

Governance, Audit and Risk Management Committee AGENDA

DATE: Thursday 1 December 2011

TIME: 7.30 pm

VENUE: Committee Room 5,
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chairman: Councillor Sachin Shah

Councillors:

Sue Anderson	Chris Mote
Mano Dharmarajah	Richard Romain
Thaya Idaikkadar (VC)	Yogesh Teli

Reserve Members:

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

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelaniharrow.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 - 8)

That the minutes of the meeting held on 21 September 2011 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

To receive references from Council and any other Committees or Panels (if any).

8. INFORMATION REPORT - CAPITAL IMPLEMENTATION PLAN (Pages 9 - 30)

Joint Report of the Interim Director Finance and Director of Legal and Governance Services.

9. INFORMATION REPORT - HALF YEARLY HEALTH AND SAFETY REPORT
(Pages 31 - 70)

Report of the Assistant Chief Executive.

10. INFORMATION REPORT - INTERNAL AUDIT MID-YEAR REPORT 2011/12
(Pages 71 - 96)

Report of the Assistant Chief Executive.

11. INFORMATION REPORT - RISK, AUDIT AND FRAUD COMMISSIONING PANEL PROPOSALS (Pages 97 - 118)

Report of the Assistant Chief Executive.

12. CREDITWORTHINESS AND COUNTERPARTY POLICY (Pages 119 - 130)

Report of the Interim Director Finance.

13. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

14. EXCLUSION OF THE PRESS AND PUBLIC

To resolve 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>
15	Information Report – Internal Audit Mid-Year Report 2011/12 – Appendix 3	Information under paragraphs 1 and 7, (contains information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime)
16	Information Report – Strategic Risk Register Update	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))
17	Information Report – Green and Amber Internal Audit Reports	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))

AGENDA - PART II

- 15. INFORMATION REPORT - INTERNAL AUDIT MID-YEAR REPORT 2011/12**
(Pages 131 - 132)

Appendix 3 to the Information Report of the Assistant Chief Executive at item 10.

- 16. INFORMATION REPORT - STRATEGIC RISK REGISTER UPDATE** (Pages 133 - 162)

Report of the Assistant Chief Executive

- 17. INFORMATION REPORT - GREEN AND AMBER INTERNAL AUDIT REPORTS**
(Pages 163 - 254)

Report of the Assistant Chief Executive.

GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES

21 SEPTEMBER 2011

Chairman: * Councillor Sachin Shah

Councillors: * Sue Anderson
* Thaya Idaikkadar
* Krishna James (4)

Chris Mote
* Richard Romain
* Yogesh Teli

In attendance: Bill Stephenson
(Councillors)

* Denotes Member present
(4) Denotes category of Reserve Members

114. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member

Reserve Member

Councillor Mano Dharmarajah

Councillor Krishna James

115. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 9 – Final Accounts

Councillor Sue Anderson declared a personal interest in that she was employed by Her Majesty's Revenue and Customs (HMRC). She would remain in the room whilst the matter was considered and voted upon.

116. Minutes

Members noted that the minutes of the meeting were circulated on a main agenda due to the close proximity of this meeting. The Committee agreed to receive the minutes as an urgent item for the reasons stated on the supplemental agenda.

RESOLVED: That the minutes of the meeting held on 6 September 2011, be taken as read and signed as a correct record.

117. Public Questions, Petitions and Deputations

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

118. References from Council and other Committees/Panels

None received.

RESOLVED ITEMS

119. Bribery Act

The Committee received a report of the Director of Legal and Governance Services that outlined the main provisions of the Bribery Act 2010 and the steps that officers had identified would be necessary for its implementation within the Council.

An officer reported that:

- the Bribery Act 2010 came into force on 1 July 2011 and replaced, updated and extended the existing laws against corruption;
- the Act created four new offences, including:
- offences of Bribing another Person (Section 1) occurred where an individual was offered, promised or given financial reward (or been led to believe) and it induced them to perform an improper function or act;
- failure of Commercial Organisation to prevent bribery (Section 7) occurred when a commercial organisation failed to prevent a bribe being paid for or on its behalf. In general, a commercial organisation would not include a public body, however, the Council may have subsidiaries which could fall within the scope of the Act or conduct its affairs in a manner akin to a private business. The Council had considered the guidance published by the Ministry of Justice on Section 7 of the Act when implementing and updating procedures to prevent bribery.

In response to questions from the Committee, the officer advised that bona fide hospitality that sought to improve the image of a commercial organisation would not be prohibited as long as it was proportionate in accordance with the guidance.

RESOLVED: That the report be noted.

120. Final Accounts

The Committee agreed to receive a report on the Final Accounts as an urgent item for the reasons stated on the supplemental agenda. The Committee received a report of the Interim Director of Finance which set out the Council's audited Statement of Accounts for 2010/11. An officer reported that:

- the 2010/11 accounts had been prepared in full accordance with the International Financial Standards (IFRS) for the first time. Officers were required to ensure that account balances for 2009/10 and 2008/09 were restated in accordance with the Statement of Recommended Practice (SORP);
- the production and approval of the accounts was an important process as it enabled stakeholders to review the Council's financial position for the year ended 31 March 2011;
- the draft statement of accounts was signed by the Interim Director of Finance in her capacity as the Chief Financial Officer on 30 June 2011. The external audit of the accounts had began on 4 July 2011. Members of the Committee had met with the External Auditors, Deloitte LLP, before the Governance, Audit and Risk Management (GARM) Committee meeting on 6 September 2011 when the draft final accounts had been considered. A pre-meeting briefing on the final accounts also took place and Senior Officers within the Finance Team had had the opportunity to respond to Members queries in relation to the content of the draft accounts. The Council was on target for signing off the accounts by the statutory deadline of 30 September 2011 as required by the Accounts and Audit Regulations 2011.

Representatives from Deloitte LLP, advised the Committee that:

- the process for preparing the Final Accounts had gone smoothly and the transition to the IFRS had been undertaken with due care. There were fewer matters arising than in previous years. Some minor areas that had been highlighted had been noted and corrected;
- the Council's valuation of the pension scheme liabilities was reasonable;
- the Auditors were comfortable with the approach and assumptions made in relation to the Council's property valuations;

- the Auditors had recognised some minor errors in the Council's presumed risk of fraud in relation to revenue recognition. These had been addressed by Management and the Auditors were satisfied with the approach taken;
- following amendments to auditing standards which were highlighted by the auditors, no significant weaknesses in relation to the control environment had been identified. Nevertheless, to enhance existing processes, the Auditors had made recommendations that would improve the Council's control environment;
- ongoing improvements to the control environment and the testing of in-year capital transactions undertaken by the Directorates and evaluated by Internal Audit had been reviewed. The external Auditors were satisfied that the matter had been effectively addressed and mis-coding within the accounts had not occurred;
- the external Auditors procedures for the Whole of Government Accounts was ongoing. It was anticipated that the audited return on the Council's accounts would be returned by 30 September 2011;
- there was an unadjusted misstatement in relation to a potential over-provision against debtors. Management had concluded that the total impact of the uncorrected misstatements, both individually and in aggregate was not material to the context on the financial statements taken as a whole;
- based on the criteria specified by the Audit Commission and the work completed so far, it was expected that an unqualified Value For Money (VFM) conclusion would be issued;
- the certificate of accounts had not been signed off for the past two years as there was an unresolved matter in relation to a formal objection regarding credit card charges incurred as a result of payments for parking fines. It was anticipated that the matter would be resolved following the judgement in a similar case with Camden Council. The external Auditors were unable to formally certify the 2008/09 and 2009/10 accounts until this objection was resolved.

In relation to the pension fund annual report, a representative from Deloitte LLP advised that:

- calculations of pension fund contributions and benefits for the multiple bodies that were part of the fund had been successful. All testing completed by the Deloitte LLP had produced satisfactory results;
- private equity investments were not in line with the Statement of Investment Principles. However, there were no issues in relation to the review of existing private equity investments;

- the note to the financial statements in relation to the actuarial liability within the scheme as at 31 March 2011 complied with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11;
- all testing in relation to management override of controls under ISA 240 had been completed with satisfactory results;
- there were two areas for improvement in relation to accounting control systems, which related to the requirement for a separate pension fund bank account and non-compliance with the Statement of Investment Principles (SIP). Nevertheless, there were no identified misstatements in relation to the pension fund annual report for 2010/11.

Officers and representatives from Deloitte LLP responded to questions raised by Members as follows:

- property valuations within the accounts were valued in accordance with the indices provided by the Land Registry. Officers were encouraged to use the most up-to-date valuations when preparing the accounts. In these circumstances, officers and the external auditors had agreed that 1 September 2011 would form the basis for the 2010/11 accounts valuations;
- Members were encouraged to keep abreast of economic developments within the Eurozone which could have a direct and indirect on the pension fund;
- a bank account for the pension scheme had been established, however, transactions and receipts were processed in the Council's bank account. Changes to the existing IT system throughout the Council would be needed to enable these transactions to take place within the pension fund account;
- the SIP had not been agreed by the Pension Fund Investment Panel (PFIP) in the previous accounting year. Existing ranges that were in place were monitored regularly by officers.

Members of the Committee thanked officers within the Finance team for their hard work and efforts in preparing the accounts in accordance with the IFRS. The Committee also noted the positive working relationship between officers and representatives from Deloitte LLP, the external Auditors. A representative from Deloitte LLP also congratulated finance officers for their efforts in preparing the 2010/11 accounts.

RESOLVED: That

- (1) the report of the External Auditor for both Harrow and the Pension Fund be noted;

- (2) the Accounts for 2010/11 be approved:
- (3) the Pension Fund Annual Report of 2010/11 be noted.

121. INFORMATION REPORT - Council Insurance Arrangements

An officer presented a report of the Assistant Chief Executive which set out the Council's current insurance arrangements, including self-funding, and provided information on the main insurable risks faced by the Council.

The officer outlined key information contained in the report and advised the Committee that:

- the insurance service comprised a team of four officers, who sought to deliver an efficient, economic and high quality service that met customers needs, corporate priorities and statutory requirements;
- the main aims and areas of responsibility of the service included providing a comprehensive insurance and claims handling service to internal and external customers, as well as advising the Council on all insurance matters. Officers within the insurance team worked in partnership with all departments to manage and reduce the council's exposure to insurable risk;
- all claims against the Council were managed by the council's in-house team with the exception of personal injury claims, which were handled by external claims handlers, Cunningham Lindsey;
- Harrow Council was a member of the Insurance London Consortium (ILC). The ILC was established in 2009 following the demise of the London Authorities Mutual Ltd that was comprised of nine London Boroughs. The purpose of the consortium was to reduce costs by combining purchasing power and making best practice improvements to internal systems that would enhance efficiencies. Membership of the consortium had delivered savings on insurance premiums in 2011/12 of £110,000 for the Council. In addition to the financial savings, consortium members also benefited from enhanced policy cover which was specifically tailored to the requirements of the ILC and embarked upon a number of initiatives to manage and reduce insurable risk;
- most of the Council's external insurance policies were subject to large policy excesses. The level of excess was set on a prudent basis in line with similar local authorities and recognised best practice. Claims that fell within the policy excesses were met from the Council's insurance provisions and were handled on similar terms and conditions as external policies. The Council's maximum financial liability under each class of business was capped by an annual stop loss aggregate which outlined a maximum exposure level in any one policy year;

- the Council's insurance provisions were subject to an independent actuarial review, which took place every three years. A mini-review had been due in 2009 and as at 31 March 2010, the fund was deemed to be adequate at £5.1 million;
- the total number of claims against the Council had peaked in the 2006/07 policy year. Claim numbers had fallen and had remained static since the 2007/08 policy year. This correlated with a fall in the total number of payments made from the Council's funds which fell from £1.83 million in 2009/10 to £1.08 million on 2010/11;
- public liability claims accounted for 49% of all claims received. 13% of these claims relate to tree subsidence (for privately owned properties) which was 44% of insurance payments made by the Council. Nevertheless, the majority of claims made against the Council were successfully repudiated.

Members thanked the officer for the comprehensive report.

RESOLVED: That the report be noted.

122. Any Other Urgent Business

Lead Member Update

This item was considered to be urgent to provide Members with an update on the nominations and appointment of Lead Members for the GARM Committee.

An officer reported that nominations had been received for some service areas. Members were invited to volunteer as a Lead Member for each of Corporate Governance, Risk Management, Internal Audit, Insurance and General Finance. He added that a follow up letter would be sent to all Members and Reserves of the GARM Committee towards the end of the month.

Vote of Thanks

The Chairman advised that this was potentially the last meeting of the Clerk to the Committee as she had been offered a new role in the Legal Practice Team. Members and officers present thanked her for all the work and support that she had provided to the Committee over the past two years and wished her all the best in her future career.

(Note: The meeting, having commenced at 7.32 pm, closed at 8.50 pm).

(Signed) COUNCILLOR SACHIN SHAH
Chairman

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**REPORT FOR: GOVERNANCE, ALDERMANS
RISK MANAGEMENT
COMMITTEE**

Date of Meeting: 1 December 2011

Subject: **INFORMATION REPORT –
Capital Implementation Plan**

Responsible Officer: Julie Alderson, Interim Director Finance
Hugh Peart, Director of Legal and
Governance Services

Exempt: No

Enclosures: Appendix 1 – Capital Implementation
Plan

Section 1 – Summary

This report provides an update on progress against the Capital Implementation Plan.

FOR INFORMATION

Section 2 – Report

- 2.1 Following the investigation into the overspend in the Children's Services capital programme Cabinet received a report in December 2010 setting out issues and the outcomes of two investigations, one focussing on project management, one on financial management.
- 2.2 Cabinet requested that the GARM Committee monitor and report on implementation of the recommendations made in the investigation reports, supported by Internal Audit, who have been instructed to independently verify the process.
- 2.3 An initial report was made to GARM Committee in January 2011 outlining the recommendations and suggested action against each recommendation, an update on progress was reported to the GARM meeting on 29th March 2011 with a further update provided on 28th June 2011.
- 2.4 Progress against the detailed implementation plan is shown in Appendix 2. 83% (50) of actions are reported as implemented by management and Internal Audit is undertaking a review of the evidence provided to support this assertion; 12% (7) are in progress; and 5% (3) of actions have yet to be implemented. All agreed implementation dates have now passed.
- 2.5 Of the 3 actions yet to be implemented, 1 is low risk and the other 2 are medium risk. These actions relate to profiling of budgets, development of an exemption process for when agreed processes are not to be followed due to practicalities in delivery and developing a formal communication plan for projects.

Section 3 – Further Information

- 3.1 Internal Audit are due to undertake a review of the Capital Programme in Quarter 4 of 2011/12 at which point the remaining outstanding recommendations will be picked up and reported on and detailed testing against many of the implemented recommendations will be undertaken as part of the review of the system. This review will consider the end to end process and cover roles/responsibilities/accountabilities; adequacy of guidance; compliance with Contract Procedure Rules, Financial Regulations and other guidance; adequacy of monitoring and reporting; and use of project management with the aim of providing assurance on the robustness of the internal controls in place. The results of this review will be reported to the GARM Committee March 2012.

Section 4 – Financial Implications

4.1 As this is an information report there are no financial implications.

Section 5 - Equalities implications

5.1 Was an Equality Impact Assessment carried out? ~~Yes~~/No

5.2 An EqIA is not required as this is an information only report on the progress of works being undertaken. Managers implementing these actions are responsible for establishing if there are any equalities implications and taking the appropriate action.

Section 6 – Corporate Priorities

6.1 The work of Internal Audit contributes to the implementation of all the corporate priorities:

- Keeping neighbourhoods clean, green and safe.
- United and involved communities: A Council that listens and leads.
- Supporting and protecting people who are most in need.
- Supporting our town centre, our local shopping centres and businesses.

Name: Julie Alderson



on behalf of the
Chief Financial Officer

Date: 18 November 2011

Section 7 - Contact Details and Background Papers

Contact: Susan Dixon, Service Manager Internal Audit, 0208 424 1420

Background Papers: None

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KEY	50 (83%) complete	7 (12%) in progress	3 (5%) yet to be actioned
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CAPITAL IMPLEMENTATION PLAN

Item No	Recommendation	Priority rating	Planned action / response	Implementation date	Lead Officer	Wk stream	Current Status/Evidence
Specific Project Tasks							
1. 8.1.1 RG	The Chief Executive and Director of Human Resources should determine whether any conduct investigations are warranted.	High	Evidence to be reviewed and conduct investigations instigated as necessary.	Dec 2010	JT	n/a	Conduct investigations are complete,
2. 8.1.2 RG	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	Interim recruited from PWC	17/12/10	CD	n/a	Interim in post
3. 8.1.3 RG	Investigate whether there is any redress for the escalating costs of the temporary school.	Med	Documentation being reviewed, officers being interviewed and legal to be consulted. A report on the outcome will be prepared.	End March 2011 Revised implementation date: End of May 2011	BH/DL	n/a	Investigation undertaken by the Interim Head of Property Services and report produced in August 2011 which concluded given the advice from cost consultants that it was a reasonable figure for the work undertaken by Kier at the instruction of the Council then the question of redress for the cost does not arise. The costs escalated due to poor governance and a lack of robustness on the part of the Council in understanding the scale of the work involved and driving out the true costs of the temporary accommodation before the commencement of work.
4.	Revisit the value for money assessments	Low	Review the existing assessments	September 2011	JA	n/a	Complete - fed into External

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8.1.4 RG	for the reviewed projects.		and comment accordingly.				Audit process – VFM assessments revisited and confirmed as accurate for these projects. Evidence to support this required.
5. 8.1.5 RG	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 to be reviewed by the Business Partner - Financial Accounting, Treasury and Pension Fund.	Dec 2010	MB	n/a	Review complete - confirmed grant conditions complied with and there is no risk to the Council. Evidence to support this required.
Contract Management Evidence Required:							
6. 2. PWC	A clear approval date should be included within the Gateway documentation.	Low	Amendment of the commissioning form incorporated within the Gateway documentation, inclusive of Gateway 0, 1, 2 or any revisions so presented for approval within delegated authority to include the approval date.	June 2011	BH/DL	3	Amendment actioned. To be picked up as well by wider review of process. Evidence for Gateway 2 provided in hard copy – evidence required for Gateway 0 + 1.
7. 3. PWC	The Instructing Department should be required to authorise all project Gateways.	High	Currently AH signing off Gateway documentation on behalf of instructing department (Children's) but no specific place on forms. 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.	June 2011	BH/DL	3	Amendment actioned - a more comprehensive review of signatories is to be picked up by wider review of process. Evidence for Gateway 2 provided in hard copy – evidence of Gateway 0 + 1 required.
8. 4. PWC	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	A dedicated revision form will be used which documents the reasons for the revision and details all implications relating to that revision. In addition, the workstream 3 team will consider at what point in a project revisions to the gateway documentation should	March 2011/ June 2011	BH/DL	3	These are currently being completed towards the end of a project rather than during the currency and this will be reconsidered as part of the wider project governance review. Management instruction issued regarding timely completion of

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				take place (eg once a certain level of instructed changes to the project have taken place, or if there is a material change to the project etc).					Gateway revisions. Evidence of instruction and sample case provided in hard copy.
9.5. PWC	It should be ensured that appropriate contractual arrangements have been established prior to any project work actually commencing.	High	Process reiteration of instruction to all staff reminding the Client Representative that Pre Possession Agreements or similar contract documents cannot be issued to the constructor unless the approved Gateway 0, 1 or 2 is in place. Process known by staff and in place. Core Groups to align approval lead in time to project timetable. Framework core group to monitor and ensure that this is in place.	June 2011	BH/DL	3	Currently being actively managed by interim service heads. Roles & responsibilities to be picked up as part of the wider project governance review. Management instruction issued regarding completion of all contractual agreement prior to the commencement of work. Evidence of management instruction and sample case provided.		
10. PWC	The Gateway 2 documentation should include a provisional sum for works to be completed directly by the Council and appropriate contingency for any risks transferred to the Council.	High	All non-provisional sums (ie firmly costed works) to be included in gateway whether in AMP, or direct works by the client. Provisional sums should also be included in the same way based on the best estimate. The uncertain element of the provisional sum to be transferred to the risk register with the appropriate contingency being allowed based on quantity and probability of occurrence.	June 2011	BH/DL	3	Management instruction issued and currently being actively managed by interim heads of service. To be picked up as part of the wider review of project governance (workstream 3 – project governance). Evidence of management instruction and sample case provided.		
11.9. PWC	The change order authorisation procedure should be appropriately used on all projects, including formal acceptance by the instructing party.	High	Remains subject to further process reviews to fully meet this recommendation. The change procedure will be revised to ensure that appropriate authorisation by the budget holder is in place. The exact detail of this will be considered in	June 2011	BH/DL	3	Management instruction issued and currently being actively managed by interim heads of service. To be picked up as part of the wider review of project governance. Evidence of management		

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12. 13. PWC	It should be ensured that all change orders instructed by Schools are collated and recharged where appropriate. (6.3 In reviewing the final accounts for Park & Cannons (ii) we did not identify any evidence that the Council had actively sought to recharge the School for changes directly requested by the school)	Med	workstream 3 of the capital programme review. Any changes required by the school will be processed in the same way as all other project changes. Where appropriate and agreed by the school and budget holder, the payment for the change will be transferred prior to work talking place such that it is held within the central budget. Authorisation by the budget holder as details in the above recommendation will ensure that the controls are in place. This will be established within the new process resulting from the project governance workstream 3 review.	June 2011	BH/DL	3	Management instruction issued and currently being actively managed by interim heads of service. To be picked up as part of the wider review of project governance. Evidence of management instruction and sample case provided.
13. VC 16	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	Formal project close out procedures to be considered as part of workstream 3 (project governance) and will include the relevant authorisation from the budget holder as well as consultation with the relevant stakeholders.	June 2011	BH/DL	3	Management instruction issued and currently being actively managed by interim heads of service. To be picked up as part of the wider review of project governance. Evidence of management instruction and sample case provided.
14. 20. PWC	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. The contents of the risk register will be reviewed as part of the workstream 3 project governance to ensure that all possible risks are considered with appropriate contingency and mitigation measures in place.	June 2010	BH/DL	3	Management instruction issued and currently being actively managed by interim heads of service. To be picked up as part of the wider review of project governance. Evidence of management instruction and sample case provided.
15. 16.	Adopt a consistent project filing system for papers & electronic records in C&E	High	Consistent approach to document handling and filing to be adopted	June 2011	BH/DL	n/a	Wider service review commenced.

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PWC			as part of the wider review of the Property Service function within C & E. The exact procedures are to be considered by workstream 3, and will compliment the wider council project management procedures wherever practicable.					A new file structure is being trialled in Major Works on all current education projects and will be refined if necessary. Buzzsaw used for electronic records to enable sharing of records with the partnership contractor.
Financial Management								
16. 8.3.3 RG	Review the process for issuing codes.	High	Process to be reviewed.	Jan 2011	MB	n/a		Review complete – codes to be provided only once scheme has received appropriate approvals. To be added to Capital Project Approval 2011/12 document. Final Capital Project Approval 2011/12 provided as evidence but does cover the issue of codes however this was covered in training slides 14/06/11.
17. 8.3.5	Review, clarify and communicate how contracts and capital schemes should be committed within SAP.	Med	All capital scheme managers provided with refresher training in May/June 2010 and reminded of the need to raise purchase orders in SAP in advance of any work commencing. Also covered in 1:1s with Finance Officers.	July 2011	JA (NH/KH to lead)	n/a		Further training provided 14/06/11 – training slides evidence that demonstrate how capital schemes committed and monitored on SAP
18. 8.3.6 RG	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; 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	Low	SAP has been amended to allow the use of sub-codes for capital schemes to aid monitoring. 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	April 2011 Operative from April for 11/12 programme Monitoring report changes will be in report to Cabinet Sept 2011 (quarter 1)	MB JH to lead SAP review	n/a		The use of sub-codes to assist with monitoring capital schemes has been trialled however having different types of expenditure within a project proved to be too cumbersome on SAP. Therefore Budget Managers are now expected to use other tools e.g. Excel to achieve this. ¹ Monitoring by the Capital Forum

¹ Improvements to SAP are being picked up by the Corporate Resources Business Project

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				altered to include pre year, current and future year spend.					is on the bottom line only. Cabinet report showed scheme budgets across years. Monitoring reports include prior year and current year expenditure.
19. 8.3.7 RG	Consider the cost benefit of being able to profile the budget across quarters – this will enable the financial information to be integrated with the cash flow 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 To be undertaken in conjunction with Interim Head of Property.	September 2011	JA	n/a		More work is required to assess the benefits of profiling and how this could be achieved in SAP. This is being picked up by the Corporate Resources Business Project.	
20. 8.3.10 RG	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. Evidence of these to be provided. Controls on expenditure to be reviewed for efficacy in controlling budgets as per 18 above. Exception reports being produced by CAP/CAR. 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	JA Finance BPs to liaise with Shared Services LD CAP/CAR VD Procurement	n/a		Exception reports are now being issued to managers on a regular basis on purchase orders. Example of reports to be provided. (as per 52). Internal Audit review, based on the exception reports, undertaken on Compliance with Contract Procedure Rules (currently in draft.) Journal controls have been enhanced and Finance teams are undertaking more checking. NB, Post Completion Reports are responsibility of C&E and not Finance.	
21. 8.3.14 RG	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	n/a		Complete – FBPs are ensuring that forecasts are completed. Where they are not this will be escalated by FBPs to JH + Corporate Director on a monthly	

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22.1. PWC	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 affect 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 authorised 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 or exclusive of fees (both internal and external).	April 2011 ie in relation to 11/12 capital programme.	MB	n/a	basis. So far this has only occurred once in P2. Evidence: P2 monitoring report. Single master code established for each project regardless of funding streams. See 18 above re sub-codes.
19 VC	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 To introduce meetings with finance, budget holders and project managers as appropriate. Systems for reporting being rolled out by Project Management Office. (date for implementation to be agreed)	April 2011 On target for end of April implementation.	JA JH to lead	n/a	Chairmanship of the Capital Forum now passed to the Interim Director of Finance. Monthly meetings of the Capital Forum will now receive and monitor reports on capital projects which include Financial information and project progress. This monitoring will begin at the end of April. Testing of a new system to facilitate this (VERTO) has been undertaken and until this is up and running the financials and project timetable will be recorded on the attached spreadsheet. IA to review adequacy of this spreadsheet and VERTO in due course.

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			<p>There is a need to introduce more effective project reporting to sit alongside finance reporting (as for transformation programme). Finance to make more use of spend to date information and compare this with project management reports.</p>				<p>An Interim Capital Manager has also been appointed to oversee capital reporting. Reports will now be made on Capital projects to CSB and Portfolio Holders monthly and Cabinet quarterly. Evidence of reports provided. This is currently being actively managed by budget holders and test checked by Finance Business Partners. Rationalisation of the input of purchase orders and better budgeting will assist to ensure the need for miscoding is removed. These will be considered as part of workstream 2 and 3 relating to the financial control of the projects. Internal Audit check undertaken and reported to External Audit.</p>
<p>24. 11. PWC</p>	<p>Project costs should be coded to the appropriate project code. (6.3 i) we noted that there was a different finance code utilised for the final account settlements for both schools. In both instances the code utilised was Whitmore High.)</p>	<p>High</p>	<p>Accountability for cost codes will be clearly allocated to budget holders, and they will be responsible for Purchase Orders and invoice processing. Appropriate training will be given to ensure that they understand their responsibilities and the implications of miscoding. Close working relationships between budget holders and the finance team will assist in ensuring no deviance takes place. Workstream 2 will consider the processes currently in place to ensure that any obstacles to required flexibilities to make this workable are addressed.</p>	<p>June 2011</p>	<p>BH/DL</p>	<p>3</p>	
<p>25. 8.3.9 RG</p>	<p>The overall programme, coding and monitoring should be focused on schemes/projects rather than funding streams.</p>	<p>Med</p>	<p>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).</p>	<p>Monitoring report changes 2010 -11 (quarter 3) shows scheme level.</p>	<p>MB</p>	<p>n/a</p>	<p>Complete Evidence: Cabinet report + Capital Forum monitoring Reports</p>
<p>26. 8.3.18 + 8.3.19 RG</p>	<p>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. Review all grants schemes being developed or in the pipeline having regard</p>	<p>Med</p>	<p>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.</p>	<p>Monitoring report changes September 2011 (quarter 1) CSB from April</p>	<p>JA HS to lead</p>	<p>n/a</p>	<p>Complete: Cabinet report showed schemes across years. Evidence: Cabinet report</p>
<p>27. 8.3.20</p>		<p>Medium</p>	<p>This will be addressed in the decision making process for</p>	<p>July 2011</p>	<p>CSB</p>	<p>2/3</p>	<p>Covered by Business Case template – all Business Cases</p>

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RG	to funding risks, ongoing revenue implications and grant conditions/penalties.	Low	business cases with the template designed to identify/quantify these issues/risks.	June 2011	BH/DL	n/a	reviewed by Capital Forum. Evidence: Business Case template + list of BCs reviewed so far by Capital Forum.
Governance							
28. 8. PWC 8.2.1 RG	<p>The Council must ensure that a comprehensive understanding of the contractual arrangements with Kier/new contractor is established through a review of the existing contract. This will ensure that the Council is maximising the opportunities to achieve value for money within the framework of the current contract.</p> <p>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.</p>	Low	<p>This was clearly set out in Cabinet reports for procurement of both Kier and Apollo and the Terms and Conditions of the contract made available to staff at the time.</p> <p>This will be picked up through the review and restructuring of the Property Service function to meet the ongoing needs of the Council. Includes a fundamental review of the existing procurement arrangements so that the service can be redesigned to drive value for money in the delivery of construction requirements to meet the Council's need for accommodation.</p> <p>A desktop review of the Gardiner & Theobald sign off of the Whitmore School has been undertaken and the results are positive.</p>	June 2011	BH/DL	n/a	<p>A better understanding of the contractual arrangements now exists. This reinforces the need to change the internal structure/review capabilities.</p> <p>Consultation on a restructure of Property Services has commenced the proposal is to merge the existing major works function with property management and delete the existing posts and replace them with commissioning officers. The role profiles for the new posts and the service manager for the combined function will be designed to drive value for money through the partnership arrangements at both strategic and operational levels. New structure expected to be in place during 4th quarter 2011/12.</p>
29. 8.2.3 RG	<p>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.</p>	Medium	<p>This will be addressed as part of the review of corporate and project governance arrangements</p>	June 2011	BH	2/3	<p>'expectations' of SPB and CMG have not been reviewed i.e a review of their Terms of Reference.</p> <p>Project monitoring taking place using key indicators.</p>
30. 8.2.4 RG	<p>Review the operation and performance management of the Special Projects Team, including: the application of clear</p>	Medium	<p>This will be picked up through a combination of a review and restructuring of the Property</p>	June 2011	BH/DL	2/3	<p>The Special Projects Team has been disbanded.</p>

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	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.		Service function to meet the ongoing needs of the Council and updated corporate and project governance through workstreams 2 and 3.				
31. 17. PWC	A clear governance structure and chart of responsibilities should be agreed for each project managed by C&E.	High	The project governance processes and procedures will be reconsidered as part of the workstream 3 review. Clear roles and responsibilities will be generated as part of all processes and procedures relating to this and the other workstreams as applicable carefully considering the interfaces between project management and financial control or projects.	May 2011	BH/DL	3	Workstream 3 established – being actively managed by interim service heads. There is a clear interface between project management and financial control – training on managing and reporting on capital projects has been carried out.
22. PWC	A review of the existing documented procedures within C&E should be undertaken.	Med	This will be picked up through a combination of a review and restructuring of the Property Service function to meet the ongoing needs of the Council and updated corporate and project governance through workstreams 2 and 3. It should be noted that the Gateway process was subject to an Internal Audit review dated 21/07/2010 with recommendations discharged.	June 2011 Ongoing throughout 2011	BH/DL	3	See 28 above and various workshops held to improve project governance arrangements. Further review of documented procedures will be undertaken when restructure implemented.
33. HP	Review what is reported to members & CSB, and its completeness, relevance and accessibility.	High	This is being picked up by the review of corporate governance which will establish updated and appropriate arrangements for the monitoring and reporting of information in respect of capital projects across the Council.	June 2011	CSB	2	Workstreams 2 established All capital projects now go through the Capital Forum. Business cases require Portfolio Holder approval. The Leader & CSB are briefed on those projects, and decide which need

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							consideration by Cabinet Monthly reporting to CSB from the end of April.
34. HP	Consider the future roles of Internal Audit & the Overview & Scrutiny Committee in monitoring what is reported to CSB and Members.	Medium	Internal audit to review 33 above, involving O&S as appropriate	After June 2011	TW	n/a	IA review planned for Quarter 4 2011/12
35. HP	Review the Council's governance structure to ensure that member time is focussed on priority areas.	Low	Undertake comprehensive Governance/assurance review, for consideration by CSB.	To be determined by CSB	HP	n/a	CSB initial consideration 16/03/11 All capital projects now go through the Capital Forum. Business cases require Portfolio Holder approval. The Leader & CSB are briefed on those projects, and decide which need consideration by Cabinet Monthly reporting to CSB from the end of April plus quarterly reporting to cabinet. In relation to Capital member time now focused on priority areas more widely the senior management restructure will ensure that the corporate board and Portfolio Holders consider only the most important/strategic information.
36. 8.2.2 RG	Review project governance structures with its 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.	Medium	This is being picked up through the review of the Property Service function and the project governance workstream. Any additional requirements from the Constructor will be agreed and incorporated into the Contract where necessary.	June 2011 Ongoing throughout 2011	BH/DL	3	The Contract Management Group have met to agree processes and procedures and carried out a process mapping exercise. Evidence to be provided.
37.	Create an exemption process with senior	Medium	To be picked up through	June 2011	BH/DL	2/3	Workstreams 2 & 3 established.

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8.2.5 RG	management sign off for when agreed processes are not being followed due to practicalities in delivery e.g. starting on site.	Med	workstreams 2 & 3 and covered in revised Financial Regulations.	June 2011 April 2011 Revised implementation date November	BH/DL JA - JH to lead	2/3	Form to be designed. Financial Regulations re-drafted and approved by Council 03/11/11 including scheme of delegation + Procedure Note issued. Evidence: Fin Regs; Council agenda; Procedure Note
38. 8.2.6 RG	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	To be picked up through workstreams 2 & 3 and covered in revised Financial Regulations. 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	July 2011	JA JH to lead	n/a	Financial Regulations/delegations re-drafted and approved by Council 03/11/11 covering authorisation arrangements. Evidence: Council agenda
39. 8.2.7 RG	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.	September 2011	HP	n/a	Re-drafted Financial Regulations adopted into the Constitution by Council 03/11/11. Evidence: Council agenda
41. 8.3.2 RG	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.	Medium	This is a wide ranging requirement which is affected by project processes from conception to completion. All aspects will be picked up through workstreams 1, 2 & 3 with the detailed processes and procedures and resulting roles and responsibilities ensuring correct strategies and selections of projects, and efficient and	June 2011 Ongoing throughout 2011	BH/DL	2/3	Robust arrangements introduced for devising the capital programme, agreement of business cases and monitoring of projects through the Capital Forum chaired by the Interim Director of Finance. Evidence: Copies of Capital Forum minutes.

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42. 8.3.4 RG	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	comprehensive project management to completion. As above this is a wide ranging requirement which is affected by project processes from conception to completion. All aspects will be picked up through workstreams 1, 2 & 3 with the detailed processes and procedures and resulting roles and responsibilities ensuring correct strategies and selections of projects, and efficient and comprehensive project management to completion.	June 2011	BH/DL	2/3	Workstream 2 & 3 established and being actively managed by interim service heads. Business Cases include required information. Evidence: Business Case template.
43. 8.3.8 RG	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.	Medium	The Capital Programme procedure notes will be revised and reissued.	May 2011	JA NH to lead	n/a	Training presentation to be updated and appended to procedure notes – however this is dependent on wider changes being clarified. Evidence: Procedure Note.
44. 8.3.11 RG	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.	Medium	Again this is a wide ranging requirement which is affected by project processes from conception to completion. All aspects will be picked up through workstreams 1, 2 & 3 with the detailed processes and procedures and resulting roles and responsibilities ensuring correct strategies and selections of projects, and efficient and comprehensive project management to completion. A Project Mandate has been agreed by CSB and a P1D in development to come to CSB in Feb 2011.	June 2011	BH/DL	2	Capital forum continues now chaired by the Interim Director of Finance – terms of reference attendees agreed but subject to ongoing review. Updated terms of reference to be provided as evidence.

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45. 8.3.12 RG	Review membership of the Forum to ensure it is appropriate having regard to the terms of reference.	Medium	As above.	June 2011	BH/DL	2	As above. Minutes of forum show evidence of membership.
46. 8.3.13 RG	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.	Medium	As above.	June 2011	BH/DL	2	Capital Forum agreed to undertake detailed project reviews at July 2012 – consultation being undertaken on criteria for selection of projects and internal arrangements for conducting reviews.
47. 8.3.15 RG	The monitoring schedules should incorporate intelligence from the cash flow and milestones within the projects.	Low	Monitoring schedules should include comments on actual spend to date and achievement of key project milestones. More work is required to understand the resources required to support this and establish a suitable procedure. Need to decide how project management information will be collected and reported alongside financial information	April 2011 – on risk assessed projects	JA JH to lead	n/a	Evidence: Forum minutes As per Rec 23: Monthly meetings of the Capital Forum will now receive and monitor reports on capital projects which include Financial information and project progress. This monitoring will begin at the end of April. Testing of a new system to facilitate this (VERTO) has been undertaken and until this is up and running the financials and project timetable will be recorded on the attached spreadsheet. IA to review adequacy of this spreadsheet and VERTO in due course.
48. 8.3.16 RG	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	As above this is a wide ranging requirement which is affected by project processes from conception to completion. All aspects will be picked up through workstreams 1, 2 & 3 with the detailed processes and procedures and resulting roles and responsibilities ensuring correct strategies and selections	June 2011	BH/DL	2	Greater involvement of senior management in capital monitoring undertaken at CSB, Capital Forum and Directorate Management Teams Copies of minutes as evidence of greater involvement senior management involvement in

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49. 8.3.17 RG	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	of projects, and efficient and comprehensive project management to completion. Roles have been clarified within Finance. This needs to align with the wider review of governance for the capital programme to ensure that all involved have a clear understanding of the requirements	April 2011	MB	n/a	capital monitoring. New process being developed for 2011/12 with IA input . An Interim Capital Manager has also been appointed to oversee capital reporting. Training undertaken in June 2011 for Finance staff and Budget Managers and Procedure Notes issued. Monthly reporting to Capital Forum & CSB, quarterly reporting to Cabinet.
50. 8.4.1 RG	Review the adequacy of the corporate reporting and monitoring of strategic, high profile projects.	High	As above this is a wide ranging requirement which is affected by project processes from conception to completion. All aspects will be picked up through workstreams 1, 2 & 3 with the detailed processes and procedures and resulting roles and responsibilities ensuring correct strategies and selections of projects, and efficient and comprehensive project management to completion. As above	June 2011	BH/DL	2	Robust monitoring undertaken on a monthly basis through the Capital Forum chaired by the Interim Director of Finance. Evidence monitoring reports + Forum minutes
51. 8.4.2 RG	Reinforce its expectations of project management methodology being used on capital projects.	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	June 2011	CSB	2	Agreed at CSB 18/05/11 being rolled out by Project Management Office (PMO) Evidenced by CSB paper.
52. 8.5.1 RG	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	Medium	Compliance systems to be developed during 2011-12	June 2011	JA Finance BPs to liaise with Shared	n/a	Exception reports are now being issued to managers on a regular basis on purchase orders. Internal Audit review, based on the exception reports, undertaken on Compliance with

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	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.		controls will be put in place in relation to purchase orders.			Services	Contract Procedure Rules (currently in draft.)
Organisational Development							
53. 8.5.2 RG	Implement in the CS and C&E teams performance management of individuals using regular 1:1s and IPADs.	High	All mid-year reviews in P&I completed Jan 2011. 1:1 in place.	June 2011 and Ongoing	CD & BH	n/a	Action being taken in both CS and C&E to ensure that staff in the teams concerned all have up to date IPAD's and regular 1:2:1 meetings. Evidence to be provided of monitoring reports on IPAD's within CS & C&E (completion of IPADs fallen in C&E)
54. HP	Develop a shared understanding of appropriate senior officer oversight and reporting of work undertaken by junior staff.	Medium	Commission an OD project for all managers. To be picked up as part of workstream 2.	June 2011	BH/DL	2	Regular cycle of team meetings and 1:2:1 meetings with staff to improve internal communications, set expectations and monitor progress. Timely completion of IPAD's. C&E currently seeking IIP accreditation.
55. HP	Consider how to support & develop management accountability	Medium	To be considered at CSB awayday, but start by agreeing action points & action owners at CSB.	Jan 2011 and ongoing	CSB	n/a	A new emphasis on compliance was agreed at the CSB awayday to be piloted as part of the procurement initiative. Evidence of this to be supplied (by HP?) e.g. CSB minutes + how this will be implemented as part of the procurement initiative.
56. 8.5.3 RG	Consider what action is needed specifically and more generally to ensure that individuals comply with controls and the responsibilities as set out eg in the Financial Regulations. This includes taking proactive action when there is evidence of issues of concern or failure to	Low	To be consider at the next CGG meeting early April.	July 2011	CGG	n/a	CGG have considered the issue of accountability and how this can be strengthened. The Chief Executive has stated that 2011/12 is the 'year of compliance'.

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	comply with the relevant systems and procedures. The overriding objective should be to promote the best interests of the Council.							The Interim Director of Finance has been given a specific task to improve financial management .
57. 6. PWC	An assessment of the quality of advice provided by G&T (cost consultants) for the school capital programme should be undertaken.	Medium		June 2011	BH/DL	n/a		Interim managers in Children's Services Capital Team and Property Services reviewed quality of advice given in January 2011 and concluded that it was satisfactory given the basis of appointment
58. 18 PWC	It should be ensured that job descriptions for all individuals across the Council are appropriate and up to date.	Medium		September 2011	BH/DL CSB	n/a		Management responsibility - HR to advise accordingly. Consultation on a restructure of Property Services has commenced the existing major works roles are being replaced by commissioning officers with new role profiles. The new structure is expected to start in 4 th quarter 2011/12. Wider implications across the council to be considered - the Senior management team restructure will clarify roles and responsibilities as this is rolled out within the proposed new directorates.
59. 22 PWC	A comprehensive communication plan should be developed.	Medium		June 2011	BH/DL	2/3		Various workshops held and arrangements for capital projects embedded through monthly meeting of the capital Forum attended by representatives of every directorate. Formal communication plan to be developed.
60. 23. PWC	The Council should consider introducing a programme of independent project assurance that would provide assurance	Medium		June 2011	BH/DL	2/3		Covered by the action for 46 above.

	that projects are being managed in accordance with the Council's established procedures and also highlight opportunities to share best practice amongst projects and departments.		projects across the Council.				
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KEY

- MB Corporate Director Finance (now left)
- JA Interim Director of Finance
- BH Corporate Director Community & Environment
- CD Corporate Director Children's
- HP Director of Legal & Governance Service
- TW Assistant Chief Executive
- JH Divisional Director of Finance & Procurement
- DL Interim Head of Property (Community & Environment)
- ΔH Interim School Capital Programme Team Manager (Children's Services)
- Ω S Business Partner - Financial Accounting, Treasury and Pension Fund
- Ω H Finance Business Partner Community & Environment
- LD Service Manager - Pensions & Corporate Accounts Payable Receivable
- VD Service Manager - Procurement
- NH Interim Capital Project Manager (Finance)
- CSB Corporate Strategy Board
- CGG Corporate Governance Group
- CAP/CAR Corporate Accounts Payable/Receivable

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

Date of Meeting: 1 December 2011

Subject: **INFORMATION REPORT** – Half
Yearly Health and Safety Report

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No

Enclosures: Appendix 1 – Health & Safety
Objectives & Targets April 2011 –
March 2012 (The improvement plan)

Appendix 2 – Codes of Practice
Development, Consultation &
Implementation Schedule

Appendix 3 - Analysis Report for
Accidents Quarter 1 To Quarter 2 (1st
April 2011 – 30th September 2011)

Section 1 – Summary

This report summarises the Council's health and safety performance for the half year 1st April 2011 to 30th September 2011, providing an update of activities and giving information on outcome measures – training, audits and accidents.

FOR INFORMATION

Section 2 – Report

Executive Summary

2.1 The half year from April to September 2011 has continued to be a period of development for the management of health & safety across the organisation. The key work streams during the period from 1st April 2011 to 30th September 2011 have been:

- The implementation of the use of a health and safety e-self audit tool across the organisation. This tool was introduced in response to the Health and Safety Executive (HSE) Inspector request to review health and safety auditing arrangements.
- Continued implementation of the two year improvement plan based on the HSE model HS (G) 65 with the required step changes in performance.
- Restructuring the Health and Safety Service to build a new in-house team.
- Continued involvement in the comprehensive work programme led by the Corporate Director Community & Environment to improve health and safety management and further developing asbestos and premises risk management. The re-surveying of Corporate properties for asbestos is currently underway as part of this programme.
- Continuing development of health and safety Policies and codes of practice to meet identified needs including the Council's overarching Health and Safety Policy and the consultation and communication and legionella codes of practice.
- Continued provision of health and safety advice and support across the directorates.
- Continued provision of the health and safety training programme across the directorates.
- Support and development of the Health at Work Group, employee assistance programme and the shared provision of the Occupational Health Service with Brent Council.

Background

2.2 In line with statutory requirements and in order to allow the Council to monitor and measure health and safety performance and prioritise areas of health and safety risk, a safety review is performed bi-annually. The annual report was reported to the committee in June 2011 and this is the half yearly review.

2.3 Effective health and safety management enables the Council to meet its legal, moral and economic obligations, thus benefiting all stakeholders.

External Assurance

- 2.4 As a large employer undertaking a wide range of activities the Council is subject to a large number of statutory regulations and will be scrutinised by a number of enforcement agencies.
- 2.5 Three Improvement Notices were served on the Council in June 2010 by the Health and Safety Executive (HSE) after an incident at Norbury First and Middle School and subsequent visits to the other CLASP (Consortium of Local Authorities Special Programme) schools in Harrow.
- 2.6 Following satisfactory completion of the requirements of the Improvement Notices the HSE Inspector indicated that a review of health and safety auditing arrangements would be performed in July 2011. An update was therefore provided to the Inspector of changes that have been implemented. Subsequently the HSE have chosen not to revisit Harrow Council.

Improvement Plan

- 2.7 A comprehensive improvement plan (See appendix 1) is well underway which is based on the health and safety management model endorsed by the HSE, HS(G) 65 which requires integration of safety management into the organisational system and management practice. The plan was generated in response to both the Improvement Notices served in 2010 and the independent peer review conducted in 2010. The two year programme was commenced in April 2011. The programme is on target and progress is monitored by the Corporate Health and Safety Group.

Health and Safety Policy and Guidance

- 2.8 The Corporate Health and Safety Advisory Service continues to develop and issue health and safety policies and guidance notes as part of the development of the safety management system. The documents detailed below have been reviewed and consulted upon with key stakeholders, including the trade Unions, prior to being approved at the Corporate Health & Safety Group and uploaded onto the Harrow Hub.

- HSP - Health and Safety Policy
- HSCOP 03 - Legionella Policy
- HSCOP 38 - Health and Safety Consultation and Communication
- HSCOP 12 - First Aid
- HSCOP 09 - Legionella Risk Assessment and Control

- 2.9 Work has also commenced on the following documents which are currently being consulted upon with stakeholders prior to being approved and uploaded onto the Hub.

- HSCOP 03 - Clinical Waste
- HSCOP 09 - Health Surveillance
- HSCOP 12 - Manual handling

- Guidance note - Educational Visits
- HSP - Potentially Violent Person & Hazardous Address Register

2.10 The review of key documents is planned to continue in a programme throughout 2011/12. (See appendix 2) The Safety Policy and other key safety documents will require review once the Senior Management Restructure has taken place.

Health and Safety Groups

2.11 The Health and Safety groups continue to meet quarterly, with the exception of the schools forum which meets every term, to fulfil the requirements of the consultation and communication code of practice.

2.12 The functions of the groups are fourfold. Firstly they must plan the direction for health and safety i.e. be aware of the significant risks faced by the organisation and 'own' and understand the key issues involved. Secondly they must deliver Health and Safety through taking responsibility and 'ownership' for health and safety, ensuring adequate resources, worker involvement, the provision of competent advice and completion of risk assessments. Thirdly the groups must monitor health and safety considering the relevant proactive and reactive data and finally the group must review health and safety performance.

Health and Safety Visits, Inspections and Audits

2.13 The service has continued to provide support across the Council, investigating accidents, visiting sites to implement new systems and to assess risks and providing on site training where necessary.

2.14 The new e-self audit tool has been purchased and developed during this period. A pilot trial has been conducted in the Community and Environment Directorate to identify and rectify and snagging issues. The tool seeks to identify health and safety legislative compliance for each service against the key health and safety legislation. The audit tool is now being rolled out across the other directorates and is due for completion in the second half of this financial year.

Health and Safety Training

2.15 A training programme has been followed and delivered by the Corporate Health and Safety Service during this period. Approximately 380 employees have received training during this period. Unfortunately the majority of this training has been provided on-site following requests. There has been limited uptake on the pre-planned courses resulting in a number of courses being cancelled. However the self audit tool currently being rolled out across the council will identify specific health and safety needs and this, together with training reviews in the Directorate health and Safety Group meetings, should lead to improved attendance.

2.16 The Corporate Health and Safety Service has recognised that e-learning will provide an effective mechanism for delivering health and safety training to a wider audience across the Council and has reviewed potential providers. A paper will be

presented to the Corporate Health and Safety Group in December 2011 to outline the proposed changes.

- 2.17 Fire Safety Awareness was the most attended course during this period with training delivered on site at four schools. The fall in numbers for the health and safety induction for staff and for managers may reflect the lower levels of recruitment.
- 2.18 Between the 1st April 2011 and the 30th September 2011 there were 54 full time equivalent new starters, excluding schools, at the Council. Of this figure 39 (72%) of new staff and managers completed induction training. (Note there is a time delay between employees starting employment and completing the training). This is an increase on the completed induction training in 2010/11 of 47%.

Educational Outside the Classroom

- 2.19 The Department for Education has issued new simplified guidance for educational visits, which has been reduced from 150 pages to 8 pages. Consequently the Corporate Health and Safety Service are revising the guidance note for educational visits and seeking to re-issue this document for April 2012 to coincide with the new service level agreements. In the meantime the Service will continue to assess educational visits as per the previous guidance note.
- 2.20 Approximately 100 school visits have been reviewed during this half year on a wide range of activities, including overseas visits, residential trips and day excursions.

Occupational Health

- 2.21 The Occupational Health Service has continued to provide work-health assessment screening, sickness absence management and health promotion. Usage of the service has remained consistent with previous years with schools continuing to create the highest demand for work health assessments. Referrals for sickness absence management continue to be evenly spread across the Directorates with musculoskeletal problems remaining the main reason for referral.
- 2.22 A number of concerns have been raised during this period relating to management referral reports, the need for clear accountable actions within the reports and the findings of ill-health retirement assessments. These concerns have been raised with the provider and a series of actions are underway to resolve difficulties.

Promotion of Health, Safety and Well Being

- 2.23 One health promotion has taken place during this period along with the planning for the main Occupational Health Fair which was conducted on the 10th October 2011. The Men's health day, which took place at the Central Depot this year, focussed on a number of key health issues including healthy eating, prostate cancer and healthy heart.

Employee Assistance Programme

- 2.24 First Assist has continued to provide the Employee Assistance Programme. Approximately 80 calls were received for telephone counselling during this period covering a range of issues including bereavement, adult children, health and anxiety. Approximately 20 referrals required face to face counselling resulting in approximately 70 sessions of counselling being provided. The majority of callers have been female. This represents approximately an increase of over a third in the usage of the service when compared to the equivalent period in 2010.

Accidents at Work

- 2.25 The Council continues to compile quarterly, half yearly and annual analysis reports of accident performance for scrutiny by the Health and Safety Groups (see appendix 3).
- 2.26 Support has continued to be provided across the Council with respect to electronically submitting the new Accident / Incident / Near Miss Database Form to enable faster and more accurate data collection.
- 2.27 The majority of both reportable and non reportable employee incidents occur in the Children's Service Directorate (67%), principally in schools.
- 2.28 The Adults & Housing Directorate has the next largest number of both reportable and non reportable employee incidents (18%), principally involving Social Care Workers.
- 2.29 The number of both reportable and non reportable employee incidents is still low in the remaining Directorates over this half yearly period.
- 2.30 Physical assault and slips, trips and falls continue to be the largest accident types. As previously discussed in the annual report the majority of the physical assaults relate to the managing of adults and children within special needs schools.
- 2.31 The number of accidents reported has fallen in quarter 2. However this is to be expected with the newly formed academies no longer reporting accidents. The academies were offered the opportunity to purchase the health and safety service level agreement and to purchase the use of the occupational health service as a stand alone service but declined these offers.

Health and Safety Training Data

- 2.32 A training programme, published on the intranet, has been followed during this period. Training has been delivered to 379 employees. The majority of training has been delivered to four schools who have requested bespoke fire safety awareness training.
- 2.33 Delivery of training through the training programme published on the intranet has been limited with a number of courses cancelled due to a limited number of bookings. The table below is a report of delivery of training.

Table 1: Main Health & Safety Training Courses Attendances 1/4/2011 – 30/9/2011 (1/4/2010- 30/9/2010)

Directorates Courses /	Corporate Finance	Children's Services	Adults and Housing	Environment and Community	Chief Executive	Place Shaping	Total
Health and Safety Induction for staff	2 (4)	5 (7)	13 (5)	5 (68)	4 (0)	5 (0)	34 (85)
Health and Safety Induction for managers	1 (7)	(4)	3 (5)	(2)	1 (0)	(0)	5 (19)
Health and Safety Risk Assessment	(4)	(12)	7 (1)	(5)	(0)	(0)	7 (23)
Health and Safety for Premises managers	(0)	4 (58)	3 (7)	7 (4)	(0)	(0)	14 (69)
Stress Awareness	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Fire Marshals	1 (5)	(9)	10 (7)	(0)	(0)	(0)	11 (21)
Fire Risk Assessment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Lone working	(1)	(0)	6 (5)	4 (0)	(0)	(0)	10 (6)
Personal safety	(0)	(0)	(0)	(0)	(0)	(0)	(0)
DSE users	3 (0)	1 (1)	1 (3)	(0)	1 (0)	(0)	6 (4)
DSE assessors	6 (4)	3 (4)	2 (3)	(0)	1 (0)	(0)	12 (11)
Stress awareness / risk assessment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
COSHH awareness	(0)	(5)	17 (3)	(4)	(0)	(0)	17 (12)
Evacuation chair training	(1)	(1)	(0)	(4)	(0)	(0)	(6)
Educational Visits coordinators	(N/A)	(21)	(0)	(N/A)	(0)	(0)	(21)
Manual Handling	(0)	10 (9)	9 (6)	4 (0)	(0)	(0)	23 (17)
Fire safety awareness	(0)	240 (0)	(0)	(0)	(0)	(0)	240 (0)
Total	13 (26)	263 (131)	71 (45)	20 (87)	7 (0)	5 (0)	379 (295)

Note: Between the 1st April 2011 and the 30th September 2011 there were 54 full time equivalent new starters (Non Schools) at the Council. Of this figure 39 (72%) of new staff and managers completed induction training.

Legislation Update

- 2.34 The HSE have undertaken or completed a number of consultations in the last six months. Four of these may impact upon the Council.
- 2.35 The HSE is consulting on proposed revisions to the Control of Asbestos Regulations. The significant change is the removal of the exemption of some types of lower risk work with asbestos from three requirements of the Directive: notification of work; medical examinations; and record keeping.
- 2.36 The HSE is also consulting on replacement arrangements for adventure activities following the planned abolition of the Adventure Activities Licensing Authority. This may impact on assessment performed by schools to ensure school trips involving adventure activities are safe.
- 2.37 A consultation has also finished on amendments to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). If adopted, the period of incapacitation after which an injury to a person at work must be reported to the enforcing authority, will change from over three to over seven days.
- 2.38 A consultation is also ongoing on the HSE proposal to revise the Fees Regulations to reinstate existing fees and to extend the range of activities for which HSE recovers costs. This would include a duty on HSE to recover costs where dutyholders are found to be in material breach of health and safety law. Costs will be recovered from the start of the intervention where the material breach was identified, up to the point where HSE's intervention in supporting businesses in putting matters right has concluded.

Stakeholder Feedback

- 2.39 Harrow Council has continued to liaise with the HSE, providing regular updates on the progress of asbestos & premises management and auditing arrangements. As a result the planned revisit in July 2011 has not taken place.
- 2.40 The recognised Trade Unions have continued to actively contribute to the consultation processes and the development and implementation of the Improvement plan. Monthly partnership meetings are held and the Trade Unions are also active participants in the Directorate & Corporate Health & Safety Groups.

Management Assurance

- 2.41 The Directorate and Corporate Health and Safety groups have monitored progress on both the two year improvement plan and the implementation of the actions within the plan, including the e-self audit tool.
- 2.42 In the last six months progress against the action plan has been made in the following areas.
- Health and Safety Policy revised and issued.
 - Consultation & Communication routes revised and issued.
 - Training review commenced.
 - Health & Safety policy/code of practice review.
 - Health and Safety Service restructured.
 - E-self audit tool purchased and audit implementation commenced.
 - Reactive monitoring mechanisms revised and implemented.

Plans for October 2011 - March 2012

2.43 The key actions for the remainder of 2011/12 include the following:

- Implementation of the audit tool across the Council.
- Continued delivery of the two year improvement plan, including continued review of health and safety policies, revised arrangements for delivering training, risk assessment programme and risk mapping and developing and implementing adequate monitoring arrangements.
- Continued monitoring and delivery of improvements in the provision of the Occupational Health Service and the Employee Assistance Programme.
- Increased provision of information on the Health and Safety and Occupational Health intranet portal.
- The provision of health and safety support and advice within Harrow Council.
- Continued provision of appropriate statistics and reports for Health and Safety Groups and forums.
- Continued support to Directorates in the management of asbestos.
- Completion of team restructure

Section 3 – Further Information

None

Section 4 – Financial Implications

Health and safety management is integral to directorate budgets, and the functions of the Corporate Health and Safety team are carried out within the budget available.

Section 5 - Equalities implications

An Equality Impact Assessment was carried out and no adverse impacts were determined.

Section 6 – Corporate Priorities

The delivery of health and safety management is integral to, and supports the achievement of all Corporate Priorities.

Name: S Tingle



On behalf of the
Chief Financial Officer

Date: 21/11/11

Section 7 - Contact Details and Background Papers

Contact: Mark Riordan, Interim Health & Safety Lead, 0208 424 1521

Background Papers: None

Appendix 1

Health & Safety Improvement Plan April 2011 – April 2013

No.	Objective	Target	Programme	Owner	Start	Status	Finish Date
1	Health & Safety Policy: A Policy needs to be prepared which will reflect the organisation's intention for the management of health and safety.	1.1 Statement of commitment.	1.1.1 Preparation of a statement of commitment towards legislative compliance and continuous improvement in the management of Health and Safety.	MR	June 2011	Complete	Sept 2011
			1.1.2 Statement to be agreed by CHSG, signed by the Chief Executive and issued on the intranet/internet.	CHSG/ML	Sept 2011	Complete	Sept 2011
		1.2 Outline of responsibilities, including all stakeholders.	1.2.1 Responsibilities for health and safety management & members to be drafted for consultation, including details of senior management who will 'champion' health and safety and the scope of responsibilities e.g. SLAs.	MR	June 2011	Complete	Sept 2011
			1.2.2 Responsibilities to be agreed by CHSG & relevant stakeholders and issued on the intranet as part of full policy.	CHSG	Sept 2011	Complete	September 2011
		1.3 Outline of arrangements, including all stakeholders.	1.3.1 Arrangements for health and safety management to be drafted for consultation. This will include risk assessment, training, consultation, emergency arrangements, safe workplaces, first aid, incident reporting etc.	MR	June 2011	Complete	September 2011
			1.3.2 Responsibilities to be agreed by CHSG & relevant stakeholders and issued on the intranet as part of full policy.	CHSG	Sept 2011	Complete	September 2011
2	Organisation. Control	2.1 Establish control over health and safety in the workplace.	2.1.1 Day to day responsibilities for health and safety management from the top to the bottom of the organization to be drafted for consultation. This will include attendance at health and safety meetings,	MR	Sept 2011	Ongoing	Dec 2011

			inspection regimes, management of incidents, defining individual responsibilities, compliance checks etc.				
			2.1.2 Responsibilities, arrangements & compliance checks to be agreed within Directorates and fed back to CHSG & relevant stakeholders	CHSG/MR	Sept 2011	Ongoing	Mar 2012
2	Organisation. Competence	2.2 The establishment of a system that ensures that all employees are capable of doing their work in a proper and safe way.	2.2.1 All services to identify the training needs of their team, including the CPD needs of managers, against the currently available health and safety training and submit needs to the Health & Safety Service	All services	Aug 2011	Ongoing	Dec 2011
			2.2.2 The health and safety service to explore the potential for e-learning via the learning pool and introduce courses via this medium.	MR	July	Ongoing	Dec 2011
			2.2.3 The Health and Safety Service to determine the training needs of the organisation and any necessary budget changes, discuss with HR & L&D and submit a programme, including mandatory training & specialist provision of training, to CHSG.	MR	Dec 2011		Mar 2012
			2.2.4 CHSG to assess and endorse the programme.	CHSG	Mar 2012		Mar 2012
			2.2.5 Programme to be delivered.	MR	Mar 2012		Mar 2012
			2.2.6 Senior Management to determine the arrangements for the provision of professional health and safety support to the organization.	CSB	April 2011	Complete	Oct 2011
2	Organising Communication:		2.3 Establish communication routes for clarity of responsibilities & to ensure	2.3.1 Communication routes for health and safety management to be drafted for consultation. This will include the provision of information and support e.g. monthly health & safety updates, performance & an opportunity to express	MR	June 2011	Complete

		changes are communicated quickly throughout organisation	views and concerns.				
			2.3.2 Communication routes to be agreed by CHSG & relevant stakeholders and issued on the intranet	CHSG	Sept 2011	Complete	Sept 2011
2	Organising Co-operation:	2.4 The formal participation and co-operation of everyone in the workplace in carrying out their Health & Safety responsibilities	2.4.1 Participation and co-operation mechanisms for health and safety management to be drafted for consultation. This will include the arrangements for health and safety committees and escalation of risks.	MR	Sept 2011	Complete	Sept 2011
			2.4.2 Participation and co-operation mechanisms to be agreed by CHSG & relevant stakeholders, including trade unions, and issued on the intranet	CHSG	Sept 2011	Complete	Sept 2011
3	Planning: Risk Assessment	3.1 All risks with the potential to cause harm have been assessed.	3.1.1 Each service to identify and risk assess the significant risks that are present in its work area and through its work activities and prepare a register for review at Directorate level, together with an action plan to address these issues. Directorate group to undertake a risk mapping exercise to ensure all significant risks have been assessed.	Each Service			April 2012
			3.1.2 The health and safety service to purchase a database tool to upload & monitor risk assessments and provide training to enable individual services to upload their assessments.	MR			April 2011
			3.1.3 Each service to ensure that where control measures are required they have been implemented or if not possible the risks have been escalated to Directorate level.	Each Service	Nov 2011		May 2012
			3.1.4 Where risks are unable to be managed within a directorate, the risks are	Each Directora	May 2012		August 2012

			escalated to Corporate Level	te Group			
3	Planning: Policies & Procedures	3.2 Policies & procedures to be developed for the management of all significant risks	3.2.1 All policies & procedures for health and safety management to be reviewed and presented for consultation. This will include any new policies/ procedures identified by the risk assessment process.	MR	April 2011	Ongoing	Sept 2012
			3.2.2 Policies & procedures to be agreed by CHSG & relevant stakeholders and issued on the intranet.	CHSG	April 2011	Ongoing	Sept 2012
4	Monitoring: Pro-active monitoring	4.1 Identify shortcomings in the management of Health & Safety through inspections, checking maintenance records, reviewing work activities etc.	4.1.1 Draft mechanisms for pro-actively monitoring health and safety performance to be presented to CHSG/Directorate Groups for consultation/approval.	MR	Sept 2011	Ongoing	Dec 2011
			4.1.2 Monitoring arrangements to be implemented.	Directorate	Sept 2011	Ongoing	Dec 2011
			4.1.3 Monitoring data to be reviewed both corporately and at directorate level.	CHSG/D HSG	Sept 2011	Ongoing	Dec 2011
4	Monitoring: Reactive monitoring	4.2 Assess health and safety performance through reactive data such as incident data	4.2.1 Ensure mechanisms for reporting data are implemented throughout Council and the relevant data is analysed.	MR	May 2011	Complete	Sept 2011
			4.2.2 Ensure that the monitoring is reviewed both locally and at Directorate and Corporate level and appropriate remedial action is taken.	CHSG/D HSG	Sept 2011	Complete	Dec 2011
4	Monitoring: KPI's	4.3 Set KPI's e.g. lost time injury rate to benchmark and then set targets for improvement	4.3.1 Draft proposed KPI's for monitoring health & safety performance, including performance board data, to be generated through procured audit tool and presented to CHSG/Directorate Groups for consultation/approval.	MR	Oct 2011		Dec 2011
			4.3.2 Agree targets for improvement and monitor progress.	CHSG			November 2011

5	Auditing	5.1 The collation of information on the efficiency, effectiveness and reliability of the total health & Safety Management system and drawing up plans for corrective action	5.1.1 The procurement and introduction of an e-audit tool to assess compliance against legislation and internal policies and procedures.	MR	Jan 2011		April 2011
			5.1.2 Completion of the audit by all services.	MR	June 2011	Ongoing	April 2012
			5.1.3 Assessment of the validity of the auditing by the health and safety service (approx 10%)	MR	Sept 2011	Ongoing	April 2012
6	Review	6.1 Assessment of the adequacy of health and safety performance and determining strategies for remedial action.	6.1.1 The generation of annual and half yearly health & safety reports for submission to members and relevant stakeholders.	MR	May & Nov 2011	Ongoing	June & December 2011
			6.1.2 An annual corporate review of health & safety performance.	CSB	May 2011		June 2012

Key

Green - completed

Amber – ongoing

Red – overdue

No Fill – Yet to be started.

Appendix 2

Codes of Practice Development, Consultation & Implementation Schedule 2011 / 12

Financial Number 2011	Week	26/11	27/11	28/11	29/11	30/11	31/11	32/11	33/11	34/11	35/11	36/11	37/11	38/11	39/11	40/11	41/11	42/11	43/11	44/11	45/11	46/11	47/11	48/11	49/11	50/11	51/11	52/11	
Week Commencing 2011 / 12		26/9	03/10	10/10	17/10	24/10	31/10	07/11	14/11	21/11	28/11	05/12	12/12	19/12	26/12	02/01	09/01	16/01	23/01	30/01	06/02	13/02	20/02	27/02	05/03	12/03	19/03	26/03	
Quarter 3 - 2011																													
Clinical Waste																													
Educational Visits																													
Occ Health Risk Assessment																													
Noise at Work																													
Manual Handling																													
Quarter 4 - 2011																													
Managing Contractors																													
Construction Safety																													
Work Equipment (PPE, UWER)																													
COSHH																													
Expectant Mothers																													
TRACKER PROGRESS																													
Financial Number 2012	Week	1/12	2/12	3/12	4/12	5/12	6/12	7/12	8/12	9/12	10/12	11/12	12/12	13/12	14/12	15/12	16/12	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12	25/12	26/12	27/12	
Week Commencing 2012		02/04	09/04	16/04	23/04	30/04	07/05	14/05	21/05	28/05	04/06	11/06	18/06	25/06	02/07	09/07	16/07	23/07	30/07	06/08	13/08	20/08	27/08	03/09	10/09	17/09	24/09	01/10	
Quarter 1 - 2012																													
Electrical Safety																													
Confined Spaces																													
Emergency Arrangements																													
Gas Safety																													

Driving for Work																													
Hand / Arm Vibration (HAVS)																													
Quarter 2 – 2012																													
Welfare Provision																													
Lifting Equipment (LOLER)																													
Young Workers																													
Personal Protective Equipment (PPE)																													
Training																													
Pressure Systems																													
TRACKER PROGRESS																													

Codes of Practice Key

- Document Development
- Document Consultation & Review
- Document Approval & Implementation

Tracker Progress Key

- On Schedule
- At Risk
- Not Achieved

47

Appendix 3

HALF YEAR ANALYSIS REPORT FOR ACCIDENTS QUARTERS 1 & 2 (1st April – 30th September 2011)

1. BACKGROUND

- 1.1 The statistics have been formulated from the Accident Forms that have been returned to the Corporate Health and Safety Service and relate to Quarters 1 and 2 (1st April – 30th September 2011). All statistical data provided is specific to any accident to Council employees and accidents to non-employees where the accident was reportable to the Health and Safety Executive or added to the Council's Accident Database.
- 1.2 These statistics have been formulated using the Council's Accident Data Base. This database has been further modified and is allowing greater analysis of data, together with the production of more detailed charts and graphs.
- 1.3 As well as being shown in the overall Directorate figures, the accident data for CS Schools and Adults Services has been further split for special needs.
- 1.4 When the Accident Database Reporting Form was introduced this led to substantial increases in the number of accidents reported, as Directorates became more aware of what must be reported to the Corporate Health and Safety Service and the Health and Safety Executive. Accidents are now on the decrease as new Policy and Code of Practice documents are introduced and a heightened awareness of health and safety management is instilled across the Council.

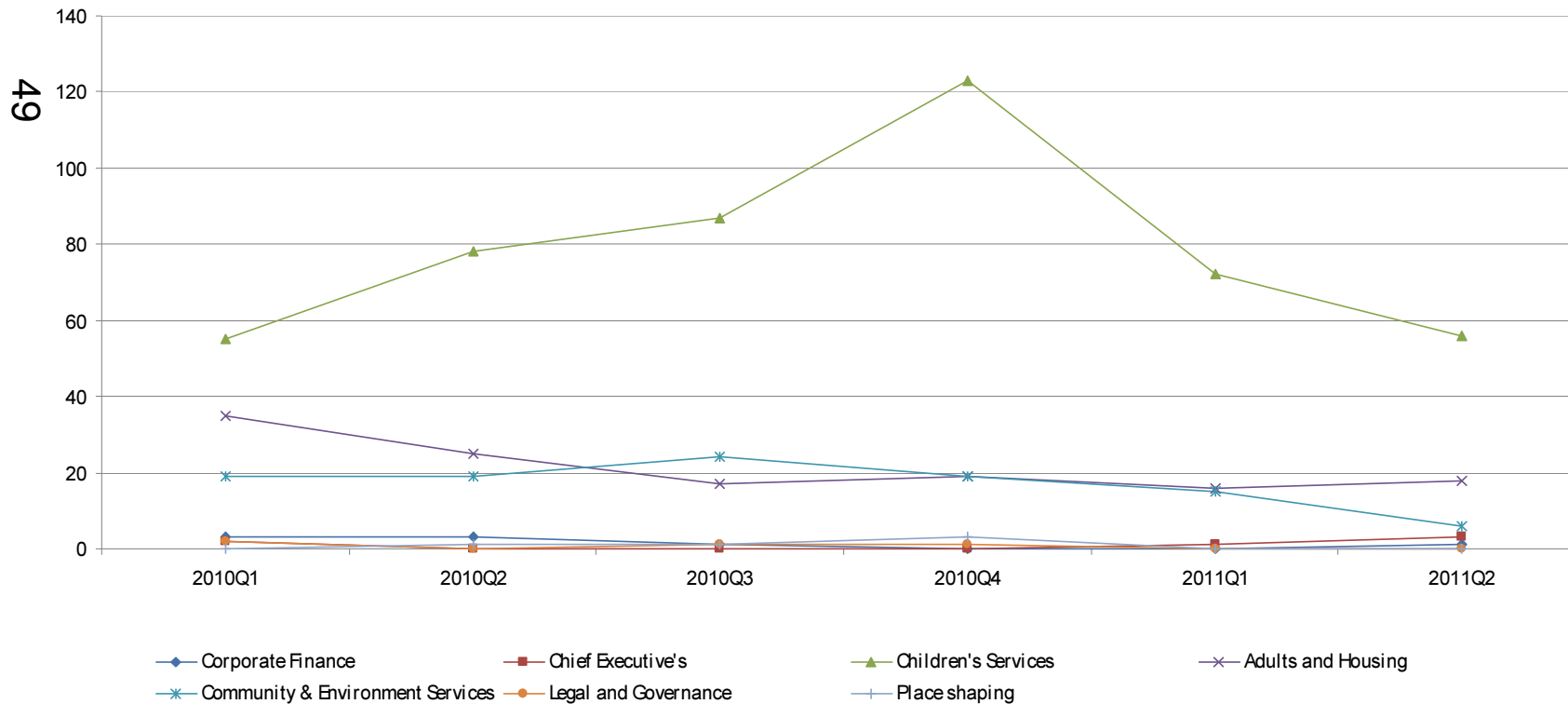
2. DETAIL

- 2.1 The breakdown of data below will assist Council Departmental Management and Staff in identifying trends, highlighting possible breaches of safe working practice and any additional training requirements.
- 2.2 The accident analysis charts give individual Directorate and Division breakdowns of accidents, including details of reportable accidents where applicable.

Total Employee Reportable and Non-Reportable Accidents by Directorate

Quarter	Corporate Finance	Chief Executive's	Children's Services	Adults and Housing	Community & Environment Services	Legal and Governance	Place shaping	Grand Total
2010Q1	3	2	55	35	19	2	0	116
2010Q2	3	0	78	25	19	0	1	126
2010Q3	1	0	87	17	24	1	1	131
2010Q4	0	0	123	19	19	1	3	165
2011Q1	0	1	72	16	15	0	0	106
2011Q2	1	3	56	18	6	0	0	84
Grand Total	8	6	471	130	102	4	5	726

Number of Accidents/ Incidents by Quarter



The overall employee figure for Quarters 1 and 2 – 2011 (190) is 24% lower than Quarters 1 and 2 - 2010 (242). These figures also reflect schools that have become academies are no longer included in our statistics and have therefore been removed.

Total Employee Reportable and Non-Reportable Accidents by Occupation Q1 – 2010 to Q2 - 2011

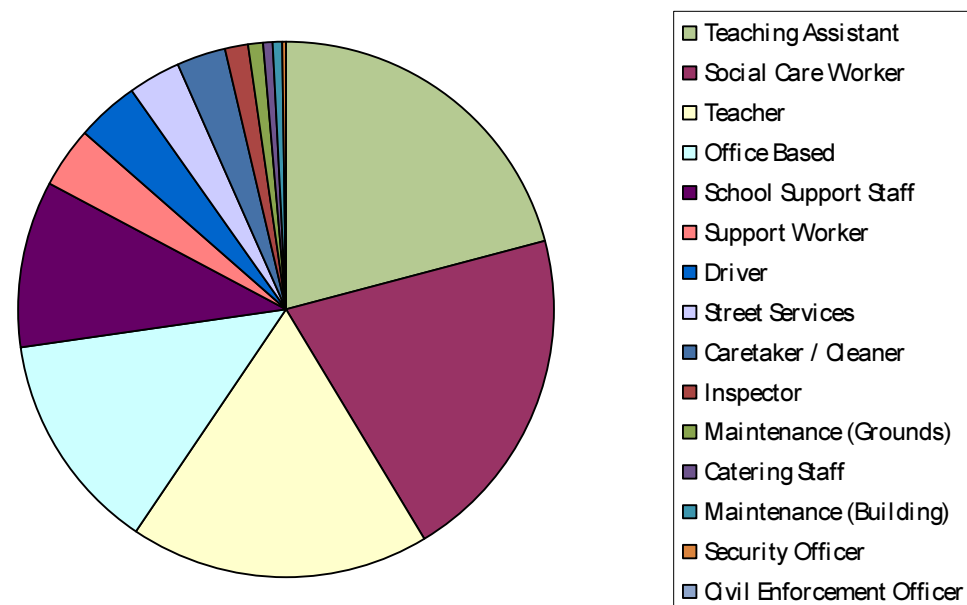
Directorate	(Multiple Items)
Location Type	(All)
Quarter	(Multiple Items)

Occupation	Data	
	No.	%
Teaching Assistant	151	20.80%
Social Care Worker	150	20.66%
Teacher	131	18.04%
Office Based	96	13.22%
School Support Staff	73	10.06%
Support Worker	27	3.72%
Driver	27	3.72%
Street Services	23	3.17%
Caretaker / Cleaner	22	3.03%
Inspector	9	1.24%
Maintenance (Grounds)	6	0.83%
Catering Staff	5	0.69%
Maintenance (Building)	3	0.41%
Security Officer	2	0.28%
Civil Enforcement Officer	1	0.14%
Grand Total	726	100.00%

50

Accidents/ Incidents by Occupation

Directorate: (Multiple Items) Qtr: (Multiple Items)



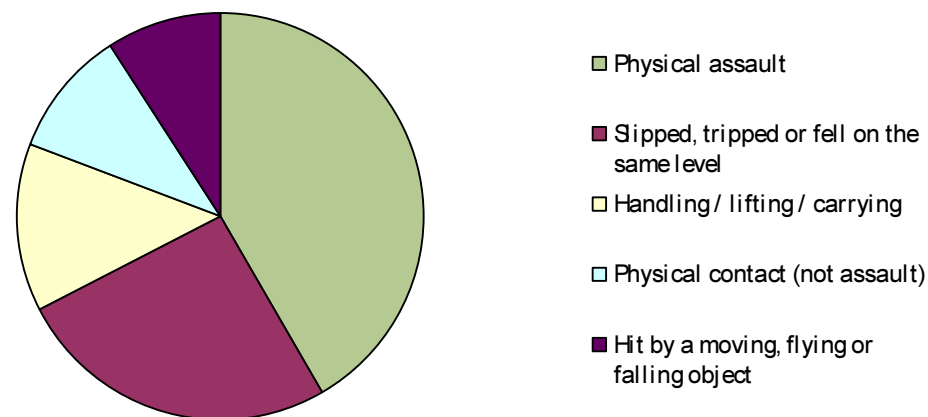
Top 5 Employee Reportable and Non-Reportable Accidents by Type Q1 – 2010 to Q2 - 2011

Directorate	(Multiple Items) ▼
Location Type	(All) ▼
Quarter	(Multiple Items) ▼
Occupation	(Multiple Items) ▼

	Data ▼	
Kind of accident/incident ▼	No.	%
Physical assault	229	41.64%
Slipped, tripped or fell on the same level	142	25.82%
Handling / lifting / carrying	74	13.45%
Physical contact (not assault)	55	10.00%
Hit by a moving, flying or falling object	50	9.09%
Grand Total	550	100.00%

Top 5 Kinds of Accident/ Incident

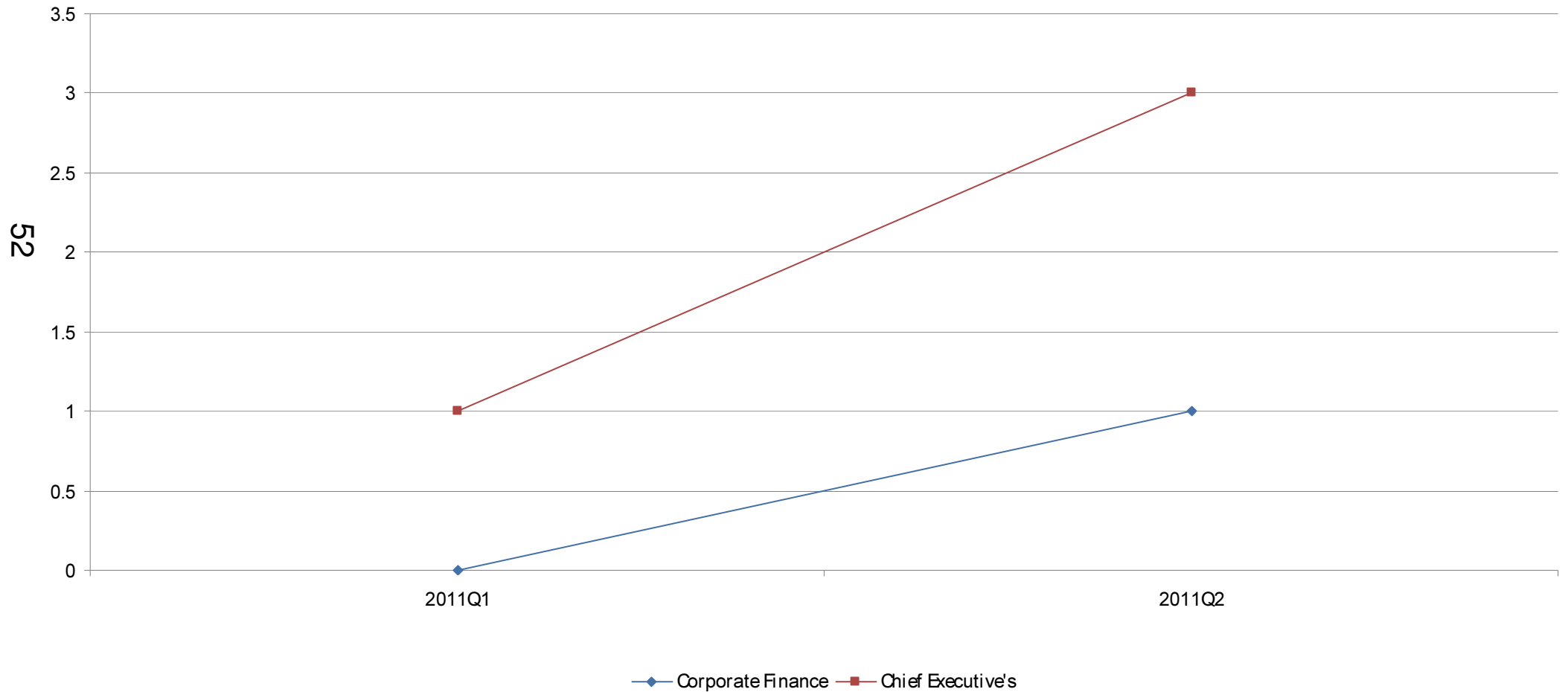
Directorate: (Multiple Items) Qtr: (Multiple Items)



The Combined Safety Group Q1 and Q2 - 2011

Quarter	Corporate Finance	Chief Executive's	Legal and Governance	Grand Total
2011Q1	0	1	0	1
2011Q2	1	3	0	4
Grand Total	1	4	0	5

Number of Accidents/ Incidents by Quarter



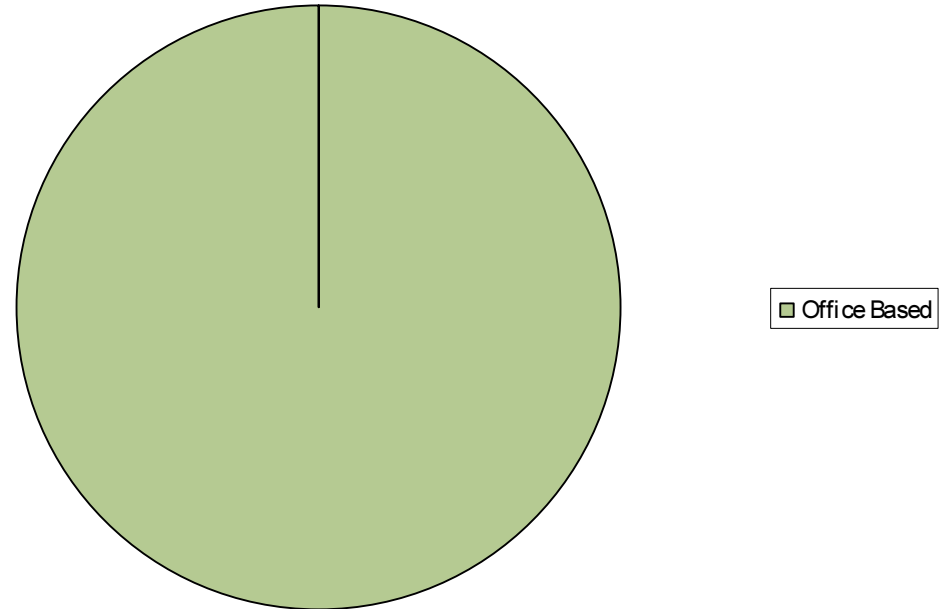
The Combined Safety Group Accidents by Occupation Q1 and Q2 - 2011

Directorate	(Multiple Items) ▼
Location Type	(All) ▼
Quarter	(Multiple Items) ▼

	Data ▼	
Occupation ▼	No.	%
Office Based	5	100.00%
Grand Total	5	100.00%

Accidents/ Incidents by Occupation

Directorate: (Multiple Items) Qtr: (Multiple Items)

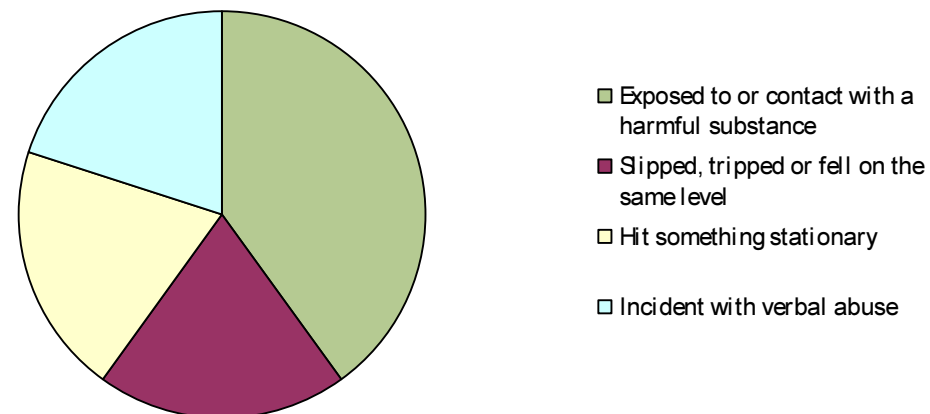


The Combined Safety Group Accidents by Type Q1 and Q2 - 2011

Directorate	(Multiple Items)
Location Type	(All)
Quarter	(Multiple Items)
Occupation	(Multiple Items)

Kind of accident/incident	Data	
	No.	%
Exposed to or contact with a harmful substance	2	40.00%
Slipped, tripped or fell on the same level	1	20.00%
Hit something stationary	1	20.00%
Incident with verbal abuse	1	20.00%
Grand Total	5	100.00%

Top 5 Kinds of Accident/ Incident
 Directorate: (Multiple Items) Qtr: (Multiple Items)



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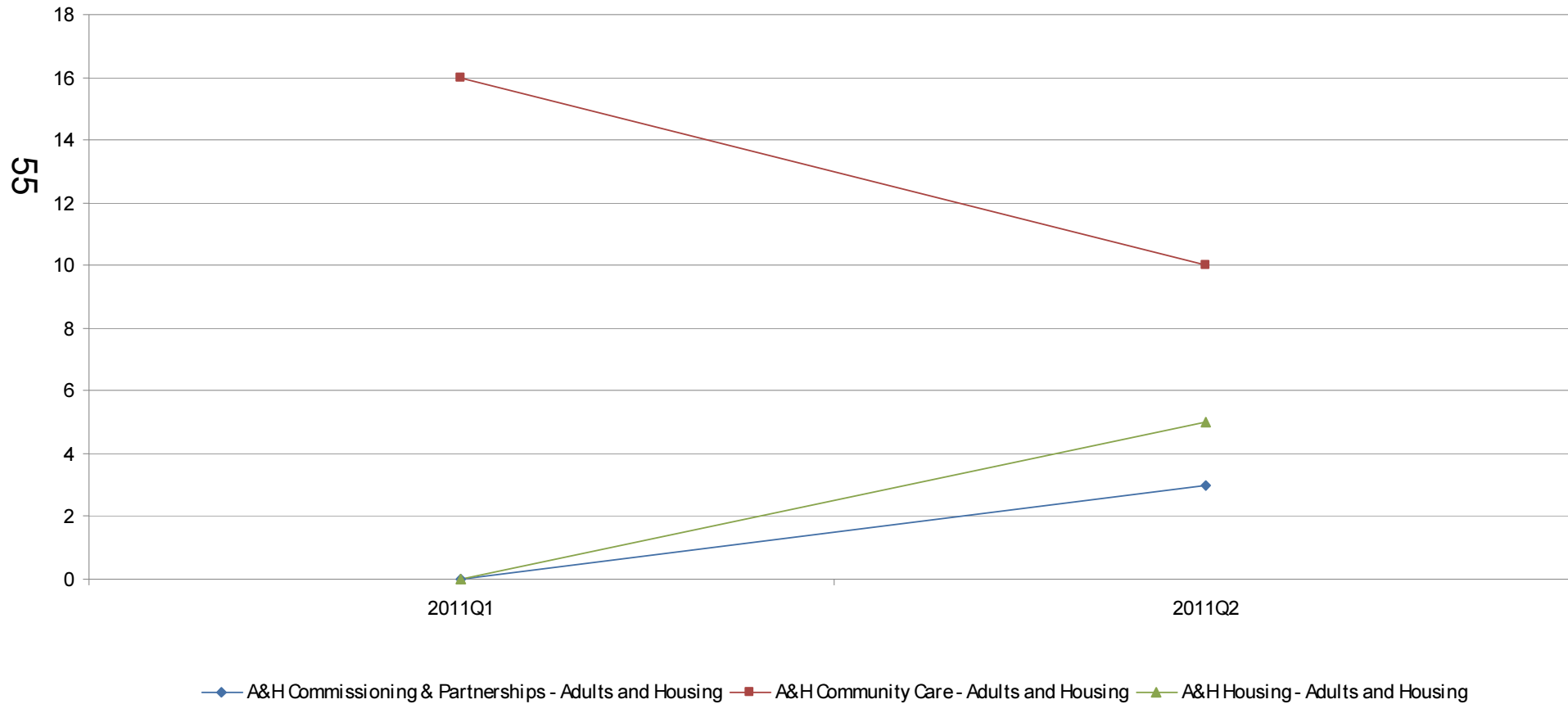
The accident figures for Quarters 1 and 2 – 2011 (5) are 50% lower than Quarters 1 and 2 – 2010 (10).

There were no employee HSE reportable accidents in Quarters 1 and 2 – 2011.

Adult's & Housing Q1 and Q2 – 2011

	A&H Commissioning & Partnerships	A&H Community Care	A&H Housing	Grand Total
Quarter				
2011Q1	0	16	0	16
2011Q2	3	10	5	18
Grand Total	3	26	5	34

Number of Accidents/ Incidents by Quarter

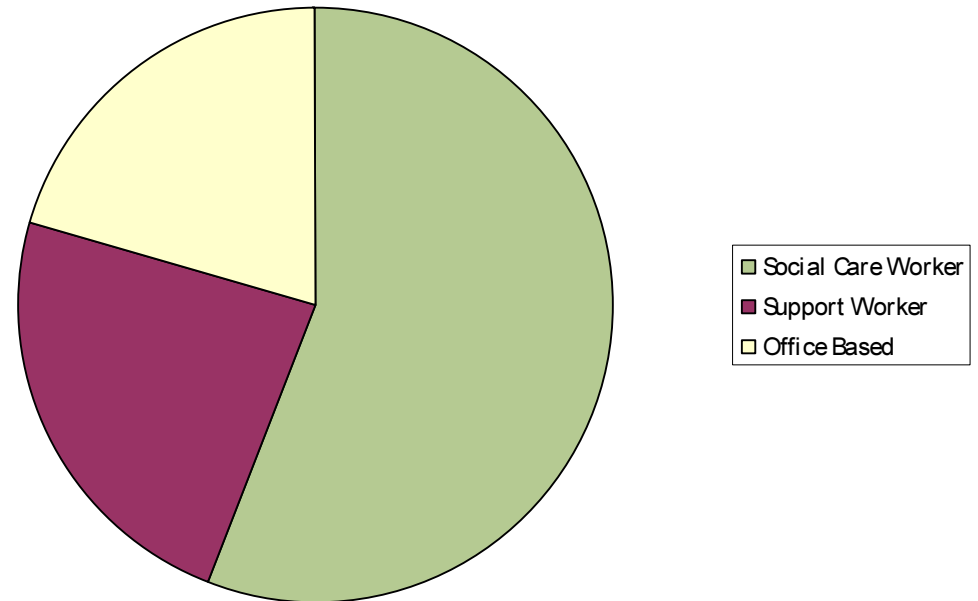


Adults and Housing Accidents by Occupation Q1 and Q2 - 2011

Directorate	Adults and Housing
Location Type	(All)
Quarter	(Multiple Items)

Occupation	No.	%
Social Care Worker	19	55.88%
Support Worker	8	23.53%
Office Based	7	20.59%
Grand Total	34	100.00%

Accidents/ Incidents by Occupation
 Directorate: Adults and Housing Qtr: (Multiple Items)



The accidents in the Adults Learning Disability Day Service have been included in the figures above and are also shown separately.

Adults and Housing Accidents by Type Q1 and Q2 – 2011

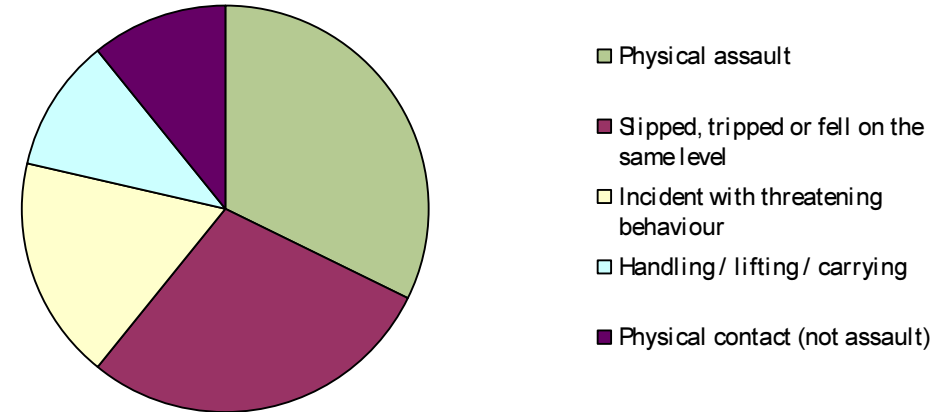
Directorate	Adults and Housing
Location Type	(All)
Quarter	(Multiple Items)
Occupation	(Multiple Items)

	Data	
Kind of accident/incident	No.	%
Physical assault	9	32.14%
Slipped, tripped or fell on the same level	8	28.57%
Incident with threatening behaviour	5	17.86%
Handling / lifting / carrying	3	10.71%
Physical contact (not assault)	3	10.71%
Grand Total	28	100.00%

57

Top 5 Kinds of Accident/ Incident

Directorate: Adults and Housing Qtr: (Multiple Items)



The accident figures for Quarters 1 and 2 – 2011 (35) are 42% lower than Quarters 1 and 2 – 2010 (60).

There were 7 employee HSE reportable accidents in Quarters 1 and 2 – 2011:

A Social Care Worker fell over in the supermarket car park causing a fracture to the ankle.

A Support Worker was punched in the face and kicked by a client causing swelling and bruising.

A Social Care Worker fell over after getting out of the car and broke a tooth.

A Support Worker had their foot ran over by a client who was reversing their wheel chair.

A Social Care Worker whilst helping a client in the shower room slipped on the wet floor, causing a pain in the knee and hip.

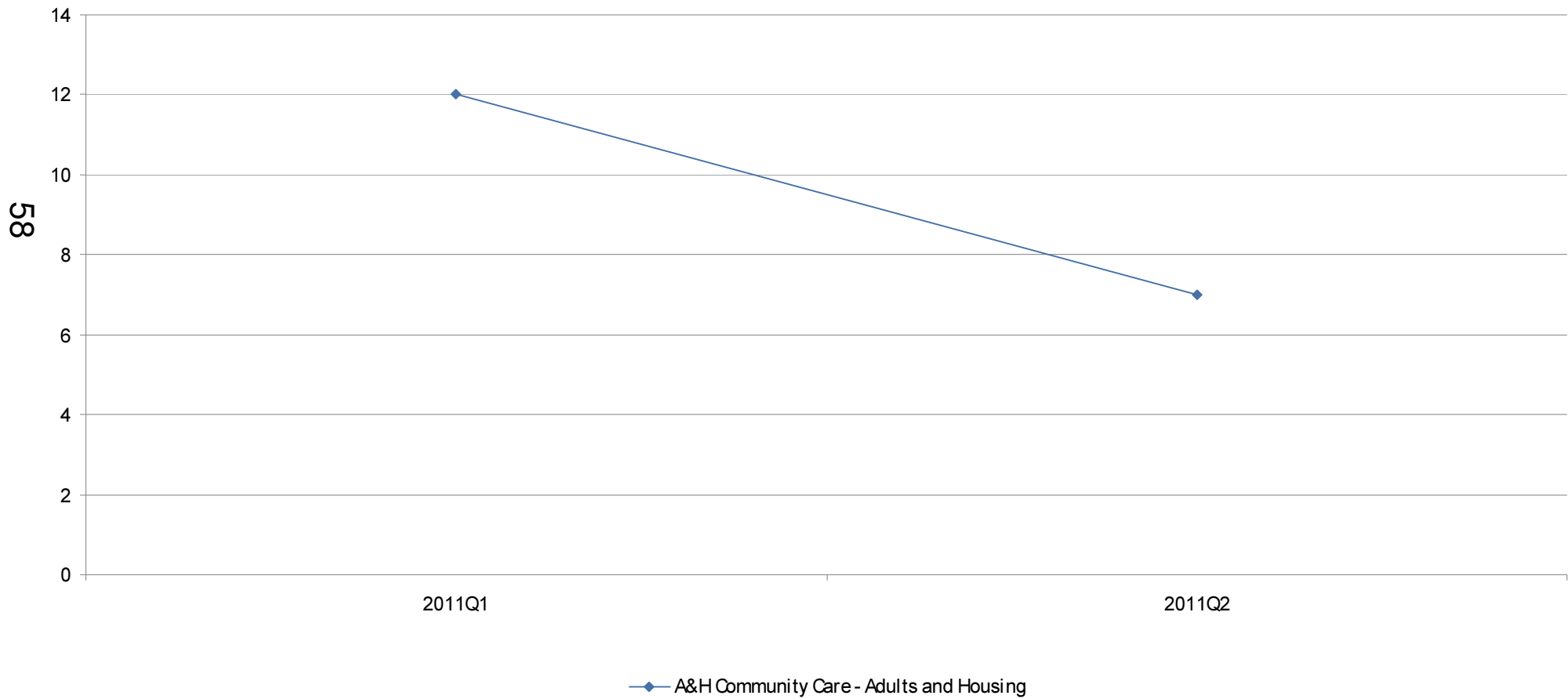
A Social Care Worker was in the garden with a client and fell off the swing causing a pain in their knee and calf.

A Social Care Worker was carrying a box and pulled a muscle in their neck.

Adults Learning Disability Day Service Q1 and Q2 - 2011

Quarter	Adults Learning Disability Day Service
2011Q1	12
2011Q2	7
Grand Total	19

Number of Accidents/Incidents by Quarter



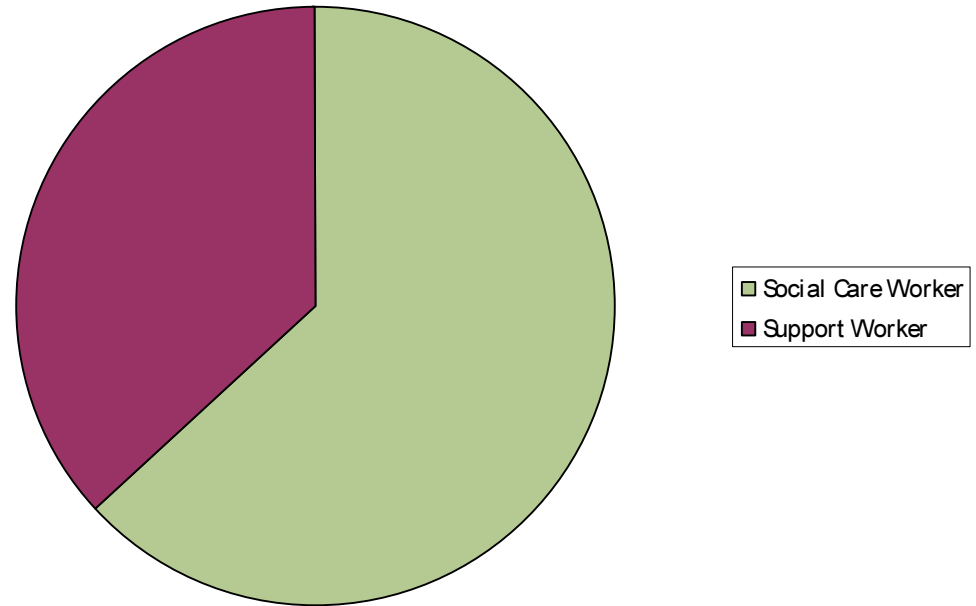
Adults Learning Disability Day Service Q1 and Q2 – 2011 Accidents by Occupation

Directorate	Adults and Housing
Location Type	LDDS
Quarter	(Multiple Items)

Occupation	No.	%
Social Care Worker	12	63.16%
Support Worker	7	36.84%
Grand Total	19	100.00%

Accidents/ Incidents by Occupation

Directorate: Adults and Housing Qtr: (Multiple Items)



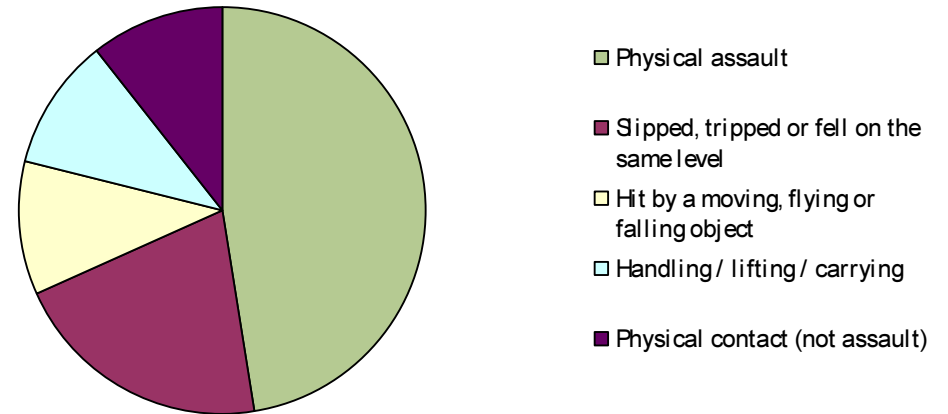
Adults Learning Disability Day Service Q1 and Q2 – 2011 Accidents by Type

Directorate	Adults and Housing
Location Type	LDDS
Quarter	(Multiple Items)
Occupation	(Multiple Items)

	Data	
Kind of accident/incident	No.	%
Physical assault	9	47.37%
Slipped, tripped or fell on the same level	4	21.05%
Hit by a moving, flying or falling object	2	10.53%
Handling / lifting / carrying	2	10.53%
Physical contact (not assault)	2	10.53%
Grand Total	19	100.00%

Top 5 Kinds of Accident/ Incident

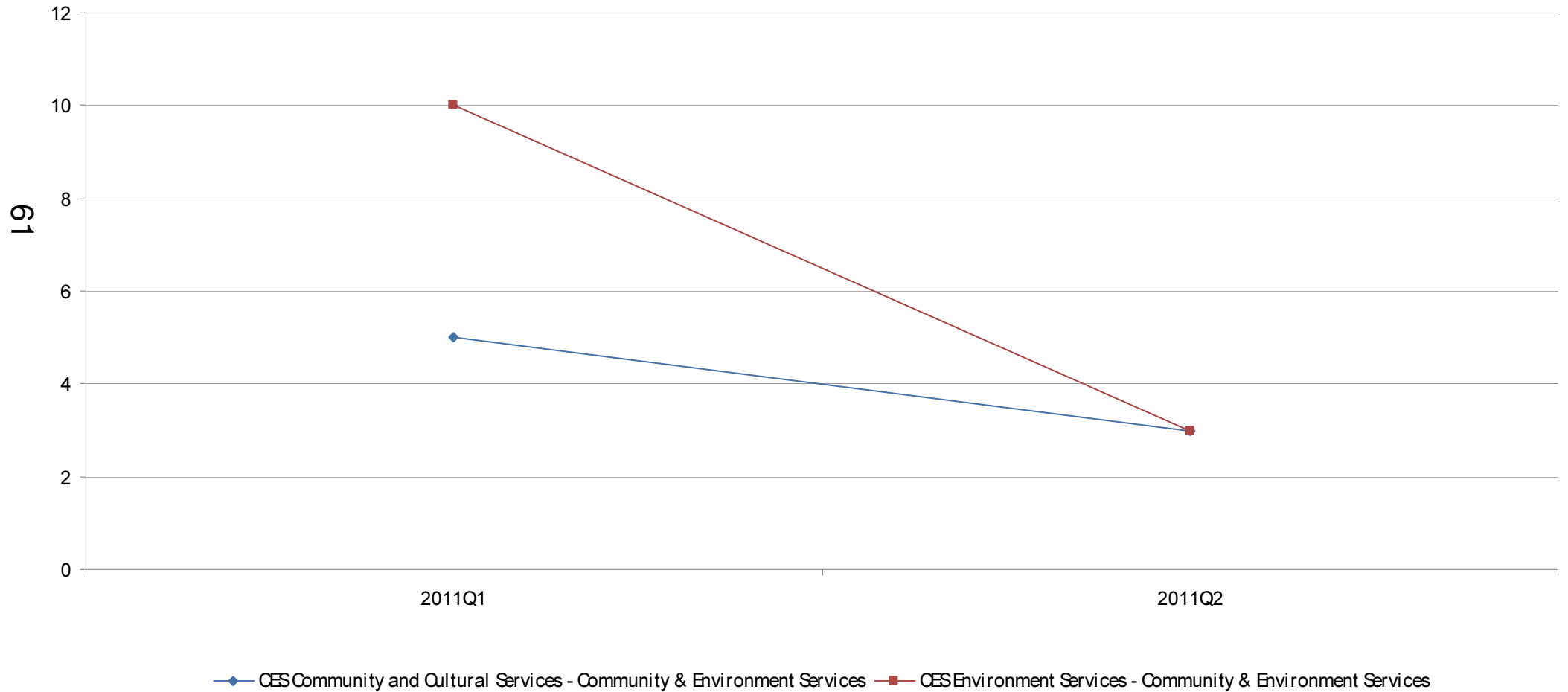
Directorate: Adults and Housing Qtr: (Multiple Items)



Community & Environment Q1 and Q2 - 2011

Quarter	Community & Environment Services	Community & Environment Services	Total
2011Q1	5	10	15
2011Q2	3	3	6
Grand Total	8	13	21

Number of Accidents/ Incidents by Quarter



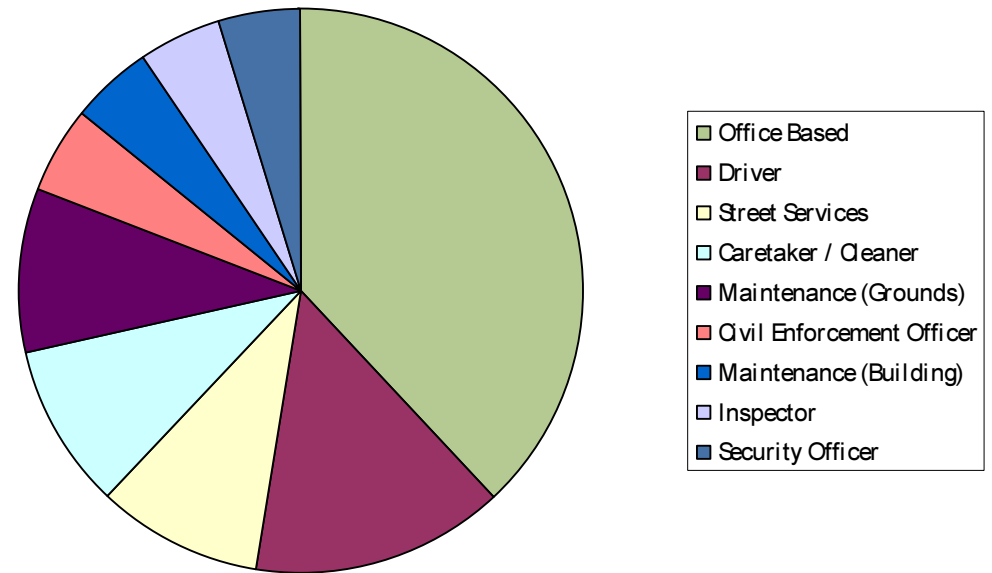
Community & Environment Accidents by Occupation Q1 and Q2 – 2011

Directorate	Community & Environment Services
Location Type	(All)
Quarter	(Multiple Items)

Occupation	No.	%
Office Based	8	38.10%
Driver	3	14.29%
Street Services	2	9.52%
Caretaker / Cleaner	2	9.52%
Maintenance (Grounds)	2	9.52%
Civil Enforcement Officer	1	4.76%
Maintenance (Building)	1	4.76%
Inspector	1	4.76%
Security Officer	1	4.76%
Grand Total	21	100.00%

Accidents/ Incidents by Occupation

Directorate: Community & Environment Services Qtr: (Multiple Items)



Community & Environment Accidents by Type Q2 – 2011

Directorate	Community & Environment Services
Location Type	(All)
Quarter	(Multiple Items)
Occupation	(Multiple Items)

	Data	
Kind of accident/incident	No.	%
Slipped, tripped or fell on the same level	7	41.18%
Handling / lifting / carrying	5	29.41%
Physical assault	3	17.65%
Incident with threatening behaviour	1	5.88%
Incident with verbal abuse	1	5.88%
Grand Total	17	100.00%

3

The accident figures for Quarters 1 and 2 – 2011 (21) are 45% lower than Quarters 1 and 2 – 2010 (38).

There were 3 employee HSE reportable accidents in Quarters 1 and 2 – 2011:

An Office Based Employee was texting a friend whilst walking to the canteen and fell over onto their face, chipping a tooth and bruising their arm.

An Office Based Employee was helping to remove a stage frame and hurt their back.

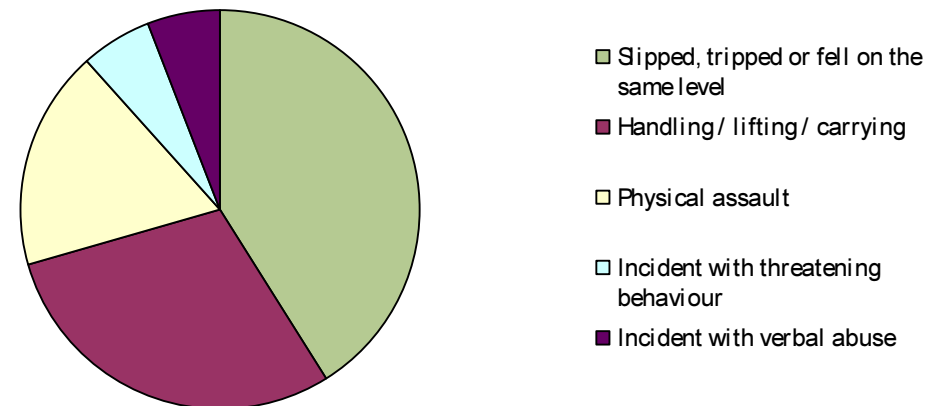
A Civil Enforcement Officer was issuing a PCN Notice on a car, the car owner returned and pushed the employee to the ground, causing a sprain and bruise to the right shoulder.

Place Shaping Q1 and Q2 - 2011

No accidents were reported in Q1 and Q2 by the Place Shaping Directorate.

Top 5 Kinds of Accident/ Incident

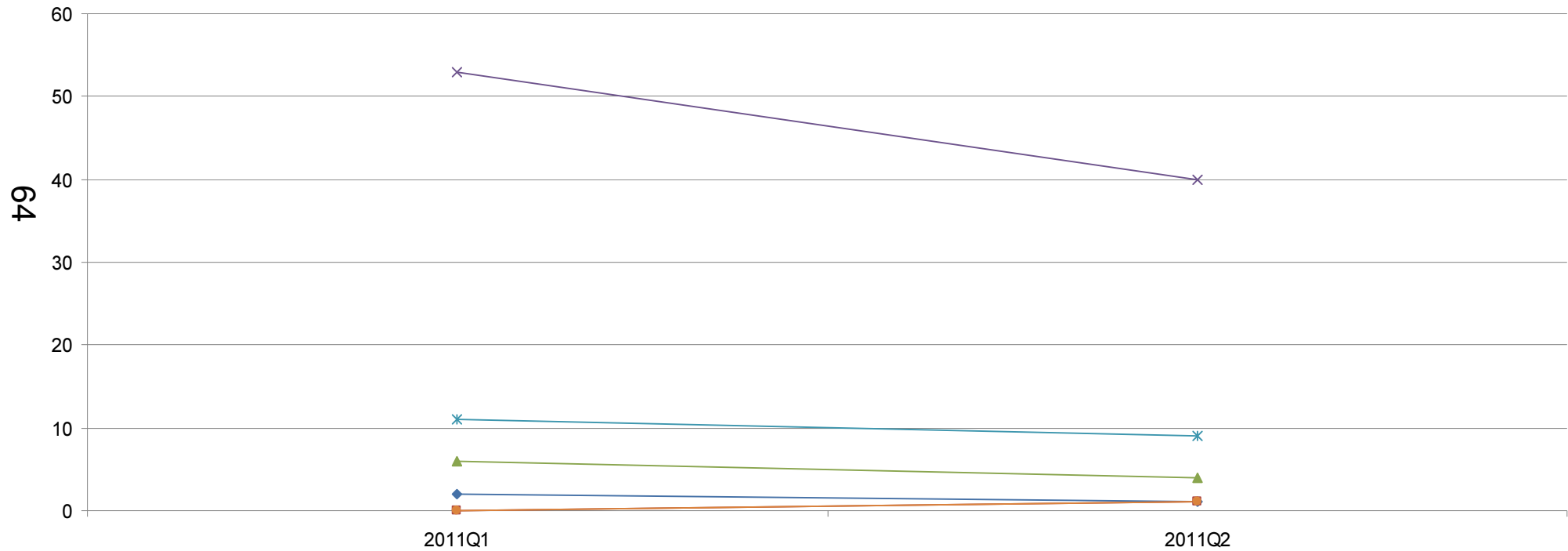
Directorate: Community & Environment Services Qtr: (Multiple Items)



Children's Services

	CS Achievement and Inclusion	CS Integrated Early Years and Community Services	CS Safeguarding, Family Placement and Support	CS Schools	CS Special Needs Services	CS Young People's Services	Grand Total
Quarter							
2011Q1	2	0	6	53	11	0	72
2011Q2	1	1	4	40	9	1	56
Grand Total	3	1	10	93	20	1	128

Number of Accidents/ Incidents by Quarter



- ◆ CS Achievement and Inclusion - Children's Services
- ▲ CS Safeguarding, Family Placement and Support - Children's Services
- ★ CS Special Needs Services - Children's Services
- CS Integrated Early Years and Community Services - Children's Services
- ✕ CS Schools - Children's Services
- CS Young People's Services - Children's Services

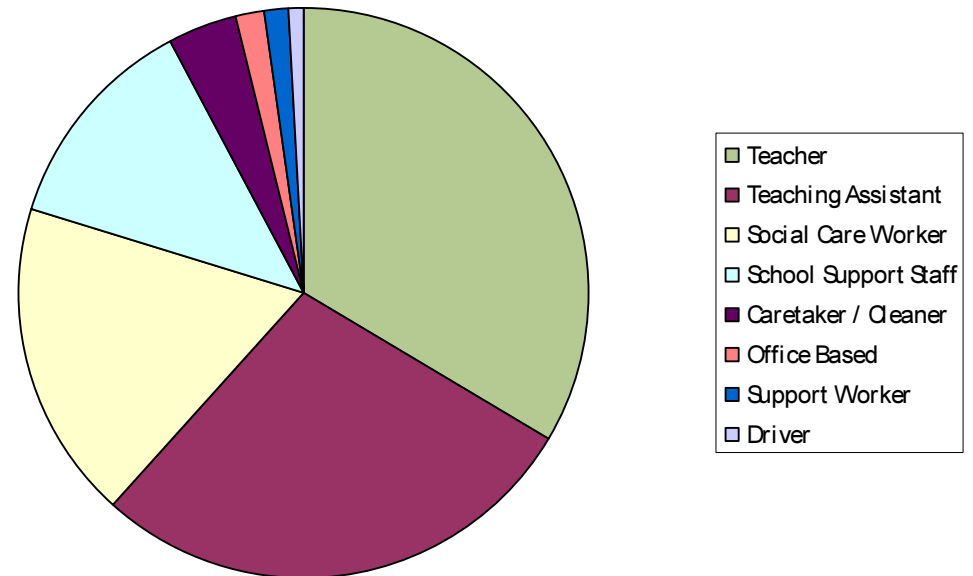
Children's Services Accidents by Occupation Q1 and Q2 – 2011

Directorate	Children's Services
Location Type	(All)
Quarter	(Multiple Items)

	Data	
Occupation	No.	%
Teacher	43	33.59%
Teaching Assistant	36	28.13%
Social Care Worker	23	17.97%
School Support Staff	16	12.50%
Caretaker / Cleaner	5	3.91%
Office Based	2	1.56%
Support Worker	2	1.56%
Driver	1	0.78%
Grand Total	128	100.00%

Accidents/ Incidents by Occupation

Directorate: Children's Services Qtr: (Multiple Items)



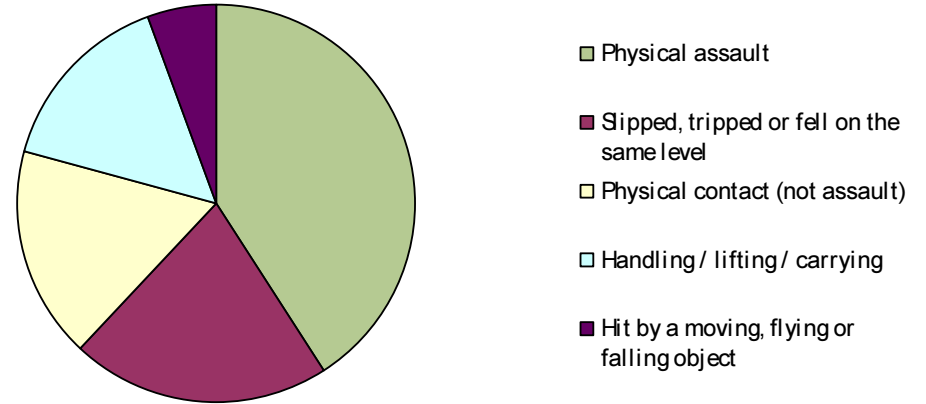
Children's Services Accidents by Type Q1 and Q2 – 2011

Directorate	Children's Services
Location Type	(All)
Quarter	(Multiple Items)
Occupation	(Multiple Items)

	Data	
Kind of accident/incident	No.	%
Physical assault	45	40.91%
Slipped, tripped or fell on the same level	23	20.91%
Physical contact (not assault)	19	17.27%
Handling / lifting / carrying	17	15.45%
Hit by a moving, flying or falling object	6	5.45%
Grand Total	110	100.00%

Top 5 Kinds of Accident/ Incident

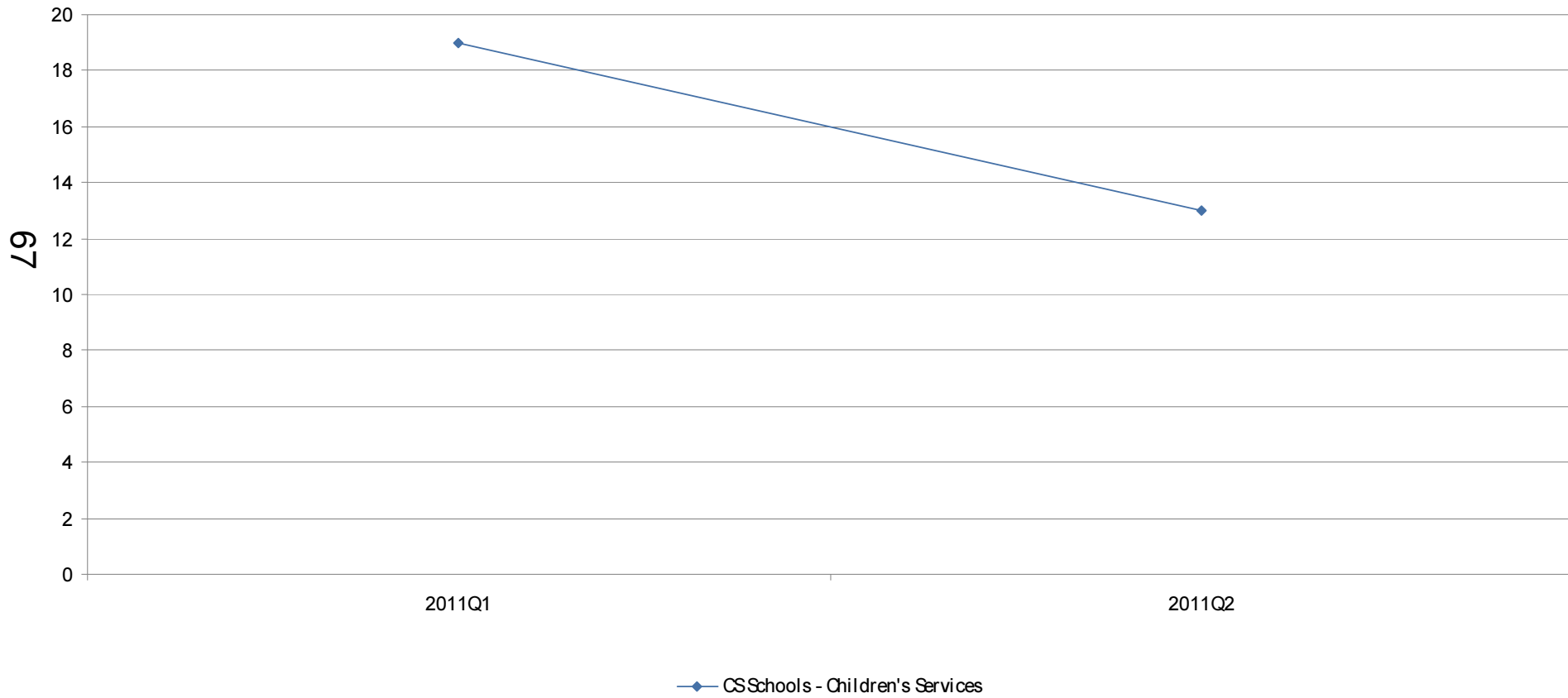
Directorate: Children's Services Qtr: (Multiple Items)



Children's Services Special Schools Q1 and Q2 - 2011

Quarter	Special Schools
2011Q1	19
2011Q2	13
Grand Total	32

Number of Accidents/ Incidents by Quarter



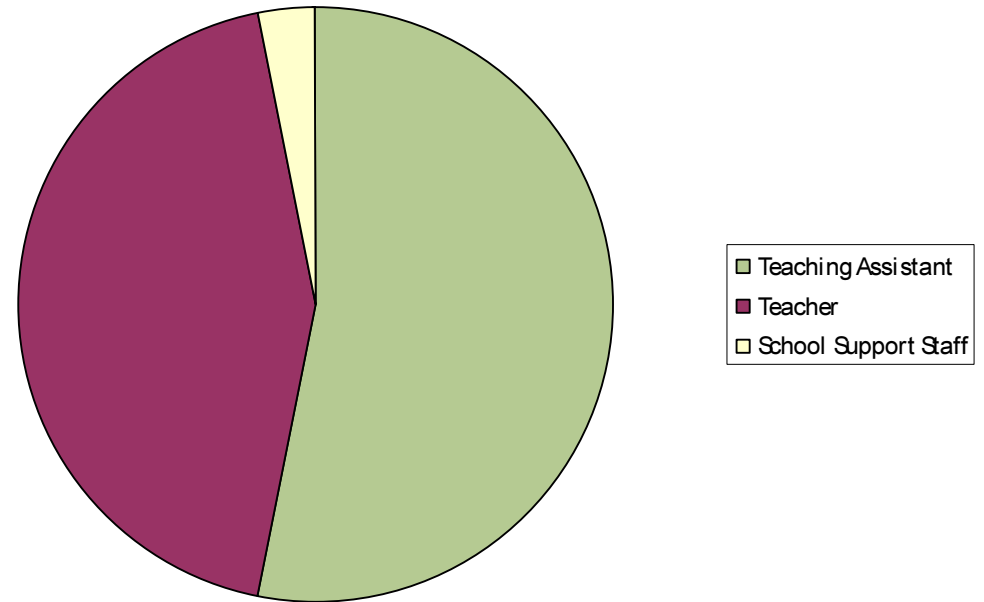
Children's Services Special Schools Accidents by Occupation Q1 and Q2 – 2011

Directorate	Children's Services ▼
Location Type	S S ▼
Quarter	(Multiple Items) ▼

	Data ▼	
Occupation ▼	No.	%
Teaching Assistant	17	53.13%
Teacher	14	43.75%
School Support Staff	1	3.13%
Grand Total	32	100.00%

Accidents/ Incidents by Occupation

Directorate: Children's Services Qtr: (Multiple Items)



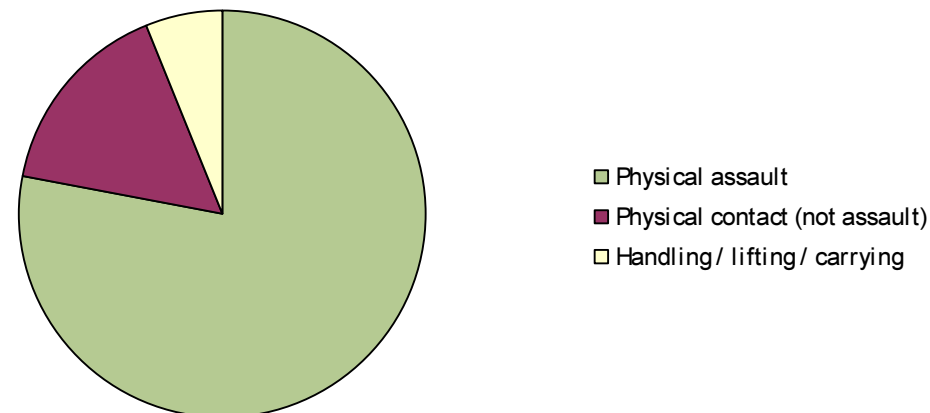
Children's Services Special Schools Accidents by Type Q1 and Q2 – 2011

Directorate	Children's Services
Location Type	S S
Quarter	(Multiple Items)
Occupation	(Multiple Items)

	Data	
Kind of accident/incident	No.	%
Physical assault	25	78.13%
Physical contact (not assault)	5	15.63%
Handling / lifting / carrying	2	6.25%
Grand Total	32	100.00%

Top 5 Kinds of Accident/ Incident

Directorate: Children's Services Qtr: (Multiple Items)



69

The Children's Services accident figures for Quarters 1 and 2 – 2011 (129) are 3% lower than Quarters 1 and 2 – 2010 (133). All the accident figures for Children's Services are shown without the academies.

There were 6 employee HSE reportable accidents in Quarters 1 and 2 – 2011:

- A Caretaker** was uncurling a hose pipe, he stepped back and did not see a child behind him on a bike, he fell over the bike and fractured the wrist.
- A Teacher** was walking in from the playground holding a pupils hand, the pupil dropped to the floor whilst tightly gripping the teachers hand, this caused a pulled muscle in the shoulder.
- A Teacher** was sitting on a low chair with children at the table, upon standing up; the teacher got a pain in the back and the legs.
- A Social Care Worker** was walking towards the bus and tripped and fell, causing a sprain and graze to the knee and hand.
- A Social Care Worker** was holding a child's hand to escort them across the road; the employee was pulled around suddenly by the child, which caused a strain to the shoulder and neck muscles.
- A School Support Staff** slipped on parquet flooring and landed on their shoulder and hit their eye on some furniture, the eye required stitches and the shoulder suffered impact damage.

There were 83 non employee HSE reportable accidents in Children's Services in Quarters 1 and 2 – 2011.

3. OBSERVATIONS/RECOMMENDATIONS

- 3.1 Since the launch of the new Database Accident / Incident / Near Miss Form and Accident Reporting Procedure in January 2011, this has led to a more consistent and accurate approach for data collection.

This database has been further modified and is allowing greater analysis of data, together with the production of more detailed charts and graphs.

With the launch of the Database Accident / Incident / Near Miss Form and Accident Reporting Procedure, the Corporate Health and Safety Service predicted that the number of accidents reported would remain high until the end of 2011; however, the reporting figure has reduced, even after allowing for the removal of academies from these figures.

- 3.2 The Corporate Health and Safety Service has delivered further training on the Database Accident / Incident / Near Miss Form and Accident Reporting Procedure to staff in special needs schools.
- 3.3 In some cases, we are still experiencing delays in receiving the completed Accident / Incident / Near Miss Form within the Corporate Health and Safety Service. This can impact on the internal follow-up investigation process, the quality of the data we can give you within each quarters reporting time frame and on occasions, our legal duty to report an accident to the Health and Safety Executive. The completed forms must be submitted as soon as possible following the event.

4. OTHER

- 4.1 If any further information is required, please do not hesitate to contact the Corporate Health and Safety Service.

**REPORT FOR: GOVERNANCE, AUDIT
AND RISK
MANAGEMENT
COMMITTEE**

Date of Meeting:	1December 2011
Subject:	INFORMATION REPORT – Internal Audit Mid-Year Report 2011/12
Responsible Officer:	Tom Whiting, Assistant Chief Executive
Exempt:	No except for Appendix 3 on the grounds that it contains information under paragraphs 1 and 7 of part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime
Enclosures:	Appendix 1 – Internal Audit Mid-Year Report 2011/12 Appendix 2 – Core Financial Systems Report Appendix 3 – Suspected Financial Irregularities (Exempt)

Section 1 – Summary

This report sets out mid-year progress against the 2011/12 Internal Audit plan and key issues arising from work undertaken.

FOR INFORMATION

Section 2 – Report

Background

- 2.1. Annually the GARM Committee considers a mid and full year Internal Audit Report covering progress against the internal audit plan. This is the mid year report for 2011/12(Appendix 1) and includes a report of the review of the authority's Core Financial Systems (Appendix 2) and a report on Suspected Financial Irregularities investigated (Appendix 3) .
- 2.2 Overall, the Internal Audit team have started work on 28 projects (48%) of the annual audit plan for 2011/12 as at the mid-year point of 30/09/11. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2010/11 Management Assurance and the annual review of governance and the Annual Governance Statement. Of the 28 reviews started 11 (39%) have been completed/finalised 2 (7%) have been completed to draft report stage, 8 (29%) are contributions to projects/groups that will run throughout the year e.g. working groups and a further 7 (25%) projects are in progress.
- 2.3 In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle, and for 2011/12 Treasury Management and Capital Expenditure have been added to the core financial systems work. 2 of the 9 systems were reviewed in the first quarter of 2011/12 and a review of Treasury Management was carried out in 2010/11. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 6 of the systems not reviewed. Out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) was substantially operating and 2 (10%) were partially operating. See detailed report Appendix 2. Ongoing work by Internal Audit is being undertaken on the Capital Implementation Plan and a capital expenditure review is planned for the second half of the financial year
- 2.4 The mid-year position shows that overall the team have achieved 480 productive days which exceeds the target of 450 days by 30 days.
- 2.5 6 of the 7 (86%) of performance targets were met or exceeded including the key indicator of achievement against plan.
- 2.6 During the first half of 2011/12 a total of 157 recommendations have been followed up of which 96 have been implemented, 50 were partially implemented/in the process of being implemented, 5 was planned for implementation, and 6, although originally agreed by management, were no longer applicable due to system changes. This represents a 64% implementation (of recommendations still applicable) with a further 36%

in progress or planned at the time of follow-up thus it is expected that in due course 100% will be implemented.

Section 3 – Further Information

- 3.1 A further report on progress against the Internal Audit Plan and Internal Audit performance will be presented to the GARM Committee in June 2012.

Section 4 – Financial Implications

- 4.1 There are no financial implications to this report.

Section 5 - Equalities implications

- 5.1 Was an Equality Impact Assessment carried out? ~~Yes~~/No (delete as appropriate)
- 5.2 An EqIA is not required as this is an information only report on the progress of works being undertaken.

Section 6 – Corporate Priorities

- 6.1 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 18/11/11	_____	
Name: Jessica Farmer	_____	On behalf of the Monitoring Officer
Date: 21/11/11	<input checked="" type="checkbox"/>	

Section 7 - Contact Details and Background Papers

Contact: Susan Dixson, Service Manager, internal Audit, 0208 424 1420

Background Papers: None

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INTERNAL AUDIT 2011/12 MID-YEAR REPORT

Progress against the 2011/12 plan

1. Overall, the Internal Audit team have started work on 28 projects (48%) of the annual audit plan for 2011/12 as at the mid-year point of 30/09/11. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2010/11 Management Assurance and the annual review of governance and the Annual Governance Statement. Of the 28 reviews started 11 (39%) have been completed/finalised 2 (7%) have been completed to draft report stage, 8 (29%) are contributions to projects/groups that will run throughout the year e.g. working groups and a further 7 (25%) projects are in progress.
2. In addition to this 89 days have been spent on projects carried forward from 2010/11 (representing 19% of the teams total productive time for the first half of the year), 14 days have been spent on investigating suspected financial irregularities (only 14% of the annual allocation), 38 days have been spent on providing professional advice on internal control and risk mitigation (63% of the annual allocation) and 19 days have been spent on standard follow-ups of audit recommendations (95% of the annual allocation) with a further additional 12.5 days spent on non-standard follow-ups that required further audit testing. The annual allocation is an estimate of how many days will be required for following up red and amber reports based on 2 days per report and is dependent on how many reports are issued. Results at mid-year indicate that this allocation will need to be increased for the second half of the year.
3. During the first half of 2011/12 a total of 157 recommendations have been followed up of which 96 have been implemented, 50 were partially implemented/in the process of being implemented, 5 was planned for implementation, and 6, although originally agreed by management, were no longer applicable due to system changes. This represents a 64% implementation (of recommendations still applicable) with a further 36% in progress or planned at the time of follow-up thus it is expected that in due course 100% will be implemented.

Emerging Risks

4. Emerging risks are areas of risk arising during the year that were not apparent at the time of the annual planning process but that are considered significant enough by management/internal audit to warrant audit input. Emerging risk areas identified so far this year include:
 - Carbon Reduction Commitment Annual Report Sign Off – although the Carbon Reduction Scheme had been identified during the annual planning process and included in the 2011/12 plan Internal Audit had not been made aware that a 'sign-off' was required for the annual report from Internal Audit and as a consequence additional work was required:

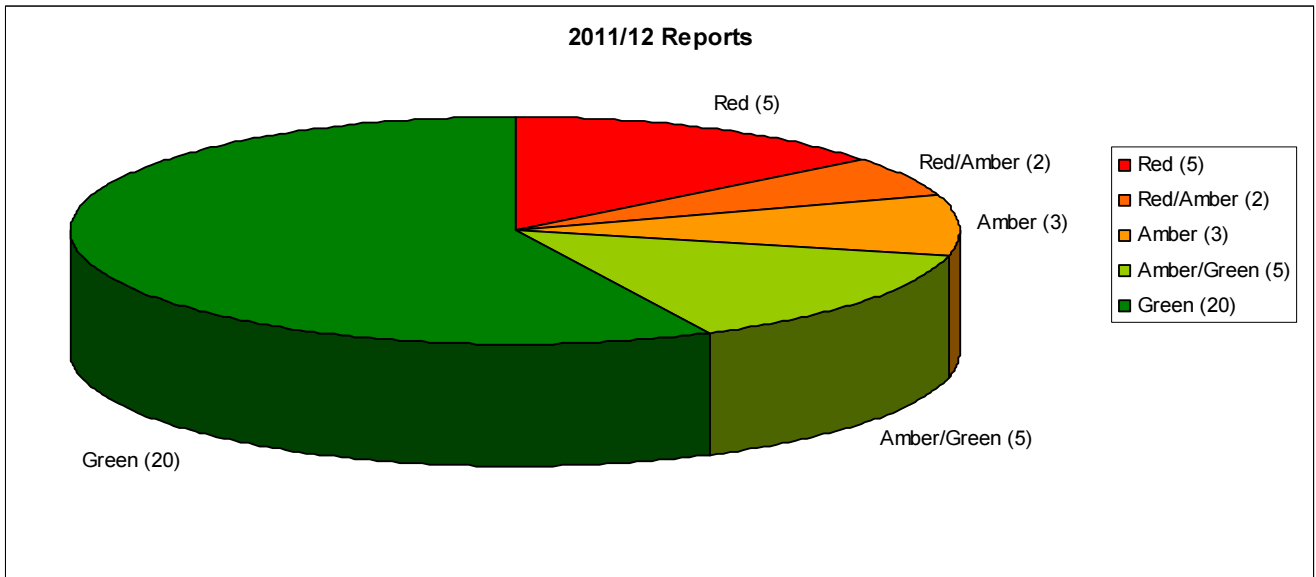
- Schools Financial Value Standards – information on the new government standards emerged after the audit plan was finalised, this work involved understanding the requirements and planning the Internal Audit approach which will impact the majority schools from 2012/13 :
- Energy Bills – a concern was raised by the Procurement Team that energy in relation to Children’s Services premises had been paid for twice to two separate suppliers. This conclusion was based on information extracted from the SAP system but no further analysis was undertaken. Further analysis was undertaken by the Climate Change Team and Internal Audit and although a small number of errors were identified these were low value and caused by human error and not a result of paying different suppliers for the same thing. A report will be submitted to the GARM Committee in due course.

5. In total 24.72 days have been spent on emerging risk areas in the first half of the year equating to 5% of the team’s total productive time.

Work undertaken 01/04/11 – 30/09/11

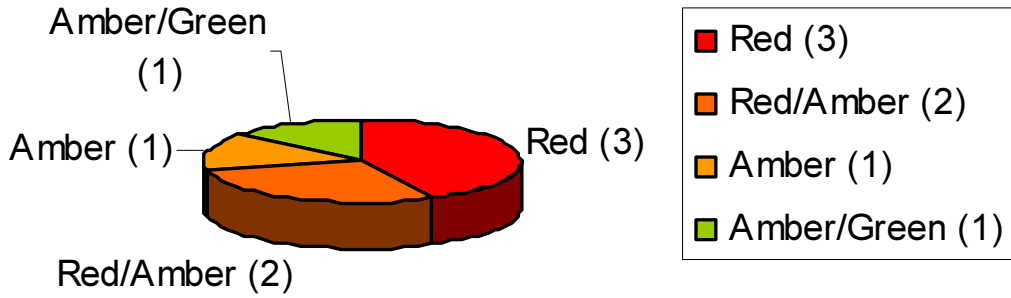
6. In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority’s core financial systems. The systems are reviewed on a 3 year risk based cycle, and for 2011/12 Treasury Management and Capital Expenditure have been added to the core financial systems work. 2 of the 9 systems were reviewed in the first quarter of 2011/12 and a review of Treasury Management was carried out in 2010/11. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 6 of the systems not reviewed. Out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) was substantially operating and 2 (10%) were partially operating. See detailed report Appendix 2. Ongoing work by Internal Audit is being undertaken on the Capital Implementation Plan and a capital expenditure review is planned for the second half of the financial year.
7. Other work undertaken annually in the first quarter includes the completion of reviews from the previous years plan, the completion of the annual Management Assurance exercise and the annual governance review feeding into the authority’s Annual Governance Statement (AGS). Both of these were successfully completed with the results already reported to the GARM committee.

8. A total of 35 final and draft reports were issued in the first half of the year and the following graph provides an overview of the assurance ratings of these reviews:

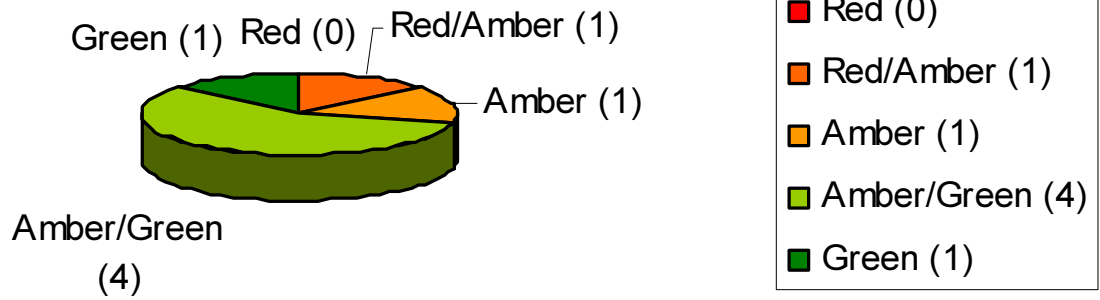


9. 9 follow-ups were completed in the first half of the year and the graphs below illustrate the original and re-assessed assurance ratings:

2011/12 Follow ups Original Traffic Light Rating



2011/12 Follow ups Re-assessed Traffic Light Rating



10. The following reviews were finalised in quarter 1/quarter 2 of 2011/12:

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
<p>Treasury Management</p> <p>Assurance rating = Green</p>	<p>14.04.11</p>	<p>Overall 90% of the expected controls were found to be in place and operating effectively, 4% were substantially in place with a further 6% partially in place. A total of 5 recommendations have been agreed for implementation. For the remaining recommendation an alternative action has been agreed which relates to retaining reconciliations electronically. This is a low risk and the alternative action agreed mitigates the residual risk.</p>
<p>Housing Benefit Quality, Overpayments & Write Offs</p> <p>Assurance rating = Red</p> <p>(Follow-up issued Q2 Green assurance)</p>	<p>14.04.11</p>	<p>Overall 58% of the expected controls were found to be in place and operating effectively, 2% were substantially operating, 34% were partially in place with a further 6% not operating. Although these percentages indicate a red/amber assurance rating, there are a significant number of high risk recommendations therefore this has been assessed as a red report. A total of 18 recommendations have been agreed for implementation, 1 recommendation (paragraph 24) has been partially agreed for implementation which relates to scanning all decision notices onto Civica. Management have stated that due to the large number of decision notices they would be unable to implement this. However decision notices are scanned onto Civica for overpayments and all notices are held on Northgate therefore the residual risk is low. The remaining recommendation (paragraph 12) has not been agreed, which relates to having specific job descriptions for recovery officers; however management have stated that generic job descriptions are required to meet the demands of the service and as procedures are in place this partially mitigates the residual risk.</p>

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
<p>Leaseholders Electricity Charges</p> <p>Assurance rating = Red</p> <p>(Follow –up issued Q3 Red/Amber assurance)</p>	10.06.11	<p>Overall 9% of the expected controls were found to be in place and operating effectively, 27% were partially in place with a further 64% not operating. A total of 20 recommendations have been agreed for implementation. 1 recommendation is no longer applicable; a further 2 recommendations have been partially agreed for implementation which relate to the Energy Team notifying Housing of the costs per unit, as the price is confirmed within a six month period Housing can only be notified at this point, which partially mitigates the risk and therefore a residual risk remains that the authority could be charged incorrectly. The other recommendation relates to electronic billing of invoices, this has not been possible as it is not within the current contract, however this will be included as part of future contracts, therefore there is a residual risk that payments may be missed. The remaining 2 recommendations have not been agreed for implementation, these both relate to actual meter readings across the sites. Management decided that the estimates were not unreasonable, however there is a risk that sites may not have had a meter reading for several years as the energy companies are only legally obliged to read meters every 2 years. Some of the sites bills were estimates when Eon were the energy supplier and NPower have not yet read some of the meters, therefore some may have gone up to 4 years without being read.</p>
<p>Pinner Park Infant and Nursery School - Application of Contract Procedure Rules in Schools</p> <p>Assurance rating = Green</p>	06.07.11	<p>Overall 71% of the expected controls were found to be operating effectively with a further 29% substantially operating. Both of the recommendations have been agreed for action.</p>
<p>Core Financial Systems Key Control Review NDR 2010/11</p> <p>Assurance rating = Green</p>	14.07.11	<p>Overall, 92% of the elements of the controls were operating effectively, with a further 4% substantially operating and 4% partially operating. Each of the 11 key controls is made up of a number of individual elements that were each tested. Therefore 10 key controls are fully in place and 1 key control is partially in place. All 3 recommendations have been agreed for implementation. The one recommendation made has been agreed for implementation.</p>
<p>Parking Enforcement</p> <p>Assurance rating = Green</p>	25.07.11	<p>Overall 84% of the expected controls were found to be in place and operating effectively, 14% were partially in place with a further 2% not operating. All 5 recommendations have been agreed for implementation.</p>

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Kenmore Park Infant and Nursery School - Application of Contract Procedure Rules in Schools Assurance rating = Green	22.08.11	Overall 71% of the expected controls were found to be operating effectively with a further 29% substantially operating. Both of the recommendations have been agreed for action.
Marlborough Primary School - Application of Contract Procedure Rules in Schools Assurance rating = Green	22.08.11	Overall 57% of the expected controls were found to be operating effectively with a further 43% substantially operating. Both of the recommendations have been agreed for action.
Roxeth Primary School - Application of Contract Procedure Rules in Schools Assurance rating = Green	22.08.11	Overall 71% of the expected controls were found to be operating effectively with a further 29% substantially operating. Both of the recommendations have been agreed for action.
Contract Management – Highways Contract Assurance rating = Amber/green	09.09.11	Overall 67% of the expected controls were found to be in place and operating effectively, 12% were substantially operating, 14% were partially in place with a further 7% not operating. Of the 12 recommendations made, 11 have been agreed for implementation. The remaining recommendation will no longer be applicable to the new contract arrangements, i.e. the requirement to provide regular management information as this applied to the partnership with Enterprisemouchel but under the new highways contract only performance information will be required to be provided as it not a partnership and this is covered in other recommendations.
Pinner Park Junior School - Application of Contract Procedure Rules in Schools Assurance rating = Green	12.09.11	Overall 60% of the expected controls were found to be operating effectively with a further 40% substantially operating. Both of the recommendations have been agreed for action
St Anselm's Catholic Primary School - Application of Contract Procedure Rules in Schools Assurance rating = Green	21.09.11	Overall 71% of the expected controls were found to be operating effectively with a further 29% substantially operating. The recommendation made has been agreed for action.

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Core Financial Systems Key Control Review Housing Benefits 2010/11 Amber/green assurance	22.09.11	Overall, 80% of the elements of the controls were operating effectively, with a further 3% substantially operating and 17% partially operating. Although this percentage indicates a green report as there is 1 high risk recommendation it has been re-rated as an amber/green report. Each of the 8 key controls is made up of a number of individual elements that were each tested. Therefore 4 key controls are fully in place, 3 key controls are substantially in place and 1 key control is partially in place. All three recommendations have been agreed for implementation.

11. The following draft reports were also issued in quarter 1/quarter 2 of 2011/12

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Newton Farm Nursery Infant and Junior School - Application of Contract Procedure Rules in Schools Assurance rating = Green	07.07.11	Overall 91% of the expected controls were found to be fully operating.
Kenmore Park Junior School – Application of Contract Procedures in Schools Assurance rating = Green	14.07.11	Overall 57% of the expected controls were found to be operating effectively with a further 29% substantially operating.
Whitchurch First School & Nursery - Application of Contract Procedure Rules in Schools Assurance rating = Green	14.07.11	Overall 64% of the expected controls were found to be operating effectively with a further 18% substantially operating.
Whitchurch Junior Schools – Application of Contract Procedure Rules in Schools Assurance rating = Green	14.07.11	Overall 73% of the expected controls were found to be operating effectively with a further 9% substantially operating.

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Aylward Primary School - CCTV in Schools Assurance rating = Amber	21.07.11	Overall 46% of the expected controls were found to be in place and operating effectively, 15% were substantially operating, 12% were partially in place with a further 27% not operating. However this is in the context of a new CCTV system having very recently been introduced.
Application of Contract Procedure Rules Assurance rating = Red	22.08.11	It was identified that 9% of explanations given for non compliance with Contract Procedure Rules are reasonable/acceptable and a further 91% of explanations given are not acceptable and that requisitioners/budget holders need further training/guidance to ensure that they fully understand the requirement to raise a purchase order for goods and services and how to achieve this in a timely manner for non standard purchases.
Belmont School – CCTV in Schools Assurance rating = Green	22.08.11	Overall 92% of the expected controls were found to be in place and operating effectively and a further 8% were substantially operating.
Cannon Lane Junior School – CCTV in Schools Assurance rating = Amber/green	22.08.11	Overall 62% of the expected controls were found to be in place and operating effectively, 15% were substantially operating, 15% were partially in place with a further 8% not operating.
Heathland School – CCTV in Schools Assurance rating = Red/amber	22.08.11	Overall 23% of the expected controls were found to be in place and operating effectively, 31% were substantially operating, 12% were partially in place with a further 34% not operating.
Roxbourne Infant School – CCTV in Schools Assurance rating = Green	22.08.11	Overall 73% of the expected controls were found to be in place and operating effectively, 12% were substantially operating with a further 15% were partially in place.
Roxbourne Junior School – CCTV in Schools Assurance rating = Amber/green	22.08.11	Overall 65% of the expected controls were found to be in place and operating effectively, 12% were substantially operating with a further 23% partially in place.
Sacred Heart Language College – CCTV in Schools Assurance rating = Red	22.08.11	Overall 23% of the expected controls were found to be in place and operating effectively, 27% were substantially operating, 15% were partially in place with a further 35% not operating.
Stag Lane Infant & Nursery School – CCTV in Schools Assurance rating = Green	22.08.11	Overall 92% of the expected controls were found to be in place and operating effectively and a further 8% were substantially operating.

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Stanburn Junior School – CCTV in Schools Assurance rating = Red/amber	22.08.11	Overall 27% of the expected controls were found to be in place and operating effectively, 27% were substantially operating, 12% were partially in place with a further 34% not operating.
Framework-I & SAP Integration Assurance rating = Amber	01.09.11	Overall 75% of the expected controls were found to be in place and operating effectively, 13% were partially in place with a further 12% not operating. Four recommendations have been made to address the weaknesses identified, 2 were rated as high risk and 4 were rated as medium risk. Although these percentages indicate an amber/green report it has been re-assessed as amber due to 2 the high risk recommendations.
Glebe Primary School - IT Data Security In Schools Assurance rating = Green	06.09.11	Overall 74% of the expected controls were found to be in place and operating effectively, 19% were substantially operating with a further 7% partially operating.
Priestmead Primary School – IT Data Security in Schools Assurance rating = Green	07.09.11	Overall 68% of the expected controls were found to be in place and operating effectively, 15% were substantially operating with a further 17% partially operating.
Krishna-Avanti Primary School (SFI) Assurance rating = Red	7.09.11	See appendix 3 for details
Krishna Avanti Primary School – Financial Controls Assurance Assurance rating = Amber	07.09.11	Overall 59% of the expected controls were found to be in place and operating effectively, 13% were substantially operating and 27% were partially operating.

REPORT/ASSURANCE RATING	ISSUE DATE	SUMMARY OF CONTROLS OPERATING
Moriah Jewish Day School - IT Data Security In Schools Assurance rating = Amber/green	22.09.11	Overall 81% of the expected controls were found to be in place and operating effectively, 12% were substantially operating and further 7% were partially operating. Although these percentages indicate a green assurance rating there is a high risk recommendation therefore this has been assessed as an amber/green report.
Norbury School - IT Data Security In Schools Assurance rating = Amber/green	22.09.11	Overall 72% of the expected controls were found to be in place and operating effectively, 14% were substantially operating and further 14% were partially operating. Although these percentages indicate a green assurance rating there is a high risk recommendation therefore this has been assessed as an amber/green report.
St Joseph's Catholic Primary School - IT Data Security In Schools Assurance rating = Green	22.09.11	Overall 88% of the expected controls were found to be in place and operating effectively, 5% were substantially operating with a further 7% partially operating.

12. The following follow up reports were in issued in quarter1/quarter 2 of 2011/12

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
Decent Homes Self Referral (SFI)	12.04.11	It was established that 6 actions were no longer applicable as the self referral scheme has been terminated. The action agreed to address the remaining 5 recommendations has been fully implemented.
Connexions Missing Money – follow up (SFI)	12.04.11	The action agreed to address all recommendations has been fully implemented. However from inspection of the evidence it was established that a payment of £500 was given in petty cash which included a payment of £297.51 to Costco which was not authorised in accordance with Financial Regulations.
<p>Salvatorian College May 2011 Follow-up</p> <p>Original assurance rating = Red</p> <p>Re-assessed assurance rating = Amber/green</p>	14.06.11	<p>Final follow up (as in May 2011) of a Suspected Financial Irregularity (SFI) report originally issued to Salvatorian College in November 2008. The SFI report has been followed up twice in February 2010 and February 2011 and at each of these points additional control issues were raised and recommendations made.</p> <p>Of the outstanding issues from the SFI report at February 2011 just 27% had been implemented, 55% partially implemented and 18% not implemented at that time. The current follow up has found that this has now improved to 64% implemented and 36% partially implemented.</p> <p>Additional issues were identified as part of the SFI follow up in February 2010. Of these additional issues 86% have now been implemented and 14% partially implemented.</p> <p>Further areas of investigation were requested by Governors as part of the February 2011 report in relation to the specific areas of petty cash, German Trips and Science Status expenditure. Of the recommendations made in relation to these - 7 have been fully implemented, 4 substantially implemented and 3 partially implemented to date.</p>

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
<p>Camrose Primary School</p> <p>Original assurance rating = Amber</p> <p>Re-assessed assurance rating = Amber/green</p>	<p>29.06.11</p>	<p>The action agreed to address 7 of the 9 recommendations has been fully implemented. It was identified that the remaining 2 agreed actions have been partially implemented. These relate to the authorisation of payments and the separation of duties between the ordering of goods and the authorisation of payments. Of the 6 purchase orders and invoices provided, It was established that 1 invoice had not been authorised for payment and it was further established that 4 of the purchase orders and invoices did not have a separation of duties between ordering and the authorisation of payment.</p> <p>Follow up has established that this is now an Amber/Green report with 90% of expected controls operating effectively and a further 3% partially in place. Although these percentages indicate a Green assurance rating, 2 high risk recommendations have not been fully implemented therefore follow up is an Amber/Green assurance rating (it has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested).</p>
<p>Libraries – Follow up</p> <p>Original assurance rating = Red</p> <p>Re-assessed assurance rating = Red/amber</p>	<p>28.06.11</p>	<p>It was established that the action agreed to address 5 of the 16 recommendations made has been fully implemented and evidence was obtained to support this. It was further identified that 9 of the agreed actions are in the process of being implemented. This is due to a restructure of the library services taking place so therefore processes will change which will result in some recommendations no longer being applicable.</p> <p>Follow up has established that it is now a Red/Amber report with 50% of expected controls now operating effectively, 6% substantially operating, with a further 32% partially operating. (It has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested).</p>
<p>Stock Control Libraries – Follow up</p> <p>Original assurance rating = Amber/green</p> <p>Re-assessed assurance rating = Green</p>	<p>28.06.11</p>	<p>The action agreed to address 6 of the 7 recommendations has been fully implemented and evidence was obtained to support this. 1 of the remaining 7 agreed actions is planned for implementation, this relates to an additional field being added to the libraries system to record what documentation has been provided as proof of ID/address by library members.</p> <p>Follow up has established that it is now a Green report with 94% of expected controls operating effectively and a further 6% partially in place (it has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested).</p>

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
<p>Asbestos Management in relation to Housing Stock – Follow up in May 2011</p> <p>Original assurance rating = Red/amber</p> <p>Re-assessed assurance rating = Amber/green</p>	<p>14.06.11</p>	<p>The final report issued in November 2010 was based on the follow up of the action plan and reflected the recommendations made, agreed actions and the position of implementation. At that stage 29% of the expected controls were found to be in place and operating effectively, 29% were substantially operating with 42% partially operating (i.e. a red/amber assurance rating). At the start of the May 2011 follow up 26 actions remained outstanding. At the conclusion of the follow up 12 have been fully implemented, 9 substantially implemented and 5 partially implemented. These primarily relate to the full implementation of the database and the completion of asbestos surveys of all properties that meet the current survey standards. Follow up has established that the report has progressed from a red/amber report to currently being an amber/green report which reflects the 84% of controls either operating or substantially operating and the fact that some key high and medium risk recommendations have still yet to be fully implemented.</p>

REPORT	DATE OF FOLLOW-UP MEMO	CONCLUSION
<p>Sickness Absence – Follow up</p> <p>Original assurance rating = Red/amber</p> <p>Re-assessed assurance rating = Amber</p>	<p>22.09.11</p>	<p>A follow up was undertaken in December 2010 to establish if the action agreed to address the recommendations made had been implemented. It was identified that 7 recommendations had been fully implemented, 8 recommendations had been part implemented/in progress, 4 were planned for implementation and 1 had not been implemented.</p> <p>As the original follow up showed a low level of implementation a review was carried out to establish whether the position had improved, therefore the outstanding 13 recommendations were followed up in June 2011.</p> <p>It was established that the action agreed to address 2 of the 13 recommendations has been fully implemented and evidence was obtained to support this. One of the remaining 11 agreed actions has been partially implemented. This relates to the best practice notes of the capability procedure not including the minimum criteria for an effective monitoring tool that managers should use for sickness. The remaining 10 recommendations are still in the process of being implemented, these relate to:</p> <ul style="list-style-type: none"> • The roll out of Manager Self Service (MSS) and Employee Self Service (ESS) • Compulsory attendance for managers to workshops for Occupational Health. • A formal feedback process for Occupational Health. • The review of the Occupational Health referral form. • Occupational Health exploring the possibility of using an online function to make referrals. Detailed guidance has not been given to managers on when an employee should be referred to Occupational Health • MSS being rolled out to the Central Depot to remedy the issues with the depot sickness return form. <p>The report issued on the 7 April 2010 was a Red/Amber report with 55% of expected controls operating effectively, 4% substantially operating, 24% partially in place with a further 17% not operating. The first follow up established that a low level of recommendations had been implemented. This second follow up has established that this is now an Amber report with 40% implementation.</p>

REPORT	ISSUE DATE	ASSURANCE RATING/CONTROLS OPERATING
<p>Housing Benefit Quality, Overpayments & Write Offs – Follow-up</p> <p>Original assurance rating = Red</p> <p>Re-assessed assurance rating = Amber/green</p>	<p>28.09.11</p>	<p>It was established that the action agreed to address 17 of the 19 recommendations has been fully implemented and evidence was obtained to support this. It was further established that the 2 remaining agreed actions have been partially implemented. These relate to the completion of an overpayment record sheet for all overpayments, (where testing identified that from a sample of 8 overpayments, an overpayment record sheet was not completed for 2) and the referral of relevant overpayments to the Corporate Anti Fraud Team (testing identified that from a sample of 8, 1 case has not been referred). Although 17 of the recommendations have been implemented, one has not achieved the aim to improve the wording of letters and still needs further work.</p> <p>Follow up has established that although implementation indicates a green report with 90% of expected controls now operating effectively and a further 5% partially in place, as there are still outstanding issues with quality checking Civica letters (indicating a high risk of error therefore) an assurance rating of amber/green has been given. (It has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested). The 5% of controls partially operating reflects the 2 recommendations yet to be fully implemented.</p>

13. Internal Audit are involved in the following ongoing projects/groups:

- Corporate Governance Working Group – chaired by the Service Manager Internal Audit, meets quarterly, reviews governance arrangements across the Council, undertakes the annual review of governance feeding into the Annual Governance Statement and reports to the Corporate Governance Group. There have been 1 meetings of this group during the first half of 2010/11 and 3 meetings of the Corporate Governance Group (which the Service Manager, Internal Audit also attends). Considerable work has been undertaken outside of the meetings to collect and assess evidence to support the annual review of governance and to prepare a draft Annual Governance Statement for the Corporate Governance Group consideration. 33 days have been spent on this work, 3 days over the annual allocation.
- Strategic Risk Group – set up to assist the Council in embedding and enhancing the risk management process to ensure that risks are actively managed so that the council can achieve it's objectives, take advantage of opportunities and serve Harrow's community better. Service Manager, Internal Audit attends quarterly meetings. There have been 2 quarterly meetings of this group and 0.83 of a day has been spent on attending these meetings equating to 42% of the total annual allocation of time.
- Information Governance Board – Internal audit attends and contributes to the Information Governance Board. There has been 2 meetings of this group and 0.35 of a day spent on attending this meeting and dealing with related issues, this equates to 18% of the total annual allocation of time.

Productivity

14. The days available to implement the internal audit annual plan are based on an estimation of the team's productive time. To enable this estimation to be made, and to feed into performance indicator 3 (see section below), each auditor is required to record a breakdown of their time spent each day. Each element of productive time (i.e. every project/element of the annual plan plus any additions e.g. emerging risks) and each element of non-productive time (e.g. annual leave, training, audit management) is allocated a unique code and time is recorded against each code.
15. The 2011/12 annual plan has been estimated to require 887 productive days from the internal audit team to complete plus 30 days for WLWA, i.e. 917 days in total. This is based on an expectation of 200 productive days per auditor (an increase of 13 days per auditor from last year) and 100 productive days for the Service Manager (an increase of 5.5 days from last year).
16. The mid-year position shows that overall the team have achieved 480 productive days which exceeds the target of 450 by 30 days.

Performance Indicators

17. Table 1 below outlines the seven indicators agreed for the year, including the key indicator covering achievement of the IA annual plan and the results achieved. These indicators cover performance on projects from the 2010/11 plan and the 2011/12 plan issued in the first half of the year (i.e. up to 30/09/11)

Table 1 – Performance Indicator Results 2011/12

	Indicator	Target	Mid Year Results
1.	Recommendations agreed for implementation	95%	95%
2.	Final reports issued on/ahead of time	85%	100%
3.	Projects completed within budgeted time allowance	85%	90%
4.	Target met for issue of draft report after end of fieldwork	85%	80%
5.	Follow-up undertaken	100%	100%
6.	Plan achieved for Key Control reviews	100%	100%
7.	Plan achieved overall (Key indicator)	45%	48%

Analysis of Results

18. 3 (43%) performance targets have been exceeded, 3 (43%) have been fully met and 1 (14%) has not been met i.e overall 86% of the performance targets have been met or exceeded.
19. Performance indicator 1 shows that the internal audit team have met the mid-year target of 95% of audit recommendations being agreed for implementation. In addition a further 4% were partially agreed.
20. Performance indicator 4 has not been met by 5% this relates to 2 school projects that involved visits and reports to multiply schools (19 in total) and the co-ordination of these impacted slightly on the timing of the issue of the draft reports.
21. Performance Indicator 7 reflects the work undertaken against the plan in the first half of the year including some individual projects that have been started but not completed and work on particular areas e.g. suspected financial irregularities and follow-up, where more than half of the annual allocation has been used i.e. more work than expected has been undertaken. However this indicator does not fully reflect all the work undertaken by the Internal Audit Team which also includes work on projects carried forward from 2010/11 and work on emerging risks.

22. With regard to the monitoring of positive and negative feedback, below are some of the positive comments received so far this year:

- Thanks - that was a very helpful session today
- Thank you for all your help and support in this matter. I hope that the school is able to move on now in a positive way.
- Thank you once again for your time and hard work

Negative feedback was however received from one school during the first half of the year. This related to the fact that the Auditor had provided positive verbal feedback on the day of the audit visit but that during the quality check of the review a control issue had been highlighted and included in the report. This had not been verbally reported back to the school before the formal report was issued. This highlighted a training issue for the temporary Auditor concerned which will be address should he be employed in the future.

23. Although the implementation of audit recommendations is always reported at year end and has been reported in this mid-year report it is not a formal performance indicator. The Assistant Chief Executive has now requested that it be included and reported as a formal performance indicator and this will be actioned in the second half of the year and reported in the year-end report. In addition he has requested that auditee response times to draft audit reports and follow-ups be measured and reported as a formal performance indicator and this will also be actioned in the second half of the year and reported in the year-end report.

Susan Dixon
Service Manager, Internal Auditor
October 2011

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AUDIT OF CORE FINANCIAL SYSTEMS 2010/2011 (Undertaken as part of the 2011/12 Audit Plan)

Introduction

- 1 A key control review was undertaken on the following systems as part of the agreed approach to the audit of the Authority's core financial systems for the financial year 2010/2011:
 - Housing Benefits
 - NDR
- 2 Control self-assessments were obtained from the relevant managers for the following core financial systems:
 - Housing Rents
 - Corporate Accounts Payable
 - Corporate Accounts Receivable
 - Council Tax
 - Payroll
 - Treasury Management
- 3 In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 6 systems not reviewed.
- 4 The testing strategy used for the reviews was based on CIPFA Control Matrices and also agreed with the external auditors for reliance purposes. A minimum sample size of 24 (2 transactions per month) was used from 2010/2011 financial records for the full reviews to confirm the application of key controls and a minimum of 3 transactions were used for walkthrough testing.
- 5 For 2010/11 Treasury Management was included in the core financial systems reviews for the first time as agreed with the External Auditors. A full review was carried out in 2010/11 and this was a green report. Overall 90% of the expected controls were found to be in place and operating effectively, 4% were substantially in place with a further 6% partially in place. 6 recommendations have been made to address the weaknesses identified, 4 were rated as medium risk and 2 was rated as low risk. The most significant weakness related to a loan for 20 million pounds only having authorisation via an email. As part of the 11/12 Audit Plan the systems documentation was reviewed and updated and walkthrough tests were carried out.
- 6 In addition, it has also been agreed that as part of the 2011/12 Audit Plan capital expenditure will also be included in the core financial systems reviews. Ongoing work by Internal Audit is being undertaken on the Implementation Plan and a capital expenditure review will be further undertaken in the second half of the financial year.

Audit Opinion

- 7 Overall out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) was substantially operating and 2 (10%) were partially operating. In total 4

recommendations were made, which were all medium risk. All 4 recommendations have been agreed for implementation.

Full Key Control Reviews

8 The position for each system reviewed is shown below:

SYSTEM	NUMBER OF CONTROLS	FULLY OPERATING	SUBSTANTIALLY OPERATING	PARTIALLY OPERATING	NOT OPERATING	OVERALL RATING ¹
Housing Benefits	8	4	3	1	0	93%
NDR	11	10	0	1	0	95%
Overall	19	14 (74%)	3 (16%)	2 (10%)	0 (0%)	94%

9 For the HB system overall, 80% of the elements of the controls were operating effectively, with a further 3% substantially operating and 17% partially operating. Each of the 8 key controls is made up of a number of individual elements that were each tested. Therefore 4 key controls are fully in place, 3 key controls are substantially in place and 1 key control is partially in place. 3 recommendations have been made to address the weaknesses identified which are all rated as medium risk.

10 For the NDR system overall, 92% of the elements of the controls were operating effectively, with a further 4% substantially operating and 4% partially operating. Each of the 11 key controls is made up of a number of individual elements that were each tested. Therefore 10 key controls are fully in place and 1 key control is partially in place. 1 recommendation has been made to address the weakness identified, and 1 weakness identified was immediately actioned during the review and no further recommendation is therefore made. The 1 recommendation made is rated as medium risk.

Susan Dixson
Service Manager, Internal Audit
October 2011

¹ Operating controls given a weighting of 2 and partially operating controls given a weighting of 1

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

Date of Meeting: 1 December 2011

Subject: **INFORMATION REPORT –
Risk, Audit and Fraud
Commissioning Panel Options**

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No

Enclosures: Appendix – Detailed proposals

Section 1 – Summary

This report sets out the options for meeting the budget challenges facing the council over the next three years in relation to the Risk, Audit and Fraud Division within the Chief Executive's department.

FOR INFORMATION

Section 2 – Report

- 2.1 The Council continues to face significant budget challenges over the coming years and work has been taking place during late summer / early autumn in all directorates, to identify options for meeting those challenges over the next three years.
- 2.2 A series of “Commissioning Panels” were convened during October to receive presentations on the options identified across all directorates. The Corporate Services commissioning panel, which included the Chief Executive’s, Finance and Legal & Governance options took place on 20th October 2011.
- 2.3 In advance of this, at its meeting on 26th September 2011, officers explained to the Committee that this process was underway and gave an assurance that the commissioning options for the Risk, Audit and Fraud division, for which the Committee has a specific monitoring role, would be reported in full for consideration and comments.
- 2.4 The agreed proposals from all directorates will become part of the draft budget, which will be agreed at Cabinet in December. The final budget will be set by full Council in February 2012.

Section 3 – Further Information

- 3.1 None

Section 4 – Financial Implications

- 4.1 Financial implications are the core subject of this report and the options, together with service implications and risks, are set out in full in the appendix.
- 4.2 The target set across the council for budget reductions through the commissioning panels, was approximately 30%

Section 5 - Equalities implications

- 5.1 An equalities screening exercise has been carried out for all the options and this has not identified any potentially adverse equality impacts.

Section 6 – Corporate Priorities

- 6.1 The work of the Risk, Audit and Fraud division supports all council directorates to identify and manage risks in order to facilitate the achievement of service objectives and corporate priorities.

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 15 November 2011		

Section 7 - Contact Details and Background Papers

Contact: David Ward, Divisional Director – Risk, Audit & Fraud
0208 424 1781

Background Papers: None

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**Commissioning Panel Proposal
2012-13 to 2015-16**

Risk, Audit & Fraud Divisional Proposals

Assistant Chief Executive – Tom Whiting

Portfolio Holder – Cllr Graham Henson

October 2011

Summary for Division

Policy and contextual change	
Context Change	Implications
Public Sector Funding	○ Manage the downsizing of corporate functions alongside their role in delivering the changes required, which is arguably when the need for support is at its greatest
	○ Higher risks during transformation need to be managed with less support
National Policy	○ The Welfare reform proposals create uncertainty over the future direction and purpose of the corporate anti-fraud team over the next few years
	○ The exploration of joint working efficiencies between local authorities presents new risks and opportunities
	○ The move to Academy schools status brings a variety of different challenges and service opportunities.
	○ Increased partnership delivery will influence the support services role across the organisation.
	○ Integration of public health services will impact on council services and the risks facing the council.
	○ Government requirements on information integrity means that increased scrutiny from the Information Commissioner's Office places heightened requirements to manage information risks

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Customer insight and analysis

Stakeholder consultation and feedback is sought by all RAF service managers and the Divisional Director during any given year and used to adapt services to customer needs as far as possible.

Specifically in the past 12 months stakeholders have been consulted on :

- The internal audit plan
- Format of the management assurance exercise
- Corporate governance framework
- Assurance mapping
- The risk management process & future strategy
- Health and safety governance and support required
- Emergency and business continuity plans
- The insurance service level agreement
- Performance and stakeholder requirements of the Occupational Health Service

In addition, the Corporate Services fair held in September 2011 provided a valuable opportunity to enter into conversations with customers about the perceptions of the RAF services and their reaction to some of the options contained in this paper.

A general summary of feedback is that with the exception of the Occupational Health Service (which is as a result under review), all Risk Audit and Fraud services are considered to be value for money and high performing. This is lately also the case with the corporate health and safety service which historically has received criticism as a weaker function.

Stakeholders were particularly pleased with the responsive aspects of the services, i.e. support when things go wrong. Examples of this given at the fair were in relation to insurance (support for property fires and recovery), information management (support following potential data breaches including liaison with the Information Commissioner's Office), internal audit and corporate anti-fraud (response to potential financial irregularities or procedural breaches) emergency planning and business continuity responses.

Stakeholders found it difficult to express a view around the savings proposals because RAF services are perceived to be "there when we need them" rather than an integral part of business support, although there were some concerns raised around scaling back resources at a time when risks are increasing.

Cost and performance benchmarking

Various benchmarking exercises have been carried out in relation to the Risk, Audit and Fraud group of services. Consistently these benchmark favourably against neighbouring boroughs and pan-London. The teams compare favourably with that of the average and in some cases, such as Audit, Fraud and Emergency Planning services, they are significantly smaller teams than the London average.

In summary the following exercises have taken place across the teams:

CAFT – Benchmarking in 2010 through London Fraud Group, team is second lowest cost across London participants.

Internal Audit - PWC benchmarking review 2010 concludes service has low FTE compared to London average and suggests 300-400 additional audit days needed to compare with similar sized London borough although performance comparisons were favourable.

Health and Safety – Independent review from Coventry City Council 2010, Concludes service cost is expensive compared to similar sized authorities (this relates to salaries rather than FTE's), further benchmarking on overall spend has taken place with neighbouring boroughs and detailed discussions have taken place with Ealing (see proposals).

Occupational Health – benchmarked through a procurement exercise in 2009, which secured best value through a framework agreement, due for renewal in 2012/13

Information Management – Benchmarking with Ealing and Brent Council's 2011 and the pan-London information security forum. Team is average compared to London authorities.

Insurance - A 2010/11 benchmarking exercise demonstrated that Harrow's Insurance Service delivers a cost effective service that performs well against other local authorities. Public Liability claims account for the greatest proportion of claims received by the Insurance Service and analysis of claims data reveals that Harrow receives 6.5 of these claims per 1000 population with a cost of claims per 1000 population of £10,200. This compares favourably to benchmarked figures that show the corresponding average figures to be 7.7 and £18,200 respectively, thus leading to lower insurance premiums

Risk Management – benchmarking exercises with Ealing, Southwark and Camden confirms the service is consistent with best practice councils.

Civil Contingencies – Benchmarking with West London Alliance 2010 and specifically Ealing in 2011 and currently Barnet. Significantly lower than most authorities, 3 FTE compared to 10+ in some cases.

Overall outcomes for the Division

Given that the Risk, Audit and Fraud division mostly provides back office support services, the various teams collectively support the entire council to achieve its desired outcomes, deliver the corporate priorities and to take managed risks at all levels.

Through this commissioning approach the overall outcome is to support a successful transformation across the council within a budget that is sustainable in the current financial climate.

The outcomes from individual services will be:

- To support the management of strategic and directorate risks within a framework which is streamlined to meet the capacity available.
- Deliver an annual risk management strategy
- Developing and delivering a risk-based internal audit programme which “adds value”
- Supporting the provision of a new corporate governance model through an assurance mapping project
- Preparing fit for purpose and tested business continuity and major incident plans
- Identifying and taking action to maximise the council’s protection against fraud
- Working with directorates to support the improvement of health and safety, to protect employees across the council
- Protecting the council’s assets through a prudent and sustainable insurance programme
- Supporting the management of information risks to avoid security breaches and to protect confidential information

Divisional Proposals:

The Risk, Audit and Fraud proposals are broken down into service areas, as follows:

Corporate Anti-Fraud Team (CAFT)

The service budget principally consists of salaries costs for the team. The proposal is to shift the emphasis of the workload to focus on increased income through the Proceeds of Crime Act and other income. This work commenced in the current year through a joint agreement with Brent Council and the proposal is to build on this incrementally over the next 3 years. Uncertainty exists over the future of local authority fraud functions following the government's welfare reforms and whether local authority fraud teams will be centralised into the DWP from April 2013. If this progresses it is not know how grant funding would be reduced in to the council to reflect this centralisation and this therefore adds to the uncertainty.

Internal Audit

The previous efficiency review agreed that two vacant internal posts would be appointed to and the remaining budget from a further two vacant posts would be set aside to fund co-sourcing arrangements with a partner organisation. In anticipation of the commissioning panels and in view of the recent transfer of the service from Corporate Finance to Chief Executive's, the outcome of the review has not yet been progressed, to secure options. The option proposed is to re-grade one of the vacant posts and to reduce the co-source budget by £16k. This would increase the current level of resources dedicated to internal audit services in the Council substantially in line with the previous review.

Health and Safety Service

This service is currently in the process of an efficiency review which will produce administrative efficiencies for 2012-13 and there is a second phase proposal to enter into joint working arrangements with Ealing Council from Spring 2012 which will create further efficiencies of 1 post. When this arrangement matures a further Adviser post is anticipated to be released from 2013-14.

Occupational Health Service

This is provided under contract which is due for renewal in September 2012. Procurement efficiencies are expected as a result of this,

which may also involve reducing to one provider for both Occupational Health and the employee assistance service. In addition, there is scope to generate income through provision of this service to Academies and increased charges to other schools through a specific SLA for Occupational Health services. Alternatively, if Academies choose not to purchase an SLA the contract costs would reduce.

Information Management

This is a small team of 3, the budget for which is essentially salaries. Although the work of this team is much wider than IT data security, there are strong synergies between the work of this team with the IT client team and the option proposed is to merge the team with the IT client team, producing one FTE efficiency.

Risk Management Service

Following the risk, audit & fraud efficiency review in 2010, the agreed approach was to deliver the risk management support service through a co-sourced approach with a partner organisation. This proposed option is to reduce the current budget and absorb the risk management service into the performance management service as the two functions complement each other. There would be a smaller retained budget of approximately £40k for specialist or ad-hoc support on a co-sourced basis, or an in-house support officer resource.

Civil Contingencies

This is a small team of 3 dealing with business continuity and emergency planning. The preferred option is to merge this team with the insurance team, (as there are strong business continuity and emergency response links between the two functions). This would facilitate a service manager transition to a senior professional (to address spans of control requirements in both teams). In addition there is scope for joint working arrangements with Ealing Council which is anticipated to produce an efficiency of 1 FTE from the current emergency planning establishment.

Insurance

In addition to the above there are a number of potential areas to reduce costs. These range from further staffing efficiencies as a phase 2 to the current LEAN review efficiency project, potentially by transferring some of the front facing claims service into Access Harrow. There are also a number of modest opportunities to generate further income through SLA's with academies and /or commission for services provided to third parties.

The most potential however, arises out of the procurement of insurance policies in 2012/13 which is anticipated to produce savings and

(subject to an actuarial review), reducing the level of contributions to the provisions through better cross-council risk management and also potentially increasing policy excesses to self-insure more of the risks. There are risks with this approach as the adequacy of insurance provisions has been an issue for the external auditors in the past. Therefore an actuarial review of the provision is planned ahead of this proposal being implemented.

Equalities screening has taken place recently for most of the Risk, Audit and Fraud services as they have previously been subject to service reviews. The proposals contained in this paper are a continuation of efficiency reviews and therefore the previous equalities exercises are still considered relevant.

There are two exceptions to this, namely the options in respect of the information management and civil contingencies functions. As a consequence screening tests have been specifically carried out on these options.

None of the screenings have identified any material equalities impacts as the suite of services are back office support functions supporting internal stakeholders.

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What we'll stop doing/decommission by:

Where the risk audit and fraud commissioning options are around staffing reductions there will inevitably be a reduced level of service provided to customers through reduced capacity. This will usually manifest itself through lower levels of support rather than stopping or decommissioning specific services.

There are two notable exceptions to this which are contained in the division's current service plan.

1. Ceasing to deliver classroom based health and safety training in favour of e-learning tools, where this is appropriate.

2. Through a new LEAN review gateway process, stop pursuing anti-fraud cases that are unlikely to succeed if presented to the courts (a more rigorous “go-no go decision process to avoid wasted resources on cases that are ultimately abandoned).

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What Community Engagement will be necessary to deliver these proposals

Not applicable to Risk Audit & Fraud.

Divisional Proposals - Summary Impact Statement

Description of Service Change *	Savings/Cost of Service Change (£'000k)				Impact on Service Delivery	Risk Management	Other Impacts: <ul style="list-style-type: none"> • Performance • Equalities (including conclusions from initial EqlA's) • Workforce
	2012/13	2013/14	2014/15	2015/16			
CORPORATE ANTI-FRAUD TEAM							
R1 Proceeds of Crime Act – pursue recoveries of fraudulent gains in partnership with Brent, plus additional income recovery	20	20	19		Re-focus of service towards income potential caseload.	<p>Implement LEAN gateway process to maximise successful cases pursued</p> <p>Risk that income is not achieved.</p> <p>Additional income will need to be delivered and recovered into the Risk Audit & Fraud budget otherwise one post would need to be deleted to deliver the savings, should the income targets not be achieved in any year.</p> <p>Risk of double counting income received in corporate finance, need to agree</p>	

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						a different method of treatment.	
R2 60% reduction in service in response to DWP Centralised benefit fraud service (subject to confirmation / detail)		192			Centralised benefit fraud service, corporate fraud retained	Uncertainty over reduction in general grant, which will reduce this saving (possibly to nil)	
INTERNAL AUDIT							
R3 Regrade senior professional post	10				Reduced coverage of internal audit plan to meet resources available, i.e. continue as is and unable to expand in line with original expectations	Risk based audit planning Strengthened management assurance exercise	
R4 Reduce co-sourcing budget			16		Further reduction in scope and coverage of internal audit plan Possible increase in financial irregularities / system failures. Possible increase in external audit fees due to less reliance on IA	Risk based audit planning	
CORPORATE HEALTH & SAFETY SERVICE							

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R5	26				Minimal impact		Administrative duties have already been re-distributed throughout the team
Delete administrator post as part of re-structure							
R6	28				Impact is anticipated to be minimal due to efficiencies of joint working	Failure to agree an approach for joint working	
Delete H&S co-ordinator post through joint service delivery with Ealing							
R7		42			As above	As above	Potential redundancy costs
Delete H&S advisor post through mature joint service delivery with Ealing							
OCCUPATIONAL HEALTH SERVICE							
R8	30				Minimal	Risk of failure to attract Academies to re-join the Occupational Health and H&S SLA's	
Net effect of reduced contract costs & increased SLA income – academies SLA							
R9	18				Possibility of reduced service response times if quality criteria are lowered to facilitate lower cost contract, e.g. management referral response	Procurement support	Workforce-wide service
Reduce cost of Contract through procurement / possible joint provision of							

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Occupational Health and Employee Assistance Programme through 1 provider (Contract due for renewal 1.4.12)					times		
INFORMATION MANAGEMENT TEAM							
R10 Merge IMT with IT Client Team, delete 1 FTE post	32				Reduced capacity.	Skills transfer	Potential redundancy costs
RISK MANAGEMENT SERVICE							
R11 Reduction in co-sourcing budget, possible merger with performance management.	36				Reduced support for risk management process	More self service for managers and directors	
CIVIL CONTINGENCIES TEAM							
R12 Merge civil contingency and		35			Reduced response capability i.e. lack of coordination of emergency response / business continuity plans in	Skills transfer between teams Joint arrangements	

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<p>insurance teams, reconfigure service manager / senior professional arrangements and delete 1 FTE emergency planning post through joint working arrangements with Ealing</p>					<p>the event of an incident</p>	<p>between Harrow and Ealing to provide more response capacity</p> <p>Risk of not being able to deliver Ealing capability</p>	
<p>INSURANCE SERVICE</p>							
<p>LEAN review restructure efficiency (£25K in 2011/12)</p>							
<p>R13</p> <p>Procurement saving on property & liability policies, due for 1.4.12</p>	<p>25</p>				<p>Minimal impact – based on favourable market with like for like cover</p>		
<p>R14</p> <p>Reduced broker fees through more in-house handling and increased income on third party insurance schemes</p>	<p>4</p>	<p>2</p>	<p>3</p>		<p>Minimal impact, less reliance on external advisers.</p> <p>Income from SME's.</p>		
<p>R15</p> <p>Reduce annual</p>			<p>330</p>		<p>Potential future under-funding of claims from provision leading to increased</p>	<p>Develop council-wide policies to mitigate claims costs e.g.</p>	

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<p>contribution to internal insurance provision</p>					<p>contributions required in the future.</p> <p>Potential retrospective liabilities in respect of Municipal Mutual Insurance which would place additional calls on the provision.</p>	<p>highways maintenance, tree root management, vehicle accidents</p> <p>Robust claims management & management of liability risk exposures</p> <p>In order to test this proposal an exercise to establish its viability is being sought through the Council's insurance Actuary in the Autumn of 2011.</p> <p>A separate exercise in respect of potential liabilities resulting from the insolvency of Municipal Mutual Insurance is also being considered.</p> <p>It is anticipated that any under-funding of the provision as a result of this proposal would be slow to develop due to the</p>	
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						<p>long-term nature of liability claims.</p> <p>Regular (bi-annual) mini-actuarial reviews would be required on an ongoing basis to provide robust monitoring arrangements and (if necessary) provide early warning of inadequate provision.</p>	
R16		25			Minimal		
Future trading with Academies							
R17	100				Increased self-funding of claims which compounds the reduction of contributions risk above	<p>Develop council-wide policies to mitigate claims costs e.g. highways maintenance, tree root management, vehicle accidents</p> <p>Robust claims management & management of liability risk exposures</p>	
Increased excesses on property & liability policies with council-wide policy proposals to reduce claims							
R18		20			Minimal impact		

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Phase 2 restructure, reduce team by 1 FTE from claims handling transfer to Access Harrow / further LEAN efficiencies							
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Financials: baseline budget position

Division/Service Area	2010/11 Base Budget	Savings Made in 2011/12	2012/13	2013/14	2014/15	2015/16
Cumulative savings		35	329	473	841	0
Target level of saving					998	

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**REPORT FOR: Governance and Risk
Management COMMITTEE**

Date of Meeting:	1 December 2011
Subject:	Creditworthiness and Counterparty Policy
Responsible Officer:	Julie Alderson, Interim Director of Finance
Exempt:	No
Enclosures:	Appendix 1 – current creditworthiness and counterparty policy. Appendix 2 – Revised counterparty policy for non specific investments. Appendix 3 – CLG guidelines Appendix 4 – Fitch ratings definitions

Section 1 – Summary and Recommendations

This report proposes changes to the counterparty policy in response to recent revisions to UK bank credit ratings while continuing to emphasise the prudent management of the investment portfolio.

Recommendation:

The Committee is requested to

- (1) recommend to Council for approval the revised counterparty policy for non-specific investments set out in appendix 2, and
- (2) if approved for recommendation, to consider whether to submit the report to Cabinet for comment prior to Council approval.

Section 2 – Report

Introduction

1. The Council's short term investments are placed with banks and buildings societies selected in accordance with the creditworthiness policy set out in the annual treasury strategy. Recent downward revisions to UK bank credit ratings mean that most of our active counterparties no longer achieve the required minimum ratings. This paper proposes changes to the treasury strategy to address these developments, while continuing to prudently manage the cash portfolio. In particular the required minimum credit quality for the main UK high street banks have been lowered in line with current ratings, while maximum maturities have been reduced to reflect greater uncertainty.

Current Counterparties

2. The Council's temporary cash balances are invested with banks, buildings societies and money market funds. The eligible institutions to receive funds are determined by credit quality guidelines as set out in the annual treasury strategy. The primary concern when investing Council funds is capital preservation and for that reason eligible institutions have been limited to those with very highest credit quality, defined as a minimum of:

	Banks & Buildings Societies	Nationalised Banks (RBS, Lloyds/HBOS)	Instant Access deposits
Long term rating	AA-		A
Short term rating	F1+	F1+	F1+
Support	2	1	
Individual	B		
Country	AAA		

3. The main counterparties used for Council investments are:

Royal Bank of Scotland [The Council's bankers]
Lloyds / HBOS
Barclays
Santander UK
Nationwide Buildings Society
Svenska Handelsbanken
Money Market Funds [all AAA rated]

Recent Events

4. Prior to 13th October, all these banks achieved the required credit quality. Since then the Fitch short term ratings of Lloyds/HBOS, RBS, Santander UK and Halifax have been cut by one level to F1 and the long term ratings by either one level to A+ (Santander UK and Nationwide) or two levels to A (Lloyds/HBOS and RBS). These banks no longer meet our established minimum credit requirements.

5. In response to the downgrades, Council monies held on instant access call account with RBS were withdrawn and invested in money market funds. In line with treasury policies, we did not attempt to renegotiate fixed term deposits of £73 million with the downgraded banks. As of 10 November 2011, only £49.4 million (out of £122 million) is invested with counterparties (Barclays, Svenska and money market funds) that meet our current credit quality guidelines.

Treasury Advisor Recommendation

6. The Council's treasury advisor, Sector, provides recommended maximum maturities for the major UK and overseas banks. These are based on current credit ratings adjusted for impending reviews and for UK banks range from 0 months (no deposits) to 24 months. Sector further refines the maturities by factoring in the implied ratings from credit default spreads. The adjusted maximum maturity recommendation for Harrow's current counterparties is:

12 months – RBS & Lloyds/HBOS

3 months – Barclays, Santander UK, Nationwide & Svenska

7. Privately, Sector has stated that its suggested maturities could be extended for the two part nationalised banks.

“Our advice is to follow the suggested duration limits we have set in our weekly credit report. However, as regards the part nationalised banks, RBS Group and Lloyds Bank, you could consider going beyond the 1 year suggested limit towards a suggested limit of 2/3 years based on the current view in the market that they are unlikely to return to pure private ownership and therefore pure banking risk for some time yet, which could extend beyond 1 year and perhaps by as much as up to 3 years. As they are part government risk, you could consider increasing the limits to an amount which represents a higher percentage of total perceived cash balances over this period. This could be as high as 30% for each of the two Groups, so that the overall Group exposure is taken into consideration.”

8. The above analysis is based on an assumption that the level of support for the part nationalised banks is greater than for the other UK High Street banks. The proposals herein are more even handed and also recognise the stronger financial position of the banks that did not require government support.

Proposed Action

9. In recent years we have agreed with Sector's cautious definition of eligible banks, but have placed funds for periods up to three years, in line with the policy that no more than £25 million should be invested for more than a year. Our view has been that when banks default it is instantaneous; they are either seen as solvent or they fold. When confidence goes it happens quickly and a three months maturity does

not offer any particular window of opportunity. Thus if we are prepared to invest with a bank, then modestly longer maturities are as safe as rolling short term maturities.

10. The current annualised yields available from the counterparty banks are:

Instant access	0.80%
3 months	0.98%
12 months	1.80%
24 months	3.35%

11. It can be seen that there is considerable additional income available from lending longer term e.g. £10 million invested for two years will generate £255,000 per annum more in interest than the same balances invested overnight.

12. The CLG treasury guidance (appendix 3) requires priority (in order) to security, liquidity and yield. However, the guidance adds “that does not mean that authorities are recommended to ignore such potential revenues [investment income]. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with those priorities.” In the light of the above guidance, the proposals below involve a change to the minimum acceptable credit limits and entail maximum maturities potentially longer than the Sector guidance.

13. The security of the UK High Street banks is considered to remain high reflecting past Government action and also the historical impact of allowing a bank to fail. All the UK banks & building societies currently used have top rated support level of 1 from Fitch. On this basis, we are proposing amending the counterparty policy to enable continued utilisation of the UK banks listed in 3 above.

14. The current guidelines restrict deposits with a maturity of more than 12 months to £25 million (approximately 20% of balances) and within that deposits of up to 5 years maturity are permitted. It is recommended that the £25 million limit is retained for the current year, but reviewed annually in anticipation of the reduction of investment balances. In light of the economic uncertainties a five year maximum maturity is questionable and a revised maximum maturity for new deposits of 24 months is proposed, again to be reviewed annually.

15. To reflect the above changes, the guidance for non-specified investments has been amended (see appendix 2). The changes are seen as balanced in that they combine weaker long & short term ratings, but shorter maturities and higher support ratings.

16. Individual bank limits within the overall credit guidelines are set by the S151 officer. The current limit of £20 million per bank will be retained. The Lloyds/HBOS combined limit of £30 million will be reduced to £20 million. Deposits with non UK banks will be required to meet the criteria for specified investments.

Conclusion

17. These proposals strike a balanced approach to security, liquidity and yield, accepting the pre-eminence of the first two yet recognising that an overly cautious approach will entail a loss of investment income.
18. The revised strategy will be kept under review and formally reported to Cabinet three times a year within the strategy, half-yearly & annual reports. Changes in ratings are monitored at least monthly by the Treasury Management Group.

Financial Implications

19. Interest on the Council's investment balances is projected to generate £1.8 million gross (£1.2 million net after internal allocations), representing an average rate of 1.65% on average balances this year of £122 million. The proposed revised counterparty strategy is consistent with retaining current income levels.

Risk Management Implications

20. Risk included on Directorate risk register? Yes.
21. Separate risk register in place? No
22. The risk of loss of an investment is rated green due to the very low likelihood based on active monitoring of counterparties. The paper fully discusses the risk implications of changing the minimum required credit ratings.

Equalities implications

23. Was an Equality Impact Assessment carried out? No.
24. There are no direct equalities implications as no individual is impacted by the proposals.

Corporate Priorities

25. Treasury activities have no direct impact on Council priorities, although through revenue generation they have an indirect impact on all the priorities.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson Chief Financial Officer

Date: 18 November 2011

Name: Matthew Adams on behalf of the
Monitoring Officer

Date: 22 November 2011

Section 4 - Contact Details and Background Papers

Contact: George Bruce (Treasury & Pension Fund Manager) Tel: 020-8424-1170 / Email:george.bruce@harrow.gov.uk

Background Papers: February 2011 Treasury Strategy Report to Cabinet.

If appropriate does the report include the following considerations?

1.	Consultation	NO
2.	Corporate Priorities	YES

Extract from the Annual Investment Strategy

Investment Policy

23. The Council approves a Treasury Management Strategy on an annual basis and has adopted the 'CIPFA code of Practice for Treasury Management in the Public Services'.
24. The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -
 - (a) The security of capital, and
 - (b) The liquidity of its investments.
25. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low in order to give priority to security of its investments.
26. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

Creditworthiness and Counterparty Policy

27. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories.
28. Counterparty limits are approved by the Section 151 Officer in accordance with the Council's Treasury Management Practices. At present, each approved counterparty has a £20 million limit, which is further restricted to a group limit of £30 million e.g. Lloyds / HBOS.
29. Specified investments are considered low risk and relate to funds invested for up to one year. Non-Specified investments sometimes offer the prospect of higher returns but carry a higher risk and may have a maturity beyond one year. All investments and borrowing are sterling denominated.

Specified Investments

30. All such investments will have maturities up to maximum of 1 year, meeting the minimum rating criteria where applicable. The instruments and credit criteria to be used are set out in the table below.

Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – other LAs	Local Authority issue	In-house
Term deposits – banks and building societies	AA- Long Term F1+ Short-term 2 Support B Individual AAA Sovereign	In-house
UK Nationalised banks	F1+ Short-term 1 Support	In-house
Money Market Funds	AAA	In-house

Non-Specified Investments

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies	AA- Long Term F1+ Short-term 2 Support B Individual AAA Sovereign	In-house	50%	5 yrs
Callable Deposits	F1+ Short term A Long Term	In-house	20%	5 yrs

31. All credit ratings will be monitored in house with the help of Sector who alert the Council to changes in Fitch ratings through its creditworthiness service. Opportunities to use credit default swap costs and other financial information to anticipate changes in credit quality are being considered.
32. If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, its further use as an investment will be withdrawn immediately.

Non – specified Investments (Revised)

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies	A Long Term [AA-] F1 Short-term [F1+] 1 Support [2] B Individual UK or AAA Sovereign	In-house	50%	24 months [5 years]
Callable Deposits	F1 Short term [F1+] A Long Term 1 Support	In-house	20%	3 months [5 years]

Changes to the current counterparty policy are highlighted in [].

Extract

Department for Communities and Local Government
GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS
Issued under section 15(1)(a) of the *Local Government Act 2003*
and effective from 1 April 2010

(4) INVESTMENT STRATEGY**Preparation**

4.1 The Secretary of State recommends that for each financial year a local authority should prepare at least one investment Strategy (“the Strategy”) in accordance with the timetable in paragraphs 4.5 and 4.6.

4.2 The Strategy should set out the authority's policies for the prudent management of its investments and for giving priority, firstly, to the security of those investments and, secondly, to their liquidity. It should therefore identify the procedures for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.

(5) INVESTMENT SECURITY**Specified investments**

5.1 An investment is a ***specified investment*** if all of the following apply:

- (a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- (b) the investment is not a *long-term investment* (as defined in paragraph 2.4);
- (d) the investment is made with a body or in an investment scheme of *high credit quality* (see paragraph 5.2); or with a public-sector body.

5.2 For the purposes of paragraph 5.1(d), the Secretary of State recommends that the Strategy should define *high credit quality* (and where this definition refers to *credit ratings*, paragraph 6.1 is relevant).

Non-specified investments

5.3 With regard to ***non-specified investments*** (.i.e. those not meeting the definition in paragraph 5.1), the Secretary of State recommends that the Strategy should:

- (a) set out procedures for determining which categories of such investments may prudently be used (and where these procedures involves the use of *credit ratings*, paragraph 6.1 is relevant);
- (b) identify which categories of such investments have so far been identified as prudent for use during the financial year; and

(c) state the upper limits for the amounts which, at any time during the financial year, may be held in each identified category and for the overall amount which may be held in non-specified investments (the limits being defined by reference to a sum of money or a percentage of the authority's overall investments or both).

(6) INVESTMENT RISK

Risk assessment

6.1 The Secretary of State recommends that the Strategy should state the authority's approach to assessing the risk of loss of investments, making clear in particular:

- (a) to what extent, if any, risk assessment is based upon credit ratings issued by one or more credit rating agencies;
- (b) where credit ratings are used, how frequently credit ratings are monitored and what action is to be taken when ratings change; and
- (c) what other sources of information on credit risk are used, additional to or instead of credit ratings.

(7) INVESTMENT LIQUIDITY

7.1 The Secretary of State recommends that the Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed.

Comments from the guidance notes

The generation of investment income is distinct from these prudential objectives and is accordingly not a matter for the guidance. However, that does not mean that authorities are recommended to ignore such potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what **yield** can be obtained consistent with those priorities.

Fitch Rating Definitions

Long Term Ratings

- AA Very high credit quality – Expectation of very low credit risk. Strong capacity for payment of financial commitments.
- A High credit quality – Expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Short Term Ratings

- F1 Highest short term credit quality – Indicates the strongest intrinsic capacity for timely payment of financial commitment; may have an added “+” to denote any exceptionally strong credit feature.

Support Ratings

- 1 Denotes a bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right.
- 2 A bank for which there is a high probability of external support.

Individual Bank Ratings

- A Very strong Bank
- B A strong bank. There are no major concerns regarding the bank.

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