

Governance, Audit and Risk Management Committee AGENDA

DATE: Wednesday 19 January 2011

TIME: 7.30 pm

VENUE: Committee Room 5,
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chairman: Councillor John Cowan

Councillors:

Mano Dharmarajah	Richard Romain
Thaya Idaikkadar (VC)	Yogesh Teli
Nizam Ismail	
Sachin Shah	

Reserve Members:

- | | |
|-------------------|--------------------|
| 1. Ben Wealthy | 1. Tony Ferrari |
| 2. Ajay Maru | 2. Stephen Wright |
| 3. Krishna Suresh | 3. Anthony Seymour |
| 4. Krishna James | |

Contact: Lysandra Dwyer, Democratic Services Officer
Tel: 020 8424 1264 E-mail: lysandra.dwyer@harrow.gov.uk

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of personal or prejudicial interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee, Sub Committee, Panel or Forum;
- (b) all other Members present in any part of the room or chamber.

3. MINUTES (Pages 1 - 6)

That the minutes of the meeting held on 29 November 2010 be taken as read and signed as a correct record.

4. PUBLIC QUESTIONS

To receive questions (if any) from local residents/organisations under the provisions of Committee Procedure Rule 17 (Part 4B of the Constitution).

5. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS (Pages 7 - 8)

- (a) Half Year 2010/11 Treasury Management Activity Report: Reference from the Cabinet meeting on 15 December 2010

For the sake of economy, the report which was circulated on the agenda for the December Cabinet meeting is not being reprinted in this agenda, and Members are therefore requested to bring their copies with them to the

meeting.

8. HALF-YEAR 2010/11 TREASURY MANAGEMENT ACTIVITY REPORT

Report of the Corporate Director Finance which was presented to Cabinet on 15 December 2010.

9. CAPITAL PROGRAMME

(a) Reference from the Cabinet meeting on 15 December 2010: (Pages 9 - 10)

For the sake of economy, the report which was circulated on the agenda for the December Cabinet meeting is not being reprinted in this agenda, and Members are therefore requested to bring their copies with them to the meeting.

(b) Report of the Director of Legal and Governance Services (Pages 11 - 24)

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE
(Pages 25 - 28)

Report of the Corporate Director of Finance.

11. INFORMATION REPORT - ANNUAL AUDIT LETTER 2009/10 (Pages 29 - 42)

Report of the Corporate Director Finance.

12. INFORMATION REPORT - RISK, AUDIT & FRAUD DIVISION ACTIVITY UPDATE (Pages 43 - 130)

Report of the Corporate Director Finance.

13. FOLLOW UP REPORT ON STATEMENT OF ACCOUNTS

Verbal report of the Corporate Director Finance and the Council's External Auditors.

14. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

AGENDA - PART II - NIL

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GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

29 NOVEMBER 2010

Chairman: * Councillor John Cowan

Councillors: * Mano Dharmarajah * Richard Romain
* Thaya Idaikkadar * Sachin Shah
* Nizam Ismail * Yogesh Teli

In attendance: Bill Stephenson
(Councillors)

* Denotes Member present

39. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance at this meeting.

40. Declarations of Interest

RESOLVED: To note that there were no declarations of interests made by Members.

41. Minutes

RESOLVED: That the minutes of the meeting held on 28 September 2010, be taken as read and signed as a correct record.

42. Public Questions, Petitions, Deputations

RESOLVED: To note that no public questions were put, or petitions or deputations received at this meeting.

RESOLVED ITEMS

43. INFORMATION REPORT - Whistle-blowing - Annual Report

The Corporate Director of Finance presented a report that set out how the Council deals with whistle-blowing complaints in accordance with the requirements of the Public Interest Disclosure Act 1998. She reported that the government were intending to introduce further protection for whistle-blowers working in the public sector. She added that the Council had received three complaints in the last year.

In response to questions, the Corporate Director advised that:

- The whistle-blowing policy made provisions for officers to raise concerns relating to reasonably substantive issues. There were several other ways in which officers could raise concerns. The policy did not explicitly provide guidance on the situation where a whistleblower incriminated themselves through their disclosures – this would be followed up.
- Investigating officers would discuss with the whistleblower whether they were prepared to be identified and if not seek to maintain the complainant's anonymity where possible;
- The policy was available on the Council's Intranet and the policy was regularly publicised internally;
- If an officer was found to have breached Council rules an appropriate internal sanction such as dismissal or disciplinary action would be imposed. The Metropolitan Police would also become involved in an investigation if an incident involved criminal activity.

RESOLVED: That the report be noted.

44. INFORMATION REPORT - Accounts and Governance Update Report

The Corporate Director of Finance presented a report that provided an update on signing the 2009/10 accounts and governance for the Council required to meet the requirements of the Chartered Institute of Public Finance and Accountancy/ Society of Local Authority Chief Executives (CIPFA/SOLACE) guidance and good corporate governance.

She reported that following the Governance, Audit and Risk Management (GARM) Committee meeting on 28 September 2010, the pension fund accounts were signed off as planned. Auditors deferred signing the final accounts pending an investigation into the management of some of the Council's capital projects. The Auditors concluded that the investigation did not have a material impact on the accounts, which were duly signed off on 28 October 2010. A report on the investigation would be presented to the Cabinet meeting on 15 December 2010 with a further report to the GARM Committee meeting on 19 January 2011. The Auditors would be invited to the GARM Committee meeting in January 2011 to respond to any questions.

RESOLVED: That the report be noted.

45. INFORMATION REPORT - Risk, Audit & Fraud Division Activity Update

The Committee received a report that outlined the current work streams of the Risk, Audit and Fraud. Officers advised that:

- A new Interim Risk Management Officer had been appointed since the report had been published. The appointee had been working on an Assurance Mapping project with the Service Manager for Internal Audit;
- The London Authorities Mutual Limited (LAML) Supreme Court case had been scheduled to commence in early December 2010;
- The Council were part of a consortium (Insurance London Consortium [ILC]) that had currently gone out to tender to appoint underwriters to manage the some of the Council's insurance arrangements. A separate tender for external claim handlers had also been initiated. To maintain existing levels of independence and objectivity, underwriters appointed by the Council were not employed to manage external claims against the Council.

In response to questions, an officer clarified that;

- Underwriters and external claim handlers were historically appointed separately to maintain independence;
- Housing benefit and Council tax overpayments usually arose when a resident failed to inform the Council of a change in their circumstances before payments had been processed.
- Most of the £100,000 issued in salary overpayments in 2009/10 had been recovered.
- More generally there was a possibility that any losses through fraud could be recovered through the Proceeds of Crime Act 2002;
- Officers would provide more detailed information on individual team activities in update reports presented at future meetings.

RESOLVED: That the report be noted.

46. INFORMATION REPORT - Half Year Health and Safety Report 2010/11

A report that summarised the Council's health and safety performance for the period from 1 April 2010 to 30 September 2010 and provided an update of activities and outcome measures, was presented to the Committee. An officer reported that:

- The Health and Safety Executive (HSE) had served three notices relating to the management of asbestos in schools. The notices had now been lifted since the necessary improvements had been implemented. The HSE are expected to make further visits to the Council in 2011;

- The Corporate Health and Safety group, which was chaired by the Assistant Chief Executive, continued to meet each quarter and was responsible for investigating and collating evidence for accident claims made by employees;

In response to a question raised by the Committee, officers clarified that the Council had completed a review of the evacuation procedure following an incident at the Civic Centre earlier in the year. Internal procedures had been updated to capture recommendations arising from this review.

RESOLVED: That the report be noted.

47. INFORMATION REPORT - Internal Audit Mid-Year Report 2010/11

An officer presented a report that set out mid-year progress against the 2010/11 Audit plan and key issues arising from work undertaken. The Committee were advised that:

- Following a review of Harrow Association of Voluntary Services (HAVS) by Price Waterhouse Coopers (PwC) the Overview and Scrutiny Committee had requested an Internal Audit of Grants to Voluntary Bodies;
- The government had abolished the Financial Management in Schools Standard. Internal Audit would consider how assurances on schools' financial management could now be obtained.

In response to questions, the officer reported that:

- Internal Audit was not fully staffed at present and the role profiles of two posts within the team were currently being reviewed. This was the first stage of the recruitment process. A draft specification relating to Internal Audit would be circulated to GARM Committee members once it had been finalised;
- The Council's external auditor would be excluded from the tender process;
- Some of the recommendations made by the Internal Audit team following the review of stock control processes within the borough's libraries had been implemented. Internal Audit would work with the Corporate Director of Community and Environment to consider a plan for implementing the outstanding recommendations.

RESOLVED: That the report be noted.

48. Risk, Audit and Fraud Review - Update

The Corporate Director of Finance reported that the matters to be discussed at this item had been referred to in Agenda Item 47 - INFORMATION REPORT – Internal Audit Mid-Year Report 2010/11.

RESOLVED: That the update be noted.

49. Exclusion of the Press and Public

RESOLVED: That the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
16.	INFORMATION REPORT – Internal Audit Mid-Year Report 2011/11 (Appendix 3)	Information under paragraph 1 (contains information relating to any individual) and paragraph 7 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).
17.	INFORMATION REPORT – Green and Amber Internal Audit Reports with Follow Up Reports	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

50. INFORMATION REPORT - Internal Audit Mid-Year Report 2010/11

The Committee considered Appendix 3 to the Internal Audit Mid-year report at agenda item 12. An officer reported that there had been lower levels of payroll overpayments made than in previous years and that control measures to minimise fraudulent transactions against the Council had been successful.

RESOLVED: That Appendix 3 be noted.

51. INFORMATION REPORT - Green and Amber Internal Audit Reports with Follow Up Reports

The Committee received a report that included internal audit monitoring reports on governance and control mechanisms throughout the Council as well as follow up reports that provided an update on assurance actions taken between meetings.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.45 pm).

(Signed) COUNCILLOR JOHN COWAN
Chairman

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LONDON BOROUGH OF HARROW

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

19 JANUARY 2011

REFERENCE FROM CABINET – 15 DECEMBER 2010

Half Year 2010/11 Treasury Management Activity

The Corporate Director Finance introduced the report, which set out a half- year summary of Treasury Management activities for 2010/11. It was noted that the overall objective of Treasury Management was to manage the Council's cash flow, borrowing and investments and to control the associated risks so as to maintain security, liquidity, maximise return on investments and minimise changes on loan debt with minimal risk to the Council's assets.

RESOLVED: That

- (1) the half-year treasury management activity for 2010/11 be noted;
- (2) **the Governance, Audit and Risk Management Committee be recommended to review the report.**

Reason for Decision: To promote effective financial management and comply with the Local Authorities (Capital Finance and Accounting) Regulations 2003 and other relevant guidance. To be informed of Treasury Management activities and performance.

FOR CONSIDERATION

Background Documents:

Report considered by Cabinet held on 15 December 2010.

Minutes of Cabinet held on 15 December 2010.

Contact Officer:

Daksha Ghelani, Senior Democratic Services Officer

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LONDON BOROUGH OF HARROW

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

19 JANUARY 2011

REFERENCE FROM CABINET – 15 DECEMBER 2010

Capital Programme

Cabinet received a report of the Chief Executive, advising of an overspend in the Children's Services Capital Programme. The report also summarised how the overspend had arisen and the steps taken to avoid any repetition. It was noted that an independent financial investigation had been undertaken by Rita Greenwood, Independent Financial Consultant and formerly Director of Finance, London Borough of Havering, and Pricewaterhouse Coopers (PwC) in this regard.

The Chief Executive invited Ms Greenwood to address the meeting in respect of her investigation into the financial management of the projects and the capital programme. Ms Greenwood stated that the investigation had related to two flagship projects and that, together with PwC, she had been appointed to ensure a transparent and open approach to the investigation. She had interviewed a number of officers and reviewed numerous documents as part of her investigation. A number of recommendations had been made and that the Council had shown a commitment to implementing the recommendations and to ensure that the whole of the organisation learnt from this experience.

The Chief Executive apologised to residents and Councillors for the mistakes of a small number of staff and assured Members that all the recommendations made by the investigation would be taken on board. He added that the Council's Governance, Audit and Risk Management Committee would be charged with reviewing progress made in relation to the recommendations and that Internal Audit would monitor compliance in six months' time. He proposed that the Overview and Scrutiny Committee be asked to carry out work on how projects were monitored.

The Chief Executive stated that there would be no impact on the services provided to residents or the Council Tax levied; as a result of this overspend.

The Leader of the Council also apologised to residents and stated that they, and the Councillors and staff had been badly let down. He reiterated that the overspend would not impact on front-line services or Council Tax. The investigations had been open and transparent.

The Leader added that he had kept the Chairmen of the Governance, Audit and Risk Management and the Overview and Scrutiny Committees, including the Leader of the Opposition, fully informed throughout. He did not want to score party political points about this matter. However, in case anyone did want to, for the record, these problems had not occurred on his 'watch'. The Leader stated that the Council needed to learn from its mistakes to ensure that such a situation never occurred again.

RESOLVED: That

- (1) the report and the actions already being taken be noted;
- (2) **the Governance, Audit and Risk Management Committee be requested to monitor and report on the implementation of the recommendations within agreed timescales;**
- (3) the Overview and Scrutiny Committee carry out development work on how the Council monitored its projects.

Reason for Decision: To understand the issues in the Council's Capital Programme and their impact going forward.

FOR CONSIDERATION

Background Documents:

Report considered by Cabinet held on 15 December 2010.

Minutes of Cabinet held on 15 December 2010.

Contact Officer:

Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881
Email: daksha.ghelani@harrow.gov.uk

**REPORT FOR: Governance, Audit & Risk
Management Committee**

Date of Meeting:

19 January 2011

Subject:

Capital Programme

Responsible Officer:

Hugh Peart, Director of Legal &
Governance Services

Exempt:

No

Enclosures:

Implementation grid

Section 1 – Summary and Recommendations

This report sets out how the Council is responding to recommendations in the report to December Cabinet about its capital programme.

Recommendations:

The Committee is requested to:

Endorse the suggested way of monitoring & reporting the implementation of those recommendations; and

Agree to receive further reports at its next meeting on progress of both implementing the recommendations and the Governance Review.

Section 2 – Report

Background

In December 2010 Cabinet received a report setting out issues in the Council's capital programme. Attached to that report were the outcomes of 2 investigations, one focussed on project management, one on financial management.

In addition to making various findings, the investigations made a series of recommendations, to avoid any recurrence of the issues which had affected the programme.

The recommendations were forwarded to the appropriate Corporate Directors, with instructions to implement them. Cabinet requested that this Committee monitor and report on implementation, supported by Internal Audit, who have been instructed to independently verify the process.

Current situation

Recommendations

All the recommendations have been collated and grouped together, and are set out in appendix 1.

The Director of Legal & Governance Services is working with Internal Audit on a programme to ensure that:

each recommendation is owned by a Corporate Director;
there is an agreed priority rating and timescale for each;
attention is given to the highest priority areas; and
all recommendations are implemented as quickly as possible.

As will be apparent from the attached grid, the above process is partly complete, and some actions have been completed already.

It is planned that a full report will be presented to this Committee's meeting in March, setting out progress against each recommendation. This will include Internal Audit's review of progress, and should issues remain outstanding, the Committee's views will be sought as to how they can be resolved.

Governance Review

Given the issues identified in the investigations, the Director of Legal & Governance Services has commissioned a comprehensive review of the Council's Assurance framework.

Initially this is charting all processes from which assurance is derived in what is a complex organisation. This ranges from individual 1-2-1's between a manager and a member of their staff, to formal reporting requirements.

Once charting is complete, suggestions will be made as to how the processes may be simplified and streamlined, to ensure consistent application and personal accountability. These will then be tested against the capital programme issues to ensure, so far as possible, that they could not recur.

The charting and initial suggestions will be reported to this Committee's meeting in March, for its input into how the Council's Governance framework should develop in future.

Financial Implications

Whilst the recommendations may have implications for the Directorates involved, the processes set out in this report can be supported within existing resources.

Risk Management Implications

Given that the recommendations arise from issues which were material in the problems identified in the December Cabinet report, the Council is exposed to some risk so long as they remain outstanding. Accordingly the Corporate Strategy Board is closely monitoring the situation, in addition to the steps outlined above.

Overall this is considered sufficient to manage the current risks.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 6 th January 2011		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 7 th January 2011		

Section 4 - Contact Details and Background Papers

Contact: Hugh Peart, Director of Legal & Governance Services 020 84242 1287

Background Papers:

Report to Cabinet dated 15th December 2010

<http://www.harrow.gov.uk/www2/mgConvert2Pdf.aspx?ID=12066&T=9>

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IMPLEMENTATION PLAN

Item No	Recommendation	Priority rating	Planned action / response	Implementation date	Lead Officer	Current Status
Specific Project Tasks						
1.	The Chief Executive and Director of Human Resources should determine whether any conduct investigations are warranted.	High	Review evidence collected during investigation and advise line managers	Dec 2010	JT	Complete
2.	Recruit an individual to take over the management of the children's services capital programme, setting up proper systems of control and management as well as identifying issues on other schemes.	High			CD	
3.	Investigate whether there is any redress for the escalating costs of the temporary school.	Med			BH	
4.	Revisit the value for money assessments for the reviewed projects.	Low	Review the existing assessments and comment accordingly	Feb 2011	MB	
5.	Check that the Council has complied with the grant conditions and is not carrying any risk from having waived the contribution from the church schools	Low	All grant funding has been reviewed	Dec 2010	MB	Complete
Contract Management						
6.	A clear approval date should be included within the Gateway documentation.	Low	The commissioning form incorporated within the Gateway documentation, inclusive of Gateway 0, 1, 2 or any revisions so presented for approval within delegated authority should include approval date.	Dec 2010	BH	
7.	The Instructing Department should be required to authorize all project Gateways	High	Revision to Gateway 0, 1 and 2 sign off page to include Budget Holder's signature that is to be sought in advance of submission to HoS or Director.	Dec 2010	BH	
8.	Any subsequent revisions to the Gateway documentation should be completed through the use of a dedicated revision form that documents the need for the revision and the cost and schedule implications	Med	The project Core Group shall review Change Instructions where agreed Provisional Sums are to be expended within the Agreed Maximum Price,	Jan 2011	BH	

			<p>2. value engineering between constructor and the Cost Consultant</p> <p>3. agree change instruction with Children's Services and cost code for work to be charged to (including internal/external fees)</p> <p>Client Representative issues instruction under TPC /PPC contract to the constructor.</p>					
13.	An internal project completion procedure should be established which requires the authorization of the instructing department prior to Property Services formally signing off projects.	Med	Revision of process to include as part of the project Core Group function, to jointly sign off the project and to agree as the Interested Party under the contract the outcome of the constructors Performance Indicator.	Jan 2011	BH			
14.	An up to date risk register should be maintained throughout all projects & schemes.	High	Review of risk register to be carried out as part of the Core Group agenda.	Dec 2010	BH			
15.	Adopt a consistent project filing system for papers & electronic records in C&E	Low	Implement revision of Gateway document changes.	Jan 2011	BH			
			Put in place further staff training to ensure Gateway, contract documentation processes are adopted in a uniform and consistent manner.					
DRAFT								
Financial Management								
16.	Review the process for issuing codes.	High	The process has been reviewed and is in place	Jan 2011	MB			Complete
17.	Review, clarify and communicate how contracts and capital schemes should be committed within SAP.	Med	All capital scheme managers have been provided with refresher training and reminded of the need to raise purchase orders in SAP in advance of any work commencing. Further training and guidance will be provided.	Jan 2011	MB			
18.	The monitoring system should provide for the facility to allocate the budget across key headings, which will provide more information for budget monitoring and control purposes;	Low	SAP has been amended to allow the use of sub-codes for capital schemes to aid monitoring.	January 2011	MB			Partially complete

	to show the schemes' budget across financial years from inception, in order to have a complete overview of a scheme both approved budget and costs incurred		It is possible to show scheme budgets across financial years in SAP. The cabinet report on the 2011-12 to 2015-16 capital programme will show scheme budgets across years where information is available. Monitoring reports are being altered to include pre year, current and future year spend.	Operative Monitoring report changes Sept 2011 (quarter 1)		
19.	Consider the cost benefit of being able to profile the budget across quarters – this will enable the financial information to be integrated with the cashflow within the AMP and provide information for treasury management purposes.	Low	Further work is required to investigate how this process can be implemented on SAP	MB		
20.	Consider putting in place some checks and balances based on such things as: Exception reports, where purchase orders are declined for insufficient budgets, so that Finance can use these at monthly monitoring meetings and alert senior managers; Exception reports where the purchase order date is the same as or after the invoice date; Reports on blocked invoices; Reviews of transfers; and A requirement to complete a post completion report once the budget has been fully committed	Low	Reminders have already been issued to all SAP users on the importance of raising purchase orders in advance. Controls on expenditure to be reviewed for efficacy in controlling budgets. As part of the procurement project, additional checks and controls will be put in place in relation to purchase orders.	Compliance systems to be developed during 2011-12	MB	
21.	Where projections are not provided by budget holders, this should be escalated and be presented as "budget holder has not provided a projection".	Low	Agreed	Jan 2011	MB	Complete
22.	A single Master code should be established for each project with appropriate sub-codes that allow an analysis of sub-categories of costs as required.	High	To effect this the Capital Scheme must be constructed to show all relevant funding streams and there must be a transparent process to show how this has been authorized and agreed. Commissioning form to record Master and sub-codes for the project. Commissioning pro-forma to be signed by Budget Holder to verify code and budget amount(s). Budget amounts to be clear on inclusive	Jan 2011	MB	

				or exclusive of fees (both internal and external).				
23.	Comprehensive and contemporaneous project finance reports should be produced for all projects which specifically detail budgeted cost, actual cost to date, committed costs and a forecast outturn. It should be ensured that such reports are actively discussed and considered at core project meetings as a matter of course.	High		Ensure the use of project cash flow – to be produced by the constructor that aligns with the project programme and is reviewed as part of; 1. The project Core Group agenda 2. Presented to the Budget Holder 3. Use of SAP to monitor commitment and spend from SAP by the Budget Holder. 4. Capital Forum	Dec 2010	MB		
24.	Project costs should be coded to the appropriate project code.	High		The Commissioning forms will assist the Client to do this		BH		
25.	The overall programme, coding and monitoring should be focused on schemes/projects rather than funding streams.	Med		The cabinet report on the 2011-12 to 2015-16 capital programme will show total scheme budgets, and monitoring reports will report at scheme level (already implemented).	Monitoring report changes 2010 -11 (quarter 3)	MB		
26.	The capital budget monitoring to members should present the whole programme across the financial years of the approved programme, and include sufficient information to facilitate proper challenge and scrutiny.	Med		The cabinet report on the 2011-12 to 2015-16 capital programme will show total scheme budgets, and monitoring reports will be enhanced during 2011-12.	Monitoring report changes September 2011 (quarter 1) CSB from April	MB		
27.	Review all grants schemes being developed or in the pipeline having regard to funding implications (per capita implications and grant conditions) on joint revenue					CSB		
DRAFT								
Governance								
28.	The Council should review its contracts to ensure a comprehensive understanding. This will ensure that the Council is maximising the opportunities to achieve value for money.	Low		This was clearly set out in Cabinet reports for both procurement of the Kier and Apollo and the Terms and Conditions of the contract made available to staff.	Dec 2010	BH		complete
29.	Review the expectations from the Strategic Partnership Board and Contract Management Group, ensuring these are fit for purpose and their role clearly understood within the organisation. A more formal monitor of all projects using key indicators should be used.					BH		

30.	Review the operation and performance management of the Special Projects Team, including: the application of clear and consistent procedures; formal reporting to the client on a regular basis; and ensuring that there is an overall high level schedule being reported on key aspects of each project and that this is used for exception reporting and discussion.					BH	
31.	A clear governance structure and chart of responsibilities should be agreed for each project managed by C&E.	High	Review of the Partnership Governance structure Responsibilities to be clearly defined within the structure.	Feb 2011		BH	
32.	A review of the existing documented procedures within C&E should be undertaken.	Med	Upon completion of process review and implementation of the improvements recommended under this Action Plan, a further Internal Audit can be scheduled. It should be noted that the Gateway process was subject to an Internal Audit review dated 21/07/2010 with recommendations discharged.	Feb 2011		BH	
33.	Review what is reported to members & CSB, and its completeness, relevance and accessibility.	High	All directorates to identify projects, which should: follow the project management toolkit & be reported to Improvement Board, & thereafter, if appropriate to CSB & Cabinet	Jan 2011		CSB	
34.	Consider the future roles of Internal Audit & the Overview & Scrutiny Committee in monitoring what is reported to CSB and Members.			Feb 2011		MB	
35.	Review the Council's governance structure to ensure that member time is focussed on priority areas.		Internal audit to review 33 above, involving O&S as appropriate	April 2011		HP	
36.	Assure itself that the current Partnership arrangement delivers value for money, having regard to all the costs incurred in this arrangement and the way that the Partnership is operated.		Undertake comprehensive Governance/assurance review, for consideration by CSB & Cabinet			BH	
37.	Review project governance structures with its						

DRAFT

	Construction Partner to ensure these are concise and clear, making any necessary changes to agreed documentation as a result. This should complement the expectations within the Council's governance framework.					BH	
38.	Create an exemption process with senior management sign off for when agreed processes are not being followed due to practicalities in delivery e.g. starting on site.					BH	
39.	Clearly set out & reconcile with the financial regulations the authority to sign prepossession agreements, agree and sign AMP documents, and issue briefs and budget codes.	Med		Scheme of delegation to be revised and reissued to capture these activities. Ensure Financial Procedures to support the end to end process are issued which support the Financial Regulations.	Mar 2011	MB	
40.	Incorporate into the Financial Regulations contract authorisation arrangements in relation to the Construction Partnership.	Med		Full review of financial regulations to be carried out – to be reported to Cabinet in May. Full Council approval required in July.	July 2011	MB	
41.	The client service department should authorise the Gateway and any other commitments being made on their behalf.					BH	
42.	Clearly set out within the Council's Governance documents, the arrangements for agreeing the details of the Capital Programme at scheme and project level e.g. Cabinet, Portfolio or Director decision. DRAFT				May 2011	HP	
43.	Combine the scheme identification and business case processes which form part of the capital budget development with the Gateway 1 and 2 processes in order to have an integrated process that: improves cost estimates, provides for feasibility studies where appropriate, avoids duplication, and ensures that there is a single view of the overall budget and funding available and that expenditure is kept in line with this.					TW	
44.	Business cases should be required to include information about the complete scheme, irrespective of funding, as well as ongoing revenue implications. Consideration should be given to completing these prior to the Cabinet agreeing the Capital Programme in order to inform decision making.	High				TW	

45.	The Capital Programme procedure notes to support the Financial Regulations need to be reviewed in the light of what has happened, to include roles and responsibilities and the approval of virements. These procedures notes should make as much use of flowcharts as possible to ensure clarity and ease of reading.		The Capital Programme procedure notes will be revised and reissued.	Jan 2011	MB	
46.	Agree terms of reference for the Capital Forum if it continues to exist along with a clearly defined corporate responsibility and clarity as to the role of attendees and the Chairman.				CSB	
47.	Review membership of the Forum to ensure it is appropriate having regard to the terms of reference.				CSB	
48.	The Capital Forum should consider undertaking detailed project reviews on a cyclical risk based approach having particular regard to rephased projects. This should consider project milestones.				CSB & MB	
49.	The monitoring schedules should incorporate intelligence from the cash flow and milestones within the projects.	Low		tbc	MB	
50.	There needs to be more involvement of senior management in capital monitoring, which at present appears focused on the client/service representative, the Capital Forum and Cabinet. There should be reviews at both departmental and corporate management levels.	High			CSB	
51.	Finance should review the current support provided to the capital programme to ensure there is clarity of roles, expectations are clear and there is adequate strategic oversight.	Med		Jan 2011	MB	Complete
52.	Review the adequacy of the corporate reporting and monitoring of strategic, high profile projects.	High			CSB	
53.	Reinforce its expectations of project management					

	methodology being used on capital projects.	High	See above		CSB	
54.	Address purchase orders not being raised or being raised after invoices have been received. In addressing this, the Council should consider the approach to adopt, because the inclusion of commitments is only of value in monitoring and checking, if there is clarity about timescales and deliverables. By way of illustration, a project which has a commitment showing 80% of spend, could still be overspent, if spend is expected to be evenly incurred and the commitment is only up to period 6.	High	Reminders have already been issued to all SAP users on the importance of raising purchase orders in advance. As part of the procurement project, additional checks and controls will be put in place in relation to purchase orders.	Compliance systems to be developed during 2011-12	MB	
Organisational Development						
55.	Implement in the CS and C&E teams performance management of individuals using regular 1:1s and IPADs.	High			CD & BH	
56.	Develop a shared understanding of appropriate senior officer oversight and reporting of work undertaken by junior staff.		Commission an OD project for all managers		TW	
57.	Consider how to support & develop management accountability		To be considered at CSB awayday, but start by agreeing action points & action owners at CSB	Jan 2011	CSB	
58.	Consider what action is needed specifically and more generally to ensure that individuals comply with controls and the responsibilities as set out in the Financial Regulations. This includes taking preventative action when there is evidence of issues of concern or failure to comply with the relevant systems and procedures. The overriding objective should be to promote the best interests of the Council.	Low		tbc	Corporate Governance Group	

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**REPORT FOR: Governance, Audit and
Risk Management
Committee**

Date of Meeting: 19 January 2011

Subject: International Financial Reporting Standards (IFRS) update

Responsible Officer: Myfanwy Barrett Corporate Director of Finance

Exempt: No

Enclosures: Nil

Section 1 – Summary and Recommendations

This report sets out an update on the IFRS plan and implementation timetable

Recommendations:

The GARM Committee is requested to note progress.

Reason:

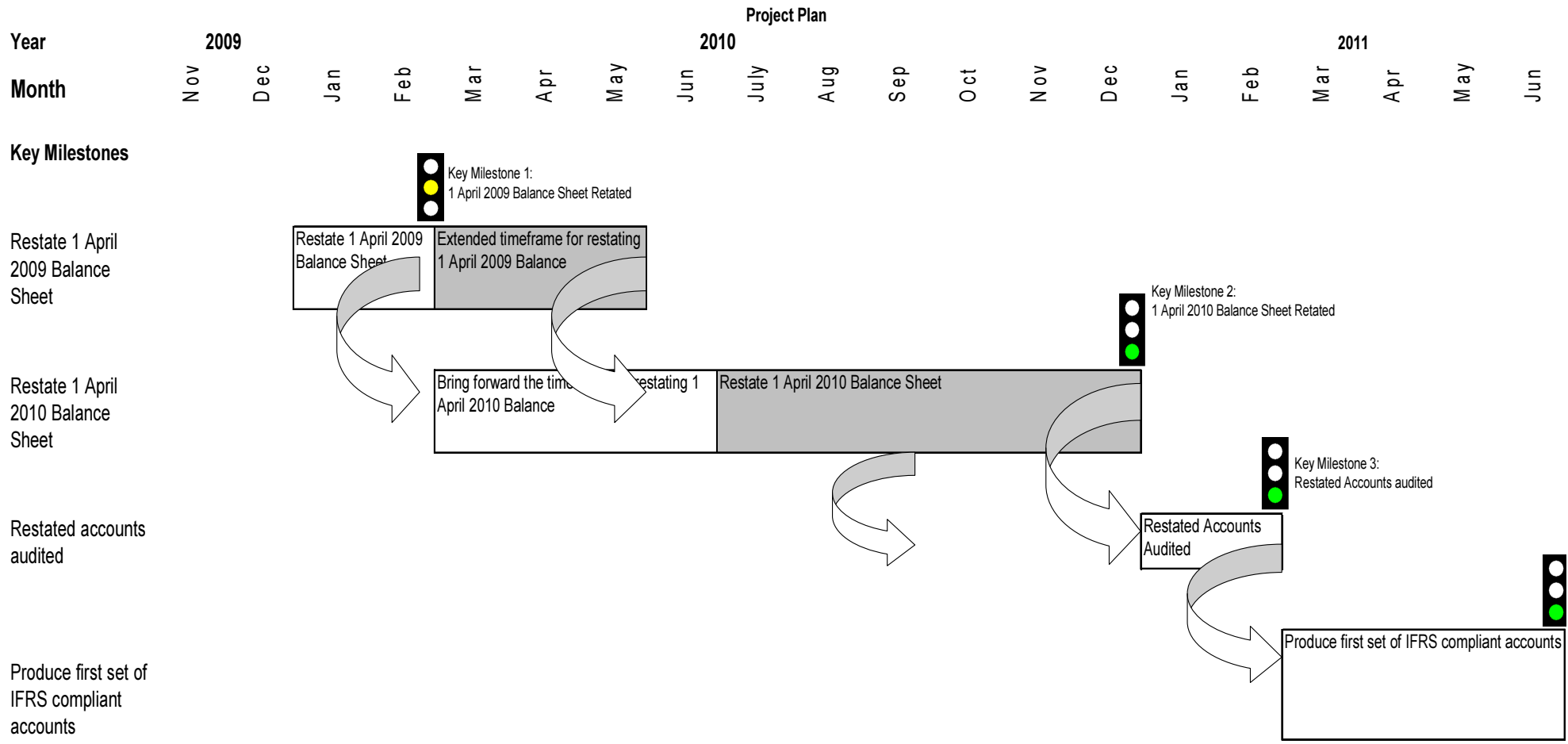
To ensure that GARM are properly informed about the statutory duties of the council in relation to its accounts and can monitor progress against the statutory timetable.

Section 2 – Report

Section 2 – Report

IFRS Implementation Update

1. As reported in June, further work on IFRS implementation has been carried out and the restatement of balance sheet as at 1 April 2009 and 31 March 2010 is now completed as detailed below. This means that the Key Milestone 2 of the project has been met despite the challenging circumstances:-
 - a) **Private Finance Initiatives** - restatement of the balance sheet for both years was completed in June 2010 and has been audited as part of the 2009-10 accounts.
 - b) **Employee Benefits** - work on this area did progress well and the restatement completed in second week of December 2010.
 - c) **Government Grants** - restatement completed in second week of December 2010.
 - d) **Fixed Asset** – The main areas that were identified were reclassification of assets and treatment of impairment on assets. Restatement for these areas was completed in fourth week of December 2010.
 - e) **Property Leases** – 14 lessor leases and 3 lessee leases were identified for review. The review concluded that the leases were operating leases and therefore no changes to the accounting treatment. The work on this area was completed at the beginning of December 2010.
 - f) **Plant and Equipment Leases** - There were two main corporate contracts which were identified for review under this category. In addition, leasing undertaken by schools was identified for review. There were delays in obtaining information from suppliers which resulted in the restatement work completing in fourth week of December 2010.
 - g) **Embedded Leases** – A full review of vendor payments was undertaken which identified two suppliers for further review. The work on this was completed by end of December and no embedded leases were identified.
 - h) **Cash and Cash equivalent** – Restatement work on this area was completed by end of November 2010.
2. Work on component accounting policy is completed and is awaiting External auditor's endorsement.
3. There are significant changes in the disclosure requirements under the IFRS code. Work on the skeleton Financial Statement has already started and will be completed by third week of February. This work will lead to meeting Milestone 3 of the project as detailed on the next page. External auditors will audit the restated accounts along with the skeleton Financial Statement from week commencing 21st February 2011. The outcome will be reported to the committee in June 2011.



Key Milestone 1:
1 April 2009 Balance Sheet Restated

Key Milestone 2:
1 April 2010 Balance Sheet Restated

Key Milestone 3:
Restated Accounts audited

Section 3 – Financial Implications

4. None directly. IFRS relates to accounting standards.

Section 4 – Statutory clearance

Name: Myfanwy Barrett		<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 6 January 2011			
Name: Sarah Wilson		<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 5 January 2011			

Section 4 - Contact Details and Background Papers

Contact: Jennifer Hydari, Divisional Director – Finance and Procurement (Tel: 0208 424 1393 – internal 2393)

Background Papers: Code of practice on Local Authority Accounting in United Kingdom 2010-2011.

**REPORT FOR: Governance, Audit and
Risk Management
Committee**

Date of Meeting:	19 January 2011
Subject:	INFORMATION REPORT – Annual Audit Letter 2009/10
Responsible Officer:	Myfanwy Barrett Corporate Director of Finance
Exempt:	No
Enclosures:	Annual Audit Letter

Section 1 – Summary

This report provides the Committee with an opportunity to consider the Annual Audit Letter.

FOR INFORMATION

Section 2 – Report

1. The Council's External Auditor, appointed by the Audit Commission, is Deloitte LLP.
2. Each year the External Auditor provides the Council with a summary of his work in the Annual Audit Letter.
3. The Annual Audit Letter for 2010 is attached.
4. The Committee is asked to consider the letter.
5. The recommendations in relation to capital expenditure on page 4 of the letter will be addressed by officers as part of the response to the investigation.

Section 3 – Further Information

None

Section 4 – Financial Implications

6. The Audit Letter concerns the Council's accounts, returns, grant claims and wider value for money issues.

Section 5 – Corporate Priorities

7. The letter relates to the whole Council.

Name: Myfanwy Barrett.



Chief Financial Officer

Date: 4 January 2011

Section 6 - Contact Details and Background Papers

Contact: Myfanwy Barrett, 020 8420 9269

Background Papers:

None

Harrow Council

Annual Audit Letter to the
Members of the Council
on the 2010 Audit

Contents

Executive summary	1
1. Introduction	2
2. Financial reporting	3
3. Value for money conclusion	6
4. Looking forward	7
5. Responsibility statement	8
Appendix 1: Analysis of professional fees	9

Executive summary

This letter reports our conclusions from our audit of the London Borough of Harrow ("the Council") for financial year 2009/10. The letter's main messages are:

The Council's financial statements

We issued an unqualified opinion on the Council's 2009/10 accounts on 28 October, which was after the statutory deadline of 30 September and was deferred to allow management time to progress their investigation into the capital overspend issue outlined above.

Value for money conclusion

We issued a qualified conclusion on the Council's arrangements for securing value for money during 2009/10. This was issued on 28 October 2010.

In undertaking our audit in accordance with the Code of Audit Practice we identified the following:

- A weakness in relation to the management, control and monitoring of certain capital projects during the year which has led to a significant overspend which falls mainly after the year end.

Our opinion reads as follows:

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, we are satisfied that, in all significant respects, London Borough of Harrow made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for:

- *Managing its risks and maintaining a sound system of internal control.*

More details on this issue are included in Section 3 of this report.

The local government pension scheme annual report

We issued an unqualified opinion on information in the Council's 2009/10 pension scheme annual report on 30 September 2010, ahead of the statutory deadline of 1 December 2010 for the publication of this report.

Whole of Government Accounts consolidation return

We provided an unqualified statement of assurance to the National Audit Office on the Council's consolidation return for the purposes of their audit of the Whole of Government Accounts on 28 October 2010.

Previous years objection

When our audit is complete we are required to certify the closure of the audit. As at the date of this report, we are unable to certify the 2009/10 accounts (or the 2008/09 accounts) due to ongoing correspondence with a local elector relating to an objection against credit card fees on parking and traffic penalty charges in relation to the 2008/09 accounts.

Grants certification

We undertake work on grant claims and other returns on behalf of the Audit Commission and provide certificates to grant funders on compliance with aspects of the terms on which funds have been claimed. We will provide a separate, management letter to the Council in the New Year on the outcome of this work, but at this point there are no matters which we consider need to be brought to your attention in respect of claims where our work is complete.

Looking forward

This is a challenging period for local government, the recent Comprehensive Spending Review adding to existing local pressures caused by reductions in income from other sources. We have provided an overview of the audit approach to examining Harrow's response to these challenges in 2011 based on revised guidance from the Audit Commission. We have highlighted two developments which are particularly pertinent to our audit responsibilities, being the abolition of the Audit Commission and the impact of this on future audit arrangements; and the transition to financial reporting under International Financial Reporting Standards from 2010/11.

1. Introduction

The purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Council as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that the Council has relevant safeguards and properly accounts for public money.

The Letter will be published on the Audit Commission website at www.audit-commission.gov.uk and should also be posted on the Council’s website.

Responsibilities of the Appointed Auditor and the Council and scope of our work

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

We have been appointed as Harrow’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities. As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, we review and report on:

- the Council’s accounts;
- the Council’s local government pension scheme annual report; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its local authority functions.

In earlier years we have also been required to assess how well the Council manages and uses its financial resources by providing scored judgements on the Council’s arrangements in three specific areas. This was known as the Use of Resources Assessment and formed a component of the Comprehensive Area Assessment (CAA) a performance assessment framework devised and operated by the Audit Commission. In 2010, we commenced, but did not conclude and report on this work, as a result of the abolition of the Comprehensive Area Assessment before we could report on the Use of Resources Assessment work.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

In addition to our responsibilities under the Code of Audit Practice we are also required to undertake grants certification work on behalf of the Audit Commission.

2. Financial reporting

Key issues arising from the audit of the Council's accounts

We reported separately to the Governance, Audit and Risk Management Committee ("GARMC") in September 2010 on the issues arising from our 2009/10 audit and issued an audit report providing an unqualified opinion on your accounts. We issued this opinion on 28 October 2010, which was after the statutory deadline of 30 September and was deferred to allow management time to progress their investigation into the capital overspend issue.

We raised a control recommendation in respect of the capital overspend issue (see below) and the impact on our VFM conclusion is set out in Section 3. We were able to conclude that the impact of this issue, on the 2009/10 accounts, was not material and issue a "true and fair" audit opinion on the accounts.

We have summarised below our audit areas of focus as identified at the planning stage and the outcomes from our testing in these areas.

Area of focus	Outcome of our work
Insurance provision	In prior years we identified misstatements in this area. In 2010 the Council commissioned an external "desktop review" actuarial valuation of its insurance fund, which rolled-forward the results of the previous full valuation at 31 March 2008 with more recently available data. We identified a £0.4m overstatement which was not adjusted by management.
Purchase order accrual	Control weaknesses were identified in the prior year resulting in adjustments being processed. In 2009/10, the results of our procedures were satisfactory and we are satisfied that management have addressed the issues arising in the previous year.
Pension liability	The liability relating to the pension scheme is substantial and its calculation is sensitive to comparatively small changes in assumptions. The key assumptions are all within the range we have seen adopted by other employers for accounting purposes as at 31 March 2010. The assets of the fund were overstated in the actuary's calculations by £6.2m and this amount has been adjusted. In addition, we noted that there was a double counting of the teachers added years provision (£1.1m) which management has also adjusted.
Property valuation	In prior years we identified misstatements in this area. Management noted an error in the HRA valuation which was overstated by £49m and posted the adjustment. No further issues arose from our consideration of the assumptions driving these valuations. A number of control recommendations have been made around fixed assets.
Bad debt provisions	In prior years we identified misstatements in this area. We understand that management considers the bad debt provisions to be appropriate with consideration of the current economic environment. The results of our work around recoverability of debts suggest that the bad debt provisions for council tax arrears and housing benefits may be overstated by £1.3m and £0.8m respectively but are within a reasonable range.
Accounting for PFI and similar contracts	Changes in rules for the accounting for service concessions let under PFI contracts had the effect of bringing 2 special schools and 3 Neighbourhood Resource Centres on to the Council's balance sheet for the first time. Based on our procedures we have concluded that the Council's accounting treatment is appropriate and in line with the 2009 SORP. We proposed an adjustment of £3.1m in respect of costs since the inception of the contracts that have not been capitalised but do meet the FRS15 recognition criteria.
Accounting for local taxes	The 2009 SORP introduced changed accounting and presentational requirements for local taxes to better reflect the position which the billing authority has as agent for the collection of other preceptors' shares of Council Tax and for the collection of National Non Domestic Rates (NDR). The results of our procedures were satisfactory and we have concluded that the accounting entries are in accordance with the 2009 SORP.
Revenue recognition	We identified over-claiming of benefit subsidy on the basis of fraudulent benefit claims as a key audit risk. No issues were identified.
Prior year grant claims qualification	In the prior year we issued a qualified opinion on the benefit subsidy grant claim. Although no opinion on this claim has yet been issued, we have obtained assurance that the statement of accounts is not materially misstated.

2. Financial reporting (continued)

Control observations

Our report to GARMC included twelve recommendations for improvements in controls identified in the course of our audit of the statement of accounts. One item was classified as high priority, five as medium priority and six as lower priority.

The observation classified as high priority is in relation to the miscoding of capital expenditure and has in part led to the qualified value for money conclusion. The whole control observation from our ISA 260 report to GARMC is reproduced below. Other observations have already been reported in detail to management and GARMC.

Since we issued our ISA 260 report, management have progressed with their investigation into the capital overspend issue. We have not updated our recommendation in the light of any further findings identified by management as part of their investigation.

Miscoding of capital expenditure

Observation

It was noted from our testing of assets under construction that expenditure had been incorrectly coded to the wrong project. The costs are valid capital expenditure thus additions are not materially misstated.

Miscoding of expenditure will have an impact on the percentage completion of the asset under construction and will distort any reviews of actual costs against budgets. There is a risk that assets which have gone over budget will not be identified due to the costs being posted to another project. This can cause funding issues when any additional orders incurred to complete such projects are subsequently raised. Other projects may be underfunded if expenditure has been inappropriately allocated.

Should there be any special conditions or ring fencing in relation to the funding of any of these projects, repayment and similar risks would need to be considered.

Recommendation

All journals should contain supporting evidence allowing the reviewer to quickly identify which project the costs should be coded to.

Any additional commitment outside of what has been budgeted or specification should be appropriately reviewed and authorised.

Staff should be regularly reminded of the importance of coding costs correctly and the implications that miscoding can have.

Budget holders should review in detail the costs which have been allocated to projects. Corporate finance should perform a monthly review of the budgets and the reviewer should be independent of those approving and coding the expenditure.

2. Financial reporting (continued)

Misstatements

We identified six uncorrected misstatements which if adjusted would increase the surplus and net assets by £0.5m. Management has concluded that the total impact of the uncorrected misstatements, both individually and in aggregate, is not material in the context of the financial statements taken as a whole.

In addition seven “non-trifling” misstatements were identified during the course of our audit as follows:

- The upward revaluation of the HRA assets was overstated by £49m;
- Operational assets of £22.4m were incorrectly included in assets under construction;
- Pension assets and liabilities were overstated by £6.2m;
- Contributions for unfunded benefits of £2.9m had not been debited to the Statement of Movement on the General Fund balance;
- The pension added years provision was overstated by £1.1m;
- Depreciation on council dwellings was overstated by £0.4m; and
- Gain on disposal of fixed assets has been overstated by £0.1m.

The above items were adjusted by management.

Key issues arising from the audit of the pension scheme accounts within the pension scheme annual report

We reported separately to GARMC on 28 September 2010 on our 2009/10 audit. There were no significant issues arising, but we made control recommendations in the following areas:

- Non compliance with the Statement of Investment Principles;
- Requirement for a pension fund bank account; and
- Regular review of the fund managers’ internal control reports.

We issued an unqualified opinion on the pension scheme accounts within the pension scheme annual report on 30 September 2010, in advance of the deadline for this of 1 December 2010.

Whole of Government Accounts

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Council’s whole of government accounts return. Our report is used by the National Audit Office (“NAO”) for the purposes of their audit of the Whole of Government Accounts.

We were able to issue an unqualified report on the consistency of the Council’s consolidation return with the statutory accounts and the policies governing the preparation of the return. Our opinion was issued on 28 October 2010, which was beyond the deadline of 1 October 2010 for auditors to report on the return to the NAO. This was deferred to allow management time to progress their investigation into the capital overspend issue outlined above.

3. Value for money conclusion

The scope of our work

We are required to issue a conclusion on whether we are satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of its local authority functions. This is known as the value for money conclusion.

Issue identified

At the end of August 2010, management identified that the Council had a substantial overspend on a number of capital schemes within the Children's part of the capital programme. The issue stemmed from an initial concern about miscoding between schemes highlighted as part of our audit. In addition, it also became clear to management that there were a number of outstanding invoices that were not on the system and therefore could not be paid.

Management commissioned an investigation which was ongoing at 30 September 2010, the statutory deadline for signing the Statement of Accounts, so our opinions and conclusions were deferred to allow management time to progress their investigation.

The key findings identified by management to date include:

- An overspend of £7.9m had occurred, £1.3m of this being before the year end, the remainder in the post balance sheet period;
- Internal controls had not operated effectively in this area; and
- No evidence was identified to indicate fraud for personal gain or that any political pressure was applied to increase the specification/cost of the projects.

The Council has informed us that it intends to submit a report to both Cabinet and GARMC outlining what happened; how the Council responded; the financial impact (in year and ongoing); the action that will be taken to deal with any control weaknesses; and how the implementation of recommendations will be monitored.

Value for money conclusion

We issued a qualified conclusion on the Council's arrangements for securing value for money during 2009/10. This was signed on 28 October 2010.

In undertaking our audit in accordance with the Code of Audit Practice we identified the following:

- A weakness in relation to the management, control and monitoring of certain capital projects during the year which has led to a significant overspend which falls mainly after the year end.

Our value for money conclusion is as follows:

"Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, we are satisfied that, in all significant respects, London Borough of Harrow made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for:

- *Managing its risks and maintaining a sound system of internal control."*

Management also updated the Annual Governance Statement to include the following:

"It has become clear that there is a more serious weakness in relation to the management and control of certain capital projects. In order to address this situation a management investigation has been commissioned and corrective measures are being put in place in the meantime. The investigation will result in a number of recommendations to improve project management, internal control and monitoring in relation to the capital programme."

4. Looking forward

This is a challenging period for local government on a number of fronts. The outcome of the recent Comprehensive Spending Review will add to existing local pressures. We have commented in this section on the changes which have been made to the scope of our work in 2011 to respond to this changed environment.

Value for money conclusion work in 2011

The Audit Commission has advised that in 2011 the auditors' statutory VFM conclusion will be based on the following two criteria specified by the Commission:

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2011
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will discuss with officers the detailed approach to the work as part of our detailed 2010/11 audit planning.

Preparations for the implementation of International Financial Reporting Standards from 2010/11

In 2010/11, the Council will need to prepare its accounts for the first time under International Financial Reporting Standards (IFRS). The Council has reported to GARMC in the past and has set itself a timetable for restating its balance sheet and income and expenditure account for 2009/10 under IFRS by 31 December 2010. The Council will need to adhere to this timetable and to prepare full proforma financial statements, with full comparative information, by early in the New Year.

Abolition of the Audit Commission

On 13 August 2010, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The proposed abolition will be from March 2012 and the Audit Commission has confirmed that there is no immediate change to your audit arrangements. New audit arrangements are likely to apply from the start of the 2012/13 financial year. Both we and the Audit Commission will keep you informed of further developments.

5. Responsibility statement

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 and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to GARMC at the meeting in April 2009 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to Harrow and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for Harrow Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Chartered Accountants
St Albans

22 November 2010

Appendix 1: Analysis of professional fees

The professional fees earned by Deloitte in the period from 1 April 2009 to 31 March 2010 are as follows:

	2010 £'000	2009 £'000
Statement of Accounts	259	282
Use of resources and Data Quality	80	110
Whole of Government Accounts (WGA)	5	5
Pension scheme	37	38
Fees payable in respect of objections received	8	7
Fees payable in respect of the audit of PFI and other contracts	22	-
Fees payable in respect of the audit of the capital overspend issue	23	-
Fees payable in respect of the certification of grant claims and returns of the Council	105	110
Total fees for audit services provided to the Council	539	552

Our work on the certification of grants is ongoing and the amount shown above is an estimate only.

In addition to the above audit fees, the Council commissioned Deloitte to conduct the following:

	2010 £'000	2009 £'000
IFRS Transition Project	15	-
Use of resources workshop	5	-
Total fees for non-audit services provided to the Council	20	-

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**REPORT FOR: Governance, Aud
Risk Management
Committee**

Date of Meeting: 19 January 2011

Subject: INFORMATION REPORT - Risk, Audit & Fraud Division Activity Update

Responsible Officer: Myfanwy Barrett Corporate Director Finance

Exempt: No

Enclosures: Appendix 1: Audit Commission report - Protecting the Public Purse
Appendix 2: DCLG Fraud Funding Letter
Appendix 3: DPW Fraud & Error Special Supplement
Appendix 4: Asbestos management report

Section 1 – Summary and Recommendations

This report outlines the current work streams of the Risk, Audit and Fraud group of services.

Recommendations:

The Committee is requested to note the progress across the division to fulfil the Committee's role of reviewing and monitoring the work carried out by the Risk, Audit and Fraud Division.

FOR INFORMATION

Section 2 – Report

Background

- 2.1 This report sets out the progress made and future work planned in respect of the Risk, Audit and Fraud group of services, which the GARMC is responsible for monitoring as part of its terms of reference.
- 2.2 The focus of this monitoring is quarter 3 in 2010/11, October to December 2010.
- 2.3 At its last meeting, the Committee requested more detailed information where this was appropriate and accordingly this report sets out a summary of the work undertaken across all the teams but also includes a more thorough explanation of three key areas of work, namely Corporate Anti-Fraud, Information Management and asbestos management activities.

Emergency Planning and Business Continuity Planning

- 2.4 The main work delivered during the quarter was as follows:
 - Delivered training to Members on their role during a major incident on 30th November, as part of the Member Development Programme.
 - Assisted the Police on Operation Fairway, a counter terrorist awareness programme for local businesses.
 - Hosted “Exercise Canberra” to test the council’s response to a CBR (Chemical, Biological and Radiological) incident with multi-agency partners. 50 officers attended from the Police, Fire, Ambulance, NHS, Health Protection Agency, Red Cross, neighbouring boroughs and the council.
 - Jointly hosted “Exercise Edenhope” to test the council and NHS response to dealing with vulnerable people during a major incident.
 - Took part in “Exercise Preparer”, a London-wide training exercise for all 33 borough emergency planning officers organised by London Fire Brigade.
 - Assisted Facilities Management who held a Central Depot evacuation exercise with Metropolitan Police Service, London Fire Brigade and London Ambulance Service.
 - Attended Humanitarian Assistance Centre training for emergency planners and responders in London.
 - Held the annual Business Continuity phone cascade test in November, which was a good success.

2.5 During the final quarter the main tasks scheduled are as follows:

- Delivering training to our Emergency Response Officers on the role of a local authority liaison officer during a major incident
- Participate in the Cabinet Office's Civil Contingencies Act Enhancement Programme Consultation
- Participate in the London Human Infectious Diseases Framework Validation
- Deliver training to the senior management team on strategic management during a major incident
- Take part in "Exercise Safer City", the London Fire Brigade exercise for emergency planning officers across all 33 boroughs
- Continue monitoring the influenza pandemic situation and attending the Influenza Pandemic Committee hosted by NHS Harrow
- Take part in the West London communications test for emergency planners and responders

Business Risk Management

2.6 The main activity during the period was to appoint a new interim Risk Manager following the departure of the previous post holder and to handover the work programme. This is now achieved and the Risk Manager is also leading on the assurance mapping project, in close liaison with Internal Audit.

2.7 The assurance mapping project will identify all sources of assurance being carried out across the council with a view to identifying any duplication and gaps.

2.8 Going forward, the Interim Risk Manager will be picking up the work programme of risk management activities carried out on a cyclical basis to ensure the strategic and operational risk registers are reviewed and updated on a timely basis.

Insurance

2.9 The key work achieved during the quarter was as follows:

- The Lean review of the Insurance Service is nearing completion. A capacity model has been produced, which will support the recommendations for the future structure of the section.
- A good response has been received from the market for the Insurance London Consortium (ILC) insurance and claims handling tenders. The closing date for submission of tenders is 11th January.

- Five insurers submitted tenders for the Tenant's Home Contents Insurance scheme. Tenders were jointly evaluated by the Insurance Service and Corporate Procurement and supported by Legal Services.
- The Motor Risk Management Standards review has been completed and insurers have identified areas of best practice.

2.10 During the final quarter of 2010/11 the main tasks scheduled are as follows:

- Implementation of the recommendations from the Lean review of the Insurance Service.
- In conjunction with external solicitors a mock trial is to be staged on 18th January to provide witness training for Highways Officers and other Council staff who may be involved in litigated insurance claims.
- Recommendations arising from the evaluation of the Tenant's Home Contents Insurance tender will be submitted to the Strategic Procurement Board in January.
- Evaluation of the Insurance London Consortium (ILC) tender submissions is scheduled for 12th January and the results will be reported in full to GARMC in March.

Internal Audit

- 2.11 The work of Internal Audit is reported in detail to GARMC at mid-year and year-end. Throughout quarter 3 Internal Audit have continued to work towards completing the 2010/11 plan, including a number of suspected financial irregularity investigations.
- 2.12 Work has also continued with the Interim Risk Manager on the Assurance Mapping Exercise and on recruitment, the outcome of the re-evaluation of the Senior Professional's role is still awaited.
- 2.13 Internal Audit have been asked to confirm that recommendations made as a result of the investigation into the overspend of the Children's Services Capital Programme have been implemented and report to the GARM Committee.
- 2.14 This work will be undertaken in quarter 4, the days allocated in the 2010/11 plan for a review of the Capital Programme will be used, however, it is anticipated that more days will be required and this will have an impact on other areas of the plan. The position will be reported to the next GARMC meeting (29th March).

Corporate Anti Fraud Team

- 2.15 During the quarter the Corporate Anti-Fraud team achieved the following (figures represent the position at 23/12/2010):

2.16 Benefit fraud

Referrals received = 127

Closed investigations (cases investigated by Investigation Officers, does not include anything risk-assessed out) = 42

Cautions issued = 2

Administrative penalties = 7

Administrative penalties raised = £9274.62 (fines)

Summons issued = 3

Successful prosecutions = 4

Overpayments = £126,362.97 (in relation to the above cautions, administrative penalties & prosecution cases)

2.17 Corporate Fraud

Referrals received = 31

Closed investigations (cases investigated by Investigation Officers, does not include anything risk-assessed out) = 15

Cautions issued = 7

Summons issued = 3

Successful prosecutions = 1

Application for services refused/withdrawn = 0

Employee dismissals/conduct activity = 0

2.18 Successful prosecution case studies:

2.19 Ms Saker Dhanani

Ms Dhanani pleaded guilty at Harrow Magistrates on Thursday (27th October) to five charges of benefit fraud in which she was overpaid housing benefit of £64,536.43 and council tax benefit of £6,415.25 between January 1996 and June 2007.

Ms Dhanani had received housing and council tax benefit that she was not entitled to by claiming she paid rent for a property that she jointly owned with her daughter.

She claimed housing and council tax benefit from Harrow Council for a property at Kenmore Avenue with her late husband in 1996.

On her application forms she said she did not own any property and that her landlord was Ms Rajan and that Ms Rajan was not a relative of hers.

However, in 2008 an investigation began after the Council Tax Dept passed a suspicion to the fraud team that Ms Rajan was in fact Ms Dhanani's daughter.

When interviewed by investigators, Ms Dhanani claimed she didn't know she was the joint owner of the Kenmore Avenue property from 1996 - 2003 and that her late husband dealt with the paperwork, this despite signing over her share of the property to her daughter in 2003 and then continuing to claim benefit until 2007.

She did accept however, that had she told the truth she would not have received Housing Benefit and would have ended up on the street. Ms Dhanani was sentenced to six months imprisonment which was suspended for 12 months due to her age and physical health.

To date just £8,000 has been repaid to the Council with monthly payments of £100 in place.

2.20 Mr Abdul Wahid

Saman Abdul Wahid, 39, of The Crossway, Wealdstone, had pleaded guilty at Harrow Crown Court on 1st October 2010 to nine charges of benefit fraud in which he was overpaid Housing & Council Tax Benefit of £8,127.81 as well as Income support of £22,674.81 between January 1996 & June 2007.

The father of two had claimed Housing & Council Tax Benefit from Harrow Council & Income Support from the DWP in 2002 on the basis that he was unemployed & held one bank account.

However in October 2007 he started working for Sam's mechanics based in Masons Avenue Wealdstone & failed to inform the Council that he had started work.

This led Harrow Council to start an investigation that uncovered a bank account that Abdul-Wahid had failed to declare on his claims for benefits.

The bank was contacted & bank statements for this undeclared account were obtained. The statements showed that £83,000 had been deposited into the account in the six year period he was claiming Income Support.

Copies of credit applications completed by Abdul Wahid were also obtained & they showed that when applying for credit he had represented his income as £65,000 per year.

Abdul-Wahid was sentenced on 29th October 2010 at Harrow Crown Court to 6 months imprisonment suspended for 12 months. He was also ordered to carry out 300 hours of unpaid work within the next 12 months & ordered to observe a curfew between the hours of 7pm to 7am for 6 months.

He is repaying the overpaid benefit at the rate of £110 a month

2.21 Mrs Beverly Wright

Beverley Wright, 47, of Kenton Lane, had pleaded guilty at Harrow Magistrates Court on 4th November 2010 to two charges of benefit fraud in which she was overpaid Housing & Council Tax Benefit of £8,321.75 as well as Income support of £5,309.55 between June 2007 & January 2009.

She had claimed Housing & Council Tax Benefit from Harrow Council & Income Support from the DWP in 2000 on the basis that she was unemployed & a single mother of one.

However, following an anonymous tip off in June 2007 and lengthy enquiries, Council investigators discovered that her husband Andrew Reid, had moved in with her in June 2007 & was in full time employment earning in the region £21,000.

Also uncovered were three concealed bank accounts for Wright which indicated a lifestyle above and beyond what she was representing to the Council and account activity illustrating a three week holiday in the US in August 2007.

Searches for Andrew Reid also revealed 6 concealed credit accounts for Andrew Reid registered at the address with spending on one of the accounts in the US at the same time.

Mrs. Wright was sentenced on 24th November 2010 at Harrow Magistrates Court & ordered to carry out 200 hours of unpaid work & pay prosecution costs of £500

2.22 Mr Alan Traynor

Alan Traynor of Masefield Avenue, had pleaded guilty at Harrow Magistrates Court on 1st December 2010 to three charges of benefit fraud in which he was overpaid Housing Benefit amounting to £3158.21 between February 2009 & October 2009.

Mr Traynor had claimed benefit on the basis of Job Seekers Allowance and vacated the address at Masefield Avenue and continued to claim benefit payments direct into his account to which he was not entitled.

He admitted failing to notify the Council of the change and refused to confirm what he had spent the money on.

However, when offered a financial penalty as an alternative to prosecution, he failed to attend interview and so legal proceedings were issued against him.

Mr Traynor was sentenced to 150 hours Community Service.

2.23 Mrs Jayshree Halligan

Jayshree Halligan, of Sussex Road, Watford appeared at Harrow Magistrates Court on 22nd December 2010 and pleaded guilty to one offence of disabled blue badge misuse.

Mrs Halligan had been apprehended by fraud officers on joint fraud drive 'Operation Cactus' on St Johns Road/Lyon Road with the Greenhill Way

Safer Neighbourhood Team and claimed that the badge belonging to her son was being displayed correctly as she was meeting him in the shopping centre with the child's father.

Despite trying to make contact with them, attempts failed so she was invited to attend an interview.

She persisted with the explanation, however, further checks were undertaken by officers, confirming that her son was registered as being in school on the day the misuse was uncovered.

Mrs Halligan was issued with £150 fine and prosecution costs of £500.

General fraud update

National Fraud Initiative (NFI)

2.24 All requested NFI data was successfully and securely uploaded onto the Audit Commission website in October 2010.

2.25 The NFI is a public sector nationwide data-matching exercise co-ordinated by the Audit Commission that runs every two years and has resulted in the identification of £664million in incorrect overpayments since its inception in 1996.

2.26 The matched data for 2011/12 exercise will arrive back into the authority for further investigation in January 2011 covering areas such as Housing Benefits, Payroll and Pensions, Blue Badges, Creditors, Insurance claims, Housing rents and Private Residential Care Homes.

Audit Commission report – “Protecting the Public Purse”

2.27 Reference was made to Harrow Council in the Audit Commission's 'Protecting the Public Purse' report issued in October 2010 for good practice in dealing with Council Tax Single Person Discount (SPD) fraud (Appendix 1 paragraph 36).

2.28 This work is conducted by the Revenues team who have undertaken a rolling programme of SPD reviews over the last three years which has resulted in Harrow having the 3rd lowest incidence of SPD exemptions in the country.

2.29 The report also deals with current levels and areas of fraud affecting local authorities which was based on findings from the annual fraud survey. The report focuses on the areas of most susceptible to fraud risks, namely Direct Payments, Housing tenancy fraud, Blue Badges, Procurement, Payroll, Pension & expenses and Insurance claims.

2.30 The CAFT is focussing on four of the above areas as part of the fraud service plan for 2011/12. These are direct payments, housing tenancy fraud, recruitment and blue badge misuse. The results of which will be fed into a year end report.

Housing Tenancy Fraud

- 2.31 Harrow Council obtained £30,000 grant funding last year to assist in implementing a range of measures to tackle tenancy fraud such as a best practice guide to tackling sub-letting, increasing the use of enhanced tenancy audits, encouraging partnership working with Registered Social Landlords (RSL's), setting up of a tenant hotline and the use of specialist investigators.
- 2.32 Strong evidence and positive results had emerged from other local authorities that had used specialist investigators to tackle tenancy fraud so a decision was taken to recruit a dedicated Investigation Officer on a 12 month contract. The officer was appointed in December 2010 and will commence work in January 2011 in the CAFT, working alongside Housing Management and Registered Social landlords
- 2.33 Given the pressure on social housing across the country, particularly in London and the continued depressed economic conditions, the government via the Department of Communities and Local Government has provided a further financial incentive to the 51 authorities that have been most proactive in dealing with housing tenancy fraud. Harrow Council has been allocated a further £100,000 in 2011/12 and £100,000 in 2012/13 as part of the Preventing Homelessness area based grant to go towards housing fraud initiatives. (Appendix 2 DCLG letter).
- 2.34 The grant however is not ring fenced and whilst an extra £100,000 has been awarded to tackle housing tenancy fraud, a decision on allocation of this funding will be required.
- 2.35 Harrow welcomes this additional funding to tackle this area of fraud and the CAFT strongly supports the continuation of the dedicated Investigation Officer post past the initial 12 month contract in addition to other proactive work such as data-matching.

Welfare Reform

- 2.36 The DWP published their new fraud and error strategy for tackling fraud and error in the benefits and tax credit systems on 18th October 2010, with no consultation with local authority associations. Their intention is to simplify the welfare system and to generate reductions in fraud and error by over 25% (£1.4bn) by 2015. The proposals form part of a more detailed White Paper that enters parliament in January 2011. (Appendix 3 - Housing Benefit Direct summary of proposals).
- 2.37 The DWP are proposing to introduce and administer a Universal Credit (UC) to replace all other benefits (including housing/council tax benefit) to be implemented from 2013 in a phased approach so that by 2017 all other benefits will be replaced by the new UC. They are also proposing to remove the investigation of this benefit from local authorities and create a Single Fraud Investigation Service, again that they will administer. Both of these measures will impact upon current local authority services and will place at risk both the housing benefit and

CAFT services. There are currently 6 FTE's in the CAFT team in Harrow plus the affects on the Housing Benefits team.

- 2.38 Naturally this announcement has triggered a national debate amongst local authorities and it is clear that there are concerns from most local authorities at the implications that this change may bring. In consultation with the Portfolio Holder, our current position is that we would wish to retain the service locally.
- 2.39 The Committee will be kept advised of developments and once a proper consultation / dialogue commences, the Committee's views will be sought on these proposals.

Operation Elderflower

- 2.40 The CAFT successfully executed a blue badge fraud drive on December 9th 2010 in conjunction with Harrow Police, Greenhill Safer Neighbourhood Team and Parking Enforcement and apprehended 16 individuals suspected of misusing badges on Greenhill Way. All were issued with penalty charge notices and will be interviewed by fraud officers in the New Year about the misuse. One individual was arrested in possession of a stolen badge issued by another Council and also a badge issued by Harrow Council registered to his late grandfather. He was released on bail to return at a later date after questioning by officers.

Communications of Successful Prosecutions

- 2.41 The CAFT has historically publicised all successful prosecutions to fall into line with best practice issued by CIPFA and DWP guidelines in an attempt to illustrate to the community that fraud will be dealt with robustly and in serious cases, offenders can expect to be brought in front of the courts. This publicity work is undertaken in conjunction with the Communications Team.
- 2.42 The CAFT Sanction and Prosecution Policy sets out the criteria for instigating legal proceedings against offenders and central to this policy is Code for Crown Prosecutors which deals with the evidential test and public interest test. All cases are passed through both of the tests and only those cases that meet evidential requirements and where it is deemed in the public interest to prosecute, proceed to prosecution. The CAFT sees prosecution as a last resort, therefore only the most serious of cases or those with aggravating factors are approved for prosecution and this decision is not taken lightly.
- 2.43 There is therefore an inevitable tension between the Council's current communications strategy which is to play down these cases, and the message that the CAFT would wish to convey to the community as a deterrent.

Focus on Information Management

- 2.44 The Council's business is built on the data that we manage and the safe keeping of this data is a critical responsibility for the Council. Poor data security control is a serious, widespread, high-impact financial and reputational risk. The information Commissioners Office (ICO) now has powers to impose substantial fines on organisations that 'deliberately' or 'recklessly' commit serious breaches of the DPA. The maximum fine the ICO can impose has now been set at £500,000.
- 2.45 On Wednesday, 24 November 2010, the Information Commissioner issued his first monetary penalty (£100,000) to Hertfordshire County Council. These high profile and highly publicised incidents have prompted management and audit committees in many local authorities to increase their focus on the risk of data loss and theft and to ensure that the risk is adequately managed.
- 2.46 Risks include the possibility of IT systems being compromised, data being lost, damaged, unavailable or unlawfully disclosed to unauthorised persons and of course the adverse national publicity this could cause.
- 2.47 The Council has acknowledged that information management is an area of importance and as such has created an Information Management Team (IMT) to be responsible for the overall management of data security, as a fundamental business resource, to ensure that information needs of the Council are met, and complies with legislative requirements. IMT will manage and develop security policies to implement an Information security strategy across the Council and co-ordinate 'virtual' teams of FOI/DPA/EDRMS champions to be consistent with their approach.
- 2.48 The Service Manager, Information Management also has responsibility for data protection including:
- The provision of data protection awareness for staff within the Council (aided by the council's Legal department);
 - The provision of information security training (aided by e-learning tool);
 - The development of best practice guidelines;
 - Carrying out compliance checks to ensure adherence throughout the Council with the Act;
 - Provision of professional support, updates and advice to officers on data protection and related matters;
 - Notification to the Information Commissioner.
- 2.49 The London Government Association (LGA) has issued data security good practice guidelines for local authorities to follow, however they only provide a stable platform for data security, the Council will aim towards implementing an information management strategy to establish a comprehensive programme of work to achieve progress through clearly identifiable milestones towards the achievement of three main goals:
- Embedding Information Risk Management culture within the authority;
 - Implementing best practice Information Assurance measures;
 - Effective compliance.

- 2.50 As governments cast a wider net on their ability to share sensitive information among agencies, security requirements dictate that a sophisticated internal networking environment be developed (i.e. the Government Connect CoCo initiative).
- 2.51 Internally, IMT is trying to adopt the same approach to information sharing by implementing an ongoing programme of work (with the help of our Capita partners) using the Council's workflow platform, Civica. The principles underpinning this project are to modernise and standardise processes to help the council deliver more efficient services to customers and to build an IT platform which can be extended to other services areas for transformation and information sharing.
- 2.52 EDRMS (Electronic Documents and Records Management System) is the new technology being utilised to achieve this project. The Document & Records Management Systems Officer (within IMT) provides corporate first line application support for Civica W2 Document Management & Workflow system and the EDRMS.
- 2.53 The Document & Records Management Systems Officer also acts as systems consultant / project manager to Council staff in areas where the system is being rolled out to new areas, as well as responsibility for the coordination and implementation of new system releases & patches, ensuring all work is coordinated with relevant existing user departments and by the set deadlines to minimise disruption to users.
- 2.54 Information Architecture requires a hands-on functional specialist to manage the file structure in the EDRMS and develop it as new services are incorporated. This role (Information Architect) within IMT has taken the lead on Document and Records Management across the Council by providing professional expertise and experience in the areas of Information Architecture, Retention and Destruction Policy, and wider related areas of Information governance. She has worked closely with Capita to develop the EDRMS system as new service areas and directorates are incorporated into the architecture and is also part of the council's flexible working project to ensure that information governance/data security policies are adhere to.
- 2.55 On-going projects within IMT include:
- Assist all Directorates to develop their Information Asset Register and Information Risk Action Plan, which in turn will enable IMT to formulate a corporate information asset register and ensure Information Risk Action Plans are in place;
 - Implement a new DPA / FOI tracking system across Council;
 - Incorporating information classification across the Council;

- Policy acceptance software solution (dependant on funding and resources);
- Developing a council record and document retention schedule;
- Lead on the Local Government Transparency Agenda which requires local authorities to publish spend data over £500 and publish senior salaries information;
- Information Architecture – Work with the Council’s partner Capita to develop and implement a Corporate Information Architecture;
- Representing Harrow Council in the Pan-London Secure Data Software Procurement exercise.

2.56 Progress in quarter 3 was specifically around the following:

- Assisting all Directorates to develop their Information Asset Register and Information Risk Action Plans (Dec 2010);
- Development of Council records management policy and document retention schedules;
- Data gathering exercise to enable implementation of information classification across the Council;

2.57 Work for the final quarter of the year includes:

- Commencement of the corporate information asset register;
- Complete the implementation of DPA / FOI tracking system across Council – 31st March 2011.
- Finalising Members email arrangements.

Health and Safety

Asbestos Management

2.58 At its meeting in November, the Committee received a half-year health and safety report which included an overview of the issues identified around the management of asbestos and the comprehensive work programme underway to address these issues. This report addresses the matter in more detail and includes the investigation report as an appendix.

2.59 To recap, in June 2010 the Health and Safety Executive (HSE) served three improvement notices on Harrow Council relating to the management of asbestos in schools.

- 2.60 The management of asbestos within schools is coordinated across three directorates, namely Corporate Finance (Corporate Health and Safety Team), Community and Environment (Facilities Management Major & Minor Works team) and Children's Services.
- 2.61 An investigation was carried out to determine the root causes which lead to the improvement notices being served, and this is attached at appendix 4 (individuals names have been removed to preserve anonymity).
- 2.62 The report includes a comprehensive action plan to address the issues identified, which is also attached.
- 2.63 The joint action plan is a key work stream for each of the directorates involved and some of the failings identified are subject to individual conduct investigations.
- 2.64 In addition, as a result of the issues identified in relation to asbestos management a wider, independent, review of health and safety performance across the organisation has been commissioned.
- 2.65 The improvement notices have been complied with and therefore withdrawn by the HSE. The HSE have also stated their intention to re-visit the Council both in January and July 2011 to review training and auditing arrangements and to widen their scope to corporate properties, not just schools.
- 2.66 Further updates will be reported to the Committee as appropriate.

Quarter 3 key work streams – Corporate Health & Safety Team

- 2.67 During quarter 3 the corporate health and safety team concentrated on the following activities, many of which stem from the action plan to address asbestos management issues identified by the HSE:
- Delivery of health and safety training including premises managers' training to school duty holders.
 - Review and update of the following policies, fire safety policy, fire safety risk assessment, asbestos policy, asbestos code of practice, stress risk assessment, lone and remote working code of practice and display screen assessment code of practice.
 - Continued development of the health and safety management system including incident recording & management, extending access to the DSEASY system (display screen equipment risks) and exploring options relating to health and safety audit tools.
 - The provision of health and safety support across the directorates, including inspections of libraries and incident investigations.

- Continued contribution to the development of asbestos management within the Council in response to the Improvement Notices issued in Q1/Q2.

Section 3 – Further Information

3.1 None – supplementary information is included in the appendices.

Section 4 – Financial Implications

4.1 The work of the Risk, Audit and Fraud division is carried out within the budget available and supports the achievement of financial objectives across the council.

Section 5 – Corporate Priorities

5.1 Collectively the division contributes to the delivery of all the corporate priorities through supporting the council as a whole to achieve their targets and objectives.

Name: Myfanwy Barrett



Chief Financial Officer

Date: 6 January 2011

Section 6 - Contact Details and Background Papers

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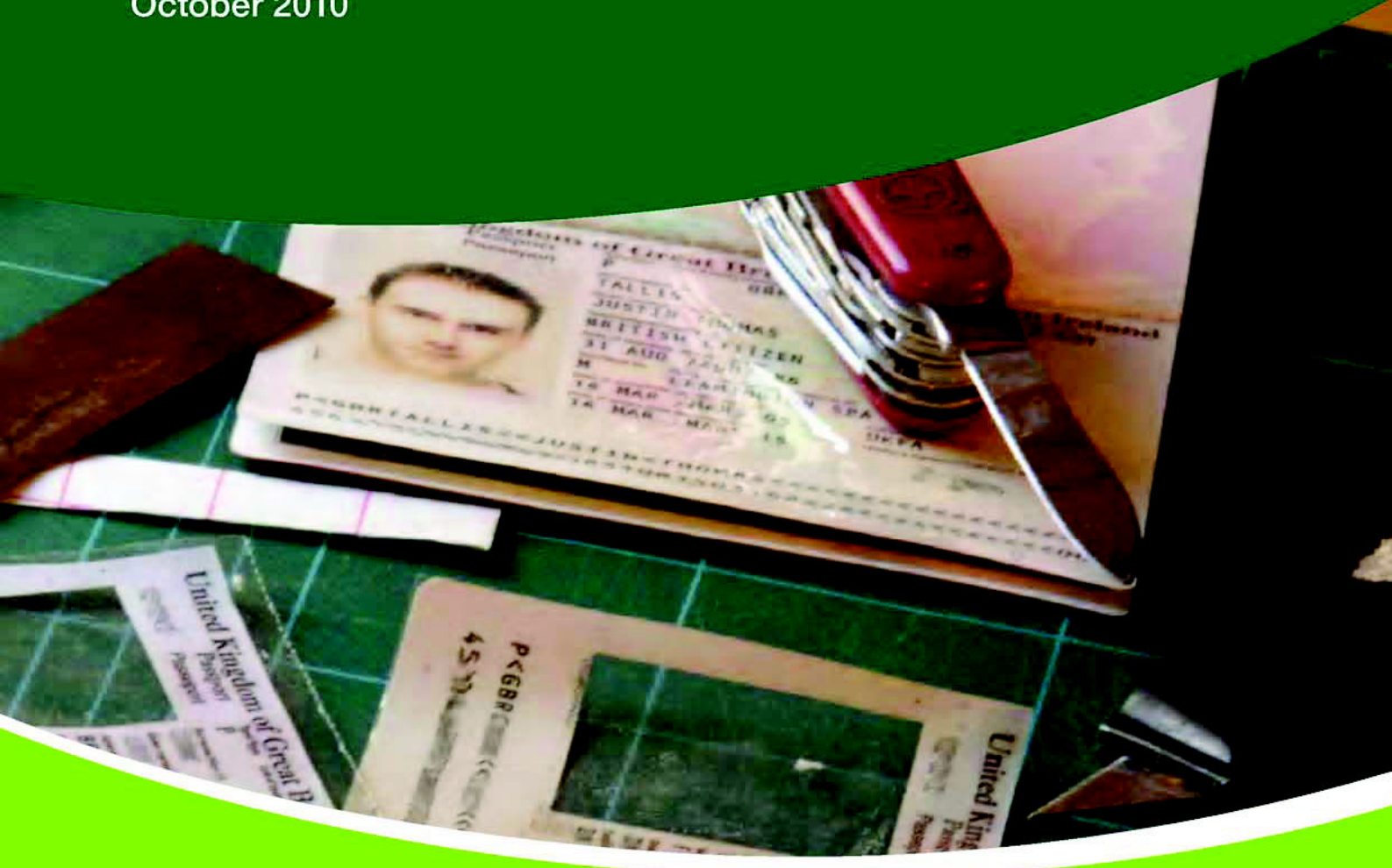
Background Papers: None

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Protecting the public purse 2010

Fighting fraud against local government and
local taxpayers

October 2010



The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Summary and recommendations	4
Summary	5
Recommendations	6
Chapter 1: Background	8
Chapter 2: Detected fraud against councils and related bodies	11
Chapter 3: Protecting the public purse 2009 – update	15
Housing tenancy fraud	16
Council tax – single person discount	20
Recruitment fraud	22
Chapter 4: Significant fraud risks	25
Personal budgets (direct payments)	26
Procurement	29
Housing and council tax benefit	33
Chapter 5: Increasing impact – learning from others	35
Top-level commitment to fighting fraud	36
Managing the counter-fraud team	37
Managing specialist resources	38
Conclusion	40
References and appendices	42
Appendix 1: Checklist for those responsible for governance	43
Appendix 2: References	46

Summary and recommendations

Summary	5
Recommendations	6

Summary

Fraud continues to be a significant problem affecting the whole economy.

- Fraud causes annual losses of over £30 billion according to the National Fraud Authority (NFA). That means £620 is lost to fraud for each adult in the country. This is more than double previous estimates.
- In the public sector, fraud diverts resources away from those who need them.

For local government, our surveys show that, although detected fraud losses are low compared with total council spending of around £160 billion (Ref. 1), significant amounts of money are involved with:

- detected fraud in 2009/10 amounting to £135 million; and
- 119,000 individual fraud cases.

In *Protecting the Public Purse 2009*, we commented on specific fraud risks. In this report, we cover the progress that councils and others have made in tackling:

- housing tenancy fraud. Sixty councils reported that, in 2009/10, nearly 1,600 properties with a replacement value of around £240 million were recovered from unlawful tenants; and
- fraudulent claims for council tax discounts. More councils are taking this seriously and 48,000 fraudulent claims were stopped in 2009/10, increasing the local tax base by almost £15 million.

This report also shows how tackling fraud can help councils to get more value from taxpayers' money. Councils need to address fraud risks in significant areas of expenditure.

- One area of major change is the expansion of personal budgets for adult social care. If the full benefits of the new approach are to be realised safeguards will be needed to protect vulnerable people and to prevent financial loss.
- Councils should maintain their focus on housing and council tax benefit payments where they uncovered around 63,000 frauds and £99 million of fraudulent payments in 2009/10.
- Procurement is the single largest area of councils' expenditure, worth around £80 billion each year. More needs to be done to prevent and detect fraud and other illegal procurement activity that waste large sums of money.

As councils make significant cuts in budgets, it is essential they continue to maintain strong defences against fraud. In this report we include tools councils can use and examples of good practice including:

- adopting a zero-tolerance policy towards fraud and doing more to deter it;
- working with partners in the public and private sectors to overcome barriers to effective fraud fighting;
- making best use of information and intelligence; and
- taking legal action to recover fraud losses.

Fraud continues to be a significant problem affecting the whole economy

Safeguards will be needed to protect vulnerable people with the expansion of personal budgets.



Recommendations

We recommend councils:

- continue to focus on benefit fraud risks and use the National Fraud Initiative (NFI) and other data-matching schemes to maintain and improve their good performance in detecting benefit fraud;
- work together in county areas to share the costs and benefits of tackling council tax single person discount (SPD) fraud;
- use our comparator tool to decide whether to take more action to tackle SPD fraud;
- check claims for other council tax discounts are not fraudulent;
- make sure recruitment processes for permanent and temporary staff are secure, follow good practice and are working effectively;
- for personal budgets in adult social care:
 - establish a clear policy, which is communicated to budgetholders, on the appropriate use and unacceptable misuse of personal budgets; and
 - promote whistleblowing arrangements for staff, care providers and the public to encourage early identification of potential abuse;
- use recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office of Fair Trading (OFT) on procurement to ensure they are doing enough to prevent and detect procurement fraud and other illegal activities such as cartels;
- keep a comprehensive record of any frauds perpetrated against them; and
- use the checklist provided in this report to assess whether their counter-fraud plans and actions are effective in the light of the risks highlighted.

We recommend that registered housing providers (including councils):

- undertake tenancy audits to ensure only properly authorised tenants occupy their properties;
- treat unlawful tenancy cases as fraud, record them as such and take immediate action when they identify them;
- work with other housing providers to develop joint incentives to tackle housing tenancy fraud, such as sharing specialist investigative staff;
- where appropriate, consider taking legal action to target fraudulent profits; and
- use the Department of Communities and Local Government (CLG) guidance to check arrangements are effective for raising awareness and encouraging people to report their suspicions about housing tenancy fraud.

CLG may wish:

- to discuss with the NFA how best to continue the detected fraud survey for local government and related bodies.

Background

This chapter describes action taken since we published *Protecting the Public Purse 2009* to help local public bodies to counter fraud.

1 *Protecting the Public Purse 2009* (PPP) identified the steps councils had taken to improve their fraud defences but noted these improvements were not universal. In particular, it highlighted some high-risk fraud areas needing attention. These included housing tenancy, council tax SPD and staff recruitment. We estimated it may be possible to recover at least 50,000 social houses and SPD fraud could be costing local council taxpayers almost £2 million a week.

2 We produced a checklist to help councils review their performance and carried out more research into high-risk areas. In addition, we announced the launch of an annual survey to record the levels of detected fraud in local government.



The PPP checklist has helped councils review their performance.

3 Councils responded well to PPP 2009 and took positive action as a result. In this report we describe what has happened since 2009 and set out the findings from our fraud surveys for 2009 and 2010. We identify more fraud risks and urge local councils and related bodies to focus on them. The resulting savings could help bridge the gap in local budgets and ensure better use of taxpayers' money.

4 We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Our updated checklist gives organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud.

5 In the current economic climate, when large spending cuts are necessary to rebalance public finances, councils face difficult decisions over priorities. Significant staff reductions may weaken controls. It is, therefore, essential councils continue to do all they can to ensure any loss of public money as a result of fraud is kept to a minimum.

6 We have written this report for those responsible for governance including councillors, non-executives and senior officers in councils and related bodies, particularly members of audit committees. Government departments, other national organisations and counter-fraud specialists may also find it relevant. You can find the checklist in Appendix 1 and our SPD tool developed as part of our 2010 work at <http://spd.audit-commission.gov.uk>

7 The Commission's PPP reports focus on local government, consider the key fraud risks facing councils and related bodies and identify good practice. In addition, the Commission has run the NFI data-matching exercise every two years since 1996. NFI compares data sets and identifies inconsistencies or circumstances that might suggest fraud or error. Participating bodies investigate the results from NFI.

Detected fraud against councils and related bodies

In this chapter we report the results from our surveys of detected fraudⁱ committed against councils.

8 The latest estimate, produced by the NFA, says that fraud costs the national economy more than £30 billion a year. This represents over £620 a year for every man and woman in the UK (Ref. 2) and is more than twice the level of previous estimates. The NFA acknowledges this figure is a conservative estimate. Over half this fraud is against the public sector.

9 In PPP 2009, we undertook to conduct an annual survey of frauds detected by local councils and related bodies including police and fire authorities and probation boards.

10 The 2008/09 survey was voluntary and about 300 bodies took part, giving a return rate of 61 per cent. We made the submission of 2009/10 survey data mandatory and more than 450 public sector organisations responded, giving a return rate of 94 per cent. The survey results:

- provide information about emerging and changing fraud risks;
- help to identify good and poor practice; and
- enable us to estimate the total amount of detected frauds in local government.

119,000
frauds valued at
£135 million have
been detected by
councils and
related bodies

11 Our 2009/10 fraud survey shows:

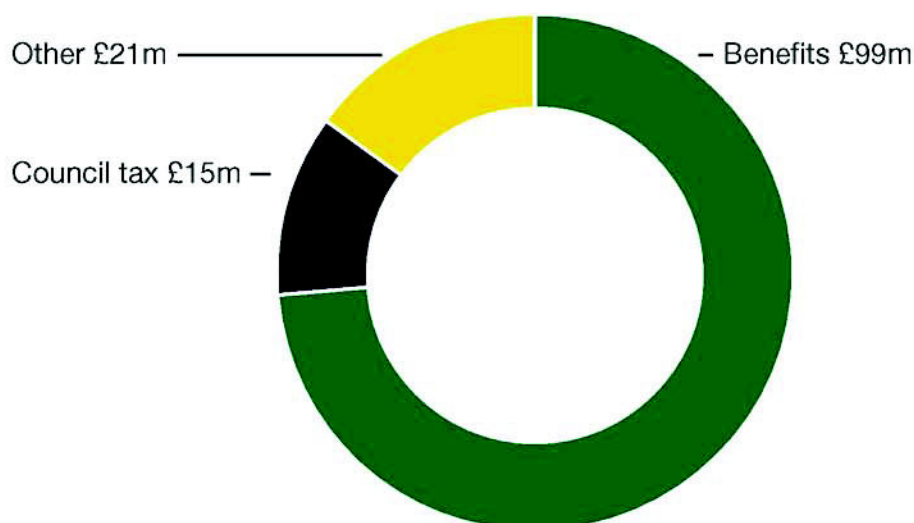
- councils and related bodies detected around 119,000 frauds valued at £135 million;
- there were 63,000 housing and council tax benefit cases amounting to a loss of £99 million. They represent almost three-quarters of the total detected frauds;
- councils also detected around 48,000 council tax frauds costing £15 million; and
- 7,000 other frauds were identified worth almost £21 million (see Table 1 for the six largest fraud types within this category).

12 In addition to the figures reported above, councils recovered almost 1,600 houses with a replacement cost of around £240 million, from unlawful tenants.

i For the purpose of this report, we define fraud as any intentional false representation, including failure to declare information or abuse of position which is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where civil, criminal or management action such as disciplinary action has been taken.

Figure 1: **Detected fraud 2009/10**

Most fraud related to housing benefit and council tax



Source: Audit Commission Survey

Table 1: **Other frauds**

The six largest fraud types within this category

Fraud type	No. of detected cases	Value £ million
Payroll, pensions & expenses	873	£3.3
False insurance claims	72	£2.8
Procurement	165	£2.7
Abuse of position	252	£2.0
Blue badge (disabled parking concessions)	4,097	£2.0
Social care	131	£1.4

Source: Audit Commission

13 Some councils do not record all types of fraud, or do not always classify all fraudulent activity as fraud. However, councils were able to provide information for the more traditional fraud risk areas such as housing benefits. For other types of fraud such as tenancy, SPD and recruitment, information was not comprehensive.

14 The increased participation of audited bodies in the 2009/10 survey enabled us to produce a regional breakdown of detected frauds (see Table 2). The figures reflect a combination of factors including the level of fraud, the resources applied to identify and investigate such fraud and the successful detection by councils within a region.

Table 2: Detected fraud by region

A regional analysis of detected frauds and losses

	Local government spending by region (per cent of total)	Detected frauds value £m (per cent of total)	Detected frauds number of cases (per cent of total)
East Midlands	7.3%	10.1 (7.5%)	9,000 (7.6%)
East of England	10.0%	8.8 (6.5%)	9,500 (8.0%)
London	21.4%	34.6 (25.7%)	22,300 (18.8%)
North East	5.5%	5.0 (3.7%)	7,700 (6.5%)
North West	12.9%	17.6 (13.1%)	23,300 (19.6%)
South East	15.0%	24.0 (17.8%)	15,000 (12.6%)
South West	8.1%	8.2 (6.1%)	7,700 (6.5%)
West Midlands	10.2%	12.9 (9.6%)	8,300 (7.0%)
Yorkshire and Humber	9.6%	13.4 (10.0%)	15,900 (13.4%)
TOTAL	100%	134.6 (100%)	118,700 (100%)

Source: Audit Commission Survey

Protecting the public purse 2009 – update

Housing tenancy fraud	16
Council tax – single person discount	20
Recruitment fraud	22

This chapter sets out the progress made in tackling the three significant fraud risks identified in PPP 2009.

15 In PPP 2009 we highlighted the growing risks associated with unauthorised housing tenancies, false SPD claims and recruitment frauds. We estimated the amounts lost through housing tenancy and SPD fraud while recognising the need to establish a more accurate loss assessment. We also pointed to the lack of published good practice in tackling these types of fraud. This section of the report provides an update of progress made since the publication of PPP 2009.

Housing tenancy fraud

16 There are nearly four million social housing properties in England, with an asset value of more than £180 billion (Ref. 3). Registered housing providers such as councils and housing associations are the guardians of these valuable assets. They should ensure only eligible and lawful tenants occupy their properties. The number of households on councils' housing waiting lists in 2009 was about 1.8 million (Ref. 4).

17 Housing tenancy fraud is the use of social housing by someone not entitled to occupy that home. It includes:

- the unauthorised sub-letting of a property for profit to individuals not allowed to live there by the conditions of the tenancy;
- submitting false information in a housing application to gain a tenancy; and
- wrongful tenancy succession where the property is no longer occupied by the original tenant.

18 Where there is a lack of social housing for homeless families, councils must house them in temporary accommodation. This costs nearly £1 billion each year, an average of £18,000 for each family in temporary accommodation (Ref. 5). In addition, the cost of building just one new unit of social housing is typically around £150,000.ⁱ Housing tenancy fraud is, therefore, one of the most significant types of fraud affecting the economy and the lives of those most in need.

19 In PPP 2009 we estimated control over the allocation of about 50,000 social housing properties in England with an asset value of more than £2 billion had been lost to housing tenancy fraud. This assumed a 2.5 per cent level of tenancy fraud in London and 1 per cent in other parts of the country. It reflects the views of many housing professionals that

i The replacement cost of £150,000 for each property is based on the January - March 2010 investment statistics from the Homes and Communities Agency. These show an average grant of over £69,000 for each property, which represents 46 per cent of the total scheme cost. This equates to a total cost of over £150,000 for each property.

the greatest opportunity for unlawful sub-letting is in metropolitan areas where the difference between social and private rentals is greatest. Our report recognised the need for more research to get a clearer picture of the prevalence and cost of housing tenancy fraud, particularly for the three-quarters of social housing outside London.

20 Since July 2009 there have been several initiatives including:

- CLG support and funding for councils and registered housing providers to tackle housing tenancy fraud, including taking part in the NFI;
- CLG best practice guidance on tackling unlawful sub-letting and occupancy, prepared with the Chartered Institute of Housing (CIH) (Ref. 6);
- schemes to encourage whistleblowing by those who suspect housing tenancy fraud; and
- independent reports on tackling housing tenancy fraud (Refs. 7 and 8).

21 The Audit Commission extended NFI to match housing tenancy records for participating councils and other housing providers. Data matches of tenancies that needed to be investigated were returned to 184 councils and 92 housing associations, and are currently being reviewed. Examples of action taken in 2010, including data matching, are provided in the following paragraphs.

22 In Hackney, it was recognised that most housing associations did not have suitably skilled and experienced investigators to tackle tenancy fraud. The Council used the CLG funding to employ a dedicated investigator to work in partnership with major registered housing providers to investigate individual referrals as well as undertake enquiries into the housing associations' NFI data matches. In the first three weeks of the exercise, the investigator examined more than 60 referrals of suspected fraud and 13 properties were recovered or a notice to leave was issued. In some cases, concerns about the tenancies had existed for several years.

23 The main benefit of this arrangement to the Council is that, under the terms of the local initiative, it receives the right to nominate someone from the Council's waiting list for a housing association property equivalent to the one repossessed as a result of a successful investigation. The benefit to the housing association is the specialist investigator manages the case up to the point where the evidence is of a high enough standard to present in court. Mostly, the standard is so high and the evidence so overwhelming that housing associations have had little trouble in recovering the keys to the property. This is a good example of the use of joint incentives in counter-fraud work others should consider. The approach resulted in a 'highly commended' award for Hackney Council from ALARM (Association of Local Authority Risk Managers).

24 In our 2009 report we said Camden Council increased the number of skilled tenancy investigators from two to five and recovered twice as many properties (86) as a result. In 2009/10, the Council again increased

the size of the team by a further two investigators and recovered 101 properties. This equates to an annual saving to the Council on temporary accommodation costs of almost £2 million. It would also have cost over £15 million to build an equivalent number of new properties. The cost of the investigations team in 2009/10 was around £250,000 inclusive of additional temporary staff recruited to deal with related special projects (for example, failure to gain access for annual gas safety checks).

1,600
social housing
properties were
recovered by 60
councils last
year

25 Our 2009/10 survey identified 60 councils that had recovered almost 1,600 social housing properties last year. Although most of these recoveries were in London, councils outside London, often working in partnership with local housing associations, have now begun to address housing tenancy fraud successfully.

26 Leeds City Council, in addition to a rolling programme of tenancy audits, encouraged whistleblowing by the public as a means of identifying suspected tenancy frauds. In total, this resulted in the Council recovering 20 properties in one year.

27 Birmingham City Council has developed a social housing counter-fraud strategy that includes data matching and the use of intelligence from its data warehouse. Matching the Council's data with Midland Heart Housing Association in May 2010 resulted in investigations into multiple tenancies and unlawful sub-letting, some of which are likely to result in the recovery of properties. This early success led to the development of partnership and data-sharing agreements to encourage more effective working practices between the Council and other housing associations. Since April 2010, the provision of such intelligence has supported the recovery of a further 13 council properties.

'As a large provider of social housing within the Midlands, we have a duty to tackle fraud and protect tenants' money as well as public funds. By identifying every fraudulent sub-let, Midland Heart will continue to house those in real need. A key element of the counter-fraud strategy is to undertake data-matching exercises with local authorities, an initiative that began in May 2010 and has had immediate results.'

Ruth Cooke, Finance Director, Midland Heart

**Councils outside
London have
now begun to
address housing
tenancy fraud**

28 Fraudsters sometimes gain significant extra income from unlawful tenancies. Although rarely used, civil recovery can target unlawful profits. Viridian Housing provides social housing in London, the South East and the Midlands and typically recovers one property each week from tenancy fraud. In addition, Viridian has been successful in tackling the issue of unlawful profit from tenancy frauds. Although it may not be suitable in all circumstances, registered housing providers should consider and seek legal advice on using civil law to recover fraudulent profits. Publicity regarding the successful recovery of such profits could also act as a deterrent to potential fraudsters.

Case study 1

A housing association charged a tenant £53 a week for a property in West London. The tenant fraudulently sub-let the property to a pensioner for £225 a week for nearly two and a half years. In addition, the pensioner paid a £2,000 deposit and, under duress, a penalty of £1,000 for a late payment of rent.

As a result of a tenancy audit, the housing association identified the unlawful sub-letting. As well as undertaking court action to recover possession of the property, the housing association claimed costs and damages for the profit made by the fraudster. The court made a possession order and awarded costs of £1,415 and £25,754 for the unlawful profit to the housing association, who also re-housed the pensioner.

Source: Audit Commission

‘In a world where there is a desperate shortage of affordable housing, we think it is just plain wrong to exploit the welfare state by unlawfully sub-letting. It undermines the sense of a fair society and what it means to be a good citizen. That is why we are not satisfied just with recovering our property but we also pursue fraudsters for civil recovery of the money stolen from us all. We, and almost all of our residents, want to send a strong message that we will not tolerate such behaviour.’

Matthew Fox, Chief Executive, Viridian Housing

29 Progress, however, is not universal. We found significant regional differences in the priority given to tackling housing tenancy fraud. Some providers still claim housing tenancy fraud is less significant outside London. Recent work shows it is an issue although the size of the problem is less clear.

30 Although detection is important, many councils have started to improve their prevention arrangements including:

- adopting a common housing tenancy counter-fraud strategy with other registered housing providers in their area;
- using photo-identification of tenants at application and allocation stages;
- clarifying tenants’ responsibilities in relation to sub-letting;
- using data matching to confirm applications; and
- gaining the support of senior management for tackling tenancy fraud.

There are regional differences in tackling housing tenancy fraud

All registered housing providers should treat unlawful tenancy cases as fraud and take action

31 All registered housing providers should treat unlawful tenancy cases as fraud and take action when they identify it. The nature of the action will be determined by the facts of individual cases. They should include requiring sub-tenants to return the unlawfully occupied property and profits made by unlawful landlords. Taking this action may help deter others from committing tenancy fraud.

32 The public has an important role in identifying fraud. Almost half of all currently identified incidents of unlawful sub-letting or occupancy originate from information received from the public. CLG guidance suggests activities and mechanisms to raise public awareness of the issues and to encourage the public to report suspected incidents. Registered housing providers should use the guidance to check their arrangements reflect good practice for raising awareness and encouraging people to report their suspicions about housing tenancy fraud.

Council tax – single person discount

33 In 2010/11, £26.3 billion will be raised from council tax in England (Ref. 9). The tax is collected locally and is a significant part (almost one-quarter) of the funding for council services. Householders may claim SPD where there are no other residents aged 18 or over living at that address. This is a 25 per cent discount on the individual's council tax bill.

SPD fraud is estimated to cost at least £90 million each year

34 Councils have noted a sharp increase in the number of people claiming SPD in recent years and an increasing number of fraudulent applications. In 2010, we analysed the results of action taken by 26 councils to tackle SPD fraud. We found fraudulent levels of claims were commonly between 4 and 6 per cent of SPD claims. This confirms our previous estimate that SPD fraud is costing at least £90 million each year.

35 Although nationally the number of SPD claimants represents about one-third of council taxpayers, the level at individual authorities varies between one-quarter and a half. A greater than average number of SPD claimants is not, in itself, proof of SPD fraud and there are usually good reasons for local variances. For example, a council with a large population of older people is more likely to have higher levels of SPD claimants. To help councils, we have developed a tool that allows them to compare their level of SPD with their predicted levels. This is calculated by using core census data. Local authorities can access the tool at <http://spd.audit-commission.gov.uk>

36 Some councils have been addressing SPD fraud for years, but still benefit from annual counter-fraud exercises. Harrow Council has actively tackled SPD fraud for the last five years using data matching and other financial checks. Although the Council now has the third-lowest percentage of SPD claimants in England it continues to take action against this type of fraud and is still saving taxpayers' money. In the five years since the Council

started this work, it has identified 2,386 claimants who were not entitled to claim the discount. The Council estimates, in total, it has recovered over £3 million of additional income and the council tax base for the current financial year has increased by approximately £1 million as a result.



A number of councils have worked together to prevent, investigate and detect council tax fraud.

37 Brent Council, with the help of NFI data matching, identified 1,200 people who were fraudulently claiming SPD on council tax. The Council recovered £800,000 from claimants and increased the tax base of the authority by £350,000 for subsequent years. The Council intends to prosecute a number of the fraudsters as a deterrent.

38 In PPP 2009 we noted some district councils had drawn attention to financial disincentives to tackling SPD fraud. In county areas, district councils bear the cost of council tax collection and the cost of prevention, investigation and detection of council tax fraud. Because of pooling arrangements, the county council may receive a larger share of any additional council tax collected. A county council could, therefore, benefit more from a fall in SPD fraud but not bear the costs of tackling the fraud.

39 In some county areas, district and county councils have worked together to address SPD fraud. The arrangements include sharing costs and extra revenue raised on a more equitable basis. Where partnerships have been created, there has been considerable impact. Councils across Leicestershire received an extra £1.3 million from council tax as a result of working together. In Warwickshire, significant benefits of around £1 million are predicted arising from joint action by districts and the county council. Nationally, these arrangements are not widespread and councils should do more to improve joint incentives.

£1.3m
of extra council tax was raised in one county by tackling SPD fraud in partnership

'The last PPP report highlighted the potential size of council tax SPD fraud in Warwickshire. It reinforced the need to undertake a data-matching review and has provided us with a business case to agree an "invest to save" approach. All five district councils in Warwickshire working with the county council and police authority will undertake a full review of SPD during 2010/11. We predict that this will net a potential £1 million county-wide if the average error rate of 4 per cent is identified.'

Bob Trahern, Assistant Chief Executive (Community Engagement), North Warwickshire Borough Council

40 Our work in 2010 noted many examples of good practice all councils should consider when assessing their arrangements for preventing and detecting SPD fraud, including:

- innovative use of technology and effective partnership working with the private and public sectors. This includes enhanced data matching and full use of the information provided by NFI;
- granting amnesties to encourage claimants to inform councils of their fraudulent claims;
- adopting a risk-based approach to identifying potential SPD fraud because reviewing all SPD cases yearly may not represent the best use of scarce resources;
- considering, where appropriate, the use of prosecution or council tax financial administration penalties; and
- employing suitable verification checks at the first point of claim.

41 As well as SPD, other council tax allowances are available which, if claimed fraudulently, can have a significant financial impact on councils' finances; for example, properties that are solely occupied by students are entitled to 100 per cent exemption from council tax. Councils should check these allowances are properly claimed.

42 Croydon Council identified more than 500 properties receiving student discounts amounting to more than £1.5 million each year. By undertaking a targeted review of these discounts, the Council found a significant number of students allegedly studying in about 30 fake colleges or false addresses in various parts of North and East London. Inquiries revealed some of the alleged colleges were actually local high street shops and restaurants. The Council made estimated annual savings of £104,000 by cancelling the fraudulently claimed discounts. The total cost of the investigation was around £5,000.

Recruitment fraud

43 Councils employ more than two million permanent staff (Ref. 10) and many thousands of temporary and agency staff. In PPP 2009 we underlined the importance of verifying the identity, qualifications and past employment records and, where appropriate, the criminal history of those already employed and those applying for posts with councils.

44 As a result, some councils have strengthened their recruitment and vetting procedures. Ealing Council adopted an enhanced vetting approach and found:

- in 2009/10, 6 per cent (3 per cent in 2008/09) of all successful candidates for a permanent position failed the vetting checks; and
- in 2009/10, almost 13 per cent (32 per cent in 2008/09) of all successful candidates for a temporary position failed the vetting checks.



Recruitment fraud is still a significant risk that councils need to address.

45 The main reasons for vetting failures included: job applicants had no right to work in the UK; false identification; false references; false work histories; false qualifications or they had committed benefit fraud.

46 Recruitment fraud is still a significant risk councils should address. The use of skilled vetting teams should be an important part of recruitment and a key measure in preventing employment fraud. All councils should satisfy themselves they are doing enough to ensure their recruitment processes for permanent and temporary staff are secure, meet good practice benchmarks and are working effectively.

Case study 2

A council applied vetting procedures before employing a temporary management accountant, who was a member of a recognised accounting institute, in a financially sensitive post. The applicant produced excellent references and reported being previously employed in similar roles by seven other councils. No employment concerns had ever been raised about the individual by any of her previous employers. However, checks by the council's specialist recruitment vetting officer found significant discrepancies with the applicant's identification documents. Further enquiries established she held passports for at least three different identities. The applicant was sentenced to 300 hours community service.

Source: Audit Commission

Significant fraud risks

Personal budgets (direct payments)	26
Procurement	29
Housing and council tax benefit	33

This chapter identifies some major fraud risks and what councils should do to tackle them.

47 Councils are facing a period of significant change. Cuts in funding and reduced staffing levels are occurring as demand for some services increases and the delivery of other services is transformed. Fewer staff may mean internal controls are undermined and fraud risks change. In this report we focus on risks to council activities where there is major change, evidence of continuing fraud and activities involving large annual spending, namely:

- personal budgets, in particular the use of direct payments for adult social care;
- procurement; and
- housing and council tax benefits.

Personal budgets (direct payments)

Councils increasingly use personal budgets to manage and deliver care

48 The provision of adult social care in England, currently costing over £16 billion each year, is undergoing significant change (Ref. 11). Councils increasingly use personal budgets to manage and deliver care. A personal budget is a direct allocation by a council of funding for an individual to spend on a support plan to meet an agreed set of needs. These budgets provide social care users with more choice and control over the support they receive by giving them the power to spend the money in the way most suitable for them. In March 2010, there were about 170,000 care users with personal budgets receiving about £900 million of care funding (Ref. 12). Further expansion is planned for the next few years.

49 Personal budgets are provided in various ways, including direct payments, to the care user. However, budgets may also be managed by the council, an independent care provider, family member, friend or by a mixture of these. Direct payments have been a feature of adult social care for over a decade and may soon account for between one-half and three-quarters of all personal budget spending. This represents a large increase in direct payments spending.

50 Fraud risks include:

- a person falsely claiming they require care. Although the potential for such fraud has always been present in the provision of adult social care, the direct access to funds afforded by direct payments is likely to be more attractive to potential fraudsters than traditional care packages;
- fraud by the person managing the personal budget of the person in need; and
- fraud by an organisation or person providing care to the person in need.

Case study 3

A registered social worker who was a former council employee received £25,000 in direct payments from that council to meet her care needs over a two-year period. When the care package was originally commissioned no medical evidence was provided to confirm the illness – supposedly a rare form of arthritis that would not have been easily detected through blood tests.

As a social worker and former employee of the council, the fraudster was well placed to exploit weaknesses in the direct payments system. To perpetrate the fraud, the fraudster interviewed a care provider with a view to having that person meet her care needs. Instead the fraudster used the interview to obtain personal information to steal the carer's identity that was then used to submit false claims to support the direct payments package.

The fraud was brought to the attention of the council by police as part of a separate enquiry. The fraudster was found guilty of two charges of fraud and received a 15-month custodial sentence and a confiscation order for £25,000 under the Proceeds of Crime Act.

Source: Audit Commission

51 It is too early to estimate how much fraud may be taking place with personal budgets. Experience to date of proven fraud with direct payments has been low. Where fraud cases have been reported, it is important to note social workers have played an important part in identifying them.

52 A care user may be totally dependent on others to manage their care and finances and could be confused or too embarrassed to report any abuse. The challenge facing councils in this changing environment is to encourage and support the innovative use of personal budgets and safeguard people adequately, while reducing the risk of fraud and financial abuse. Abuse of a personal budget is easier to perpetrate, harder to detect and more difficult to prove because individuals do not have to account for every pound they spend. Councils must ensure they have suitable safeguards within their personal budget processes.

Case study 4

A person was jailed for four and a half years for fraudulently claiming around £200,000 from a council, including £58,000 in direct care payments over several years. The person claimed to be paraplegic, bed-bound and requiring 24-hour care. No formal medical examination was undertaken by the council to verify the seriousness of the disability. Instead, the council relied on the Disability Living Allowance awarded by the Department for Work and Pensions as evidence of the disability. The fraudster also had several forged medical reports that she used to support her claim.

Using a different identity, she also ran a cafe in a property leased from the council on a low rent. The council intended to charge a market rent once the cafe was running at a profit. She misled the council by stating the cafe operated at a loss.

The funds gained from the public purse allowed the fraudster to lead an extravagant lifestyle. Subsequently, the council obtained evidence her disabilities were not as severe as she had claimed and the cafe was profitable. The council's investigation identified weaknesses in the direct payments system including a lack of expert medical evidence and insufficient rigour in the review process.

Source: Audit Commission

53 Our research has identified good practice by councils in tackling personal budget fraud, including:

- fraud awareness training for social workers;
- early involvement of counter-fraud specialists in identifying risks in the personal budget process and procedures;
- risk-based internal audit reviews of personal budget arrangements;
- establishing a clear council policy, which is communicated to budgetholders, on the appropriate use and unacceptable misuse of personal budgets, especially direct payments;
- use of payment cards; and
- good working relationships between counter-fraud and safeguarding teams.

The risk of fraud is reduced when social workers receive appropriate fraud awareness training

54 Social workers can play a key role in the personal budget process by ensuring the scope for financial abuse is kept to a minimum at the care plan assessment stage and in the monitoring and safeguarding process thereafter. We believe the risk of fraud is reduced when social workers receive appropriate fraud awareness training. This should include being made aware of the signs and consequences of fraud and of the need to work closely with audit and counter-fraud specialists should suspicions

arise. Councils should also seek to strengthen and promote whistleblowing arrangements among staff, care providers and the public to encourage early identification and reporting of fraud or financial abuse.

55 Key stakeholders and professionals recognise the risk that fraud and financial abuse can represent to the successful use of personal budgets, particularly direct payments. Councils should ensure that monitoring and safeguarding arrangements give due regard to the potentially damaging impact of fraud.

'A council performs its duty of care to provide social services when an individual agrees to take a direct payment. However, the duty of care continues with the requirement to monitor the success of the care plan to meet the needs of the vulnerable person. Fraud can have a direct and damaging impact on the outcomes of the care plan.'
Association of Directors of Adult Social Services. *Personalisation and the law: Implementing Putting People First in the Current Legal Framework*, October 2009.



Any fraud in the procurement process diverts funds away from public service provision.

56 Cases of financial abuse are difficult to detect and prove. A new working partnership between internal auditors, finance staff and care staff in councils is critical. The good practice we highlight in our report seeks to encourage councils to develop this.

Procurement

57 Councils spend around £80 billion each year buying goods and services from suppliers and funding major construction projects (Ref. 13). There is currently no credible estimate of the level of procurement fraud in local government. If only a small percentage of the total spending on procurement was lost through fraud, the potential cost to the public purse would be very significant.

58 A number of professional bodies and associations in the public and private sectors have recognised that more needs to be done to prevent and detect procurement fraud. Although the number of reported cases of procurement fraud is currently low compared to other types of fraud, this is likely to be a reflection of the lack of work in this area.

59 Any fraud in the procurement process diverts funds away from public service provision and reduces value for money for the taxpayer through substandard or unnecessary purchases. Councils may also pay more than necessary for the goods and services they buy. Losses can be large and the impact of the fraud damaging. Councils should also be aware that failure to undertake appropriate checks may negate any fidelity insurance policy.ⁱ This can result in failure to recover a loss.

Case study 5

A council used a worker provided by an employment agency to manage a project. The council placed the agency worker in charge of a large budget and he gave the project work to several contractors.

The budget was rapidly overspent and the council diverted money from other council budgets to continue the project. Following information from one of the contractors, the council discovered the agency worker had set up his own fictitious company and was making false claims for work done. The fraud itself amounted to over £110,000. Legal and investigation costs were of a similar scale.

The insurance company that issued the council's fidelity insurance policy refused to pay compensation because the council had not undertaken sufficient checks when recruiting the fraudster. The agency had undertaken what it considered to be reasonable employment checks but they did not meet the requirements of the fidelity insurance policy.

The agency worker was sentenced to two years' imprisonment. Further inquiries showed the fraudster had provided a false CV and had a previous conviction for a similar offence.

Source: Audit Commission

ⁱ Most frauds against councils are perpetrated by outsiders. Occasionally, a fraud may be carried out by a member of staff – an internal fraud. When other ways of recovering money lost because of an internal fraud have failed, councils may rely on external arrangements – that is, they buy insurance, normally called a fidelity guarantee policy.

60 Procurement fraud may involve external contractors, subcontractors or employees, or a combination of these colluding to perpetrate a fraud. The risks include bribery, failure to comply with contract criteria, unlawfully fixing bids for a contract, money laundering and submitting false claims. There are many points and stages within the procurement process where fraud risks exist. Timely and effective action can reduce the risks and provide significant savings to the public purse.

61 As a consequence of recent legislative changes, councils may be exposed to the risk of additional costs where procurement fraud leads to a contract not being issued in accordance with European Procurement Directives. This could mean unsuccessful bidders challenge the process and the council could face direct financial loss or possible claims from unsuccessful bidders for financial compensation. In such cases, the Courts may also set aside a signed contract thus involving the council in more cost in undertaking the procurement process again.

62 The work of the OFT on cartels provides an example of how widespread, costly and damaging procurement fraud and illegal activities can be. A cartel is an agreement between businesses not to compete with each other. The agreement is usually secret, oral and informal. Cartels are a form of anti-competitive behaviour costing the public purse hundreds of millions of pounds in poor value for money and losses. In 2009, the OFT finalised an investigation into alleged bid-rigging in major public and private sector building and construction contracts. It imposed fines totalling £129 million on 103 construction firms found guilty of unlawful collusion with competitors. During its investigations, the OFT uncovered evidence of cover pricingⁱ by 1,000 companies in over 4,000 contract tenders. The OFT described this illegal practice as widespread and endemic within the construction industry. The evidence to support this view is strong and could mean public contracts worth millions of pounds are affected.

63 The OFT has produced guidance for public bodies to reduce the risk of illegal practices affecting the way they award and allocate contracts. Disappointingly, despite their warning, action to prevent cartels has not been widespread. CIPFA can also help councils to improve their procurement arrangements (Ref. 14). Those responsible for governance should ensure their organisation has:

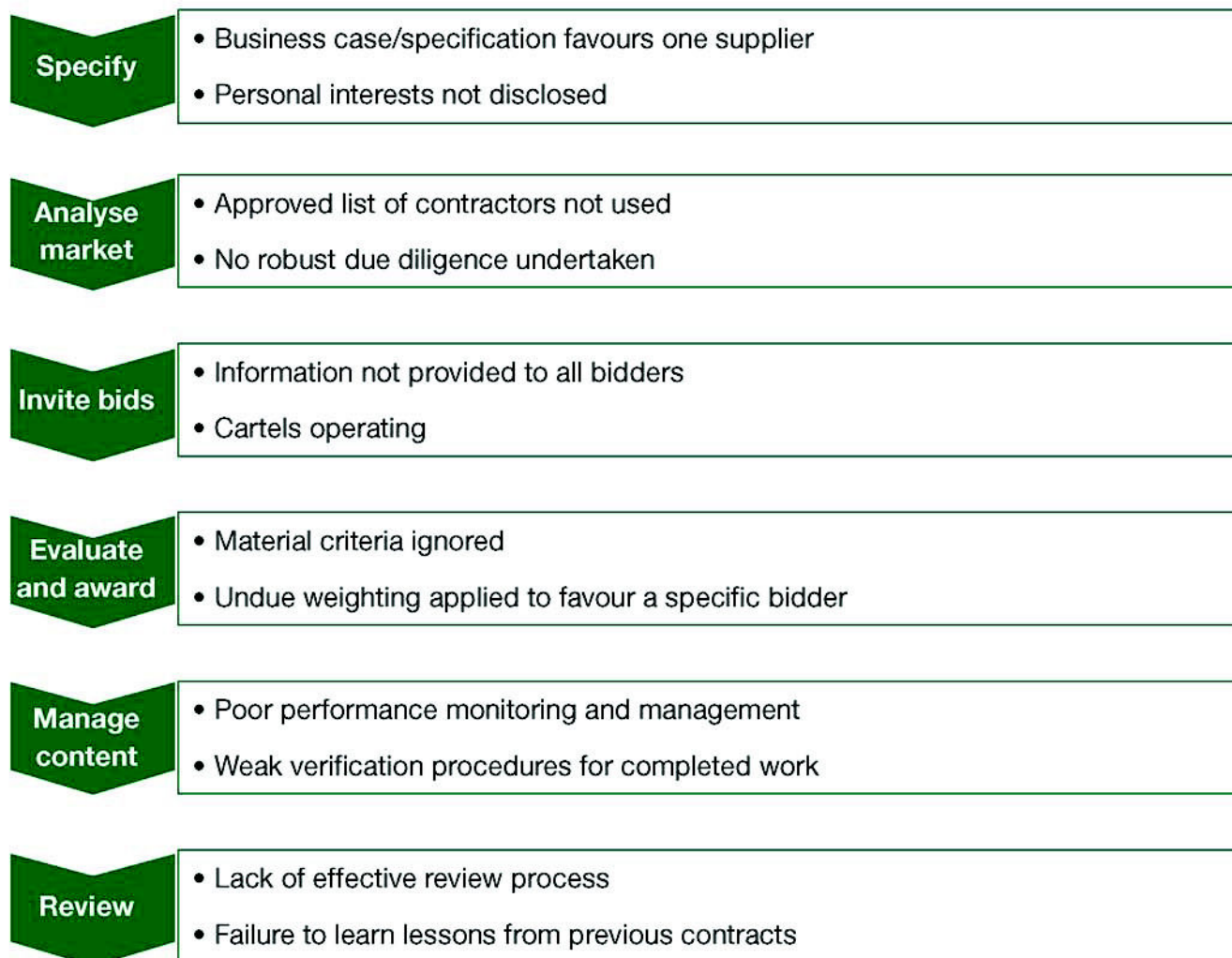
- effective corporate procurement arrangements, by comparing their arrangements with good practice;
- proper arrangements for reporting suspected fraudulent or unethical behaviour;
- included procurement in the annual internal audit programme; and
- ensured frauds detected and lessons learned are shared effectively throughout the council.

ⁱ Cover pricing is the practice where bidders for a contract secretly agree the prices they will submit. A bidder that does not wish to win the contract submits a price that is much too high and in some cases is then rewarded with a secret payment from the successful bidder.

64 Procurement fraud is not always easy to detect but should be a priority for councils and their counter-fraud staff. Figure 2 includes some of the key risks councils face.

Figure 2: **Procurement – the stages and some examples of risks**

Fraud may occur at any stage in the procurement process.



Source: Audit Commission

65 In 2008/09, Lambeth Council spent £531 million on purchases and contracts. A Corporate Procurement Team advises officers across the Council on contracting, commissioning and procurement. Strategic and departmental boards oversee procurement. The Council developed a four-stage procurement process, which includes counter-fraud and loss prevention measures. The Council has satisfied itself the requirements and limits within these processes, such as delegation levels, are robust and include checks on procurement requirements.

66 The Council's electronic contracts register contains key information for all contracts valued at £25,000 or more. The register, which is linked to the Council's finance system, enables departmental boards and staff to oversee procurement throughout each stage and across the Council as a whole. This helps to strengthen the authorisation and purchase order processes.

67 The Council undertakes post-implementation reviews that help to ensure promised outcomes have been achieved.

Housing and council tax benefit

68 In 2009/10, almost £22 billion of housing and council tax benefit was paid by councils in England (Ref. 15). Between April 2008 and March 2010, according to the results of our surveys, councils detected over 150,000 fraudulent claims for benefits with losses of nearly £200 million.



National and local data-matching tools have helped councils detect fraud.

69 Councils use various tools such as national and local data-matching exercises that can be provided by public or private sector organisations to help them detect fraud. Outcomes are significant and show preventing and detecting housing and council tax benefit fraud are still important areas for councils.

70 Islington Council's Housing Benefit Service was the target of a sophisticated and organised fraud based on the use of false identity documents. By June 2010, 70 false claims had been identified and cancelled. This has resulted in a yearly saving to the council of more than £700,000. Information about the fraud was passed to Camden Council to ascertain whether the fraud had crossed Council boundaries. By June 2010, Camden discovered 20 claims where fake passports were used as identification. All of these claims have been cancelled with overpayments totalling more than £250,000. Details of the fraud have now been circulated to all councils in London.

**£5.8m
of overpayments
were uncovered
by Birmingham
City Council**

71 As part of the Council's Internal Audit Section, Birmingham City Council has two teams to tackle benefit fraud. One is responsible for processing all potential fraud cases. It decides whether each case is to be investigated fully using a risk-based scoring system that assesses the quality of an allegation or referral. Once it has decided a case is suitable for further investigation, it passes it to the second team. An investigator is assigned to each case. The investigator makes enquiries, interviews the benefit recipient and third parties and conducts an interview under caution.

72 Over the last three years, the Council has:

- identified almost 18,000 cases of suspected fraud or error;
- prosecuted, cautioned or given an administrative penalty (a fine equivalent to 30 per cent of the overpayment) to about 1,400 people;
- uncovered £5.8 million in overpayments; and
- prevented overpayments of around £3 million.

73 The two fraud teams work closely with other council departments such as Benefits, Council Tax, Licensing, Leisure, Trading Standards and the Blue Badge Parking Concessions Team. These services refer large numbers of fraud cases. The teams also provide advice and fraud awareness to council staff through DVDs, leaflets and training sessions.

74 Councils should continue to focus on benefit fraud risks and use such examples of good practice to maintain and, where appropriate, improve on previous performance in detecting benefit fraud.

Increasing impact – learning from others

Top-level commitment to fighting fraud	36
Managing the counter-fraud team	37
Managing specialist resources	38

This chapter describes some of the impressive work councils have undertaken in their fight against fraud and recommends others learn from them.

75 Learning from others is a cost-effective means of maintaining or improving performance. With the agreement of those councils named, we report just a small part of the good practice in counter-fraud work we have seen over the last year.

‘One of the first steps in dealing with fraud is admitting it exists.’

Mike Suarez, Executive Director of Finance and Resources, Lambeth Council

Top-level commitment to fighting fraud

76 For counter-fraud work to be effective, top management must be committed to fighting fraud.

77 Lambeth Council adopts a zero-tolerance approach to tackling fraud. Senior officers and councillors – from the Council’s Leader through to the Audit Committee – fully support the approach. Successes in tackling fraud are made public to act as a deterrent. Establishing and working in partnership with internal and external groups is also a large part of the Council’s way of working. Partnership working, including councillors and staff, brings together all the expertise across Council departments. Good communications mean key messages are given internally and externally – for example, the successful recovery of housing properties from tenancy fraudsters.

78 The effective management of fraud risks requires a corporate response and senior officer commitment. Portsmouth City Council has achieved this, in part, by creating an Investigation Steering Panel. The Panel oversees the City’s counter-fraud policy and response plan as well as forensic or financial investigations. It ensures preventive measures address any identified weaknesses.

79 The Panel meets fortnightly. Some of the Council’s most senior officers including the Strategic Director (Section 151 officer)ⁱ, the Monitoring Officer, Head of Human Resources and Chief Internal Auditor are members. This high-level commitment provides a clear message from the top of the organisation that fraud will not be tolerated at the Council. It also helps the organisation to take a strategic view of fraud and provide Council-wide solutions.

ⁱ Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs.

80 In PPP 2009 we recommended councils check the management of their counter-fraud resources against the good practice identified by CIPFA in *Managing the Risk of Fraud* (commonly referred to as the Red Book) (Ref. 16). Some authorities have subsequently done this and agreed actions to address weaknesses identified.

81 Some councils have also used the checklist provided in PPP 2009. As a result, a number have established a more coordinated approach to tackling fraud, increased the dedicated resources available and refocused their counter-fraud activities. Fraud is identified as a corporate risk in an increasing number of councils. Partnership links with other public sector organisations are being forged and some councils have established a central point for recording and monitoring fraud risks and trends.

Fraud prevention requires a concerted response

82 Ealing Council has sought to ensure current fraud risk management practices continue to keep pace with recognised good practice. To facilitate this, the Council compared its arrangements against CIPFA guidance, the PPP 2009 checklist and results of work by the London Boroughs' Fraud Investigators Group. Although it confirmed many areas of good practice, the Council recognised it needed to align some activities more closely with recognised good practice. This included:

- identifying potential new fraud risks, including voluntary sector grant, foster parent payments and personal budget fraud. The Council is currently reviewing them; and
- refocusing counter-fraud activity on housing tenancy fraud, resulting in a 43 per cent increase in the number of referrals for further investigation.

83 Wirral Council, although identifying many areas of good practice in its counter-fraud activities, decided to set up a Corporate Counter-fraud Team. It has updated its counter-fraud policies, improved the specialist skills of Team members and included fraud, for the first time, in the Council's corporate risk register.

Managing the counter-fraud team

84 Counter-fraud teams should ensure they can demonstrate their effectiveness and the contribution they make to preventing and detecting fraud perpetrated against their councils. Teams should set clear targets, expected outcomes, undertake fraud risk assessments and report regularly to those charged with governance.

85 As part of the Finance Service, Oxford City Council's Investigation Team conducts all fraud investigations. The Head of Finance approves the Team's annual service plan and targets. The outcomes of benefit investigations are reported twice each year to the Audit and Governance Committee and the results of all other investigations to every meeting.

86 The Team is responsible for coordinating the Council's action on NFI data matching and matches are examined using an enhanced risk-based approach. Savings have amounted to more than £318,000.

87 Working in partnership with the Jobcentre Plus Investigation Service, the Team has also helped save more than £280,000 in other welfare benefits overpayments.

88 The Council's fraud management system, which is used to assess the risk of all fraud referrals, enables weighted risk assessments according to identified risk factors such as location or referral source. The risk assessment is also weighted to ensure a referral is fully investigated where specific details have been provided as part of the allegation, for example, the name of an employer. The higher the score, the more likely the investigation will have a successful outcome. In this way, the Team focuses on risk, working smarter and achieving better results.

89 The Institute of Revenues Rating and Valuation (IRRV) is the professional body specialising in administering all aspects of housing and council tax benefit. Each year it presents an award for excellence in counter-fraud work alongside its awards for other aspects of revenues and benefits administration. In 2009, the winner was Coventry City Council in partnership with North Warwickshire Borough Council and Rugby Council.

90 The IRRV was impressed by the performance of the three councils and other partners in tackling fraud together. Joined-up working resulted in the delivery of a pilot project with the Department for Work and Pensions that targeted benefit fraud across the three councils, examined all available information sources and tested the prosecution process in the various organisations. The project resulted in 14 prosecutions, 3 cautions and 3 withdrawals of benefit. The total fraudulent overpayments identified exceeded £200,000 including one case of over £40,000.

Managing specialist resources

91 Lambeth Council employs a full-time insurance investigator whose work involves speeding up legitimate claims and challenging exaggerated ones. In doing so, the investigator has uncovered significant frauds.

92 As a result of the investigator's work, the Council introduced more focused checks at an early stage of claim processing so false claims could be identified sooner. While the number of insurance claims has remained constant, the Council has detected more frauds since the investigator was appointed. The Council estimates it has saved around £1.4 million in claim settlements and associated costs, such as legal and loss adjusters' fees. The learning gained from the claims investigated is used to improve future working practices. For example, front-line staff receive a checklist of things to look out for when conducting home visits and this has raised fraud awareness and improved detection.

93 The police also seconded an officer to the Council's Internal Audit Team to help with handling fraud cases and improve the detection and prosecution of offenders. The officer can arrest suspected fraudsters and interview them under caution. This reinforces the Council's zero tolerance of fraud. The Council pays half the costs of this officer but the savings achieved more than cover the costs. The officer was involved in over 40 cases during 2009/10, where the Council recovered at least £285,000. A further £236,000 is still under investigation. The Council believes the officer's secondment has had a major impact on fraud deterrence and prevention, and has successfully linked police powers with the expertise and local knowledge of Council officers.

94 The Proceeds of Crime Act 2002 allows councils to use powers previously only available to police and Her Majesty's Revenue and Customs to confiscate assets gained through criminal activities. A council first undertakes a financial investigation that must be carried out by specialist staff – an accredited Financial Investigator (FI). Once someone has been convicted of an offence in a criminal court, the council can apply for confiscation of assets identified as proceeds of crime. This can include money, houses, goods, cars, shares or any other assets the FI identifies.

95 The employment and training of FIs is expensive. Accreditation is undertaken by the National Policing Improvement Agency and can take two years. Sharing specialist staff is, however, a cost-effective alternative. Kirklees Council has created a shared Financial Investigation Service. The Service is available to the Council's law enforcement departments as well as external agencies throughout the public sector. Customers include Bradford, Calderdale, Leeds and Wakefield Councils and West Yorkshire Trading Standards. All customers who use the shared service sign a customer agreement that enables the Service to conduct investigations under the Proceeds of Crime Act on their behalf. The Service is still developing, but is already proving successful, by identifying and recovering assets gained from criminal activity.

**Sharing
specialist staff is
cost-effective for
councils**

Conclusion

This chapter sums up what public organisations need to do to maximise the effectiveness of their counter-fraud resources.

96 Fraud prevention and detection requires a concerted response. PPP reports have helped by encouraging organisations to work together to share information and benefit from specialist expertise. By joining forces, councils and related bodies can take effective action to stay one step ahead in the fight against fraud.

97 With the recently announced abolition of the Audit Commission, our detected fraud survey for local government and the publication of the results will cease. The survey provides valuable information about the performance of local government in tackling fraud. It also helps to identify emerging fraud risks and provides an early warning system for counter-fraud staff. The 2011 survey will be the last one we carry out. CLG may wish to discuss with the NFA how best to continue this important work.

References and appendices

Appendix 1: Checklist for those responsible for governance	43
Appendix 2: References	46

Appendix 1: Checklist for those responsible for governance

General	Yes	No	2009 Action	2010 Update
1. Do we have a zero-tolerance policy towards fraud?				
2. Do we have an appropriate approach, counter-fraud strategies, policies and plans?				
3. Do we have dedicated counter-fraud resources?				
4. Do the resources cover all activities of our organisation?				
5. Do we receive regular reports on fraud risks, plans and outcomes?				
6. Have we assessed our management of counter-fraud resources against good practice?				
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> ■ new staff (including agency staff); ■ existing staff; ■ elected members; and ■ our contractors? 				
8. Do we work appropriately with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?				
9. Have we agreed to work with relevant organisations to ensure effective sharing of knowledge and data about fraud?				
10. Do we identify areas where our internal controls may not be performing as well as intended?				
11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports from it on outcomes?				

General	Yes	No	2009 Action	2010 Update
12. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?				
13. Do we have effective whistleblowing arrangements?				
14. Do we have effective fidelity insurance arrangements?				
Fighting fraud in the post-recession environment	Yes	No	2009 Action	2010 Update
15. Have we reassessed our fraud risks in the light of the current financial climate?				
16. Have we amended our counter-fraud action plan as a result?				
17. Have we reallocated staff as a result?				
Current risks and issues	Yes	No	2009 Action	2010 Update
Housing tenancy				
18. Do we take effective action to ensure that social housing is allocated only to those who are eligible?				
19. Do we ensure that social housing is occupied by those to whom it is allocated?				
Procurement				
20. Are we satisfied procurement controls are working as intended?				
21. Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with best practice?				

Current risks and issues	Yes	No	2009 Action	2010 Update
Recruitment				
<p>22. Are we satisfied our recruitment procedures:</p> <ul style="list-style-type: none"> ■ prevent the employment of people working under false identities; ■ validate employment references effectively; ■ ensure applicants are eligible to work in the UK; and ■ ensure agencies supplying us with staff to undertake the checks that we require? 				
Personal budgets				
<p>23. Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced appropriate safeguarding arrangements proportionate to risk and in line with recommended good practice?</p>				
Council tax				
<p>24. Are we effectively controlling the discounts and allowances we give to council taxpayers?</p>				
Housing and council tax benefits				
<p>25. In tackling housing and council tax benefit fraud do we make full use of:</p> <ul style="list-style-type: none"> ■ the NFI; ■ Department for Work and Pensions Housing Benefit Matching Service; ■ internal data matching; and ■ private sector data matching? 				

Appendix 2: References

- 1** Communities and Local Government, *Local Government Financial Statistics 20*, June 2010.
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- 12** Association of Directors of Adult Social Services, *Putting People First – Progress in the Delivery of Personal Budgets 2010*, May 2010.
- 13** *Local Government Procurement Review*, Issue 13, 2009.
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If you require a printed copy of this document, please call: **0800 50 20 30** or email: ac-orders@audit-commission.gov.uk

This document is available on our website.

We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: nationalstudies@audit-commission.gov.uk

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Appendix 2

Department for Communities and Local Government
Zone 4/J6
Eland House
Bressenden Place
London
SW1E 5DU

20 December 2010

Dear Chief Executive,

I am writing to let you know that as part of the Government's commitment to tackling social housing fraud you have been allocated £100,000 in both 2011/12 and 2012/13 to support further work in this area. This money will be paid via area-based grant and forms part of your Preventing Homelessness funding.

Future funding for this work may also be available for 2013/14 and 2014/15.

Further funding has been provided to enable the Chartered Institute of Housing to host a small team of experts who will be available to support social landlords across the country and offer advice on the most effective policies and procedures.

Finally, the National Fraud Authority is in the process of setting up a framework agreement that will enable you to use credit reference agencies more cheaply, as a means of identifying potential fraud. We will supply further details on this in due course.

If you have any questions about this initiative, please contact:
socialhousingfraud@communities.gsi.gov.uk

Yours sincerely,

Paul Downie
Deputy Director, Housing Management and Performance

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Editorial

You may have already seen the brief article in November's edition of Housing Benefit Direct about the new Fraud and Error Strategy which was published on Monday 18th October. The strategy can be found on the DWP's website at <http://www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf>

I want to say how pleased I am that the strategy addresses not just the benefits DWP and local authorities administer, but also the Tax Credits administered by HMRC. This means that, for the first time ever, we have a strategy that focuses on reducing fraud and error across all of these welfare programmes and will help remove some of the operational barriers that, I know, have been a cause of frustration for investigators.

As you may have seen, the strategy includes plans for a new single fraud investigation service, a new integrated risk and intelligence unit and a new regional mobile task force. Together these will provide the basis for a new radical, innovative approach to preventing fraud and error from getting into our systems as well as targeting faster, intelligence led interventions more effectively at the highest risk cases.

That said, I want to acknowledge the many concerns that have been expressed about no prior consultation with your Associations or opportunity for local authorities to contribute to development of the strategy before publication. Also I know many of you are anxious about what the single Fraud Investigation Service will mean for LA investigators. But, at the same time, I want to reassure you that there remains a lot still to do to develop the initiatives in the strategy to a lower level of detail and to prepare to implement them. I, along with my DWP and HMRC colleagues, are very keen to work closely with you and your Local Authority Association representatives as we take all this forward. In the meantime, I have now met separately with local authority representatives from both the DWP/Local Authority Association Steering Group, and SOG, to explain the content of the strategy in more detail, and we will be following up shortly with discussions about involving LAs in the implementation.

Thank you to all of you who have been in touch. Understandably, there has been lots of interest in the new strategy from local authorities colleagues across the country – particularly about the single fraud investigation service. I hope you will find this version of 'HB Direct Special' helpful, as it focuses solely on the strategy and seeks to answer the questions many of you have raised. If you have any queries please contact frauderror.strategy@dwp.gsi.gov.uk

I look forward to working with you as we take forward these initiatives.

David Barr – Head of Fraud and Error Strategy Division

 Email: frauderror.strategy@dwp.gsi.gov.uk



The new Fraud and Error Strategy

How did it all start? As some of you may know, earlier in the year, the DWP began work on developing a new fraud and error strategy.

However, in the summer, the Prime Minister asked the DWP, along with HM Revenue and Customs (HMRC), to develop a new joint Fraud and Error Strategy. This enabled us to broaden the scope of work that we had already begun.

The new strategy, which represents a step change in our fight against fraud and error, will

- help to equip staff with a range of tools and powers to tackle fraud and error
- introduce a range of tougher sanctions to punish those who commit fraud more harshly
- increase the use of third party data and introduce innovative analytical techniques to reduce fraud and error
- use real time data at the point of claim before fraud and error can enter the system

The strategy sets out a range of new measures for DWP, LAs and HMRC. It is based around five elements: Prevent, Detect, Correct, Punish and Deter and the initiatives which sit directly beneath them are expected to reduce the level of fraud and error by over 25% (£1.4bn) by 2015.

The key measures are

- Forming a single fraud investigation service
- Employing over 200 new anti-fraud officers to detect fraud

- Creating a new mobile regional task force to investigate each and every claim in high fraud areas
- Abolishing cautions as a penalty for fraud
- Increasing asset seizure
- Bringing in a new tougher one-strike, two strike and three-strike rules, including three year loss of benefit for people who are convicted of serious fraud
- Imposing a minimum fraud penalty - £350
- Introducing Civil Penalties - £50 for customer negligence
- Working closely with Crimestoppers
- Naming and shaming fraudsters in local areas

We expect most of the new measures to start from 2012/13 which takes into account the need for procurement and changes to the legislation. There is much work to be done to flesh out the detail and we want to work with your Local Authority Associations and LA representatives in taking the initiatives forward.



Questions and answers

What will the single fraud investigation service do?

The single fraud investigation service will investigate welfare fraud across all benefits and Tax Credits administered by DWP, HMRC and LAs. This will increase efficiency and consistency of criminal investigations.

The intention is to create one fraud investigation service covering all benefits and credits including Housing Benefit. This would include LA Housing Benefit fraud functions. Universal Credit will replace working age benefits starting in 2013 and will help to drive significant fraud and error savings through radical simplification of the welfare system. The Government has announced plans for Council Tax Benefit to be replaced from April 2013 by local schemes, designed and administered by LAs, the details of which are yet to be decided.

The strategy intends that the new single fraud investigation service will be in place from 2013, ready for the introduction of Universal Credit. Much work needs to be done to look at the detail and we will work with Local Authority Associations and LA reps in taking that forward.

How will the single fraud investigation service be formed?

By combining the benefit, and tax credit, fraud investigation resources of DWP, LAs and HMRC. Also, the Government is funding an additional 200 fraud investigator posts. The intention is that LA benefit fraud investigators will become part of the single fraud investigation service when it is formed in 2013. Options for integrating LA investigators will be discussed with the LA Associations. The White Paper 'Universal Credit: welfare that works' published on 11th November 2010 announced that delivery of Universal Credit will be the responsibility of DWP. We will look at where best, under DWP, the single fraud investigation service should sit as options for delivery of Universal Credit are developed.

Does creating a single fraud investigation service mean that LAs' Fraud Investigation Service can start investigating tax credit fraud?

No. Discussions will need to take place between DWP, HMRC and LAs to help establish the new single investigation service by 2013. Meanwhile, as well as continuing with existing arrangements for investigation we are also looking to enhance joint working across DWP/LAs/HMRC.



Questions and answers

Will the single fraud investigation service cover other (i.e. non benefit) frauds against LAs?

The remit of the new single fraud investigation service will cover benefits, tax credits and Universal Credit. However, we recognise that some LA fraud investigators deal with more than benefit fraud. We will take that into account in discussions with the LA Associations.

Will anti fraud activity be protected from cuts?

The strategy will increase investment in tackling fraud and error at a time when many other areas of expenditure are being reduced. However the strategy aims to deliver significant reduction in losses to fraud and error by 2015 thereby contributing to overall expenditure savings.

What is the Integrated Risk and Intelligence Service (IRIS)?

It is a central hub which gathers and processes data and intelligence on fraud, error and debt. It will look to make the most of analysis and maximise performance in anti-fraud and error activities. It will use the latest risk profiling and data analytics techniques to prioritise our highest risk cases.

IRIS will focus on: getting rid of existing fraud and error in the system; highlighting risks at the start of the claims process; and assist with ongoing case management via system alerts. It will play a lead role in coordinating the acquisition and use of Credit Reference Agency and any other third party service or data in anti-fraud and error activities for both the current benefits and tax credits system and for Universal Credits. This will drive counter fraud and error activities to optimise the value for money of our effort.

What about Data Protection Issues?

Proposals will be discussed with the Information Commissioner's Office to ensure they satisfy data protection legislation and safeguards.



Questions and answers

What is the Mobile Regional Task Force and what does it aim to achieve?

The Mobile Regional Task Force is a task force to check and correct claims in specific geographic locations. Our aims are to raise the profile of counter fraud activity and deter future fraud. This activity will be supported by local media campaigns to send out an important message to fraudsters. The Task Force will eventually be driven by the Integrated Risk and Intelligence Service.

What are our plans for local media campaigns?

We are planning to deliver local publicity reminding customers of their responsibilities and the consequences of getting caught for benefit fraud. As part of our communications strategy, we are also planning to introduce 'naming and shaming' in local areas. We will be working with local authorities to develop this strategy.

113

What changes are being made to make the sanctions regimes tougher?

We are planning to implement a range of tougher sanctions for those that fail to report changes in circumstance or commit fraud. These include:

- Introducing a minimum penalty for all fraudsters
- Introducing £50 civil penalty for not reporting changes
- Reviewing guidelines used by magistrates
- Extending the length of loss of benefit punishments for one and two strikes
- Introducing a third strike for serious fraud cases

What are the improvements to the Fraud Hotline and why are we doing it?

We want to encourage more valuable calls to the Hotline by rewarding the public for useful referrals and are considering placing an obligation on those who have information about a fraud to report it. This will build on the current success of the hotline.



Questions and answers

Why are we establishing a relationship with Crimestoppers and what does it aim to achieve?

Crimestoppers is an independent charity which takes anonymous calls from customers providing information about crime. Its 0800 555 111 line is open 24 hours a day, 7 days a week. Crimestoppers can make financial awards of between £50 and £1,000 for information received in certain circumstances.

Crimestoppers is planning a major national campaign against public sector fraud in early 2011 and DWP and HMRC will work closely with them to maximise the impact of the campaign on benefit fraud. DWP and HMRC will seek to build on and develop this relationship further.

What are the timescales for change?

There are no immediate changes to the way that we will investigate or sanction benefit fraud, so at this stage we will continue to follow existing processes and procedures – including still administering cautions.

As work begins on developing the projects in more detail timescales will become clearer. However we do know that most initiatives will not start until 2012. For example:

- subject to legislation, from 2012 we will look to start implementing powers to impose tougher sanctions.
- in 2013 we will begin the work of a single investigation service empowered to investigate both benefit and tax credit cases.

We will work with local authorities and HMRC to develop these plans.

How will you involve LAs in taking this strategy forward?

We will be consulting the LA Associations on the detail of the initiatives in the strategy and on plans to implement them. We are still at a very early stage but will be keen to have LA input to the various projects we will be setting up to implement the strategy.

If you have any questions please e-mail

 **Email: frauderror.strategy@dwp.gsi.gov.uk**



Appendix 4

**Asbestos Management Arrangements
in Schools, following the Asbestos
Incident at Norbury First & Middle
School on the 19th June 2010**

Executive Summary

The decision was taken to close Norbury First and Middle School on the 20th June 2010 after asbestos debris was noticed on the floor of the boiler room at the school by a representative of European Asbestos Services (EAS).

The EAS employee was attending the site to carry out remedial works to encapsulate the ceiling in the boiler room. He was joined by a representative from Asbestos Solutions, who was there to provide background air testing during the remedial works and re-assurance air testing on completion of the works.

At this time, in preparation for the remedial works and to facilitate access for EAS, the Norbury School Caretaker and the Caretaker from Marlborough First and Middle School were clearing the boiler room of materials and equipment (paint, ladders etc).

It was at this point that the EAS representative noticed asbestos debris; it appeared to have originated from the door surround at the entrance to the boiler room. The decision was taken to stop the clearance of the boiler room and the planned work was cancelled.

Static air monitoring was carried out in the boiler room, the readings were acceptable and below the permitted thresholds. To seal the boiler room, tape and warning notices were erected and it was locked shut.

The asbestos debris from the door surround appears to have been damaged between the 15th and the 20th June 2010, as this damage was not detected in the entrance when the need to encapsulate the ceiling was identified. It is possible that the damage occurred when the Caretakers were clearing the boiler room in preparation for the remedial works, although this cannot be confirmed.

When clearing the boiler room, the two Caretakers had been walking across the asbestos debris as they removed the materials and equipment. They may well therefore have disturbed the asbestos containing debris and been potentially exposed to asbestos fibres.

On the 23rd June 2010, the Council made an application to the HSE for a waiver to perform asbestos removal in the boiler room at Norbury First and Middle School. The HSE granted this waiver on the 24th/25th June and the remedial work to remove the asbestos was carried out.

On the 23rd June 2010, Vintec Ltd carried out re-assurance monitoring in 70 rooms at the school. This was done as a precautionary measure to ensure that there had been no accidental release of asbestos fibres and the readings were below the permitted threshold.

On the 23rd June 2010 HSE Inspector _____ visited the Civic Centre to express concerns about asbestos management within the Council.

Norbury First and Middle School re-opened on the 28th June 2010.

On the 30th June 2010, HSE Inspector

served 3 Improvement Notices on Harrow Council as follows:

The first Notice was served on Norbury First and Middle School, stating that Harrow Council had failed to:

- Carry out a suitable and sufficient assessment of the presence of asbestos containing materials in the premises
- Monitor the condition of any asbestos containing materials
- Ensure that asbestos containing materials are properly maintained or where necessary safely removed.

The deadline for completion of the required improvements is the 19th November 2010.

The second and third Notices related to Vaughan First and Middle School, stating that Harrow Council had failed to:

- Provide adequate information, instruction and training about the risks and precautions associated with working with asbestos containing materials
- Ensure that the plan to manage asbestos, included suitable measures regarding information about the location and condition of any asbestos-containing material was provided to every person liable to disturb them.

The initial date for the required improvements to be implemented was the 17th September 2010, but an extension has been granted in relation to training until the 5th October 2010.

Prior to these events, in March 2009 there was an incident involving Harrow Council. This took place at Heathlands School, where a contractor may have been exposed to asbestos.

On the 22nd July 2009 HSE Inspector visited the Civic Centre to investigate the Heathlands School incident. Clear breaches of health and safety legislation were identified, but no Improvement Notices were issued.

Over the following months after the Heathlands School incident, dialogue and correspondence took place with the HSE Inspector. An action plan for Heathlands School was agreed with the Inspector in January 2010.

However, progress against the agreed action plan was limited, there was poor progress with training, policies and procedures were not updated and there was no improvement in the collection, recording and communication of asbestos data.

This was due to a lack of formal monitoring of the action plan by services involved and hence the lack of progress was neither identified nor escalated up through the organisation.

On the 14th July 2010 the HSE Inspector visited the Civic Centre to agree an action plan with Council Management, this being in relation to responding to the Improvement Notices served on the Council on the 30th June 2010.

The scope of works for Norbury School was agreed with the HSE Inspector. This included the encapsulation and labelling of material above the suspended ceilings and other high level areas, clearing of loose debris and other materials such as floor tiles.

After the agreement of the action plan, an order was placed with Kier to organise the necessary plant, labour and materials to execute and complete the works at Norbury School.

Management of Asbestos

A combined action plan has been developed after the identification of the following shortcomings in the current asbestos management arrangements: See Appendix

- The Council's Asbestos Policy and Asbestos Code of Practice are out of date and do not reflect recent changes, including the introduction of HSG 264
- A number of schools premises do not have Headteachers or nominated deputies of sufficient seniority who have attended premises management training.
- Asbestos Management Plans require revision to reflect work that has been undertaken at schools since their issue dates and there is a need for improved storage and communication of data
- The recording of the periodic monitoring of asbestos containing materials requires improvement and a formal process is necessary to demonstrate routine inspection within the school
- The relationship between the Children's Services Directorate and schools with respect to premises is defined by Statute, but subject to local agreements defining responsibilities. There does not appear to be a recent document outlining this relationship. Schools have an option to purchase a Service Level Agreement form the Local Authority but can choose to organise maintenance themselves using their devolved budget.

In addition when schools organise maintenance / project work independently there is an onus on the Premises Manager to ensure that the work is performed safely and that corporate records are updated where necessary. Current governance arrangements for the management of asbestos responsibilities require a review.

- Permit to Work forms appear to be used within schools. However, there is a danger that contractors are not being supplied with the correct information relating to asbestos, due to the failure to maintain asbestos records
- These records need to be collated in line with the current Asset Portfolio. Data is currently stored in a combination of paper and database records. A review is required in order to improve records management
- Health and safety governance requires revitalisation, notably the schools health and safety forum, which has not met for some time.

ACTION PLAN ON THE IMPLICATIONS OF THE IMPROVEMENT NOTICES ISSUED BY HSE

Improvement Notice 302693082

Requirement of HSE:

VAUGHAN FIRST AND MIDDLE SCHOOL

- Harrow Council has failed to provide employees that are liable to be exposed to asbestos, or who supervise such employees, with adequate information, instruction and training about the risks and precautions associated with working with asbestos-containing materials

Action: Improvement Notice complete

Improvement Notice 302693082 contd

	Action
<p>Improvement Notice 302693121</p> <p>Requirement of HSE:</p> <p>VAUGHAN FIRST AND MIDDLE SCHOOL</p> <ul style="list-style-type: none">• Harrow Council's plan to manage asbestos does not include suitable measures to ensure that information about the location and condition of any asbestos-containing materials is provided to every person liable to disturb them.	<p>Action: Improvement Notice complete</p>

Improvement Notice 302693121 contd

Recommendation	Action		
	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
Improvement Notice 302693121: Notice Complete Additional issues identified for Harrow Council			
6. Provide a revised and updated asbestos management plan and drawings to 4 CLASP schools.	17 November 2010.	Letter to all school head teachers sent out 15/07/2010	July/August 2010 Progress report from
7. Provide a revised and updated asbestos management plan and drawings for all Harrow schools.	End of February 2011	Work programmed as Priority 2 upon completion of CLASP schools.	December 2010 Progress report from

Improvement Notice 302693121 contd

Action			
Recommendation	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
<p>Improvement Notice 302693137</p> <p>Requirement of HSE:</p> <p>NORBURY FIRST AND MIDDLE SCHOOL</p> <ul style="list-style-type: none"> • Carry out a suitable and sufficient assessment of the presence of ACMs in the premises <p>Harrow Council has failed to :</p> <ul style="list-style-type: none"> • Monitor the condition of any ACMs • Ensure that ACMs are properly maintained or, where necessary, safely removed. 			<p>Action:</p> <p>Improvement Notice complete</p>

Improvement Notice 302693137 contd

Recommendation	Action		
	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
10. Newly appointed Head Teacher due to start January 2011 will attend training during Autumn Term.	Early 2011	Summary of key points from meeting of 14/07/2010	November 2010 Check that training was carried out.
11. For projects in which a building is not handed over as a self-contained construction site, Property Services to introduce a FastTrack Procedure to ensure any issues raised, while the contractor is in possession of the site, are responded to with urgency and priority.	December 2010	Initiative to improve reporting by CDM co-ordinator and client representative.	January 2011 Review FastTrack procedures
12. On projects over one month, ensure improved priority is given within a Major Works project, rather than when CDM file is provided at the end of the project.	December 2010	Improved project monitoring and co-ordinating of CDM issues.	January 2011 Review alongside FastTrack Procedure

ACTION PLAN ON GENERAL ISSUES AND CORPORATE PROPERTY

Action			
Recommendation	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
3. Develop a procedure for self-assessment on site by specifically trained premises managers.	December 2010	To be introduced as part of improved joint support in premises development between Property Team and Premises Managers.	Progress on development to be closely monitored.
3.A Monitor effectiveness of procedure for self assessment.	January 2011	Ongoing QA assessment.	Progress monitoring and reporting.
4. Harrow's Corporate Property portfolio to include Estates and Valuers (where Harrow is the landlord) be incorporated into future asbestos management policy review.	End November 2010	Extend existing contractors' brief to incorporate Corporate Premises upon completion of school property.	List of property to be prepared and reviewed.

Action Plan on General Issues and Corporate Property contd

Action			
Recommendation	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
9. Inspection of Corporate premises at Harrow Arts Centre, Hatch End for management of asbestos, management of legionella and contractors on site.	28/07/2010	Meeting with and inspection. for site	<ul style="list-style-type: none"> ○ Premises Manager training need identified in line with responsibility. ○ Improved and updated asbestos management plan. ○ Clarity on recording and registering legionella testing. ○ Clear and precise site information and log system.
10. Inspection of Corporate premises at Harrow Teachers' Centre, Tudor Road for management of asbestos, management of legionella and contractors on site.	28/07/2010	Meeting with and inspection. for site	<ul style="list-style-type: none"> ○ Premises Manager training need identified in line with responsibility. ○ Improved and updated asbestos management plan. ○ Clarity on recording and registering legionella testing. ○ Clear and precise site information and log system.

Action Plan on General Issues and Corporate Property contd

Action			
Recommendation	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
11. Inspection of Corporate Premises at Kenton Library for management of asbestos, management of legionella and contractors on site.	29/07/2010	Meeting with for site discussion.	<ul style="list-style-type: none"> ○ Premises Manager training need identified in line with responsibility. ○ Improved and updated asbestos management plan (Note: no known asbestos on site). ○ Legionella sampling and testing in place. ○ Improved site information required.
12. Evidence at Corporate premises inspected, of similar need, for quality information and premises manager training to be improved in line with agreement for school property.	December 2010	Agreement that Harrow Council will extend the action under existing Improvement Notices for school premises to incorporate all Corporate property.	Review progress monthly, and update HSE Inspector.
13. Premises Manager training (comparable with responsibility) to be undertaken for all staff managing Corporate property.	January 2011	Agreed on 28/29 July 2010 with HSE Inspector to undertake appropriate training for premises managers.	Closely monitor attendance and content of training programme..

Action Plan on General Issues and Corporate Property contd

Action			
Recommendation	Action owner & Target Date for Completion	Comments as at 29.07.2010	Follow-on Actions
14. Improved and updated Asbestos Management Plans for all Corporate property.	March 2011	Agreed on 28/29 July with HSE Inspector to extend existing survey of school property to incorporate all Corporate premises.	Programme of inspections to be developed.
15. Review routine of legionella testing and monitoring in line with agreed Risk Assessment and Action Plan to incorporate Cyclical Maintenance and regular site management actions.	March 2011	Ensure safe working policies are in place for recording/testing (routine and cyclical) and responsive action in maintenance follow-up.	Improve sharing data on cyclical work in association with regular temperature checks.
16. Review, update and re-issue to all Corporate and school premises managers detailed Site Building Services Handbook.	March 2011	Handbook to include Site Management Plan for prevention of Legionella and Asbestos Management.	Update regularly on progress to ensure timely editing and re-issue.

Action Plan on Harrow Health and Safety Team's Recommendations

Action			
Recommendation	Follow-on Actions	Action Owner	Completion Date
1. Internal policies and procedures require review.	Update the policies and procedures.		September 2010
2. There are gaps in the information, instruction and training provided to duty holders.	To review and provide the necessary training to all duty holders with responsibility for asbestos management.		December 2010
3. Some asbestos management plans are not site specific or are out of date.	Update the asbestos management plans, where required, ensure they are site specific and issued to schools.		January 2011
4. The record keeping for the monitoring of asbestos in schools is inadequate.	Introduce systems to ensure effective record keeping across all schools. This to include investigating the merits of web-based systems and the resources allocated to asbestos management generally.		January 2011
5. There are issues regarding the safe control of maintenance and project work where schools organise work autonomously.	To develop and communicate a protocol for schools to follow when commissioning maintenance and project work autonomously.		September 2010

Action			
Recommendation	Follow-on Actions	Action Owner	Completion Date
6. Contractors have not always been supplied with the relevant asbestos information prior to commencing work.	Parts 2, 3, 4 & 5 above.		January 2011
7. Monitoring systems for safety and performance have not effectively escalated this risk to the relevant management tiers.	i) Review health and safety governance structures within the schools and the Council, including performance reporting. ii) Introduce systems of audit and review to monitor and measure performance.	(i) (ii)	(i) November 2010 (ii) January 2011
8. Senior Management Review of controls in place including governance and responsibility at corporate level.	Investigation into competency of staff in complying with their responsibilities leading to disciplinary action if appropriate.		January 2011

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