to the Housing Benefit Anti-Fraud Strategy.

15 **MAINTAINING INTELLIGENCE**

15.1 The Principal Auditor (Fraud) has the details of all frauds committed against the Council. These will be analysed to identify trends etc.

15.2 Where fraud is found to have taken place by one individual details will be circulated within the Council and to outside agencies to identify whether further frauds may be present.

15.3 Investigators should release details of information they have passed to other organisations, if requested to do so by the individual concerned as a subject access request.

15.4 Where fraud is suspected but cannot be proven details will be maintained, as intelligence.

15.5 Details of investigations, other than the outcomes, will not be routinely released as part of a subject access request, as they may contain details of witnesses.

16. **USE OF TECHNOLOGY**

16.1 There are two key elements to the use of technology: -

- i) there must be satisfactory controls over information held on computers; and
- ii) the Council must make best use of IT to pro-actively seek out fraud and corruption.

16.2 Information held on computers is governed by: -

- a) the principles of the Data Protection Act.
- b) Information Security Policies of the Council which are held on the Intranet

16.3 Information Technology is used in the following ways to assist in seeking out fraud and corruption both within the Council and among the users of Council services:

- Internal Audit makes use of Business Objects, Idea and Surf Control reports to assist in its interrogation of computer data. The external auditors also use dedicated computer software (Computer Assisted Audit Techniques) to investigate the content of the Council's financial systems.
- The Surf Control reports are a tool used by Internal Audit during investigations into suspected pc misuse and abuse. The reports show internet user and site activity (times and dates) and enable interrogation without the retrieval of the desk top pc equipment.
- Information Governance also make use of Surf Control reports in order to carry out their own periodic, random internal control checks against pc misuse and abuse.
- The Council is a subscriber to the National Fraud Initiative. This is a scheme whereby all local authorities submit computerised data to the Audit Commission, who then merge and issue reports on data-matches which may be fraudulent. All output is reviewed by Internal Audit and followed-up by them or by BIS.
- The Council similarly receives monthly data matching referrals from the Housing Benefit Matching Service (HBMS) resulting in revisions in benefit entitlement, reviews of benefit claims, or investigations.
- The Council is a subscriber to the National Anti-Fraud Network (NAFN) who provide a computerised intelligence database.
- The Benefits Service and Benefit Investigation Service have direct access to the DWP computer database through a Customer Information System.

17. **LIAISON WITH POLICE AND OTHER AGENCIES**

- 17.1 As stated above the Council is unequivocal in its support of the Police and other external agencies fighting fraud and corruption in the Public Sector.
- 17.2 Having good arrangements for liaison with the Police and other agencies enhances the effectiveness of anti fraud and corruption initiatives.
- 17.3 Both Internal Audit and BIS are actively fostering good relationships with both the local Police and the Public Sector Fraud Squad.
- 17.4 In addition, the Council actively fosters relationships with external agencies for the purpose of introducing new initiatives to help combat fraud and corruption. Liaison with other agencies is as listed:
- Jobcentre Plus - Liaison as per the National Service Level Agreement.
 - NAFN - Provide intelligence on a wide-range of fraudulent activity and acts as a conduit for a wide number of other agencies interested in this

area and the rest of the country.

- NFI – the National Anti-Fraud Network cross matches data from other public sector organisations like housing benefit, payroll and pensions. The NFI then cross-matches the data to identify inaccuracies or potential fraud for each organisation to investigate.
- London Audit Group - In addition to giving training to Chief Internal Auditors this group acts as a liaison forum for exchanging information on recent frauds, and similar concerns.
- London Public Sector Counter Fraud Partnership – to identify fraud trends across London and raise awareness.
- CIPFA - Issue an Audit Bulletin entitled Audit ViewPoint which highlights recently discovered frauds.
- The Audit Commission - Provide a variety of publications/fraud flashes etc. on recent frauds.
- Local Council Investigation Officers Group.
- London Boroughs Fraud Investigation Group.
- Better Governance Forum.
- Home Office (failed asylum seekers).
- Other London Authorities.

APPENDIX A**POTENTIAL TYPES OF FRAUD (a non exhaustive list)****Employees**

- False representation
- Failing to disclose information
- Abuse of position
- Theft of monies
- Theft of assets
- Theft of information
- False statements on job application
- Not working while being paid to work (e.g. falsely claiming sick leave, going AWOL, internet abuse)
- Making false claims for money (e.g. travel, overtime)
- Making false claims for time (flexi time abuse)
- Fraudulently writing off a debt that should remain outstanding
- Undertaking an assessment fraudulently (e.g. contract award, allocation of housing)
- Dealing unfairly with a potential contractor
- Accepting gifts and monies to show favour
- Using Council assets for non business activities
- Preparing incorrect statements about the achievement of targets
- Accessing systems on another person's password

Council Tax Payers

- Claiming a discount that they are not entitled to
- Supplying incorrect details about a property
- Claiming to have made payment when have not

Benefit Claimants

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in fraud
- Supplying incorrect details on application
- Failure to notify change of circumstances
- Using a false identify
- Not declaring income or assets
- Claiming special circumstances that do not apply (medical condition)

Tenants

- Subletting
- Not truthfully reporting causes of damage
- Making false statements to be considered for (better) property (E.g. lack of partner)
- Using Right To Buy on behalf of a third party
- Applying for Right to Buy when not living at the property

Contractors

- Colluding with potential suppliers when submitting bids
- Submitting invoices for work not undertaken
- Completing works to lower standard than specified (e.g. with inferior components)
- Colluding with officers involved in award of contract
- Colluding with officers involved in monitoring of contract
- Misuse of privileged information

Partner Organisations

- Supplying false details about plans and projects
- Supplying false details about partner organisation contribution
- Supplying false details about third party assurances (e.g. altered accounts)
- Not disclosing close connection with supplier

Service Users

- Claiming a discount not entitled to (e.g. child or OAP rate)
- Trying to “piggyback” on legitimate service user (borrowed library card)
- Making false statements to dispute a charge (parking)
- Using a false identity where true identity should be known (e.g. internet access, debt blacklist)

General Public

- False claims of personal injury or damage
- Falsely representing advice given to gain advantage
- Money laundering

Members

- Improperly conferring an advantage or disadvantage for the Member or any other person.
- Misuse of resources for personal or political purposes.
- Misuse of information to give the Member or another person an advantage or disadvantage.

APPENDIX B

KEY DOCUMENTS AND LEGISLATION

Constitution

Disciplinary Procedure

Contract Procedure Rules

Financial Procedure Rules and Financial Framework

Confidential Reporting Policy and Employee Code of Conduct

Code of Conduct for Employees

National Code of Conduct for Members

Accounts and Audit Regulations (amended) 2006,

Internal Audit Manual

Housing Benefit Fraud Investigation Manual

Strategic and Annual Audit Plans

Grievance Procedure

Council Corporate Complaints Scheme

Information Security Policies –ISP/001, ISP/002 and ISP/003

Data Protection Act

Prosecution Policy

Benefit Investigation Service Business Plan

Guidelines for Members dealing with staff

Police and Criminal Evidence Act 1984 (s66) – Codes of Practice

Nolan Report – Seven Principles of Public Life

Human Rights Act 1998

Regulation of Investigatory Powers Act 2000

Employment Rights Act 1966

Employment Relations Act 1999

Gifts/ Hospitality registers

Register of Members' Interests

Register of Employees' Interests

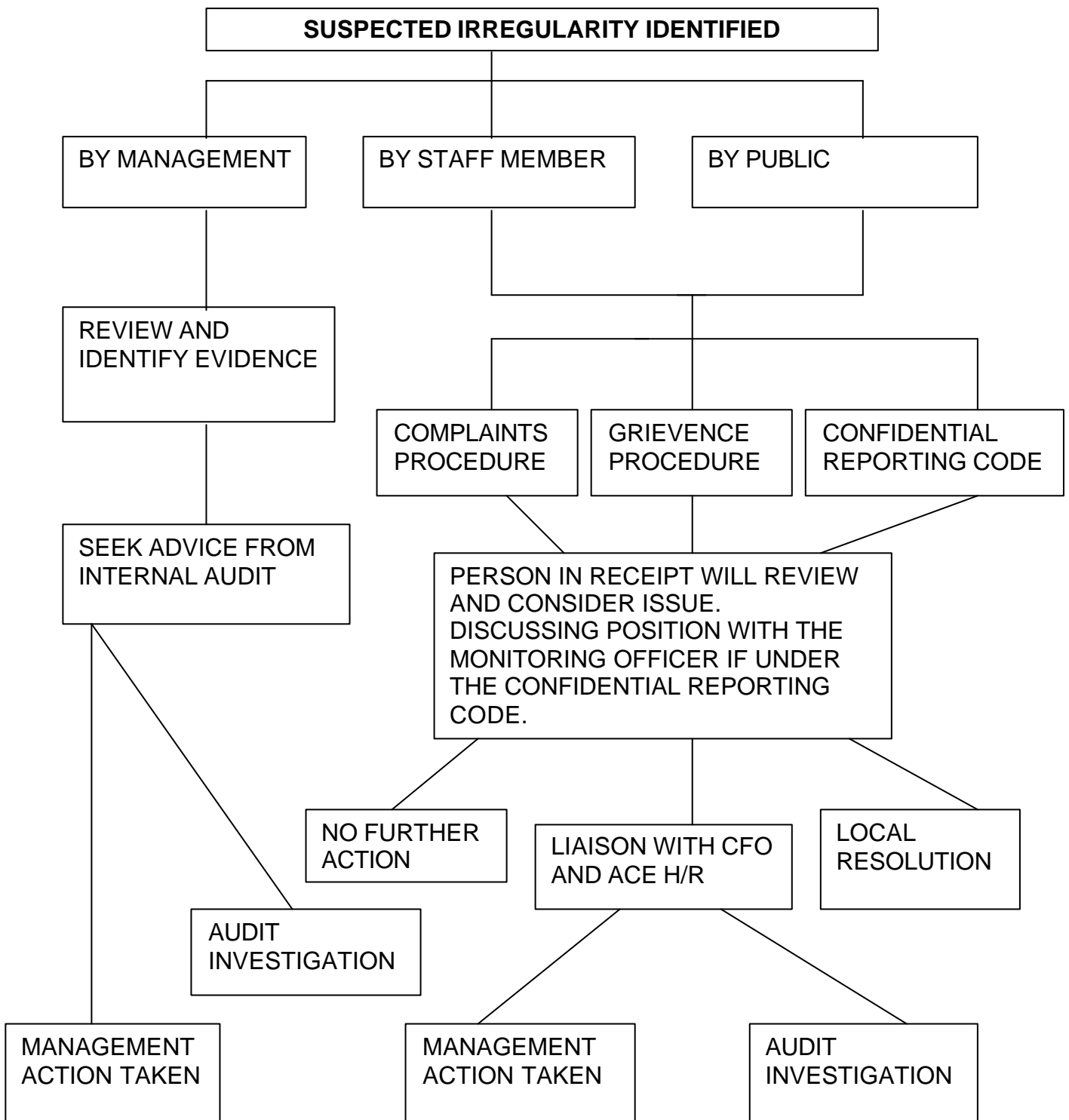
The Fraud Act 2006

Computer Fraud and Abuse Act (amended) 1996

Criminal Procedure and Investigation Act 1996

Social Security Administration and Fraud Acts

APPENDIX C



NB. Confidential reporting incidents to be logged with Monitoring Officer including outcomes.

A CHECKLIST FOR MANAGERS AND SUPERVISORS**APPENDIX D****Considerations regarding employees**

- Check references of new employees. Confirm existence of previous employers. Police checks should be carried out in certain instances.
- Verify that qualifications have been achieved.
- All Council employees are team players and should be treated as such.
- Disgruntled employees are more likely to feel aggrieved and as such may act against their employer's interests.
- Recognise employee commitment.
- Ensure your employees dealing with issues such as finances and giving a benefit in some way to the public where a bribe could be offered take their holiday entitlement with at least one period exceeding a week. Also ensure that other employees undertake these duties whilst they are on leave. Many frauds are discovered when employees take leave and someone else discovers discrepancies or is offered an inducement to give a "favour". The bigger and more sophisticated the fraud it is more likely that senior employees are involved.
- Ensure that employees know about and understand the implications regarding giving notification of receiving hospitality or having a personal interest e.g. financial in a matter, in which the Council is involved. They must be advised to make entries in either the Hospitality Register or the Register of Interests where applicable.
- Are life styles of employees compatible to their income? Whilst this is a very personal issue many frauds or money laundering have been discovered where a person's life style far exceeded their known income and managers need to be aware of this.
- Does an employee have unusual work patterns, prefer to work alone or are they reluctant to provide documentation when requested.

Management Controls

- Investigate discrepancies early.
- Encourage employees to come forward if they suspect irregularities.
- Undertake regular reconciliations of financial systems and bank accounts and ensure that there is adequate separation of duties. However don't be predictable in your checking.
- Do not pre-sign documents.

- Ensure there is adequate separation of duties and that no single individual completes a whole process.
- Avoid having indispensable employees who are the only people that know their part of the business
- Ensure that employees are aware of the Council's Contract Procedure Rules and Financial Procedure Rules and Framework. Make sure up to date copies of these are readily accessible to all employees and they are advised how to access this information on the Intranet.
- Document the procedures used in your area so that they are clear to all. Keep these up to date.
- Carry out regular reviews of Registers of Hospitality and Interest to ensure that employees are complying with these requirements.
- Ensure that you are familiar with the Council's Anti-Money Laundering Policy.

Working Environment

- When selecting suppliers ensure Contract Procedure Rules Requirements re quotes and tenders have been followed and wherever applicable only corporate contracts are used.
- Consider whether it is advisable to depend on one or two major suppliers.
- Protect your position by ensuring payment is only made when goods and services have been received.
- Remember that gifts from suppliers and contractors are not normally acceptable. Investigate concerns about relationships between suppliers and your employees. If in doubt contact your Personnel Manager or Internal Audit to discuss your concerns. This can be informally if you wish.
- Don't leave sensitive documents on desks overnight.
- Take minutes of important meetings and retain them.
- Restrict access to safes and keep keys secure. Change combinations when employees leave.
- Ensure that Council monies are regularly banked intact. Do not leave cash in unlocked desks or in drawers. Make sure monies retained are only to a limit covered by the Council's insurance. Should you anticipate exceeding these limits contact the Council's Insurance Officer immediately. If in doubt ask for explanations.

- Report all suspected fraudulent activity and financial irregularities to the officers identified within this strategy document.
- Ensure relationships with suppliers are objective and transparent

Computer Safeguards

- You are responsible for security of your password. Change it regularly, if you think someone knows it or when an employee leaves make sure your employees do the same.
- Never write down your password and leave it near a computer or where others can easily access it.
- Do not allow employees to load a non-Council disc on work computers/laptops unless you are sure that it does not contain a virus. Ensure that the computer to be used has up to date virus checking installed and it is working correctly.
- Seek guidance from the Council's Corporate IT section before using unsolicited discs/shareware and software from the Internet.
- Always use current anti-virus software on standalone computers to check new files.
- Wherever possible ensure that files are maintained on a central server, which is backed up daily. Where this is not practical back-up important files regularly and store the back-up in a secure place, preferably a safe or remote location.
- If you are using a networked environment, ensure that authorisation and access levels are carefully reviewed.
- Pay attention to the physical safety of your computer equipment. Locate it away from prying eyes wherever possible. Ensure laptops are secure at night. If employees take them home make sure this is recorded and they are signed back when returned.
- Ensure that office software is properly licensed.
- Consider the use of Internet access by employees within your area of responsibility and whether there could be concerns about potential misuse. If you have concerns then consider remote test checks on usage. You can contact Internal Audit who would be able to advise you about the most appropriate course of action, without alerting the employee(s).
- Ensure Council equipment is not abused for private purposes. (See relevant Policies for further information)

APPENDIX E

KEY CONTACTS

Principal Auditor (Fraud) – Chris Nower, ext. 2617

Interim Audit Services Manager – Vanessa Bateman, ext. 3733

Benefits Investigation Service (BIS) – Neil Garnett, ext. 4080

Information Technology – Paul Golland, ext. 2130

POLICY REVIEW DATE:

This policy was last reviewed by the Principal Auditor (Fraud) and the Interim Audit Services Manager on 19th November 2007. This policy is to be annually reviewed and updated.

Date of Next Review: Planned to be completed by 30th November 2008.

APPENDIX 2

2007/2008 Fraud Campaign

Planned Month (Apr 07- Mar 08)	Fraud Campaign 2007/08	Cost	Status
April	Annual Letter to Staff & Members		Completed
April	Working Together to Prevent Fraud' article to be published in local press, Inside Havering and in Living in Havering Magazine and on the intranet.		Part completed.
May	FSB Article Identity Theft/Fraud		Completed
May	Team Brief Article, Talking Point		Completed
May	Provide HR with any further Fraud Leaflets for Staff Induction Courses as necessary		None required
June	Annual Payslip Message		Completed
June	Notice Board Poster at Upminster Station (Housing Benefits to contribute)		Not done - no funding in HBens
July	NFI presentation to staff		Not required
July	Global Email – Whistle Blowing to be sent to all staff		Issued
July	Review the Fraud Intranet Pages and update where necessary		To be completed
August	Review need for posters to be refreshed - site visits to see posters are still up and in good order, whether more are needed.		Completed
August	Audit Committee Member Fraud Training Session		Not needed
September	Global Email - Fraud Prevention/Detection to be sent around all staff		Move to new year
September	LBH Street Guide Advert	495.00	Completed May 07

Planned Month (Apr 07- Mar 08)	Fraud Campaign 2007/08	COST	Status
October	Refresh Artwork & print Anti-Fraud leaflets		Not implemented
October	70 x J C Decaux Boards around the borough (for 2 weeks) 50 Local Notice Boards at Parks	648.00 270.00	Implemented and completed
November	FSB Article		In progress
31st November	Second Payslip Message with Fraud Leaflet		In progress - moved to Dec
December	LB Havering Libraries Mouse Mats 215 terminals across 10 Libraries	395.00	
December	Citrix Pop-up To be arranged		
January	Review a neighbouring authority's Fraud Campaign		
January	Research alternative ways of promoting the Fraud Campaign, for example on Adshell bus shelters		
February	Fraud message to be distributed for discussion at team briefs.		
February	Further Global Email - "Did you know? - with hints to look to the intranet pages to find out more about what LBH does to prevent/detect fraud"		
March	Roll out training/awareness sessions to service areas.		
March	Review 2007/08 Fraud Campaign and plan 2008/09 Campaign.		

APPENDIX 3

Confidential Reporting (Whistle Blowing) Policy

1 Introduction

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report something which after all, may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect and encourage employees, and others whom we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis (i.e. between the employee voicing the concern and the person to whom the concern is voiced).
- 1.3 This policy document makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage. This Confidential Reporting policy is intended to encourage and enable employees and others to raise concerns within the Council rather than overlooking a problem or 'blowing the whistle' outside, in line with the Public Interest Disclosure Act 1998 (Whistle Blowing).
- 1.4 The policy applies to all employees (permanent, temporary and casual), contractors and those in partnership roles working for the Council on Council premises, for example, agency staff, builders, drivers. It also covers suppliers and those providing services under a contract with the Council in their own premises, for example, care homes.
- 1.5 This policy does not apply to service users. Where applicable, employees are responsible for making service users aware of the existence of the Council's complaints procedure (via Information Services) and other appropriate statutory reporting procedures (via the relevant Service Clusters).
- 1.6 This policy framework (based on the Employers Organisation Confidential Reporting Code model) has been discussed nationally with the relevant trade unions and professional organisations and has their support.

2 Aims and Scope of this Policy

2.1 This policy aims to:

- encourage you to feel confident in raising concerns and to question and act upon concerns about practice
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them further, if you are not satisfied with the response
- reassure you that provided you have a reasonable belief that the information you disclose is substantially true and that you act in good faith, you will be protected from possible reprisals or victimisation.

2.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. The Confidential Reporting Policy is intended to cover concerns that fall outside the scope of other procedures. These include:

- conduct which is a criminal offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- deliberate covering up of information which tends to show any of the above
- the unauthorised use of public funds
- possible fraud and corruption
- sexual or physical abuse of clients, or
- other unethical conduct

2.3 Thus, any serious concerns that you have about any aspect of service provision or the conduct of staff or members of the Council or others acting on behalf of the Council can be reported under this Confidential Reporting Policy. Your concern may for example be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- is against the Council's Standing Orders and/or Financial Regulations and/or policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

2.4 This policy does not replace the corporate complaints procedure or financial regulations which should also be referred to in cases of complaints or financial irregularities.

3 Safeguards

3.1 Harassment or Victimisation

- 3.1.1 The Council is committed to good practice and high standards and wants to be supportive of employees.
- 3.1.2 The Council recognises that the decision to report a concern can be a difficult one to make. If you have a reasonable belief that what you are saying is true, you will have nothing to fear.
- 3.1.3 The Council will not tolerate any harassment or victimisation (including informal pressures) upon you as a result of making a disclosure in accordance with this policy and will take appropriate action to protect you when you raise a concern in good faith.
- 3.1.4 The Council, in the event of reprisals or victimisation against you because you have acted in accordance with this policy, will consider and may take disciplinary action against the employee responsible for such victimisation and/or reprisal.
- 3.1.5 In some circumstances it is recognised that a person making information known about their colleagues may find it difficult to return to his/her normal job. The Council has a duty of care to provide a safe working environment and treat its employees with respect. If this is not possible in the employees normal job because of the situation surrounding the disclosure of confidential information, the Council will seek to redeploy the individual, taking account of their generic and specialist skills, abilities and experience. The Council will also protect the employee's normal level of pay, indefinitely, ensuring that they do not suffer any detriment, by blowing the whistle.
- 3.1.6 Any investigation into allegations of potential malpractice raised by you, will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

4 Confidentiality

- 4.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

5 Anonymous Allegations

- 5.1 This policy encourages you to put your name to your allegation whenever possible.
- 5.2 Concerns expressed anonymously are much less powerful; if made, anonymously, the concern will be considered at the discretion of the Council.

5.3 In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

6 Untrue Allegations

6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

7 How to Raise a Concern

7.1 As a first step, you should normally raise concerns with your immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your line manager is involved, you should approach their Line Manager, your Head of Service, the Corporate Legal Advisor (Monitoring Officer), Internal Audit or Corporate Human Resources.

7.2 Concerns may be raised verbally or in writing. Staff who wish to make a written report are invited to use the following format:

- the background and history of the concern (giving relevant dates)
- the reason why you are particularly concerned about the situation

7.3 For verbal concerns, the manager with whom the concerns are raised should record the allegations which should be agreed and signed by both parties.

7.4 The earlier you express the concern, the easier it is to take action.

7.5 Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

7.6 If you need further advice/guidance on how to pursue matters of concern, this can be obtained from:

- *Finance and Commercial Group Director* (Financial Monitoring Officer)
- Audit Services Manager or Principal Audit Manager (Fraud)
- Head of Human Resources
- Your Head of Service if that is possible or your Personnel Team.
- *Group Directors*
- Chief Executive

7.7 You may wish to seek the advice and/or support of your trade union representative or consider discussing your concern with a colleague first as you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

- 7.8 You may invite your trade union representative or a work colleague to be present during any meetings or interviews in connection with the concerns you have raised.
- 7.9 The person to whom the concern is expressed i.e. line manager, supervisor or any of the persons listed above, should send a copy of the written report (details of concerns) to the Monitoring Officer.

8 How the Council will Respond

- 8.1 The Council will respond promptly to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 8.2 Where appropriate, the matters raised may:
- be investigated by management, internal audit, or through the disciplinary process;
 - be referred to the police;
 - be referred to the external auditor; and
 - form the subject of an independent inquiry.
- 8.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made by a designated officer or the person to whom the concerns is voiced, to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.
- 8.4 Some concerns may be resolved by agreed action, without the need for a full investigation. If during the investigation, urgent action is required this will be taken as soon as possible.
- 8.5 The person with whom you raise your concerns; will acknowledge receipt of them within 5 working days and within 10 working days, will respond by writing to you:
- indicating the proposals to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made
 - supplying you with information on staff support mechanisms, and
 - telling you whether further investigations will take place and if not, why not
- 8.6 The amount of contact between the officers considering the issues and yourself will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you, by arranging a meeting.

- 8.7 Where any meeting is arranged, off-site if you so wish, you can be accompanied by a trade union representative or a work colleague.
- 8.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 8.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the progress and outcome of any investigation, as promptly as possible.

9 The Responsible Officer

- 9.1 The Corporate Legal Advisor (Monitoring Officer) has overall responsibility for the maintenance and operation of this policy. The officer will maintain a record of all concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report to the Council, as necessary.

10 How the Matter Can Be Taken Further

- 10.1 This policy is intended to provide employees with an avenue within the Council to raise concerns. The Council hopes that employees who raise concerns will be satisfied with any action taken, however, if an employee is unhappy with the way the investigation has been handled or the Council's response, they can take the matter outside the Council. The possible contacts are at Appendix A.
- 10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information which is not relevant to your case. Check with the contact point about that.
- 10.3 If you are unsure whether or how to use this procedure or want confidential advice, you may contact - The independent charity, Public Concern at Work on 020 74046609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

APPENDIX A

PRESCRIBED REGULATORS

- Health and Safety risks - Health & Safety Executive
Tel : 020 7717 6000
020 75562100
- Environmental issues - The Environment Investigation
Agency - Tel: 020 7490 7040
- Utilities - OFCOM - Tel : 020 7981 3000

OFGEM - Tel : 020 79017000
Rail Regulator -Tel: 020 7282 2000

- Financial Services & the City -
Financial Services Authority
Tel : 0845 606 1234
020 7066 1000

HM Treasury
Tel: 020 7270 4558

- Fraud and Fiscal Irregularities -
Director General - Serious Fraud
Office, Tel: 020 7239 7272
HMRC
Tel: 0800 854 440

- Public Sector Finance -
National Audit Office
Tel: 020 77987000
District Audit Service
Tel : 020 7233 6400
Audit Commission
Tel : 0844 798 1212

- Company Law -
Secretary of State - Department of
Trade & Industry.
Tel: 020 7215 5000
Textphone / minicom users only:
020 7215 6740

- Competition & Consumer Law - Director General - Office Fair Trading
Tel: 020 7211 8608

- Others -
Certification Officer (TU's)
Tel : 020 72103734/3735
Civil Aviation Authority
Tel : 020 7379 7311
Charity Commission
Tel : 0870 3330123
Criminal Cases Review Commission,
Tel: 0121 633 1800
Data Protection Commissioner,
Tel : 01625 545 700
Occupational Pensions Regulatory
Authority. Tel: 01273 627 600

APPENDIX 4**Use of Resources 2006/2007**

The table below details the criteria within the 2006/2007 audit, relating to Fraud, and the Councils response regarding the evidence we feel supports our performance.

Ref	Criteria Response
4.3.13	<p>A strong counter fraud culture is supported and promoted by members and senior officers.</p> <p>Regular publicity along lines described previously. New initiatives include: Mouse mat Considering Croydon news letter ICT policy simplified and abuse reviewed Designing a poster to report fraud via schools</p> <p>There has been an additional fraud post approved and additional Housing Benefit Investigation Officer.</p>
4.3.14	<p>The Council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.</p> <p>Leadership/Induction cover. Fraud and Corruption Strategy. Proactive audit plan in place. Priorities of which determined by risk assessment.</p>
4.3.16	<p>Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.</p> <p>All arrangements in place. All authorised. RIPA review by Judge gave positive report.</p>
4.3.18	<p>The Council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).</p> <p>Strategy in place for addressing. CFO regularly reviews and monitors/reports to others by exception, e.g. CMT</p>

Ref	Criteria
	Response
4.3.19	<p>The Council works with other bodies such as DWP when following up data matches from NFI, Risks are followed up promptly to prevent prolonged exposure.</p> <p>Close working relationships with partners. Locta signed up to increase data sharing. Piloting things with the Audit Commission and feeding information on concessionary fares and agency staff to Peter Yetzes, including ideas.</p>
4.3.20	<p>Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.</p> <p>Investigations result in reports which deal with specifics and general issues. General reminders are issued as a result of investigations.</p>

In preparation for the 2007/2008 'Use of Resources' audit. A number of key actions have been identified for management to implement in order to maximise the Councils score. The action areas relate to noted changes in the Key Lines of Enquiry. The fraud related actions are listed below along with the current status of achieving them.

ACTION	STATUS
<p>Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>	<p>Appropriate methods of communicating successful cases are agreed with the Group Director Finance and Commercial, on a case by case basis. Typical methods include: Intranet, Living in Havering, staff publications, team briefs and local media.</p>
<p>There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.</p>	<p>The Council has a fraud and whistle blowing hotline and comprehensive procedures regarding the action to be taken. Individual risk assessments are completed and included in work requests which are considered by the Audit Services Manager. Reports are presented monthly to the Head of Service and Group Director and to each Audit Committee. These reports explain each allegation received and the action taken and the result of any investigation.</p>

Use of Resources 2007/2008 cont...

In addition preliminary feedback from the Audit Commission indicates that by completing the actions listed below the Council will strengthen its performance in this area.

Rec Ref	Recommendation	Initial response
R22	Involve Members in anti-fraud publicity campaigners.	To be considered and input from Members of the Audit Committee sought.
R23	Make specific reference to fraud risks in the risk management strategy.	Complete.
R24	Provide Training on anti-fraud issues to service areas.	In Fraud Campaign for March 2008.
R25	Review the effectiveness of whistle blowing arrangements.	Formal review planned for 2008.



MEETING	DATE	ITEM
AUDIT COMMITTEE	11 DECEMBER 2007	8

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

SUMMARY

This report updates Members on Risk Management issues as well as reviews the Risk Management Strategy.

RECOMMENDATION

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 or training should be undertaken by the Committee as part of its work plan.

REPORT DETAIL

1. The annual review of the Council's Risk Management arrangements was undertaken, as planned, during October and November 2007.
2. A number of things have taken place in respect of continuing to embed risk management in the past year and these include:
 - The Partnership Toolkit incorporates Risk Management;
 - Two Officers have qualified as Risk Practitioners;
 - Detailed focus on top four corporate risks to reduce risk level;
 - Reviewing of reports to assess consideration of risk;
 - Working with Zurich Municipal on identifying any barriers which could be risk averseness;
 - Evaluation of opportunities, e.g. Olympics and Municipal Insurance;
 - Business Continuity survey for suppliers has commenced and awareness/training for contract monitoring staff;
 - Process in place to risk assess partnerships and contracts;
 - All contracts are now fully risk assessed;
 - Contents of Risk Registers are considered as part of the scope for each Internal Audit; and
 - Routine staff surveys to assess awareness and raise awareness have continued.
3. The Service Risk Registers were reviewed in July, this year, and the resulting report presented to Risk Management Group and Corporate Management Team. Another review of the risk registers is currently underway, results will again be fed back and implementation of any recommendations made monitored.
4. The Corporate Risk Register has also been reviewed 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. In preparing for the Audit Commissions Use of Resources audit the Council has had opportunities to consider its own Risk Management arrangements against the relevant Key Lines of Enquiry. The outcome of this is set out in Appendix B.

6. As part of the annual review consideration has been given to the content and wording of the Risk Management Strategy, included as Appendix C. Input has been sought from the members of the Risk Management Group. Only minor amendments to wording were required, and appear in *italics*. Once approved, these changes will be placed in normal font.
7. Work will continue on risk management, including:
 - (a) Regular reviews of registers.
 - (b) Learning from best practice.
 - (c) Promoting risk management 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.
 - (f) Staff poster on awareness of managing risks.
8. Additional resources have been added to Risk Management for quarter 4. One of the areas to be progressed is an Operational Risk Management Policy and Procedures Manual.
9. This 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: Interim Audit Service Manager
Telephone: 01708 43 3733

CHERYL COPPELL
Chief Executive

	<p>14. Perception of the Organisation and Poor Reputation (Jonathan Owen) - 2</p>	<p>15. Partnerships (Jonathan Owen) - 2</p>	<p>17. ALMO/Decent Homes Standard (Cynthia Griffin) - 3</p>
	<p>5. CPA Inspection (Jonathan Owen) - 1</p>		
	<p>8. Community Safety (Christine Doolley) - 2</p>		
	<p>10. Breakdown in Social Cohesion (Cheryl Coppell) - 2</p>		
		<p>12. Poor Management of Council's Assets (Rita Greenwood) - 3</p>	
	<p>16. Financial Arrangements (Rita Greenwood) - 2</p>		
	<p>18. Contract Dependency (Rita Greenwood) - 2</p>		

1		19. Compliance with Legislation (Christine Dooley) - 2 20. LAA (Jonathan Owen) - 2		
	1	2	3	4

LIKELIHOOD

Risk response is sufficient

Moderate scope for improvement of risk response

Significant scope for improvement of risk response

USE OF RESOURCES 2006/2007

The table below details the criteria within the 2006/2007 audit, relating to Risk Management, and the Councils response regarding the evidence we feel supports our performance.

Ref	Criteria Response
4.1	The Council manages its significant business risks.
	<p>Our approach to Risk Management continues in the way described last year.</p> <p>Further enhancements since last year include:</p> <ul style="list-style-type: none"> • Partnership Toolkit incorporates risk management; • Two Officers have qualified as Risk Practitioners; • Detailed focus on top four corporate risks to reduce risk level and ensure management; • Reviewing of reports to assess risk contents; • Working with ZM on identifying any barriers which could be risk averseness; • Evaluating opportunities, e.g. Olympics and Municipal Insurance; • Business Continuity survey for suppliers commenced and awareness/training raised with contract monitoring staff; • Process in place to risk assess partnerships and contracts; • All contracts are fully risk assessed; • Risk Registers are reviewed at start of audits; and • Even more embedded processes.
4.1.5	<p>Reports to support strategic policy decisions and project initiation documents include a risk assessment.</p> <p>All reports cover implications and any risks (template demands this). Big issues have detailed risk assessments, e.g.:</p> <ul style="list-style-type: none"> • Prince Business Cases for systems; • Strategic Projects, e.g. primary school review; • Cabinet reports on big issues – Ice Rink, Parking, reprovisioning; • Single Status; • Bretttons approach; • Property Strategy; and • Major procurements, e.g. Tech Services. <p>The project management toolkit requires that all Project Initiation Documents (PIDs) include a risk log and this is reviewed and updated during projects.</p>

Ref	Criteria Response
4.1.7	<p>The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>Most Service Risk Registers include partnerships.</p> <p>The performance of partnerships is number 15 on our Corporate Risk Register, identified as being “moderate scope for improvement”.</p> <p>The partnerships toolkit incorporates advice on managing risk and individual partnerships feature in Head of Service Risk Registers.</p> <p>The Havering Strategic Partnership is on the Corporate Risk Register, and as such risk management arrangements are regularly reviewed.</p>
4.1.8	<p>All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.</p> <p>Risk awareness continues to be promoted via champions, communications, e.g. pay slips, questionnaires and through everyday working practices, e.g. H&S training, procurement training, project management training.</p> <p>Intranet site provides detailed guidance on managing risk.</p> <p>A detailed paper is considered by Risk Management Group regularly on training and how risk is being embedded, including practical examples.</p> <p>Workshops are being planned to challenge/inform Services prior to the next Service Risk Register review.</p>

Use of Resources 2007/2008

In preparation for the 2007/2008 ‘Use of Resources’ audit a number of key actions have been identified for management to implement in order to maximise the Councils score. A draft report had been received at the time of completing this review and the recommendations relating to Risk Management are included in the table below. Action will be taken to implement these recommendations before March 2008 to ensure that evidence can be provided for the 2008 Use of Resources audit. Other actions regarding internal control have also been made and these will be monitored in the same way.

Rec Ref	Recommendation
R16	Provide on-going Risk Management training to members.
R17	Ensure the partnerships toolkit is applied appropriately in practice and embedded.

LONDON BOROUGH

OF

HAVERING

A CORPORATE STRATEGY

FOR RISK MANAGEMENT

(Version 5. Last updated November 2007)



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;
- The means to protect and enhance London Borough of Havering's reputation.

The Lead Member Resources and the Group Director Financial and Commercial take overall responsibility for 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;
- 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.

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 his behalf. The 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) Corporate Risk Management Group

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:

- Determine the proposed strategy, framework and process;
- Identify, analyse and profile corporate and cross-cutting risks associated with new policies and service delivery methods and with existing operations;
- Determine the Council's risk appetite and priorities for action;
- Lead in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process;
- Increase the awareness of all Council employees of the value of Risk Management and to encourage ownership of the principles of Risk Management ethics;
- Raise the profile of Risk Management and provide a co-ordinated approach and point of reference for all Risk Management activities through the Officer Groups;
- Develop expertise in reducing risk by providing a fund of knowledge and the evaluation of new Risk Management approaches;
- Promote Risk Management activities within all service departments of the Council through publications, seminars and other means of dissemination; and
- Monitor the effectiveness of Risk Management initiatives.

f) 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.

g) 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.

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
- 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:**

<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>Political: Those associated with a failure to deliver local or central government policy or meet the Council's Strategic Objectives</p>	<p>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)</p>
<p>Economic: Those affecting the ability of the Council to meet its financial obligations. These include budgetary constraints and consequences of proposed investment decisions</p>	<p>Financial: Those associated with financial planning and control commitments and the adequacy of insurance cover</p>
<p>Social: Those relating to changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.</p>	<p>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.</p>
<p>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.</p>	<p>Physical: Related to fire, security, accident prevention and health and safety (e.g. hazards/risks associated with buildings, vehicles, plant and equipment, etc).</p>
<p>Legislative: Those associated with current or potential changes in national or European Law (e.g. the appliance or non-appliance of TUPE Regulations).</p>	<p>Contractual: Those associated with the failure of contractors to deliver services or products to the agreed cost and specification, and/or there financial failure.</p>
<p>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).</p>	<p>Technological: Those relating to reliance on operational equipment (e.g. IT systems or equipment).</p>
<p>Competitive: Those associated with the competitiveness of the Service (cost/quality) and its ability to deliver value for money efficiency</p>	<p>Environmental: Those relating to such issues as pollution, noise or energy.</p>

<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:
of operations.	
Customer Focus: Those associated with the failure to meet current and future needs and expectations of customers and citizens	Business continuity: Those relating to failure to establish an alternative service arrangement and/or plan ahead.
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.	Fraud: <i>Those associated with events/activities that result in loss of assets, equipment e.g. theft, misappropriation or falsifying documents.</i>
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 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.	
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.	

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 managing it more effectively. 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 Coordinator and 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 (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 (March 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 MTFs and establishment of adequate budgets and resource redirection as necessary.
- j) Risk Management assessment in all committee reports, best value reviews and Best Value Performance Plan's.
- 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 1	Identification of Risks looking at our vulnerabilities and	There is a need to identify the potential risks that may arise if informed decisions are to be made about policies or service delivery methods. These risks may

	the risk owners	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 – low

3 – significant

4 – high

- 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 Audit Commission as part of its 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. Annual Review of the Risk Management Strategy

The annual review of this strategy is planned to take place during November 2008.

Summary of roles and responsibilities

Appendix 1

	Elected Members	Corporate Management Team	Heads of Services	Risk Management Group	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	Risk Management Group	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, implementation, monitoring and reviewing of service registers	Maintain and provide the council a risk register for contracted service
Implementing 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.	Implement actions to reduce the Council's exposure to contractual risks

	Elected Members	Corporate Management Team	Heads of Services	Risk Management Group	Internal Audit	Service Managers	Service providers (contractors, partners)
						Promptly report any adverse results to HoS and Risk Coordinator	
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, providing support to the Risk Coordinator.	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



MEETING	DATE	ITEM
AUDIT COMMITTEE	11th DECEMBER 2007	9
CORPORATE OVERVIEW AND SCRUTINY COMMITTEE	11th MARCH 2008	
ADULT SERVICES OVERVIEW AND SCRUTINY COMMITTEE	12th MARCH 2008	

REPORT OF THE CHIEF EXECUTIVE

SUBJECT: ADULT SOCIAL SERVICES

SUMMARY

This report sets out the intended approach to review the circumstances surrounding the Adult Social Services overspend.

RECOMMENDATION

1. The Committee agree the approach.
2. The Committee agree the representative(s) to attend the Panel.

REPORT DETAIL

Members of the Audit Committee requested a full report surrounding the issues in respect of Adult Social Services.

Corporate Overview and Scrutiny Committee reviewed the circumstances surrounding the in year budget growth and requested further information when it was available.

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It is appropriate, given the level of review, that a Panel be formed to review the report which is being prepared and all supporting papers.

It is proposed that the Panel comprise of:

- Two Members of Audit Committee
- Two Members of Corporate Overview and Scrutiny Committee

It would seem also appropriate that Adult Overview and Scrutiny Committees have an involvement in a review and, hence, it is proposed that the Chair of the Adult Overview and Scrutiny Committee also be invited to join the Review Panel.

This will enable a full review of all aspects. The findings will be reported back to the various Committees.

Financial Implications and Risks:

None arising directly from this report.

Legal Implications and Risks:

None arising directly from this report. The Panel will be an informal one, comprising Members of the three Committees, with the findings being reported back to each of the Committees.

Human Resource Implications and Risks:

None arising directly from this report.

Equalities and Social Inclusion Implications:

None arising directly from this report.

Staff Contact: Rita Greenwood

**Title: Group Director
Finance and Commercial**

Telephone: 01708 432218

**CHERYL COPPELL
Chief Executive**

Background Papers

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