

## **Annex 2: Review of Financial Management Relating to CPO Fraud**

Contractual review of the financial  
management of regeneration projects

18<sup>th</sup> September 2018

# Contents

<b>Section</b>	<b>Page</b>
Executive Summary	6
Contractual Review	12
Key Findings: DRS (Re) Contract	15
Key Findings: CSG Contract	22
Appendices	32

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18 September 2018

Dear Kevin

#### **Project Rose - Support in relation to fraud investigation**

We have pleasure in enclosing the seventh draft of our report (the 'Report') containing the contractual review findings of Project Rose, our engagement to provide support in relation to a fraud investigation ('the Project') on behalf Barnet Council ('the Council').

#### **Scope of work and limitations**

The scope of this project was agreed in Grant Thornton's contract with the Council dated 22 January 2018 ('the Terms of Engagement') and the variation letter dated 19 February 2018. A further amendment to scope was agreed with the client in writing (via e-mail) on 20 March 2018. This contractual review Report is based on our findings to date. Our review of the affairs of the Council and its partner organisations does not constitute an audit in accordance with Auditing Standards and no verification work has been carried out by us; consequently we do not express an opinion on the figures included in the report. At your behest it has been shared with Capita representatives of Re and CSG Finance and is updated to reflect our consideration of their detailed comments.

#### **Limitation of liability**

We draw the Council's attention to the limitation of liability clauses in paragraphs under section 18 in the Terms of Engagement.

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### Forms of report

For the Council's convenience, this Report may have been made available to the Council in electronic as well as hard copy format, multiple copies and versions of this Report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

### Confidentiality

This work is confidential. No information relating in any way to our work, is to be disclosed to any third party (other than those the Council has confirmed are assisting it in connection with this investigation) without the Council's prior written consent.

### General

The Report is issued on the understanding that the management of the Council have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our Report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

Notwithstanding the scope of this engagement, responsibility for management decisions will remain solely with the Council and not Grant Thornton. The Council's management team should perform a credible review of the recommendations in order to determine which to implement following our advice.

We understand this advice is being sought for the purpose of enabling the Council to receive legal advice in respect of the fraud investigation and the actions the Council should take as a result.

We would like to thank the Council's officers and those of the other key partners for making themselves available during the course of the project.

### Contacts

If there are any matters upon which you require clarification or further information please contact the Engagement Lead Guy Clifton on 0207 7282903.



**Guy Clifton**

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# Navigating this report

The report is set out as follows:

REF	SECTION	CONTENT	Page	
1	<b>Executive Summary</b>	The executive summary is intended to provide an overview of the work we have undertaken, key findings, recommendations and next steps taken by the Council.	6	
	Scope and Approach			
	Summary of Findings			
	Recommendations and next steps			
2	<b>Contractual Review</b>	This section sets the context for the review, highlights the contracts under review, describes our approach to potential breach of those contracts	12	
	Introduction			
	Our approach			
3	<b>Key Findings: DRS (Re) Contract</b>	A review key obligations relating to the services and circumstances around the fraud. This section focuses on Capita's obligations under the DRS contract.	15	
4	<b>Key Findings: CSG Contract</b>	A review key obligations relating to the services and circumstances around the fraud. This section focuses on Capita's obligations under the CSG contract.	22	
5	<b>Appendices</b>	The Appendices contain a glossary of terms used frequently in the Report and a summary of the wider control environment, which has informed our commercial review. .	32	
	Appendix A			Glossary of key terms
	Appendix B			Control themes relevant to the fraud – 5 Pillars

# 1. Executive Summary

# Executive Summary

## Background to the review

Grant Thornton was commissioned by the London Borough of Barnet (the Council) to provide support in its response to the discovery of an alleged fraud.

The fraud has since been verified and relates to transactions associated with Compulsory Purchase Orders (CPOs) in the context of the Council's Regeneration programmes.

We understand that the fraudulent transactions were initiated by a perpetrator ("the Individual") from within Regional Enterprise Limited (Re), the Council's joint venture with Capita plc through the Development and Regulatory Services "DRS" Contract.

These transactions were then processed by Capita, but this time in their separate role as Service Provider of the Council's finance function via the Customer Support Group "CSG" contract.

## The purpose of this report

This is the second annex ("Annex 2") to the Review of Financial Management Relating to CPO Fraud – Findings and lessons learned.

The Review of Financial Management relating to CPO Fraud contains an action plan for controls (Appendix A p20) and an action plan for the forensic review (Appendix B p34). Annex 1 supports the summary findings with a detailed review of financial and other controls across the Council's regeneration activities through Re and the financial back office services provided by Capita to both Re and the Council, in relation to the fraud.

**This Annex 2 to that report provides a narrative of what contractual obligations were in place within the DRS and CSG agreements, if and how they were followed and any potential breaches arising from our understanding of the fraud.**

## Overview of findings

Our review findings highlight the following events:

- The Individual is believed to have committed a fraud to a detected value of £2,063,972 by directing CPO payments to personal bank accounts.
- The fraudulent payments were ultimately identified by a bank in receipt of those payments rather than through the Council's own control processes.

Within our agreed scope, we found the fraud exploited the following control failures for which Capita are directly or indirectly contractually responsible:

- There was a lack of control arising from a poorly maintained Scheme of Delegation and the absence of a supporting scheme of financial authorisation for non-council employees. This meant the Individual could gain unscrutinised access to cost centres on the financial ledgers. This is discussed more fully in Annex 1.
- The lack of effective review controls over the financial ledgers and resulting treasury-enabled payments, allowed the Individual to request and receive 62 inappropriate payments to personal bank accounts.
- A lack of effective review of journal amendments requested by the Individual enabled fraudulent costs to be concealed on the ledger.
- The monthly and annual budgetary control process provided by CSG Finance for capital projects in Re lacked sufficient rigour to challenge unusual transactions and journal entries.
- Within the scope of our review, the control environment did not identify or mitigate significant financial control weaknesses prior to the fraud.
- Poor accounting controls, meant reporting errors and fraudulent accounting entries designed to mislead Re and CSG Finance were not detected.
- Weakened scrutiny over regeneration scheme KPIs reduced Re's ability to identify these failings.

# Scope and approach

## The contracts we reviewed

This Report considers the contracts the Council relies upon both for the execution of its regeneration programme, and for its back office services.

The Council's relevant contracts from which our key findings are drawn are both dependent on Capita:

### **Contract 1: The London Borough of Barnet and Capita (BDRS) Limited relating to the provision of Development and Regulatory Services signed 5<sup>th</sup> August 2013 "DRS"**

The contract is delivered by the property and infrastructure business of Capita and was expected to be worth £154m to Capita over 10 years from the 1<sup>st</sup> October 2013 under a joint venture: Re (Regional Enterprise) Limited, company number 8615172 to act as Service Provider to the Authority for the Council's regeneration programme.

Prior to its renaming, the joint venture was originally called "Capita BRDS" in the DRS contract. Re Limited is 51% owned by Capita plc and 49% owned by the Council. Capita holds 4 of the 6 Board positions with 2 held by members of the Council giving Capita majority ownership and control.

Under Clause 41 "Bond, Deed of Guarantee and Collateral Warranties" the DRS contract Guarantor is Capita Plc company number 02081330. The Bond itself forms Schedule 6 of the contract. Substantively this means Capita Plc is responsible for any control deficiencies discovered within Re during our investigation.

### **Contract 2: New Support and Customer Services (NSCSO) Partnering Agreement between the London Borough of Barnet and Capita Business Services Limited. "CSG"**

Under this contract Capita delivers a range of services including corporate programmes, customer services, estates, finance, human resources and

payroll, information systems, procurement, revenues and benefits. The contract was expected to be worth £320m over 10 years commencing September 1st 2013.

## Our approach to the contractual review

This contractual review summarises the most significant breaches that have or may have taken place on each contract, which we consider enabled the fraud to take place.

Our evidence-based approach incorporated a review of the DRS and CSG contracts, evidence from the accounting and purchase ledger systems and interviews with staff from across the Council, Re Limited and CSG Finance.

In light of the evidence and understanding of control deficiencies captured by our investigation into the fraud, we reviewed the contractual obligations under each contract.

Each contract contains binding Clauses, Output Specifications and Key Performance Indicators that have or may have been breached by Re or Capita as Service Providers to the Council, who are referred to in both contracts as the "Authority".

We initially sought to determine how Private Treaty Acquisition (PTA) and Compulsory Purchase Order (CPO) payments would normally be recorded in the Council's financial and reporting systems. We wished to determine if there was a difference between legitimate and fraudulent transactions.

The report that follows highlights the contractual review points arising from that exercise. Please note the list is not exhaustive.

# Summary of findings

## Erroneous or misleading reporting

Both the DRS and CSG contracts emphasise the importance of their Service Provider not providing erroneous or misleading reports. We were able to identify errors that occurred around the same time as the fraud as well as where fraudulent entries from the Individual were accounted for erroneously.

Unusual transactions appearing in control accounts that should have been challenged by CSG business partners as part of the monthly review and reconciliation process, but were not include fraudulent costs, mis-posted receipts and unusual journal transactions:

- Annex 1 of this report details our concerns regarding how CSG business partners were using control account ledgers to record CPO / PTA transactions without reference to the either the Council's fixed asset register or the estates systems.
- Our forensic accounting work identifies how fraudulent amounts appear capitalised and netted off against income at Year End, which should not have been, under the CIPFA code of practice on local authority accounting.

We believe this demonstrates a lack of control and scrutiny that contributed to the fraudulent transactions passing unreported – particularly as the fraud exploited other accounting errors and incomplete bookkeeping.

We would have expected to see knowledge of documented procedures for a consistent accounting of this class of transactions, and in particular the recognition of what was spent, owed or recovered at any point in time, depending on the specific PDA agreement under which the transactions were executed.

In our judgement the resulting reports contained undetected errors arising from the fraud, which misled regeneration managers, and consequently the Council, via its Growth & Regeneration Oversight Board (GROB), into believing the Service Provider's accounting for CPO / PTA payments and related income was complete.

## Practical implications

The overall practical implication of our analysis is that Re and Capita may not have been in sufficient control of their Regeneration accounting or treasury contractual obligations.

Though our report has a particular focus on CPO / PTA transactions, we conclude Capita must demonstrate to the Council how its accounting practices with respect to the Council's assets and resources now meet the performance and commitments made in their DRS and CSG contracts.

Each contract clause could be viewed in isolation, however the combined effect appears systemic:

- Though both contracts had different goals, the Council and its Service Provider in each must ensure proper stewardship and control over Council assets and cash.
- The collective contractual control over contract standards, reporting quality, record keeping, treasury and budgetary management that should have been in place requires constant focus from the Council, Re and Capita.

# Summary of findings by key contractual obligation

***Our key findings are summarised against the following contractual clauses, service obligations and key performance indicators:***

## ***DRS Contract:***

- Clause 5.2.1 Contract Standards: Good industry practice compromised by lack of supervision; Council not warned of gaps in the scheme of delegation or performance gaps against Capita's method statements; and concerns regarding the training and knowledge of Capita personnel.
- 9.2 Authority Monitoring Clause 9.2.3 fraudulent, erroneous or misleading reporting: The fraud led to erroneous and misleading reports.
- REGEN015 Budgetary Control: Costs accrued out of phase.
- REGEN016 Recovery of Authority's historic costs within 12 weeks: Accrued CPO / PTA spend not tracked against developer repayment.
- REGEN017 Maintaining effective financial records: Unmatched receipts appropriated to conceal fraud and fraudulent costs capitalised.
- REGEN018 File monthly returns for each regeneration: Lack of detail with respect to land acquisitions or developer receipts.
- REGEN002 and REGEN003: Securing and Implementing a CPO: Record keeping concerns undermining confidence in CPO procedures.
- REGEN089: Active monthly regeneration budget management: Lack of detail with respect to land acquisitions or developer receipts.
- REGENKPI02 – Budgetary and Financial Controls: Insufficient control / evidence of recovery of developer receipts against target (85% in 2 months)
- Policy KPI: Adherence to information security policy for system access.

## ***CSG Contract:***

- 25.2 Authority Monitoring Clause 25.2.3 fraudulent, erroneous or misleading reporting: The fraud led to erroneous and misleading reports.
- FIN001 Financial Administration and Stewardship: Inconsistent administration of accountancy procedures and financial regulations; lack of maintenance of the Finance Scheme of Delegation (and scheme of financial authority for non-council employees).
- FIN005: Budget Monitoring: Control deficiencies in tracking and controlling project, capital and revenue expenditure against budget.
- FIN006: Strategic Projects: Concerns regarding the level of scrutiny, understanding and financial leadership from CSG.
- FIN007: Corporate Reporting: Cost of fraud not detected in 2016/17 accounts
- FIN009: Treasury Management: Lack of control regarding CHAPS payments processing checks on documents and signatures.
- FIN004: Financial Statements, Costing, Modelling and Options Appraisal: Concerns regarding the level of scrutiny provided by CSG.
- FIN016: Systems Accounting: Fixed asset register to be maintained all year.
- FIN019: Payments (Accounts Payable): CSG business partner training questioned.
- PS001: Compulsory Purchase Order: System and reporting concerns.
- PS013, PS019 and PS020 Acquisitions and Disposals: Property valuation concerns.

# Recommendations and next steps

## Recommendations arising from our contractual review

Our review of the DRS and CSG Contracts has identified a number of clauses where Re or Capita as respective Service Provider has or may have been in contractual breach.

We are mindful that several contractual remedies are available to the Council in both the CSG and DRS contracts, the Service Provider might be invited to rectify, repair or improve their services to the Council's satisfaction.

This contractual review Report points to specific clauses in each contract that may need to be re-emphasised as part of those discussions, most notably with regard to contractual governance, reporting, quality, cost recovery, reconciliations, and training.

From a contractual review perspective it is outside of the scope of this Report to make specific recommendations on remedies available to the Authority. Nevertheless, the Council is at liberty to take appropriate action as they see fit based on the findings of this contractual review.

## Important caveat

Our findings are based on interpretation of the information provided by Capita and meetings we had with CSG and Re staff. A draft of this report has been shared with Capita and feedback on the findings and comments on factual accuracy has been provided by them and considered. However, this does not constitute full validation and agreement of the findings by them. Actions to address the recommendations set out in the action plan have been agreed with Capita and are in the process of being implemented.

## Steps taken since discovering the fraud

### Initiating an independent investigation into the fraud

We note that the Council's Interim Director of Finance brought in Grant Thornton UK LLP as independent advisors in January 2018 with respect to identifying the suspected fraudulent transactions, capturing the control weaknesses and identifying which contractual obligations need to be repaired to prevent this incident recurring.

The Interim Director of Finance also notified Capita of the investigation.

### Implementing new Treasury Management procedures

We understand the Director of Finance reset authorisation levels and sign-off procedures for expenditure across the Council commencing with new Treasury Management Procedures issued on 25<sup>th</sup> January 2018.

### Recovering the monies lost to the Council

Under DRS Contract Schedule 31 Clause 3 Fidelity Guarantee Insurance, the Council's Commercial Director sought recovery of the circa £2m identified as part of the fraud from Re (underwritten by Capita), which we understand was reimbursed on 18th May 2018.

### Acting on recommendations and informing the Audit Committee

On receiving our initial draft Report, the Council's Interim Director of Finance with support from the Council's Commercial team began implementing control recommendations in consultation with Capita.

We understand the Audit Committee was briefed on 31st January and kept updated at the 19th April meeting.

## **2. Contractual Review**

# Introduction

## Context

Grant Thornton UK LLP was asked by the London Borough of Barnet to consider whether the fraud, and actions and responsibilities associated with this event, constitutes a breach of contract by Re or Capita. Our response is captured in this section of our review.

In this report we refer to the London Borough of Barnet as “the Council” unless we are referring to its contractual role, when it is described as “the Authority”. Re is the “Service Provider” of the DRS contract. Capita is “the Service Provider” of the CSG contract.

The fraud is significant in terms of volume (62 identified incidents), value (circa £2m) and duration (approx. 18 months of transactions) and the Authority wants to ensure no breach of contract has occurred.

The Individual was employed by the Council before being transferred under TUPE to CSG Finance in 2013. They then moved to Re in 2015.

In this section we look at the relevant contracts, highlight the weaknesses identified in the earlier phases, and consider whether they constitute a breach of contract.

There are two contracts in question which pertain to the fraud.

## **Contract 1: The London Borough of Barnet and Capita (BDRS) Limited relating to the provision of Development and Regulatory Services signed 5<sup>th</sup> August 2013**

This contract is known as the “**DRS**” contract, under which Re manages services for the Council including highways management, planning and development, regeneration, environmental health and trading standards services. The contract is delivered by the property and infrastructure business of Capita (at time of contract signature this was Capita Symonds Limited) and was expected to be worth £154m to Capita over 10 years from the 1<sup>st</sup> October 2013.

Following contract signature, Capita (BDRS) Limited was renamed “Re (Regional Enterprise) Limited” (Re). Re is a joint venture with the Council and is majority owned by Capita. Re’s services are underwritten by Bond, Deed of Guarantee and Collateral Warranties by Capita Plc.

## **Contract 2: New Support and Customer Services (NSCSO) Partnering Agreement between the London Borough of Barnet and Capita Business Services Limited.**

This contract is known as the “Customer Support Group” or “**CSG**” contract. Under this contract Capita delivers a range of services including corporate programmes, customer services, estates, finance, human resources and payroll, information systems, procurement, revenues and benefits. The contract was expected to be worth £320m over 10 years commencing September 1<sup>st</sup> 2013.

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# Our approach

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## Our approach

We have focused on the contractual clauses most relevant to the fraud where there may have been a breach of contract by Re or Capita, as Service Provider. We also considered whether there is a concern regarding the relevant accounting standards because Schedule 1 of the CSG contract requires the Service Provider's adherence to all relevant legislative and regulatory frameworks.

We note that the DRS and CSG contracts were let separately and that a third party organisation could have won either contract in open competition.

We have therefore reviewed the findings and recommendations from the Report including Annex 1 against each contract's specific clauses, output specifications and key performance indicators.

We also reviewed the findings and recommendations against Council policy and any relevant codes (e.g. CIPFA) under which this contract is also governed.

Given there are two separate contracts, we have considered whether there is a breach in either or both of the contracts irrespective of the fact that the same parent organisation (Capita Plc) is substantively responsible for the Service Provider's performance under both agreements.

A deed of variation exists which sets up the CSG Service Provider as the provider of services to the DRS Service Provider. This means that remedies to breach of the CSG Contract should fix all but breach of the governance aspects of the DRS contract.

Our review of both contracts has identified a number of significant weaknesses which may have resulted in contractual breaches. We have identified and reported what we believe are fundamental weaknesses in budgetary control and financial accounting.

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## Reporting potential breach

We understand "breach" to be a general legal definition used to refer to a failure to satisfactorily meet the demands of a legally binding contract.

Both the DRS and CSG contracts contain detailed and extensive contractual terms and conditions as well service requirements and key performance indicators ("KPIs") for the Service Provider. We looked for evidence of compliance with these demands leading up to, during and following the fraud. We also looked at where a Service Provider failure to satisfactorily meet contractual demands led directly or indirectly to losses incurred. To ensure our findings were reported consistently, we researched how previous breaches of contract had been raised and how they were acknowledged or rectified by Capita.

We note both the DRS contract and CSG contract detail consequences for the Service Provider of "Persistent Breach".

### **3. Key Findings: DRS (Re) Contract**

# Summary of key findings – DRS (Re) Contract

**Contract Details: The London Borough of Barnet and Capita (BDRS) Limited relating to the provision of Development and Regulatory Services signed 5th August 2013. The “DRS” contract.**

The DRS contract delivers a range of Development and Regulatory Services for the Council through the Re Limited joint venture.

Our Review of the financial management of regeneration projects demonstrates where Capita failed to provide sufficient control of their Regeneration accounting or treasury obligations in Re Limited and for the Council: We believe Re’s commercial governance was undermined by a lack of supervision of key performance indicators where the Head of Regeneration was responsible for data collation, particularly for CPO / PTA transactions. Specifically, financial control procedures designed to prevent erroneous or misleading reporting and ensure timely receipts from developers were not followed effectively.

In this regard Re has or may have been in breach across several DRS contract clauses, service requirements or KPIs. Specifically:

- Clause 5.2.1 Contract Standards: Good industry practice compromised by lack of supervision; the Council was not warned of gaps in the scheme of delegation or performance gaps against Capita’s method statements; or of concerns regarding the training and knowledge of Capita personnel.
- 9.2 Authority Monitoring Clause 9.2.3 fraudulent, erroneous or misleading reporting: The fraud led to erroneous and misleading reports.
- REGEN015 Budgetary Control: Costs appear to have been accrued out of phase.
- REGEN016 Recovery of Authority’s historic costs within 12 weeks: Accrued CPO / PTA spend was not tracked against developer repayments.
- REGEN017 Maintaining effective financial records: Incomplete bookkeeping and accounting errors used to conceal fraud and some fraudulent costs capitalised.
- REGEN018 File monthly returns for each regeneration: There was a lack of detail with respect to land acquisitions or developer receipts.
- REGEN002 and REGEN003: Securing and Implementing a CPO: Record keeping concerns undermine confidence in CPO procedures.
- REGEN089: Active monthly regeneration budget management: Lack of detail with respect to land acquisitions or developer receipts.
- REGENKPI02 – Budgetary and Financial Controls: Insufficient control over the evidence/recovery of developer receipts against target (85% in 2 months)
- Policy KPI: Adherence to information security policy for system access.

# Key findings – DRS (Re) Contract

## Contractual clauses where there has or may have been a breach

Contractual obligation	Evidence and observations
<p><b>Clause 5.2.1 Contract Standards</b></p> <p>Aside from meeting specific key performance indicators, the Service Provider must perform the contract in accordance with:</p> <p>(a) Good Industry Practice;            (c) must warn the Authority of anything likely to prejudice the quality or purpose of the Services;            (j) must ensure the Services are performed by appropriately qualified and trained personnel.</p>	<p>(a) Good Industry Practice: Key regeneration managers and their finance business partners (from the CSG contract) were unable to reconcile or sometimes even find evidence to explain capital transactions. In particular we believe Budgetary and Financial control was compromised by a lack of supervision.</p> <p>(c) Warning the Authority: The Service Provider should have warned the Authority of the risks associated with Re's failure to maintain the financial scheme of delegation; inadequacies in record keeping (e.g. in reconciling asset purchases to valuations to the Altrium property management system); inconsistent use of control accounts in the Integra finance systems; and only accounting for capital transactions annually.</p> <p>(j) Qualified and trained personnel: Our findings show inconsistency in business partnering support and regeneration manager knowledge with respect to the function of CPO and PTA transactions. In our view handover, orientation or training (including on accounting and financial reporting) for team members overseeing these transactions may not have been sufficient.</p>
<p><b>Clause 9.2 Authority Monitoring - 9.2.3 fraudulent, erroneous or misleading reporting</b></p> <p>The Service Provider must not submit fraudulent or erroneous reports. The Authority may increase monitoring if it reasonably believes the Service Provider's reports to be misleading.</p>	<p>Fraudulent or erroneous reports: The fraud relied on the Individual reporting fictitious CPOs, resulting in circa £2m of erroneous payments. The portion of these items relating to 2016/17 had not been discovered for that year's accounts and subject to materiality may now need to be corrected in 2017/18 together with accounting for the total cost of the fraud.</p> <p>Misleading reports: As detailed in Annex 1 Section 6 Forensic Fraud and Accounting Analysis p48-56, our review uncovered book-keeping errors, mis-posting and other weak accounting practices that were used to conceal the fraud in the accounting system. Regeneration managers and their CSG finance business partners appear to have provided insufficient scrutiny of the CPO and PTA transactions they were responsible for. In our judgement the resulting reports during the fraud may have misled the Authority into believing all CPO and PTA payments had been properly matched against developer receipts. As a result of the fraud the Council's 2016/17 revenue was under-stated by £306,327, its Balance Sheet entries overstated by £270,750, with Capital transactions overstated by £243,946 (see Annex 1 Section 6 p51).</p>

# Key findings – DRS (Re) Contract cont'd.

## Output specifications where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>REGEN015, REGEN016, REGEN017 and REGEN018</b> Estate Regeneration Financial Management and Monitoring</p> <p>The Service Provider must manage the budgets for each regeneration scheme, shall recover the Authority's historic costs (revenue and capital) from the development partners, shall maintain effective financial records and file monthly returns for each regeneration.</p>	<p><b>REGEN015 Budgetary Control</b></p> <p>The Service Provider was unable to demonstrate sufficient control over regeneration scheme budget cost centres. We note that Re is dependent on CSG Finance and as such the following defaults against this Service Requirement for the PDAs reviewed, may not wholly have been within Re's control:</p> <ul style="list-style-type: none"> <li>• a failure to control access to Integra accounts (access was controlled by CSG Finance);</li> <li>• a failure to conduct a robust review and challenge in the authorisation of costs and payments (In our view Re and CSG were not working together to challenge and review all journals, for example where CPO / PTA liabilities were recorded at a late phase of a PDA scheme as described in Annex 1 p32, recommendation GT 19);</li> <li>• a failure to reconcile amounts due back from developers (CSG finance did not identify the CPO / PTA control accounts where no amounts were received from developers within the required period);</li> <li>• a failure to challenge and review the authorisation of journals (Re not sighted on CSG processes).</li> </ul> <p>The Service Provider's failure to manage the necessary budgets would also amounts to a failure to maintain effective financial records under this Service Level.</p> <p><b>REGEN016 Recovery of Authority's historic costs within 12 weeks</b></p> <p>Between the period 28 July 2016 to 15 December 2017, the Individual raised at least 62 fraudulent CPO / PTA payments. Had the Service Provider been in the practice of recovering the Authority's historic costs from legitimate development partners in respect of legitimate payments, then in our view it is probable these fictitious transactions would have been detected earlier, perhaps at the 12-week mark.</p> <p>Given that the Service Provider failed to seek or verify the recovery of the Authority's historic costs then accordingly, the Service Provider does not appear to have been performing its duties under this Service Level, with specific reference to the fraudulent payments. (Also see Clause 9.2 Authority Monitoring - 9.2.3 fraudulent, erroneous or misleading reporting, p15 of this Annex 2).</p>

# Key findings – DRS (Re) Contract cont'd.

## Output specifications where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>REGEN015, REGEN016, REGEN017 and REGEN018</b> Estate Regeneration Financial Management and Monitoring</p> <p>The Service Provider must manage the budgets for each regeneration scheme, shall recover the Authority's historic costs (revenue and capital) from the development partners, shall maintain effective financial records and file monthly returns for each regeneration.</p>	<p>Continued...</p> <p><b>REGEN017 Maintain effective financial records</b></p> <p>The Service Provider failed to maintain effective financial records in respect of the Authority's costs, amounting to a breach of the Service Requirement. Specifically:</p> <ul style="list-style-type: none"> <li>• As detailed in Annex 1 Section 6 p48-56, acquisitions of properties and land may have been wrongly treated as within the accounting records (we note the lack of reporting guidance from the Service Provider's finance business partners on the specific PDA accounting requirements);</li> <li>• For the period from contract commencement to July 2017 the Service Provider failed to carry out sufficiently frequent monitoring on the three schemes we reviewed;</li> <li>• Some of the fraudulent amounts posted by the Individual were capitalised at the end of 2016/17. Income was also understated because some of the fraud was offset against credit balances that were not transferred to revenue (see Annex 1 Section 6 p51).</li> </ul> <p><b>REGEN018 File monthly returns for each regeneration</b></p> <p>The Service Provider failed to report the CPO and PTA transactions on a monthly basis, as required by the Service Requirement. Such a default amounts to a failure to ensure effective financial monitoring and a failure to comply with the Service Level.</p>

# Key findings – DRS (Re) Contract cont'd.

## Output specifications where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>REGEN089 – Active monthly regeneration budget management</b></p> <p>The Service Provider shall ensure that budgets assigned to the regeneration service are effectively managed and reported to the Authority monthly.</p>	<p>In our view the Service Provider failed to effectively manage the regeneration service budgets. Specifically, the following defaults have been identified which are individually and/or cumulatively indicative of a failure to actively manage the relevant budgets on behalf of the Authority:</p> <ul style="list-style-type: none"> <li>• The Service Provider failed to reconcile the CPO and PTA transactions with the required degree of frequency;</li> <li>• The Service Provider's monthly returns failed to either record the quantity and value of acquisitions, or to capture the receipt and allocation of cash from developers against each acquisition in total or individually.</li> </ul> <p>In our view there was a disconnect from the team securing and implementing the CPOs and the finance business partners reporting them to the Authority and recovering any developer monies due. This meant that when fictitious CPOs were loaded into Integra they were not picked up as such because there were no active routines in place to reconcile assets recorded on the Integra and Altrium systems. This is also picked up under service requirement PS001 of the CSG contract (p31 of this Annex 2) with respect to the control accounts for each PDA not being referenced against Altrium.</p>
<p><b>REGEN002 and REGEN003 Securing and Implementing a CPO</b></p> <p>The Service Provider must project manage the CPO process working with legal, property services departments and external advisors.</p>	<p>Our interviews show regeneration managers secured and implemented legitimate CPOs on behalf of the Authority but failed to keep appropriate documentation to verify and record them properly.</p> <p>The Service Provider could not produce evidence of the exchange or completion of each CPO transaction. Neither could they demonstrate checks were made to verify the legitimacy of bank accounts to which CPO payments were made.</p>

# Key findings – DRS (Re) Contract cont'd.

## Key performance indicators where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>Key Performance Indicator REGENKPI02 – Budgetary and Financial Controls</b></p> <p>This KPI demands good financial management to recover all monies due from developers. It sets the bar at recovering 85% of monies due within 2 months of the due date.</p>	<p>During financial years 2016/17 and 2017/18, the Service Provider failed to ensure the journals on control accounts 11362, 11541, 41725, 41825 and 44601 were properly reviewed to ensure costs were matched against genuine developer receipts. (Note: 44601 journals were for 2016/17 only).</p> <p>Such a default amounts to a failure to demonstrate sufficient budgetary and financial control for the PDAs where the fraud occurred under this KPI. Monitored properly, all CPO payments should have been recovered from a developer and any delays or omissions noted. The person responsible for this data collection according to the KPI within the contract is the Head of Regeneration, a role which we understand was removed in 2014 without the responsibilities being handed over to another person or role such as the Business Director (Regeneration).</p> <p>The KPI is to recover all monies due from developers, 85% of which must be recovered within two months. As a logical test, had this KPI had been observed and reported to the Authority then it may only have taken two months to identify the fraud.</p>
<p><b>Policy KPI</b></p> <p>The DRS Partnership Manager is responsible for ensuring compliance with all Authority Policies.</p>	<p>The fraud was committed by someone with unsupervised access to key financial systems, who may not have had the required authorisation.</p> <p>By allowing such unsupervised access to a person without required authorisation or without proper scrutiny the Service Provider may have failed to ensure compliance with the Authority Information Security Policy.</p> <p>In addition not all of the reconciliation statements were signed off by a senior finance business partner.</p> <p>This is also a potential breach of <b>Clause 25.4 Quality Management</b>, which unless the Service Delivery Plan contradicts, requires compliance with ISO 27001 on information security and ISO 9000 on service quality.</p>

## **4. Key Findings: CSG Contract**

# Summary of key findings – CSG Contract

## Contract Details: New Support and Customer Services (NSCSO) Partnering Agreement between the London Borough of Barnet and Capita Business Services Limited. The “CSG” contract.

In this section we have focused the interaction between the CSG contract and the DRS contract, and in particular the CSG contract’s finance services requirements (p25-30), and property and estate management service requirements (p31).

The DRS contract delivers a range of Development and Regulatory Services for the Council through the Re Limited joint venture. Re relied on the CSG finance team for proper control over Council assets. Our controls review has highlighted where Capita, as Service Provider under the CSG contract, failed to provide sufficient control of their estates management, accounting or treasury back office service obligations to Re Limited and the Council.

In this regard Capita has or may have been in breach of contract across several CSG contract clauses, service requirements or KPIs. Specifically:

- 25.2 Authority Monitoring Clause 25.2.3 fraudulent, erroneous or misleading reporting: The fraud led to erroneous and misleading reports.
- FIN001 Financial Administration and Stewardship: Inconsistent administration of accountancy procedures and financial regulations; lack of maintenance of the Finance Scheme of Delegation (and scheme of financial authority for non-council employees).
- FIN005: Budget Monitoring: Control deficiencies in tracking and controlling project, capital and revenue expenditure against budget.
- FIN006: Strategic Projects: Concerns regarding the level of scrutiny, understanding and financial leadership from CSG.
- FIN007: Corporate Reporting: Cost of fraud not detected in 2016/17 accounts
- FIN009: Treasury Management: Lack of control regarding CHAPS payment processing checks on documents and signatures.
- FIN004: Financial Statements, Costing, Modelling and Options Appraisal: Concerns regarding the level of scrutiny provided by CSG.
- FIN016: Systems Accounting: Fixed asset register to be maintained all year.
- FIN019: Payments (Accounts Payable): CSG business partner training questioned.
- PS001: Compulsory Purchase Order: System and reporting concerns.
- PS013, PS019 and PS020 Acquisitions and Disposals: Property valuation concerns.

# Key findings – CSG Contract

## Contractual clauses where there has or may have been a breach

Contractual obligation	Evidence and observations
<p><b>Clause 25.2 Authority Monitoring - 25.2.3 fraudulent, erroneous or misleading reporting</b></p> <p>The Service Provider must not submit fraudulent or erroneous reports or risk Persistent Breach or Service Provider Default. The Authority may increase monitoring if it reasonably believes the Service Provider's reports to be misleading.</p>	<p>Unusual transactions appeared in control accounts that should have been challenged by CSG business partners as part of the monthly review and reconciliation process. These included fraudulent costs, mis-posted receipts and unusual journal entries.</p> <p>At the time of the fraud, the finance function did not reconcile the control account ledgers they used to record CPO / PTA transactions with the Council's asset register and estates systems.</p> <p>Neither did they identify where these transaction might have been recorded in the Integra General Ledger.</p> <p>With respect to CPO / PTA transactions, this lack of control and scrutiny is likely to have contributed to the fraudulent transactions passing unreported. We would have expected to see a consistent accounting of this class of transactions and in particular the recognition of what was spent, owed or recovered at any given point in time, depending on the specific PDA agreement under which the transactions were executed.</p> <p>In our judgement the accounting reports may therefore have been erroneous, misleading regeneration managers, and consequently the Council, into believing the Service Provider's accounting for CPO / PTA payments and related income was complete as follows:</p> <p><b>Fraudulent or erroneous reports:</b> The fraud relied on the reporting of fictitious CPOs, resulting in circa £2m of erroneous payments. The portion of these items relating to 2016/17 had not been discovered for that year's accounts and subject to materiality may now need to be corrected in 2017/18 together with accounting for the total cost of the fraud (See Annex 1 p55).</p> <p><b>Misleading reports:</b> Without any warnings to the contrary we conclude that regeneration managers, and consequently the Authority, believed CPO and PTA payments were property matched against developer receipts, as detailed in Annex 1 Section 6 Forensic Fraud and Accounting Analysis p48-56.</p>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN001 Strategic Finance and Financial Statements; Financial Administration and Stewardship</b></p> <p>The Service Provider shall work with the CFO to ensure good financial administration and stewardship on behalf of the general public and to ensure that the Authority's resources are managed in accordance with Legislation, financial regulations and guidance provided by CIPFA and other relevant Guidance.</p> <p>Specific obligations relevant to the fraud:</p> <p>“The Service Provider shall ensure that there are effective systems of internal financial control in place including (but not limited to) reviewing, maintaining and updating on an on-going basis the following:</p> <ul style="list-style-type: none"> <li>• the accountancy procedures manual;</li> <li>• financial regulations;</li> <li>• the finance scheme of delegation; and</li> <li>• the recommended scheme of delegation for services (finance responsibility section).”</li> </ul>	<p>The Service Provider failed to ensure effective systems of internal financial control were in place. Specifically, the following defaults on the part of Capita have been identified which are individually and/or cumulatively indicative of a failure to ensure effective systems are in place according to this service requirement:</p> <ul style="list-style-type: none"> <li>• Inconsistent administration of accounting procedures for CPO / PTAs across the various schemes;</li> <li>• a failure to challenge the accounting treatment of assets acquired through CPO / PTA;</li> <li>• a failure to provide sufficiently detailed and/or complete supporting documentation when processing and approving journals in respect of journal numbers with respect to Cost Centres 1, 2 and 3 (Annex 1 Section 6 p48-56);</li> <li>• a failure of stewardship with respect to the approval of at least 62 fictitious/fraudulent CPOs raised by the Individual;</li> <li>• a failure to set appropriate authorisation limits for budget holders on the Integra General Ledger system;</li> <li>• a failure to track back CPO payments obligations against the liabilities calculated by the Surveyors, in potential contravention of International Accounting Standard IAS37: Provisions, Contingent Liabilities and Contingent Assets.</li> </ul>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN004: Financial Statements, Costing, Modelling and Options Appraisal</b></p> <p>The Service Provider is required to support project managers at the Authority in budget monitoring of projects by reviewing, checking and challenging the assumptions and information provided to enable informed decision making within the timelines specified in the project.</p>	<p>The Service Provider failed to adequately review, check and challenge assumptions and information to detect unusual transactions. For example:</p> <ul style="list-style-type: none"><li>• Significant CPO / PTA transactions on the PDA schemes where the fraud took place should have stood out as unusual, as the CPO process should have been completed much earlier in the PDA lifecycle.</li><li>• The Service Provider failed to effectively review, check and challenge the fraudulent journals, transactions or payments subsequently found to have been erroneously paid to the Individual.</li></ul>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN005: Budget Monitoring</b></p> <p>The Service Provider is required to provide monitoring of all Authority budgets to maintaining accurate, consistent and complete financial records and providing timely, correct, relevant information to the Authority and its services. Pertinent to this investigation, and amongst other requirements there is a special focus on:</p> <ul style="list-style-type: none"><li>• Projects - information on variances from budget</li><li>• to enable analysis, comment and decision making; and</li><li>• Capital and revenue – updating and reporting on information on variances from budget to enable analysis, comment and decision making.</li></ul>	<p>The Service Provider failed to highlight control accounts balances being carried forward each month as part of the budget reporting process. More specifically:</p> <ul style="list-style-type: none"><li>• There was a failure to properly and adequately reconcile control accounts to the Integra general ledger and development partner invoices for Cost Centres 1, 2 and 3 (Annex 1 Section 6 p48-56). Reconciliation was instead been limited to:<ul style="list-style-type: none"><li>i) Agreeing the net total recorded on the control account matched the net total recorded on Integra General Ledger; and</li><li>ii) calculating the net balance cleared to the long-term debtors account.</li></ul></li></ul> <p>Such an approach to reconciliation was insufficient because the control accounts mentioned were not monitored as part of the budgetary control cycle and this reconciliation process was the only review control in place. If they did not net to zero at month end, the reasons why should have been challenged and understood by the business partner, especially if balances were being carried forward month-on-month as in these cases.</p> <ul style="list-style-type: none"><li>• The reconciliation templates employed by Capita were insufficient because they did not provide evidence of a robust review that could give assurance that the transactions and the transfer to debtors at month end were accurate or complete.</li></ul> <p>The Service Provider also failed to monitor progress of the income reconciliations across the Regeneration service area, with specific reference to the monitoring of variances against developer budgets with respect to recovering cash against CPO / PTAs.</p> <p>Had such monitoring been in place it is probable the Service Provider would have noticed the fraud earlier because each of the 62 fraudulent transactions would have represented a variation from budget requiring proper explanation.</p>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN006: Strategic Projects</b></p> <p>The Service Provider is required to provide finance or project management support to those projects which are of critical importance to the Authority, enabling it to deliver its business strategy – acting as a finance lead.</p>	<p>The Service Provider finance and project management support did not provide proper scrutiny of the critical CPO / PTA transactions inherent in such strategic projects as those governed by the Council's regeneration programme, as demonstrated by the long period of time during which the fraud was concealed.</p> <p>Re in particular were highly reliant on CSG Finance as their finance service provider to ensure operational decisions were properly examined from a financial perspective, something that did not happen with sufficient acuity to distinguish fraudulent from legitimate transactions.</p>
<p><b>FIN007: Corporate Reporting</b></p> <p>The Service Provider is required to ensure financial information in reports to external bodies, individuals, members and senior officers is accurate, consistent, complete and timely.</p> <p>Decisions must be made within the Authority's constitution, relevant financial regulations and the Authority's scheme of delegation. The Service Provider needs to produce capital and revenue monitoring reports and covering reports for committees in line with committee papers deadlines and the committee timetable.</p>	<p>The Service Provider's failure to detect the fraudulent transactions compromised the accuracy of the financial information provided to members and senior officers of both the Council and Re Limited.</p> <p>In particular, capital and revenue monitoring reports concealed gaps in information with respect to unmatched CPO / PTA payments and developer receipts, resulting in erroneous / misleading reporting within the Council's 2016/17 accounts.</p> <p>Whilst the level of fraud fell below the Council's external audit reporting materiality* threshold, we note that the loss of £2m is still significant and may need to be acknowledged in Re Limited's corporate reporting statements of which the Council is a 49% shareholder.</p> <p><i>*Materiality is a technical accounting term to describes the allowable error in an organisation's financial accounts without the auditor qualifying the accounts or insisting that management changes the number. Materiality guides the scale and scope of external auditor testing and hence the level of fraud and error that might be expected to be identified by an audit.</i></p>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN009: Treasury Management</b></p> <p>The Service Provider is required to provide treasury management services including (but not limited to) the management of cash flows, banking, money-market and capital-market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.</p>	<p>The Service Provider failed to secure effective arrangements for treasury management. Specifically:</p> <ul style="list-style-type: none"><li>• They failed to properly and adequately control CHAPS payment processing including checking bank details, supporting documents or questioning the validity of authorisation signatures.</li><li>• On a number of occasions fraudulent payments were initiated by an email of the CHAPS Memorandum with no supporting documentation.</li><li>• They failed to undertake direct verification of bank details with new suppliers/vendors when processing CHAPS payments.</li></ul>

# Key findings – CSG Contract cont'd.

## Finance service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>FIN016 Systems Accounting</b></p> <p>The Service Provider shall maintain and update the fixed asset register throughout the year and as part of the process of closing the accounts and shall ensure that it is accurate.</p>	<p>We believe the Service Provider was only updating the fixed asset register annually rather than throughout the year as required by this contractual obligation. We note in Annex 1 that CPO / PTA transactions resemble expenditure that in other circumstances we would expect to be capitalised - in particular payments made to property owners to acquire land and buildings.</p> <p>The Service Provider was unable to provide evidence of whether the Council would normally acquire title to the fixed assets (i.e. the properties or land) and therefore whether they should appear on the fixed asset register.</p> <p>We believe the Service Provider should have clarified with Re the specifics of each PDA in order to ensure the relevant accounting policies according to the Council's accountancy procedures manual had been correctly applied (see FIN001 p25).</p>
<p><b>FIN019 Payments (Accounts Payable)</b></p> <p>All appropriate training and support to staff to minimise the making of incorrect payments and to ensure that procedures are maintained.</p>	<p>In this specific fraud at least 62 incorrect payments were made by the Service Provider.</p> <p>The Service Provider was unable to demonstrate that effective procedures, accounting policies or systems were in place or had been followed. The Service Provider was also unable to demonstrate how staff had been trained to ensure only correctly authorised payments are made.</p> <p>We note the payments were executed by CHAPS rather than Accounts Payable and that CHAPS specific procedures are not documented in the contract. Neither had they been put in place at the time of the fraud. Nevertheless the Service Provider was required to ensure that appropriate training was in place to minimise incorrect payments, and it is reasonable to take the view that procedures for new forms of payment not anticipated at the time of contract signature would have been written by the Service Provider to meet this service requirement.</p>

# Key findings – CSG Contract cont'd.

## Property and estates management service requirements where there has or may have been a contractual breach

Contractual obligation	Evidence and observations
<p><b>PS001: Compulsory Purchase Order</b></p> <p>The Service Provider is required to provide 6 reports per annum with respect to the Authority’s powers to make CPOs including details of timings and costs. They shall also act for the Authority where any CPO transaction is required.</p>	<p>We understand the Service Provider was not providing the requisite number of reports under this Service Requirement although the frequency may have been adjusted by agreement with the Authority in their Annual Work Plan.</p> <p>Reporting frequency can vary for each regeneration scheme and may be allowed on an ad hoc basis. The fraud took place over an extended period and it is possible that had the original frequency of reports been in place it might have been detected earlier.</p> <p>The Method Statement states that the Service Provider’s surveyors will use Capita’s TRAMPS property management system to record progress on each CPO and KELLS software to support each reported valuation. This is relevant because it would have provided a degree of verification for each control account entry.</p> <p>We found no evidence this was taking place. Instead the regeneration managers were able to describe a newly implemented system called Atrium which seemed to fall short of these capabilities as they were unable to provide an audit trail for the legitimate CPOs we tested.</p>
<p><b>PS013, PS019 and PS020 Acquisitions and Disposals</b></p> <p>The Service Provider undertakes to follow the RICS Appraisals and Valuations “Red Book” to achieve the Authority’s Real Estate objectives.</p>	<p>The Service Provider was unable to demonstrate how the properties acquired under CPO or PTA were valued, and whether they had been valued correctly on behalf of the Council by someone not involved in posting journals in the financial reporting system. They were therefore unable to distinguish between real and fictitious Integra journal entries from the Individual with respect to the fraud.</p>

# 5. Appendices

Appendix A Glossary of key terms  
Appendix B Control themes relevant to the fraud – 5 Pillars

# Appendix A: Glossary of key terms

To help the reader of this report we set out below a glossary of the key technical terms used in the report.

BACS	Bankers Automated Clearing Service – automated payment service used for the majority of Council transactions.
Bankline	The electronic application through which CHAPS and BACS payments are made.
CHAPS	Clearing House Automated Payment System - automated payment service used to make same day payments at short notice.
CIL	Community Infrastructure Levy – a planning charge paid to the local authority by developers.
Control Account	A ledger account used to record balances of a number of subsidiary accounts, that may contain debit or credit entries that net off.
Cost Centre	A section of the Council's financial ledger (Integra) which to which costs may be allocated for accounting purposes.
CPO	Compulsory Purchase Order – Legal function allowing local authorities to obtain land or property without the consent of the owner.
CSG	Customer Support Group – The organisation that provides back office services, including financial management (CSG Finance) to the Council under contract with Capita (formerly the New Support Customer Organisation (NSCSO)).
GROB	Growth and Regeneration Operations Board – Council Governance body that oversees the progress and cost of development schemes
Integra	The IT system run by Capita that houses the Council's financial ledger system.
Journal	A record of financial transactions recorded on a financial ledger, including the movement of cost or revenue from one cost centre to another.
PDA	Principal Development Agreement – The overarching legal agreement between the Council and a development partner (i.e. a developer), that underpins a regeneration scheme.
POB	Partnership Operations Board – Council Governance body that oversees performance against contract terms for both Re and CSG.
PTA	Private Treaty Agreement – A means of buying a privately owned property whereby the Council negotiates terms with the owner via an agent, as an alternative to compulsory purchase.
Re	Regional Enterprise Limited – The arms length organisation that delivers the Council's development and regulatory services, a joint venture between Capita and the Council under the Development and Regulatory Services (DRS) contract.
S106	Section 106 of the Town and Country Planning Act 1990 governing payments to the Council from the Developer to help mitigate the impact of any proposed development.

# Appendix B: Control themes relevant to the fraud – 5 Pillars

We have identified five broad themes to describe aspects of financial control that relate to the management of regeneration schemes, and the related finance support services provided by CSG – the Five Pillars. In our view, if any one of these control pillars were functioning effectively during the period, it should not have been possible for the Individual to perpetrate the fraud for such an extended period of time through prevention of the means and opportunity, or through detection or deterrence.

## Key control themes – 5 Pillars

<p><b>Pillar I</b></p> <p>Delegated authority and control over access to systems (CSG Finance Treasury, CSG Finance, the Council)</p> <p>A lack of clarity over the lines of delegated authority and a lack of control over system access, created the opportunity to access cost centres for inappropriate use.</p>	<p><b>Pillar II</b></p> <p><b>Control over the processing of transactions</b> (CSG Finance)</p> <p>A lack of robust review and challenge in the authorisation of payments and a lack of reconciliation to amounts due back from developers, allowed fraudulent payments to be made.</p>	<p><b>Pillar III</b></p> <p><b>Control over journals within the Integra ledger</b> (CSG Finance)</p> <p>A lack of robust challenge and review in the authorisation of journals that enabled fraudulent transactions to be disguised.</p>	<p><b>Pillar IV</b></p> <p><b>Budgetary control and financial reporting</b> (CSG Finance, the Council, Re)</p> <p>A lack of robust challenge from CSG Finance business partners and a lack of scrutiny at transactional level resulted in a lost opportunity to identify and question unusual payments.</p>	<p><b>Pillar V</b></p> <p><b>The financial control environment for regeneration projects</b> (CSG Finance, Re, the Council)</p> <p>Insufficient review and professional scepticism by managers in CSG Finance and Re, contributed to significant financial control weaknesses in relation to regeneration projects. Many of these weaknesses persisted over a long period of time and should have been identified and mitigated as part of routine management activity. There was also insufficient oversight by the Council.</p>
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Annex 1: Page 20

Annex 1: Page 24

Annex 1: Page 29

Annex 1: Page 30

Annex 1: Page 35



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