



House of Commons  
Committee of Public Accounts

---

# Home Office Resource Accounts 2004–05 and follow-up on Returning failed asylum applicants

---

Sixtieth Report of  
Session 2005–06

*Report, together with formal minutes,  
oral and written evidence*

*Ordered by The House of Commons  
to be printed 12 July 2006*

**HC 1079**  
Published on 21 July 2006  
by authority of the House of Commons  
London: The Stationery Office Limited  
£13.50

## The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

### Current membership

Mr Richard Bacon MP (*Conservative, South Norfolk*)  
Annette Brooke MP (*Liberal Democrat, Mid Dorset and Poole North*)  
Angela Browning MP (*Conservative, Tiverton and Honiton*)  
Greg Clark MP (*Conservative, Tunbridge Wells*)  
Rt Hon David Curry MP (*Conservative, Skipton and Ripon*)  
Mr Ian Davidson MP (*Labour, Glasgow South West*)  
Helen Goodman MP (*Labour, Bishop Auckland*)  
Mr John Healey MP (*Labour, Wentworth*)  
Mr Sadiq Khan MP (*Labour, Tooting*)  
Mr Edward Leigh MP (*Conservative, Gainsborough*)  
Sarah McCarthy-Fry MP (*Labour, Portsmouth North*)  
Mr Austin Mitchell MP (*Labour, Great Grimsby*)  
Dr John Pugh MP (*Liberal Democrat, Southport*)  
Mr Don Touhig MP (*Labour, Islwyn*)  
Kitty Ussher MP (*Labour, Burnley*)  
Rt Hon Alan Williams MP (*Labour, Swansea West*)

The following were also Members of the committee during the period of the enquiry:

Mr Alistair Carmichael MP (*Liberal Democrat, Orkney and Shetland*)  
Jon Trickett MP (*Labour, Hemsworth*)

### Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

### Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Emma Sawyer (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is [pubaccomm@parliament.uk](mailto:pubaccomm@parliament.uk).

# Contents

---

<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>Conclusions and recommendations</b>	<b>4</b>
<b>1 Failure to deliver accounts to statutory reporting timetable</b>	<b>7</b>
<b>2 Release of foreign nationals on completion of custodial sentences</b>	<b>10</b>
<b>3 Leadership and management within the Home Office</b>	<b>15</b>
<b>Formal minutes</b>	<b>17</b>
<b>Witnesses</b>	<b>18</b>
<b>List of written evidence</b>	<b>18</b>
<b>List of Reports from the Committee of Public Accounts Session 2005–06</b>	<b>19</b>



## Summary

---

The C&AG reported to Parliament on 31 January 2006 that he had disclaimed his opinion on the Home Office's Resource Accounts for 2004–05 because the Department was unable to submit its accounts in time for the audit to be completed to the statutory timetable. Furthermore, his examination was severely limited because the Home Office had not maintained proper books and records which would have enabled it to disclose with reasonable accuracy at any time the financial position of the Department.

The Home Office encountered considerable problems during the implementation of its new financial accounting system, which significantly impacted on the ability of the Department to produce timely financial statements. A lack of senior management oversight, which would have enabled problems to be addressed as they arose, then compounded matters.

On the day before our hearing, the Home Office issued a letter of apology to the Committee in respect of incorrect information they had previously given to the Committee on the number of foreign national prisoners released from custody without consideration for deportation.

The Home Office does not have a grip on the issue of foreign nationals released from prison and not deported, and was unable to provide full information to the Committee about the numbers or locations of such offenders. It could not provide any assurance that foreign nationals are no longer being released from custody without consideration of deportation, or that definitive action is being taken to improve the situation. The Home Secretary's statement on 23 May set out the practical steps to improve the handling of foreign national prisoners, but his statement was also indicative of wider systemic failings affecting the whole Department which need to be addressed urgently.

The Home Office has consistently underestimated the problems that impact on its ability to meet its aims and objectives. The disclaimed opinion on the accounts, and the confusion and failure to consider deportation on release from custody of foreign national prisoners are symptoms of a deeper lack of leadership and co-ordination. Restoring public confidence in the Home Office's capacity to deliver the complex range of services for which it is responsible remains a major challenge for the new Accounting Officer and his senior management team.

## Conclusions and recommendations

---

1. The failure of the Home Office to produce proper accounts and to get a grip on the issue of foreign national prisoners released from prison without consideration for deportation are symptomatic of the need for radical improvements in the management of the Department's core business. The Department needs to focus on its corporate objectives, managing its business as a unified organisation with clear accountability for delivery, as well as motivating staff at all levels to report and address problems as they arise.

### On Home Resource Accounts 2004–05

2. **The Department failed to reconcile its in-house cash records with its bank statements and wrote off a difference of £3 million as administration costs without further investigation.** These are basic failures of financial stewardship and control which, for example, ignore the risk that net differences may mask larger gross discrepancies. To safeguard against fraud and financial mismanagement, the Home Office needs to reconcile cash at least monthly, investigate large or unusual entries, and not write-off unexplained differences.
3. **The Home Office's financial records did not provide an audit trail of original documentation which could be clearly and easily linked to entries appearing in the accounting system.** Accounts are only reliable if they can be shown faithfully to reflect the underlying transactions. The Department cannot expect to meet even elementary standards of financial control unless it maintains all the necessary supporting documentation in readily accessible form.
4. **The Home Office did not fully understand how to use the functions of its new finance system and failed to mitigate the risks inherent in its implementation.** Instead of reaping the promised benefits, including greater efficiency and control, and improved timeliness and quality of information, the Home Office lost even the tenuous grip on its finances which previous outmoded systems had provided. It needs to produce a formal action plan in response to the Ernst and Young review, giving priority to the redesign of the financial management system and the simplification of business processes, and proper training of staff to understand the finance system they are expected to use.
5. **The Accounting Officer failed in his duty to Parliament to produce auditable financial statements for 2004–05, leaving his successor in the unenviable position of having to sign unauditible accounts so that they could be laid before Parliament. This failure reflects a lack of high level attention to accounting requirements and a poor sense of their corporate importance.** Achieving a clear audit opinion will depend not only on having enough qualified accounting staff, but will also require a strong corporate emphasis on the importance of accurate financial information, both to account for public funds and to manage resources effectively. The need for a modern, integrated accounting system should have been appreciated much earlier. Staff now need to be trained to understand the new system, convinced

that senior management are committed to making it work, and given the confidence to use the enhanced capability it provides.

### On returning failed asylum applicants and foreign criminals

6. **For years, the Home Office has failed to get to grips with the increasing number of foreign national prisoners in custody. Too much attention has been given to protocols and administrative processes and too little to securing better outcomes.** As indicated in our recent Report on dealing with increased numbers in custody,<sup>1</sup> the Department has failed to consider all foreign prisoners in custody for deportation prior to their release from prison. The Home Office should, in future, review all foreign national prisoner cases at the beginning of their custodial sentence to prepare for immediate removal of those offenders recommended for deportation on their release from custody. To meet these challenges, the Home Office needs to:
- a) direct staff in HM Prison Service and the Immigration and Nationality Directorate to review all cases of foreign national offenders at the beginning of their custodial sentence to prepare for immediate deportation on release from custody, resolving obstacles, such as travel documentation issues, at the earliest opportunity;
  - b) increase through recruitment, training or redeployment of staff the resources allocated to the timely removal of foreign national offenders recommended for deportation, prioritising the removal of those convicted of the most serious crimes. At the same time it needs to maintain momentum on the asylum removals programme as a whole, using monthly progress against its ‘target to remove within 28 days’ to measure improvement.
7. **The Home Office has not captured centrally the key data it needs to manage the foreign national prisoner population from the point of sentence to deportation or release.** The Department should record in a single, central electronic database accessible both by HM Prison Service and the Immigration and Nationality Directorate the identity and nationality of these prisoners, what crimes they have committed, where they are being detained, the length of their sentence and progress in considering them for deportation.
8. There were errors, omissions and inconsistencies in the Home Office’s oral evidence, and in subsequent supplementary written evidence to this Committee during our hearing on *Returning failed asylum applicants*.<sup>2</sup> The frequency with which the Department has revised its data in recent weeks on the number of foreign prisoners released without consideration for deportation is indicative of the Home Office’s apparent inability to put accurate information into the public domain. Not only did it take the Department six months to supply some of the supplementary evidence requested by this Committee, but it has since revised and re-categorised the data

---

1 44<sup>th</sup> Report from the Committee of Public Accounts, *National Offender Management Service: Dealing with increased numbers in custody* (HC 788, Session 2005–06)

2 34<sup>th</sup> Report from the Committee of Public Accounts, *Returning failed asylum applicants* (HC 620, Session 2005–06)

several times to correct errors and inconsistencies, and still cannot be certain that the data is accurate.

### On the management of Home Office business

9. **Deficiencies in the Home Office's migration to its new financial management system and in its management of foreign nationals on release from custody are the latest in a series of management shortcomings stretching back to the passport delays of summer 1999.** On prisons, asylum, the UK Passports Agency, the Criminal Records Bureau and now on its financial statements, we have reported on poor management and ineffective intervention by the Department. The Department needs to address the factors which impede delivery or undermine effective management of its business. In particular, it needs to co-ordinate the operations of the separate strands of the business and establish clear lines of accountability for delivery.
10. **The Home Office needs leadership, clear strategy and, above all, effective delivery if it is to restore public confidence in its ability to meet its objectives.** The Home Secretary has announced<sup>3</sup> that the Accounting Officer is to address poor performance, weak delivery, inadequate leadership and silo working as a matter of urgency. When we next take evidence, the Accounting Officer will need to demonstrate that his Department has made a convincing start on the fundamental changes in attitudes and methods required to deliver a business-wide transformation in the effectiveness of the organisation.

# 1 Failure to deliver accounts to statutory reporting timetable

1. With a complex and diverse portfolio covering immigration, offender management and the police, and an annual budget of approximately £13.5 billion,<sup>4</sup> the Home Office needs an effective accounting system and robust financial controls to ensure proper stewardship and accountability for public funds. The Home Office only implemented an automated accruals accounting system, using Oracle software, in 2004 despite the fact that the Government first committed in 1994 to use resource accounting and budgeting as the basis of public expenditure planning and financial reporting to Parliament. Prior to implementation, the Department had been alerted to the risks inherent in introducing its new integrated finance, human resource and procurement system (the Adelphi system). In 2001–02<sup>5</sup> and 2002–03,<sup>6</sup> the National Audit Office drew attention to the key risks which could damage successful implementation of the project. The OGC Gateway Review process also identified key risks. Many of these risks crystallised, however, when the accounting module of the new system was implemented in May 2004, causing severe difficulties (Figure 1). As a result the Home Office was unable to produce proper accounts within the statutory timetable.<sup>7</sup>

**Figure 1: Key problems affecting accounts production encountered during Adelphi implementation**

Issue	Details
Delayed implementation <sup>8</sup>	Implementation was planned for 1 April 2004. Transferring balances from the old system to Adelphi encountered problems and implementation was delayed until 4 May 2005 as a result.
Failure of BACs automated payments <sup>8</sup>	Refusal of around £380m payments and receipts necessitated manual processing.
Cleansing of suppliers' list <sup>8</sup>	Deletions were made to the suppliers list which related to <i>bona fide</i> suppliers and were not duplications. As a result, a large number of payments required manual processing as supplier details were no longer on the system.
Failure of expenses connection <sup>8</sup>	A large backlog of expense claims had to be cleared by manual processing.
Staff training <sup>9</sup>	Training was not on a timely basis.

Source: Home Office, National Audit Office

4 Spring Supplementary Estimates (HC 827, Session 2005–06), p 138

5 C&AG's Report, *Home Office Resource Accounts 2001–02* (HC 364, Session 2002–03), para 27

6 C&AG's Report, *Home Office Resource Accounts 2002–03* (HC 193, Session 2003–04), pp 66–67

7 Q 3

8 Ev 19–20

9 *Home Office Resource Accounts 2004–05* (HC 826, Session 2005–06), p 26, para 14

2. The Department implemented standard Oracle software without major technical customisation, which significantly reduced the risks generally associated with such adaptations. The Home Office did not, however, carry out sufficient assessment of the risks, particularly in respect of audit trails, transaction history and monitoring of access to the database.<sup>10</sup> Without these facilities, the system was seriously compromised.<sup>11</sup>

3. The Home Office was unable to reconcile its bank records with its accounting records throughout the 2004–05 financial year,<sup>12</sup> due to difficulties in implementing the new accounting system. Bank reconciliations are a fundamental and essential control over cash to make sure that income and payments recorded in an organisation’s bank account match its accounting records. Matching also provides assurance about debtor and creditor balances (amounts owed to and by the Department) and can prevent and detect fraud and error.

4. Initial attempts to reconcile the Home Office’s cash at the bank with its accounting records identified a difference of £3 million which the Home Office then wrote off as administration costs without further investigation or discussion with the auditors or the Audit Committee.<sup>13</sup> The Department had not realised that failure to reconcile cash fully could ultimately undermine its ability to provide Parliament with fully audited accounts.<sup>14</sup> Further work to identify the reasons for the unreconciled amount was not done until November 2005.<sup>15</sup> The main cause of the difficulties were failures in the BACS<sup>16</sup> payments facilities, together with a lack of full implementation of the daily, weekly and monthly control processes by the team operating the cash management module.<sup>17</sup> The Department’s inability to maintain good books and records and Home Office’s failure to provide its accounts in sufficient time to enable completion of audit work resulted in the Comptroller and Auditor General being unable to reach an opinion on the truth and fairness of the Home Offices 2004–05 resource accounts, so he disclaimed an audit opinion. The result is that the Home Office cannot say with any certainty how much it spent in the year, what debts it was owed and owed to others and what assets it owns; there is no assurance that all expenditure incurred in the year by the Home Office was in line with what Parliament authorised; and financial information provided by the Home Office is unreliable. Both the current and former Permanent Secretaries apologised for this state of affairs.<sup>18</sup>

5. Since the introduction of resource accounting in 2001–02, the Home Office has received only one clear opinion on its financial statements, in 2003–04. In his Report on the 2002–03 Accounts, the C&AG questioned the Home Office’s commitment to implement resource accounting successfully.<sup>19</sup> The day-to-day responsibility for production of the

10 Ev 34–37

11 *Home Office Resource Accounts 2004–05* (HC 826, Session 2005–06) paras 21–22

12 Qq 73–74

13 Ev 35, para 6.2

14 Ev 19–20

15 Ev 36, para 6.3

16 Banks Automated Clearing System, an electronic means of making payment

17 Q 129

18 Qq 4, 6

19 *Home Office Resource Accounts 2002–03* (HC 193, Session 2003–04), para 31

accounts was devolved to junior staff supported by unqualified staff, with little senior oversight. The Home Office acknowledged that it needed to address these issues and consequently commissioned a review, carried out by Ernst and Young, of the factors that led to the failure to prepare proper accounts 2004–05.<sup>20</sup> The Home Office has increased the number of full-time qualified accountants involved in the preparation of the financial statements from three to nine, but it also needs to make sure that the organisation as a whole is generating information of sufficient quality for them to use effectively. The Department told us that managers now have sight of all stages of the accounts production process, although it acknowledges that it has further work to do and is putting in place arrangements to improve the process for 2005–06.<sup>21</sup>

---

20 Q 132

21 Q 22

## 2 Release of foreign nationals on completion of custodial sentences

---

6. Concerns regarding the number of foreign prisoners released from criminal custody without consideration for deportation were raised by the C&AG in July 2005.<sup>22</sup> At our hearing in October 2005, we asked the Home Office for information on the number of criminals who were failed asylum applicants and had been released from prison; how many there were; where they were; what crimes they had committed; what sentences they had been given and how long they had served.<sup>23</sup> The Department undertook to provide a supplementary note. In November 2005, the Home Office told us that this information was not available because the Prison Service did not record the number of failed asylum applicants or those seeking asylum in its establishments, and so could not determine why they had been committed to prison, or where they were now. The Department revealed that it knew of 403 foreign national criminals (not all of whom were failed asylum applicants) released from prison without deportation proceedings being completed between 2001 to August 2005, but that the true figure would be higher because not all foreign national criminals had been identified as such.<sup>24</sup> In March 2006, a Member of this Committee, Mr Richard Bacon, wrote to the Department asking again for data on criminals who were failed asylum applicants, first requested at our October hearing. On the eve of our hearing in April 2006, the then Home Secretary wrote to this Committee, apologising for not answering Mr Bacon's specific questions on failed asylum applicants and providing corrected evidence for the number of foreign national criminals released from prison without deportation proceedings being completed.<sup>25</sup>

7. The position reported to this Committee on 26 April 2006 on the release of foreign national prisoners from custody without consideration for deportation was much more serious than that initially presented to us by the Department in November 2005. We were told that between 2001 and August 2005, 609 foreign criminals had been released from prison into the community without consideration for deportation, not 403 as previously stated, and that 1,023 had been released between February 1999 (when records began) and March 2006, of which 237 were said to be failed asylum applicants (**Figure 2**). Of these 1,023 criminals, 79 were said to have been imprisoned for more serious offences, including 13 for murder, manslaughter, rape or child sex offences. But the Department has struggled to provide firm figures, changing its categorisation of offences and revising the figures on at least four further occasions. On 3 May, the number convicted of more serious offence rose to 90. This number was revised by the Home Secretary again on 15 May to 179. On 23 May, the total number released from custody without consideration for deportation was revised to 1,019, and the number convicted of more serious crimes to 186. On 29 June, the Director General of the Immigration and Nationality Directorate released revised figures,

---

22 C&AG's Report, *Returning failed asylum applicants* (HC 76, Session 2005–06)

23 34<sup>th</sup> Report from the Committee of Public Accounts, *Returning failed asylum applicants* (HC 620, Session 2005–06); Q155

24 34<sup>th</sup> Report from the Committee of Public Accounts, *Returning failed asylum applicants* (HC 620, Session 2005–06); Ev 25–27

25 Ev 21–23

reducing the total released from custody without consideration for deportation to 1,013 and increasing the number convicted of the more and most serious offences to 189.<sup>26</sup>

**Figure 2: Analysis of immigration history of the 1,013<sup>1</sup> foreign nationals released from custody between February 1999 and March 2006 without consideration of deportation action**

Category	Number
No asylum aspect	650
Failed asylum applicant	237
Asylum outstanding	54
European Economic Area <sup>27</sup> nationals	10
Refugee	7
British	1
Not known	64

Note:

<sup>1</sup> The table includes an additional ten duplicate records, subsequently deleted by the Department, bringing the total to 1,023 cases.

Source: Home Office

8. The high incidence of error, inconsistency and omission in the evidence provided by the Home Office on this issue is indicative of systemic failure on the part of the Home Office, due in part to the Department's practice of treating the detention, release and deportation of convicted foreign national criminals as largely separate, uncoordinated operations. The Department attributed the failure to consider deportation to poor communication between the Prison Service and the Immigration and Nationality Directorate and the absence of a shared goal to consider deportation before release from custody, but there were other contributory factors.<sup>28</sup>

9. Among these factors is that, for some years now, the Home Office has acknowledged that the procedures in place between the Prison Service and Immigration and Nationality Directorate for identifying and considering the removal of foreign nationals in custody had not kept pace with the rapid growth in the numbers of foreign offenders in prison, which more than doubled between June 1996 (4,259) and February 2006 (10,265). Of the 1,013 foreign national prisoners released into the community without consideration for deportation between February 1999 and March 2006, the date of release was recorded centrally for some 900, of which the majority were released after January 2004, with some 120 released between 1999 and December 2003 (**Figure 3**).<sup>29</sup>

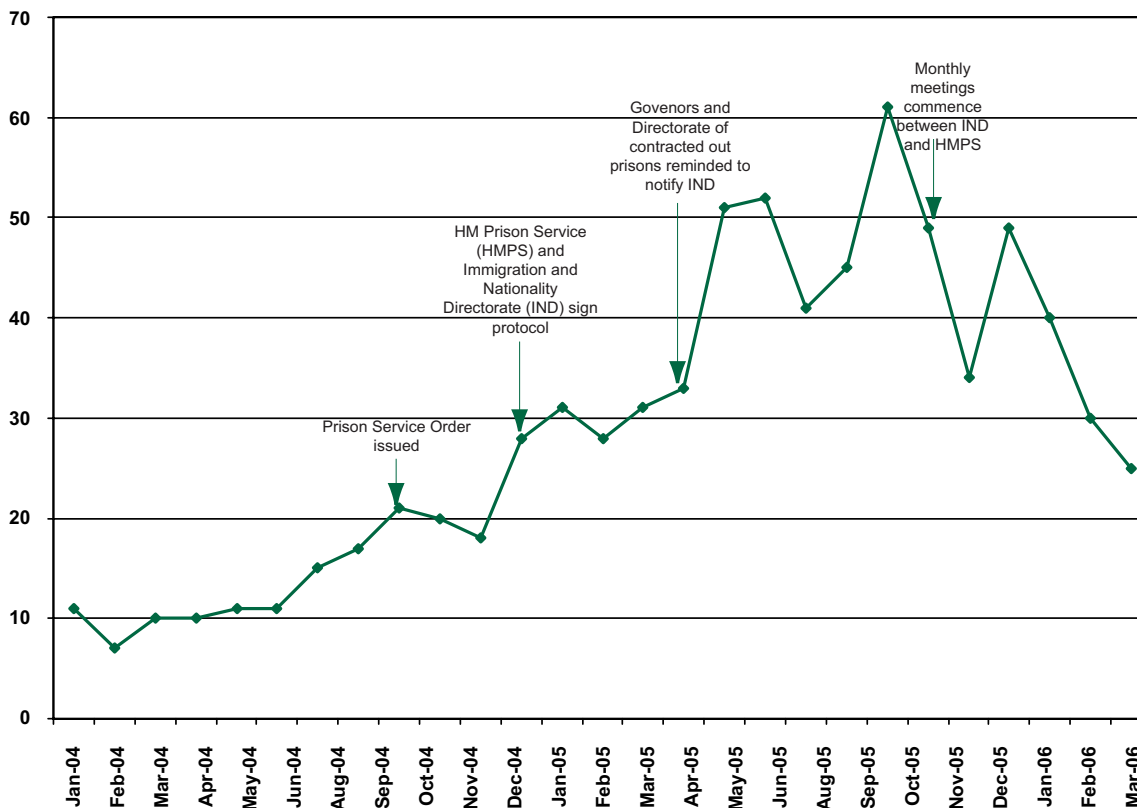
26 Letter dated 29 June 2006 from Lin Homer, Director General, Immigration and Nationality Directorate, Home Office to The Rt Hon John Denham MP, Chair, Home Affairs Select Committee (not printed).

27 The European Economic Area comprises the European Union Member States and three (Iceland, Liechtenstein and Norway) of the four European Free Trade Area states.

28 Qq 15–16

29 Ev 31–32

**Figure 3: Analysis by month of the release of the 1,013<sup>1</sup> foreign nationals from custody without consideration for deportation<sup>2</sup>**



**Notes:**

1. Figure includes an additional ten duplicate records, subsequently deleted by the Department, bringing the total to 1,023 cases.
2. Figure excludes 121 offenders released prior to January 2004 and 123 for whom no details were available.

Source: Home Office

10. Procedures introduced in 2004 by the Prison Service and the Immigration and Nationality Directorate to speed up consideration for deportation were not implemented consistently. During 2004–05, 1,607 convicted foreign nationals were deported but at least 251 others were released into the community without consideration for deportation. In April 2005, three months prior to the publication of the C&AG's agreed Report, the Department issued revised guidance on its existing processes. These steps were not enough to reverse or contain the increase in the number of foreign national prisoners released from custody without consideration for deportation.<sup>30</sup>

11. Of the foreign nationals released from prison without consideration for deportation since 1999, 48 of the more and most serious offenders have been reconvicted of offences, at least 16 of them more serious,<sup>31</sup> since release and other offenders have committed 184 other offences.<sup>32</sup> These offences could have been avoided had the Home Office discharged

30 Qq 65, 133

31 Letter dated 29 June 2006 from Lin Homer, Director General, Immigration and Nationality Directorate, Home Office to The Rt Hon John Denham MP, Chair, Home Affairs Select Committee (not printed).

32 Home Affairs Select Committee, uncorrected oral evidence, 23 May 2006, Q 881

its responsibilities properly for managing the foreign national prisoner population, both in custody and on release. In May 2006, the Home Office designated eight priority areas for management action as its longer term ‘agenda for change’ to deal more effectively with foreign prisoners and to help achieve the Department’s long-term objective that all non-European Economic Area nationals who are given a custodial sentence should face deportation. These priority areas include the issue of consistent guidance to be fully implemented by all agencies of the criminal justice, asylum and immigration systems. To deliver these longer-term objectives, the Department needs to address, as a matter of urgency, issues relating to performance, weak services, leadership and skills, fragmentation and silos, poor communication and systems and processes.<sup>33</sup> The Home Office has recently outlined its intention to consult on a radical overhaul of the process for removing foreign nationals convicted of crimes in the UK, including plans to legislate to obtain new powers to deport convicted criminals at the start of their sentences. These proposals are at an early stage of development and will take some months to implement.<sup>34</sup>

12. Data that would have helped the Department to review the impact of its policies and procedures for managing the detention and release of foreign national offenders from custody was held on individual case files and was not available centrally. Whilst the Department has provided this Committee and the House with conviction and re-conviction data for offenders released without consideration for deportation, these data have been subject to weekly revision. The Home Office could not provide information on the numbers of foreign nationals discharged from prison, the prisons from which the foreign nationals were released, the length of sentence and the time they served. This information was contained in individual case files but had not been entered electronically in a central system.<sup>35</sup>

13. Recommendations to improve the removal of failed asylum applicants in the Committee’s Report *Returning failed asylum applicants*<sup>36</sup> apply equally to the Home Office’s management of convicted foreign nationals. As with asylum applicants, there has been no end-to-end management of the process, resulting in backlogs in deciding the outcome of cases, and delays in deporting those recommended for removal. Of particular concern has been the Department’s lacklustre performance against its target for the timely removal of 85% of foreign national prisoners within 28 days of the end of the individual’s criminal sentence (**Figure 4**). In the five months to April 2006, the Department’s performance has declined against this target, compared to the six months prior to July 2004, when 71% of offenders were removed within 28 days of release.<sup>37</sup>

---

33 HC deb, 23 May 2006, Col 77 WS

34 HC deb, 3 May 2006, Col 969

35 Ev 23

36 34<sup>th</sup> Report from the Committee of Public Accounts, *Returning failed asylum applicants* (HC 620, Session 2005–06)

37 C&AG’s Report, *Returning failed asylum applicants* (HC 76, Session 2005–06), para 3.10; Ev 32

Figure 4: Performance in the period December 2005 to April 2006 against the target to remove 85% of foreign national prisoners within 28 days of the end of the individual's criminal sentence

<b>Month</b>	<b>Removals (%)</b>	<b>Shortfall on target (%)</b>
December 2005	67.4	-17.6
January 2006	70.5	-14.5
February	50.9	-34.1
March	62.8	-22.2
April	65.4	-19.6

Source: Home Office

## 3 Leadership and management within the Home Office

---

14. Historically, the Home Office has organised and managed its plethora of responsibilities as separate, unconnected businesses with a variety of organisational structures – identity, immigration and nationality, prisons, probation, and police. This narrow, functional focus takes little account of collective responsibility for the achievement of corporate objectives, particularly where two or more parts of a department share responsibilities for delivery of a corporate goal, for example on managing foreign prisoners. It may in part be a reflection of the sheer size of the Home Office’s remit and its wide-ranging responsibilities. Too often, the Home Office has failed to demonstrate the capacity to manage its business as a unified organisation, preferring to tackle problems within its separate functions, when what was needed was a more holistic and strategic overview.<sup>38</sup>

15. Communication between the various strands of Home Office’s business has also been poor, characterised by insufficient management attention and a reluctance to tackle emerging problems. The Department needs to tackle the prevailing parochial culture, and promote close working across the Home Office’s business. A lack of effective communication even within the same function is exemplified by the breakdown between the Accounts Branch in Liverpool and London based managers.<sup>39</sup>

16. The problems with foreign national prisoners and the Department’s failure to deliver its accounts to the statutory reporting timetable were the latest in a catalogue of problems experienced by the Home Office on which this Committee and its predecessors have taken evidence in recent years (**Figure 5**). A number of common characteristics emerge from our Reports on aspects of the Home Office’s work, notably a lack of leadership and strategic oversight, a failure to acknowledge that departmental procedures were not keeping pace with demand for the service, and the tacit acceptance of backlogs and delays. As a result, problems have escalated, increasing their severity and compromising delivery of underlying policy objectives.

---

38 Qq 1, 16, 172

39 Q 163

**Figure 5: Common themes from previous Committee of Public Accounts Reports on aspects of the Home Office's work**

<b>Previous Committee Report</b>	<b>Relevant findings</b>
On the UK Passport Agency's passport delays of Summer 1999 <sup>40</sup>	The Passport Agency underestimated the difficulties of introducing a new computer system, assuming it could be introduced quickly without detriment to services, resulting in the lost production of 400,000 passports. The Agency should have been more realistic about the time, resources and management effort needed to secure the successful introduction of information technology. Almost three months elapsed before the Agency alerted the Department to the significant problems affecting service delivery and quality.
On the work of the Criminal Records Bureau <sup>41</sup>	The Passports and Records Agency and Capita were slow to get to grips with emerging difficulties, causing backlogs and delays in checking applications.
On improving the speed and quality of asylum decisions <sup>42</sup>	Failure to allocate sufficient resources to deal with the number of applications resulted in serious backlogs and made removal of unsuccessful applicants more difficult.
On the effectiveness of the Drug Treatment and Testing Order <sup>43</sup>	A consistent approach is needed to enforcement of the Order across the country to maintain its credibility as an effective punishment.
On returning failed asylum applicants <sup>44</sup>	The Immigration and Nationality Directorate's practice of treating the asylum system as largely separate operations (viz. application, enforcement and removal) increased the administrative workload, delayed the removal of unsuccessful applicants and created a growing backlog. The Directorate does not know the actual number of unsuccessful applicants awaiting removal and lacks basic information on the whereabouts of people to enable it to effect removal.
On dealing with increased numbers in custody <sup>45</sup>	Not all foreign prisoners have been considered for deportation prior to release. To achieve a lasting improvement, the Home Office needs to maintain accurate records of foreign prisoners throughout their sentences, and establish effective communication between its Immigration and Nationality Directorate and HM Prison Service on each individual prisoner.

Source: National Audit Office

40 24<sup>th</sup> Report from the Committee of Public Accounts, *The passport delays of summer 1999* (HC 208, Session 1999–2000)

41 45<sup>th</sup> Report from the Committee of Public Accounts, *Criminal Records Bureau: Delivering safer recruitment* (HC 453, Session 2003–04)

42 4<sup>th</sup> Report from the Committee of Public Accounts, *Improving the speed and quality of asylum decisions* (HC 238, Session 2004–05)

43 9<sup>th</sup> Report from the Committee of Public Accounts, *The Drug Treatment and Testing Order: early lessons* (HC 403, Session 2004–05)

44 34<sup>th</sup> Report from the Committee of Public Accounts, *Returning failed asylum applicants* (HC 620, Session 2005–06)

45 44<sup>th</sup> Report from the Committee of Public Accounts, *National Offender Management Service: Dealing with increased numbers in custody* (HC 788, Session 2005–06)

# Formal minutes

---

**Wednesday 12 July 2006**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Annette Brooke  
Mr Greg Clark  
Mr Ian Davidson

Helen Goodman  
Sarah McCarthy-Fry  
Mr Austin Mitchell  
Mr Don Touhig

A draft Report (Home Office Resource Accounts 2004–05 and follow-up on Returning failed asylum applicants), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Summary read and agreed to.

Conclusions and recommendations read and agreed to.

*Resolved*, That the Report be the Sixtieth Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 11 October at 3.30 pm.]

## Witnesses

---

**Wednesday 26 April 2006**

*Page*

**Sir David Normington KCB, Ms Helen Kilpatrick**, Home Office and **Sir John Gieve KCB**, Former Permanent Secretary, Home Office

Ev 1

## List of written evidence

---

Letter of 23 April 2006 from Sir John Gieve to the Chairman of the Committee	Ev 19
Letter of 25 April 2006 from the Home Secretary to the Chairman of the Committee	Ev 21
Letter of 10 July 2006 from Sir David Normington to the Clerk of the Committee	Ev 23
Supplementary memorandum submitted by the National Audit Office	Ev 24
Supplementary memorandum submitted by the Home Office	Ev 31

## List of Reports from the Committee of Public Accounts Session 2005–06

First Report	Managing National Lottery Distribution Fund balances	HC 408 ( <i>Cm 6712</i> )
Second Report	The regeneration of the Millennium Dome and associated land	HC 409 ( <i>Cm 6689</i> )
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410 ( <i>Cm 6712</i> )
Fourth Report	Fraud and error in benefit expenditure	HC 411 ( <i>Cm 6728</i> )
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 ( <i>Cm 6689</i> )
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413 ( <i>Cm 6689</i> )
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414 ( <i>Cm 6699</i> )
Eighth Report	Navan Centre	HC 415 ( <i>Cm 6699</i> )
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563 ( <i>Cm 6728</i> )
Tenth Report	Jobskills	HC 564 ( <i>Cm 6724</i> )
Eleventh Report	Local Management of Schools	HC 565 ( <i>Cm 6724</i> )
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601 ( <i>Cm 6728</i> )
Thirteenth Report	The Office of the Deputy Prime Minister: Tackling homelessness	HC 653 ( <i>Cm 6743</i> )
Fourteenth Report	Energywatch and Postwatch	HC 654 ( <i>Cm 6743</i> )
Fifteenth Report	HM Customs and Excise Standard Report 2003–04	HC 695 ( <i>Cm 6743</i> )
Sixteenth Report	Home Office: Reducing vehicle crime	HC 696 ( <i>Cm 6743</i> )
Seventeenth Report	Achieving value for money in the delivery of public services	HC 742 ( <i>Cm 6743</i> )
First Special Report	The BBC's investment in Freeview: The response of the BBC Governors to the Committee's Third Report of Session 2004–05	HC 750 ( <i>N/A</i> )
Eighteenth Report	Department for Education and Skills: Improving school attendance in England	HC 789 ( <i>Cm 6766</i> )
Nineteenth Report	Department of Health: Tackling cancer: improving the patient journey	HC 790 ( <i>Cm 6766</i> )
Twentieth Report	The NHS Cancer Plan: a progress report	HC 791 ( <i>Cm 6766</i> )
Twenty-first Report	Skills for Life: Improving adult literacy and numeracy	HC 792 ( <i>Cm 6766</i> )
Twenty-second Report	Maintaining and improving Britain's railway stations	HC 535 ( <i>Cm 6775</i> )
Twenty-third Report	Filing of income tax self assessment returns	HC 681 ( <i>Cm 6775</i> )
Twenty-fourth Report	The BBC's White City 2 development	HC 652
Twenty-fifth Report	Securing strategic leadership in the learning and skills sector	HC 602 ( <i>Cm 6775</i> )
Twenty-sixth Report	Assessing and reporting military readiness	HC 667 ( <i>Cm 6775</i> )
Twenty-seventh Report	Lost in translation? Responding to the challenges of European law	HC 590 ( <i>Cm 6775</i> )
Twenty-eighth Report	Extending access to learning through technology: Ufi and the learndirect service	HC 706 ( <i>Cm 6775</i> )
Twenty-ninth Report	Excess Votes 2004–05	HC 916 ( <i>N/A</i> )

Thirtieth Report	Excess Votes (Northern Ireland) 2004–05	HC 917 (N/A)
Thirty-first Report	Northern Ireland's Waste Management Strategy	HC 741
Thirty-second Report	Working with the voluntary sector	HC 717 (Cm 6789)
Thirty-third Report	The Royal Parks and the Diana, Princess of Wales Memorial Fountain	HC 644 (Cm 6789)
Thirty-fourth Report	Returning failed asylum applicants	HC 620 (Cm 6863)
Thirty-fifth Report	The refinancing of the Norfolk and Norwich PFI Hospital	HC 694
Thirty-sixth Report	Tackling the complexity of the benefits system	HC 765 (Cm 6863)
Thirty-seventh Report	Inland Revenue Standard Report: New Tax Credits	HC 782 (Cm 6863)
Thirty-eighth Report	Channel Tunnel Rail Link	HC 727 (Cm 6863)
Thirty-ninth Report	Consular services to British nationals	HC 813 (Cm 6863)
Fortieth Report	Environment Agency: Efficiency in water resource management	HC 749 (Cm 6884)
Forty-first Report	The South Eastern Passenger Rail Franchise	HC 770 (Cm 6884)
Forty-second Report	Enforcing competition in markets	HC 841 (Cm 6884)
Forty-third Report	Delivery chain analysis for bus services in England	HC 851
Forty-fourth Report	National Offender Management Service: dealing with increased numbers in custody	HC 788
Forty-fifth Report	Employers' perspectives on improving skills for employment	HC 862
Forty-sixth Report	Governance issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit	HC 918
Second Special Report	The BBC's White City 2 development: The response of the BBC Governors to the Committee's Twenty-fourth Report of Session 2005–06	HC 1139 (N/A)
Forty-seventh Report	NHS Local Improvement Finance Trusts	HC 562
Forty-eighth Report	HM Customs and Excise: Standard Report 2004–05	HC 874
Forty-ninth Report	Corporation Tax: companies managed by HM Revenue and Customs' Area Offices	HC 967
Fiftieth Report	Ministry of Defence: Major Projects Report 2005	HC 889
Fifty-first Report	A safer place for patients: learning to improve patient safety	HC 831
Fifty-second Report	Reducing brain damage: faster access to better stroke care	HC 911
Fifty-third Report	Department for Work and Pensions: Delivering effective services through contact centres	HC 1034
Fifty-fourth Report	UK Sport: Supporting elite athletes	HC 898
Fifty-fifth Report	Progress in improving government efficiency	HC 978
Fifty-sixth Report	Serving time: prisoner diet and exercise	HC 1063
Fifty-seventh Report	The closure of MG Rover	HC 1003
Fifty-eighth Report	Enhancing urban green space	HC 1073
Fifty-ninth Report	Improving poorly performing schools in England	HC 956

Sixtieth Report

Home Office: Resource Accounts 2004–05 and  
follow-up on Returning failed asylum applicants

HC 1079

The reference number of the Treasury Minute to each Report is printed in brackets after  
the HC printing number



# Oral evidence

---

## Taken before the Committee of Public Accounts

on Wednesday 26 April 2006

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Annette Brooke  
Greg Clark

Kitty Ussher  
Mr Alan Williams

**Sir John Bourn KCB**, Comptroller and Auditor General, and **Mr Darren Box**, National Audit Office, were in attendance and gave oral evidence.

**Ms Paula Diggle**, Treasury Officer of Accounts, HM Treasury, was in attendance and gave oral evidence.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### HOME OFFICE RESOURCE ACCOUNTS 2004–05

*Witnesses:* **Sir David Normington KCB**, Permanent Secretary, **Ms Helen Kilpatrick**, Director General for Finance and Commercial, and **Sir John Gieve KCB**, former Permanent Secretary, Home Office, gave evidence.

**Q1 Chairman:** Good afternoon and welcome to the Committee of Public Accounts where today we are considering the Home Office's failure to render audited accounts to Parliament. The factors leading to the Comptroller and Auditor General being unable to form an opinion on its accounts are set out in the Comptroller and Auditor General's Report on Home Office Resource Accounts for 2004–05. We welcome Sir David Normington, the Permanent Secretary at the Home Office, Sir John Gieve, his predecessor, and Helen Kilpatrick, the Director General of Financial and Commercial at the Home Office. Thank you particularly Sir John for coming back to see us this afternoon; we are very grateful. Sir David, your Department has failed to protect the public in the matter of deporting convicted foreign nationals. You have failed to render accounts to Parliament that can even be considered by the Comptroller and Auditor General. What are you going to do to get a grip on your own Department?

**Sir David Normington:** As a new Permanent Secretary I have been assessing the Home Office's capability, of course. I am sure you will want to discuss this later, but I think it is a Department that has been improving significantly. I very much regret that these two events cast such a shadow over its performance. I am ensuring in both the instances that are being discussed this week, the accounts and foreign national prisoners, that we do have proper arrangements in place to ensure that this does not happen again. Some of that action did not start with me but in both instances I am confident that we are going to put these things right. I have a good senior management team in place to do that. We are putting in place, and in some cases have put in place, the arrangements to improve the position.

**Q2 Chairman:** Ten months after the end of the financial year your Department was incapable of presenting proper accounts to the external auditor. Can one conceive of this situation happening in the private sector? And if it did happen, would not the chief executive of that company be held to account and indeed would have had to resign by now?

**Sir David Normington:** Maybe. All kinds of things happen in the private sector, do they not?

**Q3 Chairman:** That is rather a facetious reply. It is actually a serious question. This disclaimer of your accounts is unprecedented for a great department of state, a big spending department, accounts which were in such a chaotic state that not only were they riddled with errors but the Comptroller and Auditor General could not even consider them. There is no point just making facetious comments about what might or might not happen in the private sector. We know what would happen in the private sector. People might end up in prison for this sort of behaviour.

**Sir David Normington:** What I was going on to say was the Home Office's performance in not producing satisfactory accounts was clearly unacceptable. We made two attempts to produce those accounts. The accounts that we produced in December were the ones that the NAO disclaimed. We have since then been working on those accounts with the NAO to reconcile the balances. I am more confident now than I was then that those accounts were true and fair accounts and that they will also provide the opening balance for the 2005–06 accounts. I do not claim that this is satisfactory performance. It was unacceptable performance. It does not mean—

---

Home Office

---

**Q4 Chairman:** Then are you prepared to apologise to Parliament?

**Sir David Normington:** Yes of course I am. I do apologise to Parliament. It is unacceptable. It is the responsibility of the Accounting Officer, my responsibility, to produce proper accounts. We failed to do that. We are putting that right.

**Q5 Chairman:** Sir John, if you look at paragraph 10 can I ask you a question based on that, please. Why did you not take your financial reporting obligations seriously?

**Sir John Gieve:** Paragraph 10 of the C&AG's Report?

**Q6 Chairman:** Yes?

**Sir John Gieve:** I did take them seriously. I am sorry, I do not think this says I did not take them seriously. I did take them seriously and, as you know, I have apologised to you and through you to Parliament for the fact that we failed to produce proper accounts.

**Q7 Chairman:** Sir David, was the National Audit Office Report in July on dealing with failed asylum seekers cleared with Ministers?

**Sir David Normington:** I am afraid I do not know that.

**Q8 Chairman:** If I put it to you that the National Audit Office has informed me that it was cleared with the Immigration Minister, can you gainsay that?

**Sir David Normington:** I cannot gainsay that. I think those Reports usually are cleared with the Minister. I know I should not say as the Accounting Officer who signed this that I was not there, but I was not there, so I am afraid I personally do not know the answer.

**Q9 Chairman:** Can you give us a monthly breakdown of this figure of 1,023 foreign nationals who have failed to be deported month by month?

**Sir David Normington:** I cannot at this moment give you that monthly breakdown.<sup>1</sup>

**Q10 Chairman:** When will you be able to give it to this Committee?

**Sir David Normington:** I could give you the monthly breakdown tomorrow or maybe by the end of today.

**Q11 Chairman:** This hearing might last some time. I understand that you were rung earlier warning you that this question might be asked. I would have thought in view of what has been happening in the last 24 hours these figures should be available at the Home Office. The fact that they are not readily available to you, the Permanent Secretary, leads us to question even more whether you are in control of your own Department.

**Sir David Normington:** In that case let me be quite clear what I was asked to do at a quarter to three and that was to provide, I thought, a monthly breakdown from September to March, these last six months. I have come with those figures and I can provide them. That is what I thought you wanted.

**Q12 Chairman:** Give it to us now.

**Sir David Normington:** I will if you want: September, 61; October, 49; November, 34; December, 49; January, 40; February, 30; March, 25.

**Q13 Chairman:** If any further months come to light before the end of this hearing or the latest by tomorrow we would be grateful to have them because you can understand in the light of our experience of what was told us in October we are rather dubious about promises of notes these days. Sir David, when a judge makes a recommendation for a foreign national to be deported at the end of their sentence, if the Home Secretary fails to even consider that recommendation because apparently the immigration part of your Department is not in contact with the prison part of your Department, could he be held in contempt of court?

**Sir David Normington:** I do not know what the legal position is. Obviously we should follow what the judge says and in all the cases that are in question here we are seeking to do that, to consider their deportation. I think only in a proportion of the 1,023 cases did the judge recommend consideration of deportation. I think it is quite a small proportion of those. My recollection is under 200 of those was where the judge recommended that. We are following up all those cases. It is true that we have not followed them up expeditiously but we are following them up and seeking to ensure that both in the cases where the judge did recommend it and where he did not that we are considering deportation.

**Q14 Chairman:** Sir John, we are very grateful, as I say, for you coming back. I know that you are now at the Bank of England but perhaps you could walk us through the chronology as best you are able because Sir David only took over the Department in December. Just give us an idea of what was happening in this Department. You had the National Audit Office Report available to you, which you cleared of course, which was shown to the relevant minister in July. You came to give evidence to us in October. You gave us a figure of 403, which we now know was not a correct figure. Why were you not in a position, when presumably alarm bells were ringing in the Department back in July, to be able to give us a proper figure back in October when you came before us? I may say straightaway that I do not believe for a minute that somebody of your distinguished background would ever seek to mislead the Committee or not tell them the full facts, but I want to get to the bottom of why apparently there was some systemic failure in the Home Office which resulted in you giving such wrong information.

---

<sup>1</sup> Ev 31–32

## Home Office

**Sir John Gieve:** I will try. In October, Mr Bacon asked about asylum seekers, I think, or ex-asylum seekers and offences they had committed, and we gave some answers, which I think were true, which were we had set up a new unit and that we were trying to get on top of this and shorten the period between the end of their sentence and deportation. He asked for a further note which we sent, I think, a fortnight later.

**Q15 Chairman:** This did not give the information that Richard Bacon had asked for.

**Sir John Gieve:** No, but we sent a note a fortnight later with the transcript of evidence, which gave all (and I still think it is true) that I am aware we had at that stage by way of information. We said that we were aware of 400 cases in the period 2001–05. Subsequently we found another 200 cases in that period and some earlier and later cases. What was going on? Well, I think the systemic problem was the problem of communication between the Prison Service and the Immigration Department in getting them both to share the goal of removing prisoners. What was happening in the autumn was that, alerted to this problem, we had set up a unit to try and get a better grip on this. As far as I could see, by October they had only got so far and in fact the latest data is the result of another six months' work.

**Q16 Chairman:** Sir David, what meetings were there between ministers or top officials in the Department drawing together the Prison Service and the Immigration Service so that the two sides of your Department could actually talk to each other? We were told during this hearing that it was very difficult to deal with failed asylum seekers because they vanish into the community but when part of your Department is actually locking somebody up and even knowing what they are having for breakfast, it is very difficult, is it not, for another part of the Department to claim not to know where they are?

**Sir David Normington:** There are two answers to that. One is that I personally have been at a number of meetings in the three and a half months that I have been there where the management of the Prison Service and the management of the Immigration and Nationality Directorate have been round the table with ministers talking about foreign national prisoners,<sup>2</sup> who are a big proportion of the prison population and obviously a matter of concern therefore. I, too, since I run the whole thing, have reporting to me both lines of management and I have a management board which brings together at the top level of the Department both the National Offender Management Service as it now is, which includes the Prison Service, and the Immigration and Nationality Directorate. My predecessor and I have worked hard to bring those together. It is not true that there are two separate departments here that are not talking to each other. Indeed, there is

a protocol in place for ensuring in these cases that the Prison Service notifies the Immigration and Nationality Directorate of prisoners who are foreign nationals.

**Q17 Chairman:** By the way, is that your recollection as well, Sir John, that while you were in charge of the Department up to December that these meetings were taking place between Ministers and between officials of the two departments meeting together? Is that your recollection?

**Sir John Gieve:** Yes, well, certainly all the comments about the management board are absolutely right. In terms of meetings on this specific subject, yes, I do remember going to several meetings. We were approaching it from two angles. One was the size of the prison population and the fact that a large proportion of the increase was accounted for by foreign prisoners, so we were looking at it from that angle to see whether we were deporting people early enough and thus reducing pressure on the prisons. And then secondly we were approaching it from not just the asylum angle but the immigration law angle and asking are we deporting people expeditiously and therefore getting organised to do that before they come out of prison? I remember going to several meetings particularly from the summer onwards about that.

**Q18 Chairman:** Which of course leads us to the obvious question of why, whilst these meetings were taking place after the National Audit Office Report had been published, these foreign nationals were still being released into the community. Sir David?

**Sir David Normington:** Because all the changes that were being put in place had not properly taken effect. I cannot defend that. That is not acceptable. That is the bit that is not acceptable. It should have been happening. It was being gripped but it was not yet reducing the figures that I gave to nought, which is where we have to be.

**Q19 Chairman:** This paragraph 10 that I alluded to earlier: "These accounts contained numerous errors and internal inconsistencies. In particular, amounts relating to cash, Exchequer funding and non retainable income due to the Consolidated Fund were contradictory and did not reconcile between the different places in which they appeared in the accounts. There were also material omissions and misstatements . . ." Why did you issue a statement of internal control, Sir David, on these accounts? You signed it.

**Sir David Normington:** Why did I sign the accounts?<sup>3</sup>

<sup>3</sup> *Note by witness:* Paragraph 10 of the NAO Report refers to "errors and internal inconsistencies" in respect of the first draft of the accounts which were put to the NAO in September 2005 and not the second draft which were put forward in December 2005. The Accounting Officer signed the Statement of Internal Control based on the second draft.

## Home Office

**Q20 Chairman:** Yes.

**Sir David Normington:** Because I do not think they could have been laid before Parliament unless I had done that. I was advised that that is what I should do otherwise we could not have had the process which would have led to the Report that we have laid before Parliament, but I signed it with the qualifications that are in the Report that we were taking action to improve them. I was advised that I should do that because otherwise we would not put any accounts before Parliament at all. I did contemplate not signing them but then we would not have had anything in front of Parliament.

**Q21 Chairman:** Sir David, how can we have confidence in your Department that they can introduce any complex system? For instance, you are now working on probably the largest IT project ever, namely the introduction of identity cards. These accounts show numerous lapses in security, in project management, and in process, which are generic to any system and which apply in bucketfuls, I would have thought, to a project as complex as the introduction of identity cards. How can we have any confidence that your Department is now capable of introducing identity cards without there being a monumental waste of public money? Can you give us a reassurance, please?

**Sir David Normington:** My aim is to ensure that the lessons are learnt from this problem. We are building up the capability in the Home Office to deliver identity cards. We have recruited a chief information officer, a very senior IT person to lead the identity card project. We have a very good project in place to deliver that. We have also just taken on at very senior levels of the Department a chief information officer to provide the challenge to all of the projects—there are quite a number that are Home Office projects—across the Home Office. Clearly I understand the need to deliver identity cards. It is a very high priority to deliver it effectively; that is what I aim to do.

**Q22 Chairman:** Thank you, Sir David. My last question then is on a more positive note. As a newcomer to this Department, how are you going to ensure in future that during your watch timely and proper accounts are presented to Parliament and that a proper grip is taken on the Home Office? What are your plans now?

**Sir David Normington:** We are working on two things at this moment. First of all, we are working very, very hard to ensure that we can produce proper accounts for 2005–06. I think it is likely, I have to say this to you, that those accounts will be qualified. I think it is very difficult to move from disclaimed accounts to unqualified accounts in one leap. The improvements have been going on over 2005–06 but I think it is just technically impossible. My aim is to reduce the qualification of those accounts as far as possible to a technical qualification. A great deal of work is going on which I—and Helen here—am personally leading. We are also addressing and have substantially addressed the underlying questions of financial

control which are raised in the C&AG's Report. Most of those are either dealt with or are being dealt with and will be dealt with finally—the last ones by September—so I am as confident as I can be at this point that we are on course to produce proper accounts, and my aim is to have completely clean accounts in 2006–07.

**Chairman:** Thank you very much, Sir John. Kitty Ussher?

**Q23 Kitty Ussher:** Sir John, you gave evidence to this Committee on 26 October last year alongside Mr Brodie Clark, Senior Director for Operations for the Immigration and Nationality Directorate, who presumably reported to you. Mr Clark was asked by my colleague Mr Bacon: “How many failed applicants have been released from prison because their removal could not be arranged?” He is talking about asylum seeker applicants. Mr Clarke, your direct report, said: “We would think around 500.” Was that correct?

**Sir John Gieve:** No, I think that is the equivalent of the figure that we subsequently sent which was 400 and what we are now talking about is 1,000.

**Q24 Kitty Ussher:** So you accept that incorrect evidence was given to this Parliamentary Committee?

**Sir John Gieve:** Yes. Just in defence of Brodie there, he said that is what he thought and then we said we would provide further information. So it was the further information which should have been correct. It was, so far as I know, the information that was available to us at the time but which subsequently has proved inaccurate.

**Q25 Kitty Ussher:** So you elaborated on the oral evidence which was incorrect with written evidence which has also proved to be incorrect? Have you apologised to the relevant authorities for giving incorrect evidence to this Parliamentary Committee?

**Sir John Gieve:** No, but I do so now. I have not had a chance until now.

**Q26 Kitty Ussher:** With respect, Sir John, this was around six months ago when you gave incorrect oral evidence to a Parliamentary Committee.

**Sir John Gieve:** It is only literally in the last day or so that I have become aware that the note that I sent after that hearing was not correct. I am not in the Department any longer so I have not been involved in subsequent discussions. But I do apologise, obviously I apologise. I knew I was not answering the whole question because we only gave some information, but I thought that it was accurate so far as we gave it.

**Q27 Kitty Ussher:** And you would have given the same information to ministers had they requested it during all the time when you were Permanent Secretary at this Department?

## Home Office

*Sir John Gieve:* Yes.

**Q28 Kitty Ussher:** So you gave incorrect information to ministers all the time that you were Permanent Secretary at the Home Office?

*Sir John Gieve:* In this respect we did not have all the facts, that is right.

**Q29 Kitty Ussher:** You did not say to us, “We do not have all the facts, this is our best estimate.” Your direct report said that it was around 500 and then in subsequent written evidence you said it was 402 or 403. You did not say, “We don’t know, we think it is.” You stated it as facts. Did you state the same facts to ministers?

*Sir John Gieve:* I simply do not know if ministers asked us the same question but I think that the note said something like “We know of 400 foreign nationals who were released. However, there will have been other foreign nationals whose cases were not referred for deportation.” So we did say that those were the facts available to us.

**Q30 Kitty Ussher:** It was quite clear in Mr Clark’s answer to the question from Richard Bacon it says: “We would think around 500” full stop, that is it, no qualification.

*Sir John Gieve:* Yes, that is what he said. He thought it was around 500 and we subsequently went away and sent in a further note which said that we were aware of 400 cases. Subsequently, as I understand it, we found more cases over a longer period.

**Q31 Kitty Ussher:** So you are saying that the written evidence that you provided was substantially different from this oral evidence because it had this extra qualification? Is that right?

*Sir John Gieve:* No, sorry—I thought that Mr Bacon asked that question because he got the answer that we thought it was around 500 but he asked us to go away and check. In that sense I thought the Committee had seen that we had only given an approximate answer and wanted a more accurate one. We tried to provide that. So far as I know, we provided the information we had at the time but subsequently more information has been discovered.

**Q32 Kitty Ussher:** So that figure has now risen to 1,023 as the Home Secretary said to Parliament this afternoon?

*Sir John Gieve:* The figure of 400 has risen to 600 but we have also given a figure of 1,000. I say “we”; the Home Secretary has given a figure of 1,023 over a longer period of years.

*Sir David Normington:* To make it completely clear, the figure which the Home Secretary gave yesterday and again today was 1,023 from 1999 to 2006. The figures that Sir John was giving to the Committee related to 2001–05, and the 403 figure related to that. That figure is 609.

**Q33 Kitty Ussher:** So when the oral evidence said around 500 and the written letter that followed said 402, the correct number was 609?

*Sir David Normington:* That was the figure we gave to the Chairman yesterday, Charles Clarke wrote to the Chairman, Mr Leigh, yesterday and also I think put it in his statement.<sup>4</sup>

**Q34 Kitty Ussher:** When was that figure of 609 known by the Department? When did you realise that the evidence you had given, both oral and written, was incorrect?

*Sir David Normington:* I knew that was incorrect when Mr Bacon wrote to me on 20 March to ask for the figures which he said, I think rightly, had not been provided to him and that caused us to look again at all these figures and I suppose just before Easter, I became aware that the figures were wrong. I reported that to the Home Secretary around that time. We asked for them to be checked and the rest led to yesterday’s written statement and today’s oral statement in the House and the letter to the Chairman.

**Q35 Kitty Ussher:** Just to be totally clear, you understood during the course of the Easter Recess that incorrect evidence had been provided to this Committee on two separate occasions; you alerted ministers of that; the figures were checked; that took one or two weeks presumably, and as soon as it was clear they were incorrect then the written statements and oral statements were made by the Minister to Parliament?

*Sir David Normington:* And the Home Secretary thought it was an important enough issue for him to both make a written statement to Parliament and today an oral statement as well as to write to the Chairman. Just to repeat what Sir John said, he has apologised and I apologise for misleading the Committee.

**Q36 Kitty Ussher:** Thank you. Can we just understand the trend within these figures? We have had figures from 2001–05, we have had them from 1999–2006. In which direction is the line going, up or down?

*Sir David Normington:* I think it is the case that we have been upping our action on deportations in the last two years and the extra resource we have been putting in has been both increasing the overall deportations and meaning that the number of cases that we have now identified that have not been dealt with has gone up, if you see what I mean. I think overall the number of deportations is going up. In fact, from recollection that is a figure the Home Secretary gave, it is 3,000 in the last two years.

**Q37 Kitty Ussher:** But you are implying that until action was taken you did not know how many people. I suppose it is pretty clear from the exchange that we have just had that you did not

<sup>4</sup> Ev 21–23

## Home Office

know how many people were potentially in that situation, but now you have figures which you believe are robust?

**Sir David Normington:** Do you mean we did not know how many had been released without their deportation being considered?

**Q38 Kitty Ussher:** Correct.

**Sir David Normington:** I think that was true before we began to delve into this and produce the figures that we have. Clearly, as was said, we thought the figure was lower before Christmas around the time of the PAC hearing.

**Q39 Kitty Ussher:** Sir David, when Sir John gave evidence last October he said that the target was to get 85% of people coming out of prison in those circumstances, ie failed asylum seekers, removed within 28 days. Can you update us on the progress against that target?

**Sir David Normington:** I am afraid I cannot. I knew you would ask that but I just cannot get that information for you today, I am afraid. I will try to provide it later if that is alright.<sup>5</sup>

**Q40 Kitty Ussher:** I look forward to receiving another note then perhaps. My final question which is based more on the accounts, earlier in the exchange you just had with the Chairman you said you felt you had a choice between signing off the accounts to enable Parliament to have something or not signing them off. My question to you as Accounting Officer is if you were not completely happy with them why did you sign them off?

**Sir David Normington:** I signed them off with the qualifications that are there about the accounts. I signed them off and said at the same time I acknowledged that they were not fully acceptable accounts. I am afraid I just took advice about this. This is on 24 January, I think I signed them. I was advised that if I did not do that they could not be laid before Parliament. I was advised, I stand to be corrected, by the NAO as well as my own finance people that I should sign them because that would enable the Comptroller and Auditor General to issue his Report and for them to be laid before Parliament at the time. So I had a choice really. We would not be here, would we, if I had not signed them off because there would not be any accounts laid. I was advised to do that and I thought that was the right thing to do. I did not sign them off without putting in some qualifications about the accounts and also saying that we were seeking to improve the position, which is also what is in the Comptroller and Auditor General's Report.

**Q41 Kitty Ussher:** When you debated internally that dilemma, did you feel that if you had more time you could potentially have solved some of the problems that were very obviously there?

**Sir David Normington:** I think the late submission of the accounts to NAO meant that they did not have time to complete the audit of the accounts. I

do not blame them for that; we submitted them late. We thought that if there had been more time, and I think the NAO thought that if there had been more time we could do more checks and we would be more sure, or less, but we would have more information about whether the accounts that we presented in December were accurate accounts, but of course we presented them late and therefore there was not time to do the level of auditing you would need to do given the question marks that there were over the accounts.

**Q42 Kitty Ussher:** So you decided to let it go for this year and try better next year?

**Sir John Bourn:** Perhaps I could say that there is a requirement to produce accounts by 31 January so something had to be produced (of a defective kind if necessary) as Sir David has explained, so that was the requirement to produce something by 31 January that required him to go forward and produce something by that time for me to be able to produce an audit opinion, given it was a disclaimer, but nonetheless audit opinion on that.

**Q43 Kitty Ussher:** Is that a legislative requirement?

**Ms Diggle:** Yes it is.

**Q44 Chairman:** I am going to call Richard Bacon next but just following that line of questioning, this has gone on since July so why did the Home Secretary write to me yesterday the day before this hearing to reveal what previously was unknown? Was it because you were worried or you advised him? Was there any discussion in the Department that this question might be asked again by Richard Bacon and therefore you had to get this out in the public domain yesterday?

**Sir David Normington:** We did debate the timing, of course. I will be completely frank with you. We thought it was important to put this in the public domain before we met the Committee of Public Accounts today. If we had done this tomorrow you would have considered it very sharp practice, so we decided to put it in the public domain yesterday and that is what we did. That was the Home Secretary's and my decision.

**Chairman:** Fair enough, that is fine. Mr Bacon?

**Q45 Mr Bacon:** I would like to ask some questions about the accounts too, but I would like to start with this question arising from the earlier hearing. The reason I wrote to you on 20 March, Sir David, was because in my question, 155 in the Report published on 14 March, I asked: "If you can possibly send a note, in as far as you have information on this, about the number of criminals who are failed asylum seekers and are then released from prison: how many there are, where they are, what type of crime they have committed, what sentences they were given and how long they served . . ." This was actually a question to Sir John Gieve of course. "Is it possible for you to do a note on that?" and Sir John replied: "I can do a note and let you have the information we have", but the note that came back was of course about only one

<sup>5</sup> Ev 32–33

## Home Office

of those questions, namely the number, and it turned out to be a wrong number. You were right, Sir John, in answer to Kitty Ussher that 500 was the estimate given and you were also right that the tenor of the meeting was that a note would follow with more details, and the details were 403. The reason I wrote to you, Sir David, on 20 March was because that was the only question you answered. There was no answer to the questions of who the criminals were, what crimes they had committed, and how long they had been sentenced to, and so on, and that was all the information that came out yesterday, in addition to the fact that it was not 403, it was 609. Why was it that when the answers were being prepared—and it is very easy when you have got the transcript here in front of you and that is why we have a transcript and record these sessions—why was it that only one of my various questions was answered?

**Sir David Normington:** I do not know that. I think it was a mistake actually.

**Q46 Chairman:** Can you speak up.

**Sir David Normington:** I think it was a mistake. I do not know that. I cannot account for it. It was not done, I agree, and that of course came to light to me when you wrote to me saying that.

**Q47 Mr Bacon:** I gather that it has emerged last night that there were some 288, I take it since the beginning of September last year until March 2006. Is that right?

**Sir David Normington:** I think it is the end of August.

**Q48 Mr Bacon:** Right, but roughly seven months.

**Sir David Normington:** May I just say—

**Q49 Mr Bacon:** Yes.

**Sir David Normington:**—this figure is in the letter to the Chairman yesterday. It was not released last night as was given the impression. It was in the letter to Mr Leigh.

**Q50 Mr Bacon:** I would like to pursue this question about unpacking the figures. You very kindly set out 61 in September, 49 in October, and so on, which is on the record. It is a total of 288. That is basically 41 per month, whereas the 609 in the previous answer relate to the whole of 2001 until August 2005, do they not?

**Sir David Normington:** Yes.

**Q51 Mr Bacon:** So that is a considerably longer period and on a monthly basis far fewer. There has been a big acceleration since the end of last August, has there not?

**Sir David Normington:** There has been an increase, yes.

**Q52 Mr Bacon:** Roughly three to four times more per month being released since last August than was the case over the preceding four years. That is correct, is it not?

**Sir David Normington:** There has been an increase in deportations over that period.

**Q53 Mr Bacon:** I am not asking about deportations. I am asking about people being released from prison without consideration being given to whether they should be deported or not. That was 609 over a period of nearly four years and that excludes the last five months so you have to knock that off. It would be 609 divided by 43 months which is 14 per month during that period. I take it that the phrase in your letter “2001 to August 2005” means January 2001 to August 2005?

**Sir David Normington:** Yes.

**Q54 Mr Bacon:** That means 14 per month in that nearly four-year period. Then in the period from the end of August/early September until now, March 2006 you have said, it goes up to 41 per month. Now if you divide 41 by 14 you get nearly three, 2.9 so it is three times higher in the last seven months than it was previous to that. Why? What has happened to accelerate the number of prisoners being released?

**Sir David Normington:** Over this period as well there is a significant increase in foreign prisoners going on, a very significant increase. I have not got those precise figures. In a sense, one of the reasons this is happening and we were having difficulties with it is that the number of foreign nationals in prison was increasing and IND's efforts to cope with that have not been keeping pace, and we have been putting extra resources in during the autumn to try to ensure that we do keep pace. I think that is basically the underlying story, that we have a great increase in foreign national prisoners.

**Q55 Mr Bacon:** These 1,023 over this period since February 1999, you have got them divided as between arsonists, rapists, murderers, burglars, kidnappers, drug dealers, paedophiles and so on. Presumably you also have them divided by time, by month, so for example the 61 that you are referring to who were released in September 2005 or the 49 that you are referring to who were released in October 2005, you would be able to say, would you, how many of those were drug dealers, how many of those were burglars, how many, if any, were rapists and so on?

**Sir David Normington:** I do not have those figures, Mr Bacon. You very kindly gave me the notice and we do not have the breakdown month by month.

**Q56 Mr Bacon:** But you could create it?

**Sir David Normington:** I expect we could create it.

**Q57 Mr Bacon:** In order to create this 1,023 and you know how many of them are in each category, you must have that information, must you not?

**Sir David Normington:** It follows that we must have the information. We have been concentrating on identifying these people and dealing with them and not breaking the figures down any more.

## Home Office

**Q58 Mr Bacon:** I understand, although you have got quite a few thousand civil servants and I had hoped one might be able to help with this. I did telephone you and I did only ask for the information that you referred to that you very kindly gave us because I realised it was not going to be possible to break down over 1,000 in the space of an hour or two.

**Sir David Normington:** I very much appreciated the notice.

**Q59 Mr Bacon:** I think it would be helpful if we could have a breakdown of the whole of the 1,023 in two ways, first of all by month, so that we know from February 1999 onwards how many were released each month so that we can clearly see a trend, and, secondly within that by offence so that we know how many were murderers, how many were burglars or how many were convicted of driving offences or whatever it is, if it is possible to break it down in those two different ways.<sup>6</sup>

**Sir David Normington:** I will do my best.

**Q60 Mr Bacon:** It might take longer but I can see how you must be able to do it because you have reached the number 1,023, and you can only have reached it by knowing about each case.

**Sir David Normington:** Of course it follows, yes.

**Q61 Mr Bacon:** Good, thank you. Did you have in the Home Office, estimates prior to February 1999 because this was going on, although you had not kept records?

**Sir David Normington:** I do not think we do. I understand that we do not have any figures before 1999. I have not asked that question again in the last day or two.

**Q62 Mr Bacon:** Would you mind asking it and finding out even if there were just estimates of what had happened previously?<sup>7</sup> How many prisons are there in the UK?

**Sir David Normington:** I am sorry, I did know but I just do not recall. The number of prisoners, did you say?

**Q63 Mr Bacon:** The number of prisons.

**Sir John Gieve:** 120.

**Q64 Mr Bacon:** How many?

**Sir David Normington:** About 120.

**Q65 Mr Bacon:** I think it is 137 in England, 15 in Scotland, five in Wales and three in Northern Ireland, making a total of 160. It is a relatively small number anyway, that is the point, it is not a huge number. In fact, with ten civil servants you could probably phone every one personally in a day or certainly send them all an email in one day without any difficulty. What I am trying to get at is this: I would like to know what is happening now. That is to say, is it now the case that prisons are not releasing foreign nationals who are liable

to deportation without considering whether they should be deported? I asked this question of the Home Secretary after his statement and I did not get a clear answer. It sounded like the existing policy that we have been following, namely they should be assessed before their release date, is continuing to be followed, which did not give me a huge cause for comfort. Is it not possible to tell all the prison governors do not release anybody who is a foreign national unless and until their case has been considered; and if it is, have you done it?

**Sir David Normington:** I will answer your question but just to backtrack, there are protocols in place for the Prison Service, for each prison in fact, to notify the Immigration and Nationality Directorate when they know they have a foreign national in prison. That is the protocol that is in place. It was tightened up in 2004. It has been tightened up again. It is a protocol which is both about when people first go into prison and also before they are released. It is that which has not been working properly and which we have been trying to tighten up. So that is already in place.

**Q66 Mr Bacon:** I understand that.

**Sir David Normington:** I asked again today whether there is anything more that needs to be done. I heard your question to the Home Secretary. I do not think we can just do what you suggested, which is to issue a message to governors saying "Don't not release them" because that would be asking them to do something that was illegal. What we have to ensure is that further back in the process, ie well before they are coming to the point of release, that every one—

**Q67 Mr Bacon:** When you say it would be illegal at the point of release; the "point of release", to use your phrase, is presumably the point at which they have done two-thirds of their sentence and are eligible for parole so, in other words, they have still got one-third of their sentence which has been passed down by the court still to serve?

**Sir David Normington:** It depends what the circumstances are of each one. That would certainly be true of dangerous offences.

**Q68 Mr Bacon:** You have got 10,265 altogether. In the course of any one month it looks like you are looking at about 60 or so, or 49 or whatever it is, but a handle-able number. You ought to be able to get your head round the number that are being released next month.

**Sir David Normington:** Just to be clear, these are the ones that we have not been dealing with. There is a whole huge number that we have been. I agree with you that this is a smaller number, yes.

**Q69 Mr Bacon:** Why can you not also identify all of the prisoners who are foreign nationals and make sure that the governors know that they cannot release them until this has been done and, "By the way, you have only got until such and such a date in which to do it"?

<sup>6</sup> Ev 23–24 and 31–32

<sup>7</sup> Ev 34

## Home Office

**Sir David Normington:** That is the process we have put in place.

**Q70 Mr Bacon:** You mean that is the new process rather than the old process.

**Sir David Normington:** That is the process that was in place but what we have been doing is trying to ensure that it works in every single case.

**Q71 Mr Bacon:** Sending a little rocket to each prisoner governor reminding them that they should not do this would probably help, would it not?

**Sir David Normington:** We have been in touch with both the prison governors and with the Immigration Service. The specific question was should we issue them with a new directive. I do not think so. We have got the processes in place. We have been tidying them up. It is my job and my colleagues' job to ensure that they are working in every single case.

**Q72 Mr Bacon:** I would like to move on to the subject of the resource accounts generally, if I may. The Home Office Audit Committee met on 29 November 2005. Sir John, you attended that meeting, did you not?

**Sir John Gieve:** Yes.

**Q73 Mr Bacon:** Can you say why the Home Office was not alerted to the seriousness of the position earlier than last autumn?

**Sir John Gieve:** Yes. I sent the Chairman a letter which sets this out at some length<sup>8</sup>, but briefly the initial difficulties in switching from one accounting system to another led to some glitches which meant that the accounts team in Liverpool could not complete cash reconciliations properly and—

**Q74 Mr Bacon:** Could you say that again?

**Sir John Gieve:** They did not complete the cash reconciliations properly and they ran into some problems about reconciling the accounts. That is the origin of this problem.

**Q75 Mr Bacon:** That was the £3 million hole?

**Sir John Gieve:** No.

**Q76 Mr Bacon:** That was a different hole?

**Sir John Gieve:** No, there were some disparities in the accounts which became apparent in the early months of 2005. The question then was why did not more senior management intervene, and the answer is they did intervene on the back of an internal audit report but they underestimated how much work was required to put this right, and it was not until late October that I was told that there was a fundamental problem with the accounts and that the NAO realised that there was a fundamental problem with the accounts. The next meeting of the Audit Committee took a report from the NAO and from the Finance Director on this point. You ask why did it not happen earlier; it should have happened earlier.

**Q77 Mr Bacon:** Sir John, if I may stop you there because I want to ask another question. You say you were alerted in October that there was a fundamental problem?

**Sir John Gieve:** Yes.

**Q78 Mr Bacon:** Your response, was it not, was to say, "That's just an accounting thing." That is what you told the National Audit Office, did you not?

**Sir John Gieve:** No, I do not remember saying that.

**Q79 Mr Bacon:** When you found out from the National Audit Office that there really was a serious and fundamental problem and the accounts might be disclaimed, which is the most serious thing that Sir John Bourn can do to the accounts, basically to wash his hands of them, your response was, "Well, that's just an accounting thing."

**Sir John Gieve:** I do not recall saying that, that is all. That is not in the minutes of the Audit Committee, is it?

**Q80 Mr Bacon:** No. Is it possible that you could send us, Sir David, a copy of the minutes of the Audit Committee from 29 November?<sup>9</sup>

**Sir David Normington:** I expect we can do that.

**Q81 Mr Bacon:** What did it conclude, by the way, the Audit Committee of 29 November?

**Sir John Gieve:** It concluded that the situation was very serious, that there was a possibility that we would not be able to retrieve the position in time to avoid a qualification in January.

**Q82 Mr Bacon:** A possibility or a certainty or a likelihood?

**Sir John Gieve:** A possibility. I think the Audit Committee, which is made up of external members, agreed that we should go ahead with the plan that we had put forward and agreed with the NAO, namely that we should re-do the accounts by 14 December and try and get those audited in time for the January as the right thing, but they obviously expressed some doubts about whether we would be able to do it in time.

**Q83 Mr Bacon:** They were under no illusions that you were likely to face a disclaimer, were they?

**Sir John Gieve:** A member of the NAO was at the Committee and he said that we might face a disclaimer or at least a qualification.

**Q84 Mr Bacon:** This is the Committee at which a paper was presented to the Audit Committee saying that when the gross transaction value of debits and credits was totalled they amounted to some £26,527,108,436,994<sup>10</sup> which was not only 2,000 times higher than the Home Office's gross

<sup>9</sup> Ev 24–28

<sup>10</sup> *Note by witness:* This was a keying error which arose during the processing of an invoice onto the Adelphi system. The error was that an account code was mistakenly entered as the invoice value. The error was spotted and corrected as part of normal system processes. Additional system controls have been introduced to prevent a keying error of this magnitude in the future.

<sup>8</sup> Ev 19–20

## Home Office

expenditure for 2004–05 but approximately one and a half times higher than the GDP of the entire planet. That was the moment at which you realised there was a problem, was it?

**Sir John Gieve:** Can I just make a comment on that number. What happened was, as I understand it, somebody put a coding code in where they should have put a sum of money. That was identified by the accounts branch. It was changed but it was given as an illustration of the problems that we had had in producing the draft accounts in September. I think the truth is that no-one, including the NAO or our senior financial management realised that we were in great difficulties in producing the accounts on time until the end of September/beginning of October when the NAO had had time to look through the draft September accounts and said, “These are a mess and what is more there is still a £3 million unreconciled cash balance which we are not happy with.”<sup>11</sup> We then agreed with the NAO that we would start again, we would produce proper accounts by 14 December, which I think we did, we would reconcile the cash, which we did, but not in time for the NAO to do all the checks that they then considered necessary. So it was I think around October and I certainly knew about it towards the end of October.

**Q85 Mr Bacon:** Why did you not sign the statement of internal control?

**Sir John Gieve:** Why did I not?

**Q86 Mr Bacon:** Yes, why did you not?

**Sir John Gieve:** I did not sign the accounts.

**Q87 Mr Bacon:** You were not in a position to sign them, were you? You did a runner because there was nothing worth signing at the time you left the Home Office?

**Sir John Gieve:** When I left the Home Office—No, I think that is a bit of a travesty. When I left the Home Office I knew that we had produced a new set of accounts and would do the notes and statement of internal control, but they were still with the NAO, we were still talking to the NAO about them, so they were not being presented to me for signature. I did not do a runner. I hoped even at that stage, as I think the NAO hoped, and they told us they hoped, that it would be possible to complete the audit in time to lay the accounts by 31 January. It was not until mid-January that the NAO decided that that was not the right thing to do, it was not possible. By that time I had left the Department.

**Q88 Mr Bacon:** One more question: who appointed you as Deputy Governor of the Bank of England?

**Sir John Gieve:** Gordon Brown. Well, the Queen but on Gordon Brown’s recommendation.

**Mr Bacon:** Okay. Thank you very much.

**Q89 Chairman:** Sir David, if a rapist or murderer is let out into the community, are they not normally let out on licence?

**Sir David Normington:** Yes, there are various arrangements for making sure that they are kept under close supervision.

**Q90 Chairman:** So you would expect your Department to keep a close eye on them? Was a close eye kept on all these murderers or rapists? By definition given the information that has now been given to Parliament, perhaps it was not?

**Sir David Normington:** They would be under the same arrangements as UK nationals. Effectively the thing that we failed to do was to consider them for deportation. They will be treated as UK nationals would. In other words—

**Q91 Chairman:** So you know where all these people are?

**Sir David Normington:** The Home Secretary has said that he will report back on that at the end of the week.

**Q92 Chairman:** We can have confidence that he will report back to the nation that he knows where these drug traffickers and murderers and rapists are? We can have confidence in that?

**Sir David Normington:** I cannot say to you at this moment that I can say that.

**Q93 Chairman:** You cannot say as the Permanent Secretary of a Department which is reputed to protect the public with certainty, to this Committee now that you can have confidence that we know where these drug traffickers, murderers and rapists are?

**Sir David Normington:** I can say to you that we are following up all the people in the 1,023 who were found guilty of the most serious offences and we are going to report back at the end of the week. That is what the Home Secretary’s commitment is.

**Q94 Chairman:** Would you like to look, Sir David and Sir John, at paragraph 14. You were both repeatedly warned, directly following on from the previous question, in your time as Permanent Secretary, Sir John, and now Sir David, that there was something seriously wrong with these accounts. Why did you not take action earlier? You were warned way back in 2002–03. We are now in 2006.

**Sir John Gieve:** Can I answer that?

**Q95 Chairman:** You answer that. It says here: “In my Report on the 2002–03 Home Office Resource Accounts I highlighted some of the key risks to the Department . . .” *et cetera, et cetera.*

**Sir John Gieve:** Yes, the 2002–03 Report did say that there were some risks to changing our accounting system and that it needed to be done carefully and also drew attention to some recommendations we had from our OGC reviews. We followed up those recommendations and those warnings.

<sup>11</sup> *Note by witness:* We would like to provide the following additional information in response to this answer: In subsequent audit work the NAO have audited the main cash reconciliation and confirmed that there is no £3 million or any other “hole” in the cash.

## Home Office

**Q96 Chairman:** Alright, Sir David, would you like to answer the question why it is that the Home Office can be repeatedly warned by the National Audit Office that there are serious risks involved and apparently your Department does nothing about them? We have a situation where you feel you have to sign off the accounts although clearly you have accepted they were totally inadequate; in fact, they were not even inadequate, they were in no fit state.

**Sir David Normington:** The sequence of events, as I understand it, is that in 2002–03 there were a number of things that were highlighted that were risks in the introduction of the new system (which was the Oracle system) which caused many of the problems that we are talking about today. As I understand it, my colleagues sought to address those risks in the way in which Oracle was introduced. In 2003–04 of course the accounts were not qualified but there were some issues highlighted and those issues of control have been addressed. We have not just waited for them. They were addressed under John Gieve and they are continuing to be addressed.

**Q97 Chairman:** With little effect. Sir John Bourn, would you comment on this: do you believe the Department in the light of your warnings over a number of years has taken the matter sufficiently seriously?

**Sir John Bourn:** I think they took them seriously but I think, as indeed Sir John's letter to you makes clear, that although taking them seriously, they underestimated what was required to put them right. It is quite right to say that we in the National Audit Office working with them, hoped that in fact qualification would be avoided, but at the end of the day when this was not possible I had to disclaim. So I would not say and I have not said that there was carelessness. It was a failure to appreciate the seriousness of the problem, a failure to put in the resources necessary to secure the right result. That was where the failure lay rather than a failure to appreciate that there were difficulties to be faced.

**Chairman:** Greg Clark?

**Q98 Greg Clark:** Chairman, can I open by making some general remarks that arise from the incident about Mr Bacon's line of questioning. We have heard the Home Secretary today praise the work of the Committee and say how important it is that it has flushed out this information, yet in an answer to Mr Bacon it was clear that of five questions he asked about the release of foreign prisoners, only one was answered, and then only after a considerable period of time. My experience of this Committee is that this is a familiar pattern. Just to mention a couple of other examples. We had UK Sport and DCMS here twice for effectively the same thing. Questions which were very clear in their intent were only really addressed with part of the information required which then came out through other means and so we had to have another hearing into it. We had a similar situation

in which we had a very clear set of exchanges on Tax Credits and the Committee just published a Report yesterday. In that hearing, there was a clear commitment given by Mr Gray of Customs & Excise that there was an estimate made of the cost of increasing the disregard for Tax Credits. My question was: "Since that information is available"—and that had been conceded—"would you write to me through the Committee giving what the assessment is of the pure component of increasing the disregard? Mr Gray said: "Certainly in liaison with our Treasury colleagues." I said: "Providing that information?" Mr Gray said: "Yes." That information has not been provided to this Committee in a similar pattern. An inadequate answer was given and the Committee has had to put in the recommendations of its Report a requirement that the Department should provide details of the estimate it had made. If the Home Secretary concedes that the work of the Committee is important, I do think there needs to be a change in culture across Whitehall so that appearances here should help the Committee with its inquiries, not seek to allude to provide the information that it is obvious the Committee Members want. I do not know whether, through Sir John and the Treasury representative, we might have a change in practice given what has been arising from Mr Bacon's comments. On the particular matter of the accounts which, as the Chairman says and the Report says have numerous errors and internal inconsistencies, even in the revised accounts nearly every major balance was markedly different from the others. Sir John Gieve, I understand there were three people on the team preparing these accounts. Who decided that that was enough resource to put into it?

**Sir John Gieve:** I think there were more people working on the accounts in one way or another. I have a figure of 21 in the accounting branch. It was a decision taken by the line management that that was the appropriate number of people to deploy, I suppose by the person they reported to who is head of accounting and finance.

**Q99 Greg Clark:** Paragraph 28 of the Report says that the number of qualified, experienced accountants increased from three to eight as a result of this, so it was clearly three at the time.

**Sir John Gieve:** Three qualified accountants but they had unqualified supporters.

**Q100 Greg Clark:** Three qualified accountants, so somebody decided that three was enough.

**Sir John Gieve:** Yes.

**Q101 Greg Clark:** Do you think eight is enough?

**Sir David Normington:** We have nine now out of 16 and therefore it is eight or nine. It depends on their competence as well as their qualifications but it is that sort of number.

## Home Office

**Q102 Greg Clark:** Can you confirm that two of the three officials responsible for preparing the disputed accounts were quite junior members? They were executive officers. They were not senior civil servants?

**Sir David Normington:** It depends what counts as senior here.

**Q103 Greg Clark:** Can you confirm that they were executive officers?

**Sir David Normington:** There were executive officers working on the accounts.

**Q104 Greg Clark:** Is it correct that two out of the three were executive officers and no higher?

**Ms Kilpatrick:** It is my understanding that they were relatively junior staff who were working on the accounts.<sup>12</sup> It is clear from the C&AG's Report that one of the problems was that there was a lack of senior oversight of that work which is one of the issues that we have now addressed. We have put in place very rigorous governance arrangements to make sure that senior management have sight of all stages of the accounts' production and process.

**Q105 Greg Clark:** Can you turn to table one in the Report, page 26? This is a time line of the accounts. Can you tell me at what point in this time line you became aware of the deficiencies?

**Sir John Gieve:** Yes. First of all, the internal audit investigation at the turn of the year 2004–05 was before the Audit Committee. I was there and I saw the report. I was aware that there were problems. They had been identified by internal audit and there was an action plan to put them right.

**Q106 Greg Clark:** What date was that?

**Sir John Gieve:** April 2005.

**Q107 Greg Clark:** Not before?

**Sir John Gieve:** I think that was the first time I was aware of them. We had a plan but the internal auditors at that point thought that the progress was already being made to put them right.

**Q108 Greg Clark:** When were ministers alerted to this?

**Sir John Gieve:** I do not think ministers were alerted to this until much later, possibly not until January. I cannot remember whether I told the Secretary of State in November or December 2005. I suspect it was one of those or January 2006.

**Q109 Greg Clark:** This was quite late into the process by which time it was obvious that they were going to be qualified at best, if not disclaimed.

**Sir John Gieve:** As I have explained, we were still hoping, certainly until the beginning of January, that we would avoid a disclaimer.

**Q110 Greg Clark:** Ministers were not kept updated with the concerns?

**Sir John Gieve:** No. I would not expect to tell ministers about—

**Q111 Greg Clark:** Who did you tell in November or December? Was it the Home Secretary or one of the junior ministers?

**Sir John Gieve:** If I told anyone it would have been the Secretary of State.

**Q112 Greg Clark:** You must remember the conversation.

**Sir John Gieve:** I do not. I saw this as official business, my business and the audit committee's business, not the Secretary of State's business.

**Q113 Greg Clark:** When you finally told the Secretary of State, was it the Secretary of State or was it one of the junior ministers?

**Sir John Gieve:** I cannot remember if I mentioned it to him. I am sure that David will have mentioned it to him in January when the NAO reached their decision. I may not have mentioned it to him. I had seen this as Permanent Secretary business.

**Q114 Greg Clark:** These are matters for officials rather than ministers?

**Sir John Gieve:** Yes.

**Sir David Normington:** This is Accounting Officer business.

**Q115 Greg Clark:** It is really the business of the Secretary of State.

**Sir David Normington:** The Home Secretary needs to be informed but we would not expect him to be involved in the construction and signing off of the accounts.

**Q116 Greg Clark:** Part of the hard time that the Home Secretary has been given today in the chamber is for not having enough of a grip on his department. You are telling the Committee that the financial aspects of the department are nothing to do with him. He is almost the last to know.

**Sir David Normington:** How we manage the budget, what we spend the money on, the effectiveness with which we spend the money is his responsibility but the preparation of the accounts is official business and is the Accounting Officer's responsibility. I would not expect him to be held responsible for these accounts.

**Q117 Greg Clark:** Have you had conversations with the Home Secretary on this year's accounts for the year to April?

**Sir David Normington:** Only briefly. I have had a brief conversation about where we are.

<sup>12</sup> Note by witness: There were three full time qualified accountants engaged in the production of the 2004–05 Resource Accounts, one at grade 7 and two at Senior Executive Officer. They were reporting to a grade 6 Head of Branch who was also a qualified accountant. 12 other staff were qualified Accounting Technicians or equivalent. In total, the Financial Accounting team located in Liverpool consisted of 21 staff during 2004–05.

## Home Office

**Q118 Greg Clark:** Have you told him that he has anything to worry about or have you reassured him?

**Sir David Normington:** We are not very far into the production of the 2005–06 accounts.

**Q119 Greg Clark:** They have to be finished by the summer according to Sir John's rules.

**Sir David Normington:** We have agreed that our target date for signing them off will be 30 September.<sup>13</sup>

**Q120 Greg Clark:** That is an exception to the practice?

**Sir David Normington:** It is a longer timetable than most. It is faster than they did it last year and frankly we have to produce proper accounts. I do not want to be driven by a timetable which I then cannot deliver on.

**Q121 Greg Clark:** You told the Committee that you did not expect to have Sir John sign off this year's accounts. Have you explained that to the Home Secretary?

**Sir David Normington:** I have not said that to him yet.

**Q122 Greg Clark:** He is going to find out from the press or the Committee that his accounts are going to be qualified for next year as well? It is great that we are the first to know but I am surprised that the Home Secretary is not interested.

**Sir David Normington:** I have many conversations with the Home Secretary. I have talked to him in general about this situation.

**Q123 Greg Clark:** The Home Secretary is not aware that we all know that his accounts are going to be qualified next year?

**Sir David Normington:** They are the department's accounts. I sign them off.

**Q124 Greg Clark:** I increasingly have sympathy for the Secretary of State who is being criticised for not having a grip on his department when he clearly does not have the information.

**Sir David Normington:** I am the Accounting Officer. I sign them off. My name is on the accounts. Therefore, I carry responsibility for the production of those accounts.

**Q125 Greg Clark:** When the Secretary of State tells the House that he has confidence in the department's ability to deliver major projects like the ID card system, how can he supply that confidence when he is excluded from the detail of these management issues?

**Sir David Normington:** Of course he is not excluded.

**Q126 Greg Clark:** He does not know the accounts are going to be qualified.

**Sir David Normington:** This is an issue about producing and signing off the accounts. That is a formal Accounting Officer responsibility which I carry out. That is well understood. That is the position. The NAO and the Treasury can confirm that. It is absolutely not the case that the Home Secretary is somehow by that cut off from the way in which the department is organised and run and delivers. He and I talk about that every week and I account to him for that.

**Q127 Greg Clark:** It is interesting that the Home Secretary was almost the last to know—he knew in November or December—that this set of appalling accounts was in the state it was in and he still does not know about next year's.

**Sir David Normington:** I was trying to be frank with the Committee. I did not think I could leap straight from disclaimed accounts to accounts clearly in one leap. That is my judgment at this moment. It is not yet a judgment that I have discussed with the NAO or anyone else. I was being frank with the Committee.<sup>14</sup>

**Q128 Greg Clark:** I am grateful for that. I started by mentioning that I thought a change in culture was necessary. I am delighted to find it has started so soon. It is wonderful to have more information than the Home Secretary is given. This is a personal question and I am sensitive about asking it but we have a duty as a Committee to be objective. This is a pretty parlous set of accounts. There are criticisms of having no bank reconciliation which the NAO describes as the most fundamental of all accounting controls. You are now Deputy Governor of the Bank of England with specific responsibility for the Bank's financial stability. This is hugely important. How can you reassure the public that you are the man for that job?

**Sir John Gieve:** The two jobs are completely different, firstly. Secondly, I feel that the experience I have had in the Home Office and before that in the Treasury does equip me to do the job as Deputy Governor. I have been interrogated by the Treasury Select Committee on appointment and they asked me, quite properly, why I thought I could do the job and published a Report (a little after Sir John Bourn's Report was published). They came to the conclusion that I was qualified for the job. You say this set of accounts is pretty parlous. The quotes you gave were about the botched set of draft accounts we produced in September. As David said earlier, he is taking some reassurance from the fact that we have now reconciled the cash accounts and we have done a lot more work on the fixed asset position and believe that these accounts do not

<sup>13</sup> *Note by witness:* In March 2005, the Home Office had agreed a date of 30 September as a target date for certification of the accounts by the Comptroller and Auditor General of the National Audit Office (NAO). In order to ensure that the accounts that are produced for 2005–06 are of the highest possible quality, we are currently discussing with Treasury and the NAO whether it would be prudent to delay signing until 31 October.

<sup>14</sup> *Note by witness:* We would like to provide clarification to the answer given. We have discussed with the NAO the effect of the disclaimer of the 2004–05 accounts and a technical qualification on the comparators is inevitable.

## Home Office

materially misstate what happened in the Home Office in that year. The fact that we messed up the process and we did not give Sir John Bourn the time to complete his audit is mortifying of course. This was an utterly avoidable set of mistakes. I regret it very deeply. I apologise to Parliament about it but I do not think it is right to say these accounts are riddled with errors and mistakes. The mistakes that were found in the September accounts have been corrected here.

**Q129 Annette Brooke:** In your letter to the Chairman, you wrote last week, “The fact that we, like many other organisations, ran into difficulties in transferring to a new accounting system is not particularly surprising.” That seems to me to have a particular cultural perspective. It was expected there would be problems because there was a new IT system and a new accounts system. Was that the case? Were you anticipating problems? Would you say that you put enough processes in place to deal with anticipated problems? After all, there are other examples within government where IT systems have gone a little wrong.

**Sir John Gieve:** Not just in government. Firstly, yes, on any transfer from one system to another, however well you do your prior testing, you expect to find some things going wrong as you run and you have to correct those. To that degree, I think we were anticipating that there would be some transitional difficulties. Secondly, did we put enough resources and quality resources in to handle it? Obviously not; otherwise we would have corrected it. Going back slightly to the nature of what was wrong with the accounts and what problems we have had, the main difficulties and corrections that had to be made when the accounts were produced in September arose from two initial problems. One was processing through a standard BACS payment system a series of payments which were refused and, secondly, transferring data from one accounting system on to the other.

**Q130 Annette Brooke:** I have read the letter. It was the cultural point that it was almost taken for granted that these things were happening.

**Sir John Gieve:** No, absolutely not. We were determined to do and did do a lot of prior testing. The system that we introduced is a good system, much better than the system it replaced and is now proving its worth. Anyone doing this transition would be foolish to assume that there will not be some transitional difficulties. We did not manage those as well as we should have done and the problems that arose were not escalated up the organisation as fast as they should have been.

**Q131 Annette Brooke:** Regarding the £3 million, there was a suggestion that that should be just written off. Would that be the normal response of a government department to suggest writing £3 million off?

**Sir John Gieve:** That was a mistake and the NAO told us it was. We then had very late in the day to do a considerable amount of work to try and find out where this £3 million came from and in substance we did.

**Q132 Annette Brooke:** Can you tell me how much the two consultants who were brought in at different times to track down some of the problems cost on top of your regular staff?

**Sir David Normington:** I can tell you how much we have spent on consultants in this process. We spent £215,000 on consultants and the one additional thing we have been doing in the last few weeks is using Ernst & Young to provide extra checks for us. They have been doing a study on what went wrong and also checking our action plan for putting it right. Not including their fees, it is £215,000.

**Q133 Annette Brooke:** Could I move slightly back in time in terms of foreign nationals in prisons? I asked a parliamentary question in January 2004 in which I asked, “What procedures are in place to ensure that the immigration service (a) monitors the sentences of foreign nationals and prisoners with particular reference to those liable to deportation and (b) takes action to ensure repatriation and deportation takes place as soon as a prisoner’s sentence has expired?” I believe that my questions were triggered by reading Her Majesty’s Inspectors of Prisons Report. That was probably 2002–03. I recall part of that Report even including the point that there were foreign national prisoners just lost in the system. They were in prison, moved around and totally lost. Quite a long time ago there were problems flagged up and yet the answer I received in January 2004 tells me that HM Prisons are instructed to notify the IND of all foreign nationals sentenced to a term of imprisonment, together with their release dates once calculated. It tells me what IND then goes on to do. It says that some cases may be a bit tricky but it implies just one or two cases and the conclusion is that the IND and the prison service work closely together with individual inmates to keep any delays in effecting removal to a minimum. What do you regard as a minimum?

**Sir David Normington:** The events of the last few days have shown us that the position is not satisfactory. If I backtrack to that time, we did respond to those reports by putting in place a better protocol, which I described earlier, for ensuring—it did not ensure in every case—that there was what was described, ie, a reference from the prison to the immigration service in the way that is described there. There is a protocol which does that and that is still in place. As it turned out, that was not effectively enough enforced and that is why some people reached the end of their custody and were not considered for deportation. The answer you got was correct because it reflects the work that had been done to put in place the protocol to bring the two services together.

## Home Office

**Q134 Annette Brooke:** My answer tells me that they do work closely together and that the delays are minimised. Clearly, this answer was incorrect, was it not, back in January 2004?

**Sir David Normington:** We believed it to be correct. As we have been explaining, what happened was that the number of foreign national prisoners increased and our systems did not improve fast enough to cope with that. Some people did slip through the net in the way we have been saying in the last 24 hours. I was not there at the time but I believe that we always do our utmost to provide accurate information. I believe that was what we thought was accurate at the time. It certainly reflected the reports that you describe because there was a feeling that the prisons needed to focus harder on this issue.

**Q135 Annette Brooke:** When you are supplying information, could you include your forecast for the numbers that you anticipate dealing with in the next year because it would be a good idea if we could be reassured that the processes are keeping in line with the forecast numbers.<sup>15</sup>

**Sir David Normington:** Yes. Our objective is to make these figures none. It will be very hard to ensure that in every single case but we have to get it to nought. The position we have described is not acceptable. We have to make sure that these processes work effectively. I will provide you with that information if we have it. I will do my best.

**Annette Brooke:** How on earth can you get any processes in place whether we are talking about money or numbers or people if you do not have any forecasts?

**Q136 Chairman:** Sir John, after the publication of the NAO Report in July, before you left in December, did you or any of your officials have a conversation with the Home Secretary or other ministers about the problems with deportation of foreign nationals?

**Sir John Gieve:** I would have to go over my papers but I am pretty sure there were some meetings the Home Secretary had about improving our systems in order to deport foreign prisoners more rapidly. That goes wider than the question of people reaching the end of their sentence but, yes, it was something that was on his and our minds.

**Q137 Chairman:** If those conversations and meetings took place and he was informed, why have these people, as we now know, continued to be released after last August?

**Sir John Gieve:** I do not think I can add much to what David has already said on that. We built up a new team to get a better grip on this aspect of IND business. The fact that we have more figures that we have brought forward today is a product of that team but it took some time to get on top of the situation. Obviously with the benefit of hindsight it is unacceptable.

**Q138 Mr Williams:** Once you found there was this problem how soon afterwards did you contact prison governors to establish that they should try to stop such failures in the future? What did you do? Did you issue a general notice to all prison governors during your period, Sir John? It was not your period, was it?

**Sir John Gieve:** No, but I have been looking back. I have not had a chance to go over exactly what happened.

**Q139 Mr Williams:** It is the sort of thing you might remember.

**Sir John Gieve:** I would not myself have contacted the prison governors. As I recall, there was a series of joint meetings between the prison service, headquarters personnel and immigration directorate personnel to see what more could be done about foreign prisoners. I am doing this six months on but I believe that there was such a group, that it was taking things forward and no doubt was reissuing or re-emphasising the importance of abiding by the protocol. A revised protocol was issued in either November or December to all prisons and to IND.

**Q140 Mr Williams:** November or December after being alerted to it when? August?

**Sir David Normington:** There is a sequence of events here.

**Q141 Mr Williams:** When were you alerted to it and when did you realise there was a real problem?

**Sir David Normington:** It became clearer in the summer that we had a problem.

**Q142 Mr Williams:** When it became clear you would not only be clear that there was a problem but the scale of the problem because of the nature of the prisoners involved would be apparent to you, would it not? Sir John was there at the time. Did not alarm bells ring? Did you not think: "Gosh, we are letting all these murderers out. What are they going to do when they get out?" and so on, or did you say, "We will have discussions and write up a new protocol"? By November, you had a protocol but you did not have the prisoners. Is that what happened?

**Sir John Gieve:** First of all, I did not know exactly what crimes these people were accused of or convicted of. That is the new information that we have provided.

**Q143 Mr Williams:** Would you not have thought that was relevant? Would someone not have clicked that that might be relevant and some of them might be rather nasty people?

**Sir John Gieve:** We did realise that. That is why in the note I did send to the Committee we gave some information about the crimes that had been committed by asylum seekers and others who had been deported, which I guess we put in because we thought that gave some illustration, but that was in November.

## Home Office

**Q144 Mr Williams:** That is what worries me. You cannot even be precise about what was happening in November. November was several months on from the time you identified there was a problem. You knew the problem involved people and some of them had rather vicious records. Why on earth did nothing happen before November? It sounds as if what happened in November was not exactly world shattering and it certainly was not effective because it kept happening.

**Sir John Gieve:** First of all, why am I not able to answer these questions with more certainty? Normally, I prepare for these sessions by going over the papers which I have done with the accounts. I was only aware in the last day or two that this other issue was coming up. I have not been over the papers and it is six months since I was thinking about this.

**Q145 Mr Williams:** In fairness, I understand that. Back to you, Sir David. What do you know about what happened and why it took so long? What then happened in November, months after it was first reported?

**Sir David Normington:** I believe throughout this period there was a team taking an increasing grip on this problem.

**Q146 Mr Williams:** An increasing grip? They kept a grip on the problem but not on the prisoners.

**Sir David Normington:** I also believe that there was—and it is clear, is it not, from the information that was provided to the Committee?—an underestimation of that problem during the autumn. It did not become clear how serious it was until later.

**Q147 Mr Williams:** If I may say so, in view of the sense of urgency that has been on display here today, that is not surprising, is it? If you were not alarmed, why should anyone down the line be alarmed?

**Sir David Normington:** People were trying to tackle this issue but did not at that stage have a full measure of its scale. That is why the exchange with the Public Accounts Committee has brought that to light.

**Q148 Mr Williams:** As a matter of interest, do you know from which prisons the latest number you have given, 1,023, were released?

**Sir David Normington:** I imagine we probably do but that is not information I have seen or sought.

**Q149 Mr Williams:** It is rather relevant if, as we understand from the reports of the Home Office, you are trying to find them. It is quite helpful to know where you start looking.<sup>16</sup>

**Sir David Normington:** I am quite sure the team that is working on this is doing that.

**Q150 Mr Williams:** How big a team is it? Who heads it at what level?

**Sir David Normington:** I will have to provide you with all those details. I have not come with them. We just this morning divided the team into two so that we have people who can provide answers to all the questions that are being asked as well as to ensure—

**Q151 Mr Williams:** Have you set up a special unit?

**Sir David Normington:** Yes.

**Q152 Mr Williams:** Do you remember who was in charge of it? I do not want his name but do you remember?

**Sir David Normington:** I do.

**Q153 Mr Williams:** What level is he?

**Sir David Normington:** We have put 100 extra staff in at a cost of £2.7 million. He is quite a senior level person who is in charge of it but the head of the Immigration and Nationality Directorate is taking a close interest in this of course.<sup>17</sup>

**Q154 Mr Williams:** What about the prison governors? They needed to be alerted to the fact that the problem existed. How soon were they alerted?

**Sir David Normington:** I believe John has given you that answer. In this autumn period, they were alerted again.

**Q155 Mr Williams:** By then nearly all the prisoners had gone.

**Sir David Normington:** We have a process here that goes back to the setting in place of the new protocol in 2004 and the reissuing of that later. In other words, this is not something that started in the autumn of 2004.

**Q156 Mr Williams:** Did you say the reissuing of that? If that is what you are saying, it was issued in 2004 and was ignored in 2004 so you had to reissue it. I thought you were saying it was a new protocol. That is what you said earlier. Now we are being told you reissued the protocol.

**Sir David Normington:** If you want chapter and verse on this, I will have to go back and check this and provide it. I have been doing many things in the last 24 hours. I have not been checking on this issue. I will happily set out the position on that.<sup>18</sup>

**Q157 Mr Williams:** And not the sort of answer you gave Mr Bacon. It will be a full answer?

**Sir David Normington:** I gave a full answer to Mr Bacon.

**Q158 Mr Williams:** We expect a full answer within the requisite two weeks. Can I switch briefly to the issue of the qualifying of accounts? In your letter—

<sup>17</sup> *Note by witness:* In November 2005, plans were approved to increase the Criminal Casework Team's funding in 2006–07 by £2.7 million to allow the recruitment of 100 new caseworkers. Initially, we recruited 75 temporary staff and staff were seconded to the unit. These were in place by March. The full complement of 100 caseworks will come on stream from July.

<sup>18</sup> Ev 32

## Home Office

thank you for sending it to the Committee—you refer to the fact that in October the problem arose in 2004 when an experienced manager who managed the improvement in previous years took heavily qualified accounts to a clean audit in 2004. For 2003 to 2004 you had a clean audit. For how many years before that had you not had a clean audit?

**Sir John Gieve:** So far as I know, that was the first clean audit the Home Office consolidated accounts had ever had but that probably takes it back to when we moved to resource accounts in 1998.

**Q159 Mr Williams:** You say in your letter “the improvement over the previous years from heavily qualified accounts to clean accounts in 2003–04.” We have 2003–04 iceberg that hit the surface and it is clear. How many years before that were they qualified?

**Sir John Gieve:** It was several years, probably five years, in which the Home Office produced the accounts. You are going back before my time.

**Q160 Mr Williams:** It was before your time but you did not put it right during your time.

**Sir John Gieve:** We did get it right by 2003–04 but then it went wrong again in 2004–05.

**Q161 Mr Williams:** That is exactly my point. You put it right and, according to what we have here, proper books and records were not being maintained during 2004–05. It is not a matter of sliding back; proper records were not being kept when it had taken you five or six years to get to a clean slate and then you had sloppy accounting again. That does not sound as if there is a strong grip at the top. You were the Accounting Officer.

**Sir John Gieve:** Absolutely. To comment on the movement of the manager, we delayed his move to a new job for a year so that he could manage the transition to a new system, which he did, but he did not get the thing onto an even keel by the time he left. Yes, I agree. That is why it is so disappointing that, having put this effort into working with the NAO to get the Home Office accounts into decent shape, we let it slip last year.

**Q162 Mr Williams:** You only got it there the year before. You were not very good slip fielders, were you? You do not hold on to much.

**Sir John Gieve:** Looking forward—that is David’s job—I would hope that the benefits of moving to a much better accounting system will be apparent in the future accounts but of course this was a failure last year.

**Q163 Mr Williams:** It was not only a failure last year. In your letter you say that the fact that the staff working on the accounts were in Liverpool while the senior managers were in London made it less easy for the latter to assess the situation. Those are your own words. If geographic distance between two groups was of such critical importance, why were not the relevant senior finance managers moved to Liverpool where the

accounting work was being done if, as you say, distance made it less easy for them to assess the situation?

**Sir John Gieve:** Why was there a gap in communication up the hierarchy? It is not an excuse. It should not be impossible to communicate between London and Liverpool. I am not claiming this as a justification. I am just explaining. What I would have expected to happen is that if the people on the job are struggling and cannot put things right they escalate it up the hierarchy so that someone senior can put more resources in. That did not work as well as it should have done or as quickly as it should have done. I feel that if we had acted quicker there is a good chance that we would not be holding this hearing and the accounts would have been materially unqualified.

**Q164 Mr Williams:** How many years were you Accounting Officer altogether?

**Sir John Gieve:** Four and a bit.

**Q165 Mr Williams:** For only one of those years were the accounts not in trouble?

**Sir John Gieve:** The story is that when I arrived the accounts, which were resource accounts so we were shifting the system, were in trouble. Through a great deal of work over the next two or three years, we got them into good shape but as this reveals, for a number of reasons which are not excuses but they are explanations, we let our standards drop last year.

**Q166 Mr Bacon:** You have already said you will send the Audit Committee minutes. Could you also send the papers the NAO<sup>19</sup> put into the Audit Committee on 29 November which led to the minutes being produced once the Committee was over?

**Sir David Normington:** May I ask the NAO whether that is okay?

**Sir John Bourn:** Yes.

**Q167 Mr Bacon:** Also, Sir John, the letter which you wrote to Sir John Gieve which he refers to in his letter to the Committee in which, following the Audit Committee meeting, you formally warned that you might have to qualify or disclaim the accounts.

**Sir John Bourn:** As you have mentioned it, I am happy that you should see it.<sup>20</sup>

**Q168 Mr Bacon:** Finally, Mr Box, you are the director of financial audits for the Home Office. Could you say how you characterise the relationship? I notice in the letter from Sir John Gieve it says, “If they”—that is the NAO—“had believed that there were fundamental problems with the 2004–05 accounts, they would have alerted the Home Office to them” which sounds like an elliptical way of shuffling off the blame. Could you explain and characterise the ease with which you

<sup>19</sup> Ev 29–31

<sup>20</sup> Ev 31

## Home Office

were able to obtain the attention of senior managers inside the Home Office including Sir John Gieve to the seriousness of this issue?

**Mr Box:** It is a good question. We decided that Sir John was correct in the letter. When we had cause to raise it to senior management, we did so. The first time we did that formally was in a letter in October, shortly after we received the draft accounts in September. That was to the director general of corporate. Prior to that, we had regular meetings and there was an awareness of the previous incumbent in that position of the issue leading up to having to write formally about the seriousness of the concern about those draft accounts, to get it on the formal record that were seriously concerned about the Audit Committee opinion. We had active engagement in my team at officer level but also at Helen's level. It was after the meeting with Helen, after the October letter, the Audit Committee in November and Lord Carter before that Audit Committee and then the letter to the C&AG and the Permanent Secretary.

**Q169 Mr Bacon:** You escalated it because it sounds like the Audit Committee was almost like a nuclear button.

**Mr Box:** We were hoping that whilst there was an Audit Committee in July there was a delay. Sir John mentions the Audit Committee in July in his letter. He was correct in his letter to say that we did say in that Audit Committee that there were no serious concerns. That was said on the basis that we would receive a good set of accounts shortly after and we were unaware at that point in time of the issues. We did escalate it when we felt able to.

**Sir John Gieve:** I am not at all blaming Darren or the NAO. It is one of the cross checks and indeed the cross check finally issued in the Report. Everyone concerned thought that the problems in the accounts were due to problems around the transition and that those could be sorted out in good time. That turned out not to be the case. It turned out to be a massive exercise and we only realised it too late to complete that and then satisfy the NAO, which of course we had to do, that the resulting accounts were true and fair.

**Q170 Mr Williams:** This is really a matter for the C&AG arising out of the exchange between Sir David and Mr Bacon about the partial response received. Not only was it inadequate but it only referred to part of the commitment given. Sir John, as you know, we have two Reports a week, each different, each of about 60 pages, and we have supplementary briefings as well. We are rather buried in paper. In addition, we get various bundles of documents from the office with replies and subsequent letters and follow-ups from the witnesses. There is a question of privilege involved when particularly senior witnesses give a commitment to providing information to the Committee and fail to do so. It is in the interest of

the witness, whoever it happens to be, as well as in the interest of the Committee that someone is monitoring that the precise information that has been asked for is the information that is received. Would it be practicable to ask you to arrange to monitor—this may already be done—the commitments against the responses so that you pick up and alert the departments and us if the departments are not fulfilling their commitment to this Committee? It could conceivably, inadvertently put them in breach of parliamentary privilege.

**Sir John Bourn:** I am very happy to work with the clerk who has the responsibility of making it clear to departments.

**Q171 Mr Williams:** He is buried in paper as well.

**Sir John Bourn:** I will certainly discuss with the clerk how we can attend to the point that you have made. It links in with the point that Mr Clark made earlier in the session, so I will do that.

**Q172 Chairman:** I would like a note, please, on Adelphi, the new accounting system, and how it is going to help you keep track of programmes and project implementation.<sup>21</sup> I would like to know why the resolution of problems with the cash management took such a long time, despite the fundamental importance of the issue.<sup>22</sup> I would like a note on that, please. By way of a final summing up question, you have taken over this massive department now with a long history of failures in coordination. Can you give an assurance to the Committee that you are going to manage to coordinate different parts of this department more effectively in the future?

**Sir David Normington:** I can give an assurance that I am going to do my best.

**Chairman:** That is a very fair and honest answer, given the history of your office. May I sum up by saying that the Home Office's failure to have audited accounts for 2004–05 laid before Parliament means that the Home Office cannot say with certainty how much money it has spent in the year, what debts it is owed and owes to others and what assets it owns. The Treasury cannot have confidence in information provided by the Home Office. The Accounting Officer of the Home Office cannot be sure that any expenditure incurred in the year was regular. It is the view of this Committee—no doubt we will be reporting on this—that the financial management within the Home Office is well below the standard that Parliament and the public should expect and this is highlighted by the rarity of disclaimed audit cases. I am very grateful to you, Sir David. I am particularly grateful to you, Sir John, for coming this afternoon. Despite my frank correspondence with the Cabinet Secretary about your presence here, Sir John, you have been very helpful. Thank you very much.

<sup>21</sup> Ev 37–39

<sup>22</sup> Ev 34–37

### Letter from Sir John Gieve KCB to the Chairman of the Committee

Dear Mr Leigh

You have asked me to appear before the PAC next week on the Home Office Accounts for 2004-05. I thought it might be helpful to the Committee if I set out briefly in advance my understanding of what went wrong.

First I should say that, as the Permanent Secretary until December, it was my responsibility to ensure that the Home Office kept proper accounts and submitted them in good time for audit to the Comptroller and Auditor General. I apologise to you, and through you to Parliament, for our failure to do that last year.

The C&AG's Report sets out the reasons for his decision to qualify the accounts. In short the problems arose with the Home Office's departmental accounting systems and particularly in key reconciliations in the books relating to the central department (rather the Prison Service, Probation Service or other agencies). These fed through into the consolidated accounts for the whole departmental group. In examining what went wrong, I think there are two main questions:

1. What were the initial problems in 2004-05 that led to difficulties in drawing up the accounts at the end of the year;
2. Why didn't our wider control systems identify how serious these difficulties were in good time for remedial actions?

#### THE INITIAL PROBLEM

The C&AG's Report describes some of the problems we encountered in switching to a new accounting system in 2004-05. So far as I can tell there is nothing wrong with the new system itself; it offers greater efficiency, better management information and financial control. It is a standard Oracle product which was configured to fit the Home Office with the minimum of changes. I gather that the latest Gateway review of the projects (which includes HR and procurement as well as accounting modules) is positive. However, the transfer to a new system always carries risks and, in this case, these were compounded by four problems:

- (a) In order to give extra time to test the system, we decided to delay the move to a new system from April 2004, at the start of the financial year, to May. Therefore, in addition to transferring the starting balances from the 2003-04 accounts onto the new system, staff needed to transfer the movements in the accounts in April on the old system, on to the new Adelphi system. This led to significant errors and omissions.
- (b) There was a failure in the link to the national BACS payments system through which the Home Office, like most employers, pays its staff and makes other regular payments. This led to the refusal of a large number of payment orders which registered in the accounts as payments and receipts (the total amounts were £380 million and the removal of that sum from both sides of the ledger accounts for a substantial part of the £946 million gross adjustments noted in the C&AG's Report). Accounts staff had to process many thousands of payments manually.
- (c) We took advantage of the change in the system to cut back our list of suppliers for example by excluding those who had not been used recently; in practice we over-cleansed the database (reducing it from 44,000 to less than 10,000); as a result a large number of payments had to be made manually by accounts staff.
- (d) A failure in the connection between the system used by staff to claim expenses and Adelphi led to a large backlog of expenses claims which had to be cleared manually.

Dealing with these difficulties gave the staff less time to concentrate on the normal accounting processes. They were faced with the task not just of operating the new system in steady state but simultaneously of making substantial corrections to the past records. This proved beyond them and, as the C&AG notes, some of their attempts to put matters right led to further errors in the accounts. The accounts branch's capacity to deal with the problems was reduced in October 2004 when its experienced manager, who had managed the improvement over the previous years from heavily qualified accounts to a clean audit in 2003-04, moved to a new post; his replacement was less familiar with the staff, the accounts and the systems. The bank accounts were not fully reconciled during the year and the underlying difficulties were then compounded by the use of an inexperienced team to draw up the draft accounts. As a result the September draft of the Consolidated Accounts was, as the C&AG reports, full of errors.

#### RESPONSE TO THE PROBLEMS

The fact that we, like many other organisations, ran into difficulties in transferring to a new accounting system is not particularly surprising. Why didn't we spot how serious the difficulties were in time to put matters right?

The simple answer is that both the line managers and the other cross checks did identify the problems but persistently underestimated how serious they were and how much work was needed to put them right. In effect, they judged that these were teething difficulties with a new system which would be overcome

before the accounts had to be submitted. Extra resources were put into the accounts branch but they were not enough to complete the repair work which, as became clear in the autumn of last year, required a systematic check through hundreds of thousands of book entries.

The fact that the staff working on the accounts were in Liverpool while the senior managers were in London made it less easy for the latter to assess the situation. In addition they were no doubt encouraged by the fact that the 2003–04 accounts received an unqualified audit opinion after many years of qualifications. The fact that the process of preparing the accounts had run right up to the end of the allowed timescale in previous years meant that the delays in closing the accounts in 2005 did not itself ring great alarm bells.

While it is primarily a line management responsibility, the Home Office has a number of cross checks to pick up failure in controls and systems: in particular internal audit, external audit, internal project management reports and external OGC Gateway reviews. In April 2005, the Home Office was also subject to a Treasury review of financial management which reported positive progress and did not flag concerns over the accounts.

Internal audit reviewed the new accounting system in December 2004/January 2005 and noted that the performance of key reconciliations was not being carried out properly. A remedial plan was drawn up by management who asked internal audit to carry out a follow up review in March/April. The results of both reviews were reported to the April Audit Committee. The follow up review noted that a further software fix was required to reconcile the bank account fully but concluded that, ‘the majority of the proposed actions had been completed and good progress had been made in resolving these issues to a satisfactory conclusion. A further follow up visit is proposed for autumn 2005.’

At its meeting on 14 July, the Audit Committee was told that there had been delays in finishing the 2004–05 resource accounts for the core Home Office but that the, “situation should be resolved within the next couple of weeks and should not delay the NAO with the audit.” The NAO, which is represented at these meetings, confirmed that, “the audit work had started and although there had been some slippage it was not causing any real concern.”

External audit is not responsible for producing the accounts but an NAO team work regularly in the Home Office, attend the Audit Committee and have regular meetings with the Finance Director and other senior managers. If they had believed that there were fundamental problems with the 2004–05 accounts they would have alerted the Home Office to them. They raised concerns in October 2005 following the receipt of the flawed draft accounts. Even then both they and the finance team hoped it would be possible to correct the errors in time for the statutory deadline in January (indeed the NAO concluded that it would not be possible to produce an unqualified opinion only in mid-January). The situation was explained and discussed in the November Audit Committee after which the C&AG wrote to warn me formally that he might have to qualify the accounts.

The Adelphi programme was subject to four OGC Gateway reviews including two before the signing of the contract in 2003, one before the decision to implement the accounting modules in 2004, and one to a follow up on benefit realisation in early 2006. These reviews did not identify anything calling for the project to be halted and the recommendations that were made were acted upon.

Project management reports on all the Home Office’s main projects are submitted each month to the Home Office Board so there were regular reports on Adelphi—the project to replace our financial and HR systems. These reports were based on material considered by the Adelphi Programme Board. Through 2004 and 2005 they focused on a number of difficulties in implementing the HR and procurement modules but did not report fundamental difficulties on the accounting modules once those had gone live in 2004. Indeed, as late as 12 October 2005, a report I had commissioned, and which had been cleared with the relevant managers, stated badly, “a full year’s accounts were produced on Adelphi for 2005–05 and these will not be qualified.”

#### THE UPSHOT

As a result, it became clear to the Board, the chair of the Audit Committee and to me that there remained serious flaws in our accounts for 2004–05 only in late October 2005, right up against the deadline for submitting the signed accounts to the C&AG. Both the Department and the NAO worked hard to retrieve the position and new draft accounts were produced by 14 December with supporting papers by 16 December but in January the NAO concluded that they did not have enough time to carry out the checks they thought necessary before the statutory deadline.

I know that the Home Office and the NAO have done a great deal since then to try to ensure that the cash reconciliations are completed, the balance sheet as at 31 March 2005 is validated and thus that the problems in the 2004–05 accounts do not carry forward into those for 2005–06.

*Sir John Gieve KCB*

*23 April 2006*

---

---

**Letter from the Home Secretary to the Chairman of the Committee**

During the Public Accounts Committee hearing on 26 October (*Returning failed asylum applicants*), the Home Office was asked to provide the Committee with a note on the number of criminals who are failed asylum seekers and are then released from prisoner: how many there are, where they are, what type of crime they have committed, what sentences they were given and how long they served.

In answer to this question the Home Office provided a supplementary memorandum and reported that between 2001 and August 2005, 403 foreign national prisoners (FNP) completed their sentences and were released from prison without consideration being given to deportation. The figure provided related only to those prisoners who were referred to the Immigration and Nationality Directorate (IND) by the Prison Service.

At the time the Home Office reported that it was not possible to provide information on where these released criminals were. However, it is now clear that due to an oversight the department did not answer or explain why they failed to answer the specific questions raised by Richard Bacon (to provide a breakdown of how many of these were failed asylum seekers, what types of crimes they had committed, what sentences they were given or how long they had served). This is regrettable and I apologise for this.

Having undertaken thorough, intensive investigation and data cleansing over the last few weeks we now know that the figure we should have reported, covering that period 2001–05, should have been 609. I am sorry that the department has previously provided incomplete information.

We have checked back through all records and can now report that between February 1999 (when records began) and March 2006 a total of 1,023 prisoners were referred to IND for deportation action completed their custodial sentences and were released from prison without consideration of deportation, removal or other action before their release. Of the 1,023, 24 were released in the period 1999 to 2001 and 288 in the August 2005 to March 2006 period. There is an additional 123 cases where the release date is still being identified.

This increase from 403 to 1,023 reflects an analysis last month to determine the full extent of the issue. I am reporting this figure, for this longer period, so as to provide the fullest account of the issue. The team dedicated to processing these cases may well and indeed should affect this figure (probably downwards) once, amongst other things, improved contact is made with these released prisoners, and indeed consideration of these cases is already underway.

The absence of deportation consideration before completion of custodial sentence and release reflects the imperfect systems which have existed for dealing with foreign national prisoners. The ability now to report the full extent of the issue reflects the strengthening of this area of business. That strengthening is not yet complete and so there is a remote possibility of more cases coming to light as further work is undertaken.

We are undertaking detailed profiling of all 1,023 cases. I have enclosed with this letter tables (Ev 22 to Ev 23) which indicate the offences committed by those released but not considered for deportation, how many of those were failed asylum seekers and what sentences they were given. We are working with police and probation services to conclude the casework on these people.

The Immigration and Nationality Directorate has been proactive in dealing with these cases and 107 of the 1,023 have had their cases considered, leading to 20 departures.

Over the course of the last year we have been making significant improvements to the system for identifying, referring and caseworking foreign national prisoners to ensure that we are creating a system to handle this group effectively. We are increasing resources in this area to allow us to continue improving our performance and to commence deportation proceedings 12 months before targeted prisoners are due for release, which is the earliest point at which case law currently allow for consideration to commence. This should ensure that the majority of suitable prisoners are removed from the country at the appropriate point of their sentence. During 2004 and 2005 we considered approximately 5,500 cases of FNPs on release and deported approximately 3,000.

IND is also working up proposals with the Prison Service to place Immigration Service staff in key local prisons and to train and equip prison staff elsewhere to create a system whereby we can be confident that every foreign national prisoner will be identified as such as early as possible.

I will be making a written statement to Parliament on this subject today.

This letter is copied to Mr Richard Bacon who wrote to Sir David Normington on 20 March on this issue.

*Rt Hon Charles Clarke MP*  
Home Secretary

25 April 2006

**Breakdown of offences committed by Foreign National Prisoners released between February 1999 and March 2006 without deportation action being considered**

<i>Offence</i>	<i>Count</i>
ABH/GBH	54
Arson	4
Assisting/facilitating illegal entry	16
Burglary	41
Conspiracy	6
Customs (other)	6
Deception	66
Driving offences	5
Drugs—importation	20
Drugs—supply	62
Drugs—possession	95
Drugs—other	27
False imprisonment	3
False instrument	85
Fraud	33
Immigration (other)	12
Indecent assault	27
Kidnapping	4
Manslaughter	2
Murder	3
Rape	9
Robbery	93
Sex offences (minors)	5
Sex offences (other)	7
Theft and kindred	52
Violence (other)	57
Other	126
Not available	103
<b>Total</b>	<b>1,023</b>

**Breakdown of sentences imposed on Foreign National Prisoners released between February 1999 and March 2006 without deportation action being considered**

<i>Sentence length</i>	<i>Count</i>
0–11 months *	151
1+	32
12+	169
3+	177
4+	58
5+	45
6+	25
7+	9
8+	7
9+	9
10+	13
<b>Not available</b>	<b>39</b>

\* Where someone has served multiple sentences

**Breakdown of whether the persons immigration history has an asylum aspect  
Foreign National Prisoners released between February 1999 and March 2006  
without deportation being considered**

<i>Asylum/non-asylum criminal</i>	<i>Number of FNPs who have this aspect</i>
Failed asylum seeker	237
Asylum outstanding	54
No asylum aspect	650
EEA	10
British	1
Refugee	7
Not known	64

**Letter from the Permanent Secretary, Home Office to the Clerk of the Committee**

*Foreign national prisoners*

You spoke to my office on 6 July about Richard Bacon's request for further detail on the information given to the Committee of Public Accounts on foreign national prisoners (FNPs) who were released without consideration being given to deportation. I know that Richard Bacon spoke directly with my Private Secretary about this request for a breakdown of the numbers of prisoners released each month since February 1999 and within that, by type of offence (question 59).

As you know, I wrote to the Committee on 15 May fulfilling I believe, the requirement to answer to the best of our ability the series of questions on FNPs posed at the Committee of Public Accounts hearing on 26 April. I indicated in that letter and its enclosures where we were not able to provide information that had been specifically requested at that hearing with an explanation of why such data could not be provided to the Committee.

In terms of the information sought in response to question 59, to which the Committee has now returned, the enclosures to my letter of 15 May provided all the information that was then available in terms of release date of offenders and type of offence. In relation to question 59 this included a breakdown of the overall numbers released by month back to January 2004, and before that, annual information; plus a breakdown of offence. We were not able, however, to provide a cross referencing of these two tables.

I have revisited this in the light of your request at the end of last week. It remains the case that the particular information being sought is not held centrally and does not exist in one place. Providing the Committee over and above what we have already put forward would, therefore, involve a significant manual examination of individual case files and an extensive quality assurance exercise. I am not confident that at the end of it, we would have useable data of the accuracy and completeness which Parliament should expect.

On one point of detail relating to FNPs I should, for the record, point the Committee to the fact that we are now talking about a figure of 1,013 cases rather than the 1,023 figure mentioned in my letter of 15 May. On 29 June, Lin Homer wrote to the Chairman of the Home Affairs Select Committee to outline the most up date position. Paragraph 3 of the letter is relevant in the context of this response:

3. *All of the figures have now been rechecked. But it remains important that the nature of the information is understood. For the following reasons, the information that I can provide is the latest, most accurate data available, but it will inevitably be subject to a margin of error. These reasons include:*

- *the fact that we have been relying on historic, largely paper based, data systems;*
- *the absence of a unique identifying number for offenders, which the Home Secretary has already identified as a priority for action, and which, in the meantime, has severely hampered the process of accurately collecting and collating data;*
- *the fact that data will always be a snapshot of a moving picture as decisions are taken and progress is made;*
- *the continuing work done with the police and with the prison and probation services and with other agencies has built up a fuller picture of the cases, in doing so identifying inaccuracies in the information originally available.*

*The deficiencies in our systems in terms of their availability to produce accurate information enabling us to meet the challenges we face, is a key aspect of the review of IND and the wider review of the Home Office now under way.*

We are presently hampered by systems and processes which are not of sufficient quality to meet the challenges we face. I acknowledge, as has the Home Secretary, that this is not satisfactory and this is a key aspect of the fundamental review of IND on which we are presently engaged.

I am very sorry that I am not able to provide the Committee with the precise information it requests. I have tried from the beginning of this exercise, including at the hearing on 26 April and in my 15 May letter, to give as much information as I can. I will continue to do my best to help but in this case the past and current systems in IND make it difficult to provide the information in the form required.

*Sir David Normington KCB*  
*Permanent Secretary, Home Office*

10 July 2006

**Supplementary memorandum submitted by the National Audit Office**

*Question 80 (Mr Richard Bacon): Minutes of Home Office Audit Committee Meeting*

Date	29 November 2005	Time	11:30–14:30
Location	GEB Board Room P3.52		
Chairman	Patrick Carter	Secretary	Linda Hood
Members Present	Chris Littmoden	In attendance	John Gieve
	Bob Chilton		Helen Kilpatrick
	David Ross		Lin Homer (item 5)
	Richard Rosser		Darren Box (NAO)
	Gill Lungley		Fiona Spencer
			Carl Moynihan
			Christine Stewart (item 6)
			Aileen Murphie (item 4)
			Trevor Marchant (item 6)
			Steve Blake (item 6)
			Tracy Barker
			Tim Hurdle
Apologies			Kate Collins (item 4)

1. MINUTES OF PREVIOUS MEETING

1.1 No amendments were received to the minutes of 14 July 2005.

2. MATTERS ARISING

*Approval process for sub-£40 million projects*

2.1 Significant projects and programmes (those with a lifetime cost of more than £40 million) require approval from the Group Investment Board. IND has established an approval mechanism for major projects that fall below the £40 million level. NOMS are establishing a similar system to that used by IND. The rest of the core Home Office are yet to establish an approvals mechanism.

**Action**

**Helen Kilpatrick to provide the March Audit Committee with an update on the progress of an approvals mechanism for Core Home Office**

**GEB Review of Internal Audit Resources**

2.2 The Home Office internal audit currently obtains funding from a number of different sources although all the “headcount” sits with the Finance and Commercial Group. With the current focus on headcount, this mis-match means that it is difficult to ensure that limited resources are targeted on a risk basis. The GEB therefore agreed that each GEB area would fund internal audit within their area by providing both funds and headcount.

2.3 A draft paper that explains the transition process from the current situation has been discussed with key representatives of each GEB area. It is expected that this paper will be formally issued before Christmas, in time for the new arrangements to come into place by 1 April 2006.

**2.4 Departmental Reform**

The Audit Committee referred to paragraph 3.3 of the July 2005 Audit Committee and asked if a document had been issued on the shared vision. John Gieve advised that a new approach document had been issued and he would provide the Audit Committee members with a copy.

**Action**

**John Gieve to provide Audit Committee members with “shared vision” document**

### 3. PROGRAMMES AND PROJECTS

3.1 The Audit Committee were advised that the Home Office has around 40 ongoing projects but only the mission critical ones are reported to the Committee. There are five gateways (1–5) and these are largely tied into the procurement process with stage 5 being a review of benefits realised. However, for many programmes progressing past gateway 1 may take significant time and therefore a gateway 0 was introduced to ensure that major programmes still benefit from these types of reviews. It was also noted that across Government few projects had progressed past gateway 4. However, the Home Office expect to put Adelphi through gateway 5 in the New Year.

3.2 Gateways had initially been established to provide a confidential report to the “Senior Reporting Officer” on the project process. However, in future, when a project receives two consecutive “red” gateways then this will automatically lead to the NAO (Comptroller and Auditor General) being informed by the Office for Government Commerce (OGC)

#### Action

**NAO to report back at the next audit committee on the actions that it may take following the receipt of two red gateways**

### 4. FINANCIAL ACCOUNTS AND AUDITS

#### *NAO progress update*

4.1 Darren Box presented a paper on the progress of the 2004–05 Home Office Resource Account audit. The NAO had still not received a full set of accounts from the Home Office as the draft accounts received in September were of an “unacceptable quality” and “displayed a very limited understanding of how different figures within the financial statements relate to one another”. In addition, serious control weaknesses had been identified during the audit and including: weaknesses in IT controls; lack of robust year-end or monthly bank reconciliation and some weaknesses in contract management and budget monitoring.

4.2 Carl Moynihan advised the Committee that there had been issues in producing the accounts and he had taken the decision in October to rebuild the accounts. He advised that within two weeks he expected to be able to deliver a good quality set of financial statements for the NAO to review. He was therefore confident that he would meet a revised deadline of 14 December. The bank reconciliation was also progressing well and now hoped that it would be reconciled by the end of December.

4.3 Darren Box advised that subject to receiving good quality accounts and a robust bank reconciliation he would make every effort to undertake all the audit work necessary to provide a clear opinion by 31 January 2006. He cautioned that if the bank was still unreconciled then the accounts would be qualified and that the accounts must be received by 14 December to give the NAO any chance of completing the audit by the statutory deadline.

4.4 The worse case scenario was that a disclaimed opinion would be issued on the basis that the NAO had insufficient confidence in the underlying accounting records. This would be accompanied by a Report to Parliament and could lead to the Home Office being called before either the Home Affairs Select Committee or, possibly, the Public Accounts Committee, to explain.

4.5 The Audit Committee thanked the NAO for their report. They also shared some scepticism on whether the Home Office would be in a position to provide the NAO with all the information they required in order to meet the deadline of 31 January 2006. However, the Home Office should continue to make every effort to achieve a clean audit opinion but if the 14 December deadline for providing accounts to the NAO was missed then the Home Office should then recognise the inevitable and focus on the accounts and audit process for 2005–06.

#### Action

**Darren Box to advise Tim Hurdle of the status of the Home Office Accounts to be received on 14 December who would advise the Audit Committee on status.**

4.6 The Audit Committee was also concerned about the underlying problems and weaknesses in the accounting and control environment and how they might impact on the ability of the Home Office to prepare timely and accurate accounts for the 2005–06 year.

4.7 Carl Moynihan explained that the Liverpool based “Accounts Branch” did not have the necessary higher level accounting skills to ensure that all reconciliations were routinely performed and differences investigated and adjusted. Steps were being taken to re-locate this “higher level” work to London where he would be able to provide closer supervision and employ more skilled staff.

4.8 The Audit Committee wanted further assurance, in the form of a review, over the financial accounting processes and in particular the ability of the Home Office to maintain good accounting records from which the statutory accounts can be prepared in a timely manner. This review should be independent and provide steps on how the current situation could be avoided in future years. The review should also add value and

it was agreed that the Chief Internal Auditor in consultation with the Home Office Finance Director should draft a terms of reference for this review. It was recognised that while this review was urgent it should distract from completing the 2004–05 accounts and audit process

**Action**

**Tim Hurdle and Helen Kilpatrick to establish an appropriate review with the Terms of Reference to be agreed with the Chair of the Audit Committee.**

*NAO VFM audits*

4.9 Aileen Murphie presented her paper setting out the key areas for value for money examination over the next two years in the Home Office. The Committee enquired what changes had been made as a result of recent vfm reports.

**Action**

**Aileen Murphie to look at the last six reports and see what recommendations the Home Office has implemented and what has changed.**

*Adelphi controls*

4.10 Adelphi and Oracle based enterprise resource management (Finance, Procurement, HR) system had replaced the previous accounting system BASS which had limited functionality and had been implemented when “cash” accounting was the method for government.

4.11 Kate Collins explained how the Adelphi system worked including the controls that were in place. She had noted the NAO’s and internal audit’s findings and was already working with Sirius to address the weaknesses identified including concerns raised about the system administration and the log in process which have now been changed. Furthermore at a recent meeting, attended by many government departments and their bodies, the Home Office appeared to be leading the way in establishing good practice for the control environment.

**Action**

**Audit Committee to revisit in April 2006 to see if the controls are working**

5. RISK MANAGEMENT

*Unsustainable pressure on custodial capacity*

5.1 Christine Stewart presented a paper on the pressure on custodial capacity.

5.2 The current capacity is 78,432, however this will increase to 79,100 in June 2006. The population hit an all time high of 77,823 on 1 November but this has since dropped to 77,421. Historically the figures normally drop before Christmas but pick back up again in the January. It is estimated that at the current rate of increase population will exceed capacity by June next year, but this could happen as early as March, weekly meetings are held to check on population levels.

5.3 There are two means of managing this risk, either by increasing capacity or a reducing the numbers in prison. In respect of capacity, Buckley Hall prison will change from a female to a male prison and the same could happen with Peterborough prison but no decision has yet been made. In addition, there is a contingency plan of using police cells that will increase capacity by a further 400. Another 1,300 spaces could also be brought on stream in Spring 2008, however, this may be constrained by available resources.

5.4 The Home Secretary and Lord Chief Justice are also currently looking at measures to manage the demand and reduce the prison numbers. These include looking at sentencing guidelines and their implementation to increase the use of non-custodial sentences such as Home Detention Curfew (electronic tagging). Similar arrangements could also be used for prisoners currently held on remand.

5.5 The final option of last resort would be “executive release”. In practice this would mean that prisoners nearing the end of their sentence would be released earlier than under the existing schemes.

5.6 John Gieve explained that the pressure on capacity and mitigating actions carried two further risks for the Home Office. Increasing pressure on prison capacity significantly increased the risk of disorder and there was also a “credibility” risk.

*Systemic risks*

5.7 Steve Blake presented a paper on systemic risks that arose out of the 2003–04 Annual System Assurance Statement (ASAS) process. A key finding was that the Home Office often responded to key events by quickly establishing a review of the relevant process or area. These reviews generally generate many recommendations that the Home Office would accept and begin to implement. However, while effective at managing the short term “political” risk, little consideration was given to the affordability of these recommendations and as a consequence many are subsequently dropped, deferred or watered down.

5.8 John Gieve agreed that the Home Office needs to narrow the gap between the handling of a response to a particular event and implementing the identified actions. This will require a more systematic process for assessing and agreeing the affordability of proposals and of reporting this to Ministers. This could involve being more explicit about those recommendations that are critical as opposed to highly desirable. Furthermore, the monitoring of progress against these recommendations could be improved.

**Action**

**[Tim Hurdle/Steve Blake] to prepare a paper on how monitoring of responses to key reviews can be improved**

## 6. PERIODIC UPDATE

*IND guidance project*

6.1 A draft red report was issued to IND in October 2005. IND recently transferred responsibility for this to David Stephens and he will provide a response to the report after consulting colleagues and discussion at the forthcoming project board.

6.2 A key finding was that this project was set up in response to the Sutton report. However, after some good initial progress the project had slowed and the project Board had not met since December 2004. The Director General IND, Lin Homer, accepted that the project had not made as much progress as hoped and noted that IND needed to tighten up on following through internally generated reports. In order for the guidance project to move forward, David Stephens had taken responsibility and was establishing a team that included resources from the compliance audit and performance management teams.

6.3 It was also considered necessary to revisit the original recommendations in light of the introduction of the new asylum model in 2006, the points based system for managed migration in 2007 and e-borders and border management policy. Lin Homer also noted a tendency to over complicate and issue ‘too much’ guidance and she asked that the team give some thought to this and to test all guidance with front line staff first. She also noted that in future guidance will be developed as the policy is developed.

**Action**

**Lin Homer to e-mail a copy of her presentation on the Sutton Programme to the Home Office Audit Committee secretary to forward on to the members.**

**Lin Homer to provide an update to the Audit Committee on progress made on the guidance project in six months (July 2006 Audit Committee)**

## 7. REVIEW OF INTERNAL CONTROL

*Annual System Assurance Statement*

7.1 It was agreed that this topic would be deferred to the next audit committee as this would be after the 2004–05 accounts had been signed off.

**Action**

**Annual System Assurance Statement to be discussed at the March 2006 Audit Committee**

## 8. A.O.B.

*NOMS Audit Resource*

8.1 Tim Hurdle has written to Peter Brooke asking for £100,000 to resource NOMS audit. To date Tim has yet to receive a response from Peter, but he would put any response received before the Audit Committee for consideration.

**Action**

**Lord Rosser would check with NOMS for a response**

**APPENDIX 1**  
**ACTION POINTS ORIGINATING FROM THE NOVEMBER 2005 MEETING**

No	December agenda item	Issue arising	Responsibility	Action required	Minutes ref.
03/1	Matters arising	Approval process for sub £40 million projects	Helen Kilpatrick	Helen Kilpatrick to provide the March Audit Committee with an update on the progress of an approvals mechanism for Core Home Office	2.1
03/2	Matters arising	Departmental Reform	John Gieve	John Gieve to provide Audit Committee members with "shared vision" document	2.4
03/3	Programmes and Projects	Programmes and Projects	NAO	NAO to report back at the next audit committee on the actions that it may take following the receipt of two red gateways	3.2
03/4	Financial Accounts and Audits	NAO Progress Update	Darren Box	Darren Box to advise Tim Hurdle of the status of the Home Office Accounts to be received on 14 December who would advise the Audit Committee on status.	4.5
03/5	Financial Accounts and Audits	NAO Progress Update	Tim Hurdle and Helen Kilpatrick	Tim Hurdle and Helen Kilpatrick to establish an appropriate review with the Terms of Reference to be agreed with the Chair of the Audit Committee.	4.8
03/6	Financial Accounts and Audits	NAO VFM Audits	Aileen Murphie	Aileen Murphie to look at the last 6 reports and see what recommendations the Home Office has implemented and what has changed.	4.9
03/7	Financial Accounts and Audits	Adelphi Controls	Audit Committee	Audit Committee to revisit in April 2006 to see if the controls are working	4.11
03/8	Risk Management	Systemic Risks	Tim Hurdle/Steve Blake	[Tim Hurdle/Steve Blake] to prepare a paper on how monitoring of responses to key reviews can be improved	5.8
03/9	Periodic Update	IND Guidance Project	Lin Homer	Lin Homer to e-mail a copy of her presentation on the Sutton Programme to the Home Office Audit Committee secretary to forward on to the members.	6.3
03/10	Periodic Update	IND Guidance Project	Lin Homer	Lin Homer to provide an update to the Audit Committee on progress made on the guidance project in 6 months (July 2006 Audit Committee)	6.3
03/11	Review of Internal Control	Annual System Assurance Statement	Tim Hurdle	Annual System Assurance Statement to be discussed at the March 2006 Audit Committee	7.1
03/12	Review of Internal Control	NOMS Audit Resource	Lord Rosser	Lord Rosser would check with NOMS for a response	8.1

*Question 166 (Mr Richard Bacon): Papers submitted by the NAO to the Home Office Audit Committee*

## Home Office Resource Accounts 2004–05 Audit Update from the National Audit Office

## INTRODUCTION

1. The purpose of this report is to update the Audit Committee on progress with the audit of the 2004–05 resource accounts and to draw the Committee's attention to a potential audit qualification.

## QUALITY AND TIMELINESS OF DRAFT ACCOUNTS

2. The timetable agreed with the Home Office envisaged the delivery of draft consolidated accounts for audit by 30 June, with a view to certification by 30 September. The first draft accounts were not received until 9 September and contained numerous fundamental errors and internal inconsistencies, in particular with respect to cash, Supply figures and Consolidated Fund Extra Receipts. There were also material omissions or misstatements, for example with respect to the valuation of the private prison estate. A paper outlining all of the issues and errors in the draft financial statements was provided to the Home Office on 29 September. To date, we have not received a revised set of financial statements.

3. The unacceptable quality of the 2004–05 draft accounts of 9 September reflect the continuance of some fundamental underlying issues which we highlighted in our management letter on the 2003–04 accounts:

- The accounts display a very limited understanding of how different figures within financial statements relate to one another indicating skills and experience deficits within Accounts Branch.
- The accounts showed little evidence of meaningful management review at any level.
- With the notable exception of IND, there is no evidence of the accounts production process being subject to any proper project management disciplines.
- Issues raised in our previous management letters have not been actioned and appear not to have been disseminated to relevant staff around the organisation in some instances.
- The importance of accurate and timely financial reporting needs to be communicated from the top of the organisation and reinforced by active engagement with the accounts production and audit process.

## CONTROL WEAKNESSES

4. In addition to late and poor quality financial statements, serious control weaknesses have also been identified during the audit. The weaknesses include:

- **IT Controls:** There is a lack of security within key IT applications through the absence of unique identification for system administrators, no audit trails, weaknesses in controls over standing data such as the creation of supplier records, and inadequate segregation of duties on both the Adelphi Finance System and Immigration and Nationality Directorate asylum seeker systems.
- **Bank Reconciliation:** Bank reconciliations are the most fundamental of all accounting controls as they enable payment, receipts and cash balances to be validated to an external source and provide assurance about debtor and creditor balances. Due to difficulties in implementing the Adelphi accounting system, the Home Office has been unable to reconcile its cash at bank position. A consultant was employed for several months to rectify matters and was able to identify £67 million worth of transactions but a difference of £3.025 million remains at 31 March 2005. Even though this difference has now been written off to expenditure, we understand that the bank account is still not being successfully reconciled on a monthly basis in 2005–06.
- **General accounting controls:** Other basic accounting reconciliations and controls have not been performed, contract management controls are variable and we have found several instances where manual authorisation controls have lapsed.
- **Budget Monitoring:** Although there is a strong budgetary control framework in place and detailed budgetary delegations, the underlying quality of budgetary control across the Home Office is variable and in many cases it is not sufficiently robust to act as an effective mitigating control against fraud and irregularity in payment processes.

5. A further cause for concern has arisen from our review of Adelphi transaction data. It took six months for the Home Office to supply us with transaction data that we were able to reconcile successfully to the Adelphi general ledger. However, when the gross transaction value of debits and credits within this data was totalled, they each amounted to some £26,527,108,436,994, almost 2,000 times higher than the Home Office's gross expenditure for 2004–05 and approximately one and a half times higher than the estimated GDP of the entire planet. This suggests that something has gone seriously awry with Adelphi processing during 2004–05. We have yet to receive an explanation for what has happened.

6. Collectively, these control weaknesses expose the Home Office to a high risk of fraud, irregularity, poor value for money and waste in its financial operations.

#### IMPACT ON THE C&AG'S AUDIT OPINION

7. Taken together, the lack of IT and manual controls, the inability to reconcile the cash at bank position and the absence of a robust set of financial statements, mean that we need to consider the impact on the audit opinion. At this stage we are contemplating a disclaimer opinion on the accounts on the grounds that fundamental control failures mean that we are unable to form an opinion on whether the accounts are true and fair and whether expenditure recorded in them is regular.

8. In the age of Faster Closing and pre-recess certification targets, late qualified accounts are extremely damaging to the Home Office's reputation, particularly with the Treasury who are likely to exercise closer scrutiny over the unaudited resource budget outturn submitted to them each summer.

#### THE WAY FORWARD

9. It is still possible that a qualification can be avoided if the Department is able to satisfactorily reconcile its bank account and produce a cogent set of accounts. The Home Office remains committed to retrieving the situation and is working with consultants from Sirius to resolve the cash difference. Assuming that matters can be satisfactorily settled, a substantial further audit effort will be required to confirm that the accounts are "true and fair".

10. Accounts will not be available in a finalised form for the Accounting Officer to sign by the statutory deadline of 30 November. Furthermore, the Home Office has warned us that it may be unable to present signed accounts to the C&AG by 31 January 2006, the statutory deadline for laying certified accounts before Parliament.

11. We cannot issue a disclaimer opinion prior to 31 January 2006 as we have a professional obligation to consider all evidence that can be made available within statutory timescales and to undertake all possible audit procedures that might enable a qualification to be avoided.

12. If the accounts cannot be certified by 31 January 2006, the Home Office should consider seriously whether it is worth expending further time and resources on them. In these circumstances, regardless of the status of accounts and the eventual audit opinion, we would anticipate issuing a report to bring the underlying accounting and control issues leading to late accounts to Parliament's attention.

13. Looking forward to 2005-06, plans have been drawn up to transfer the financial accounting function to London from March 2006 in order to improve the Home Office's ability to recruit staff with the correct skills and to allow for improved and more visible management control. We welcome these proposals.

#### OTHER ISSUES: PRISON SERVICE EQUAL PAY CLAIM

14. Delays with the accounts mean that developments in the Prison Service equal pay claim cases could necessitate significant adjustments for post balance sheet events. The draft accounts currently reflect a provision for £1.5 million in the Prison Service accounts for the two lead cases, *Bailey & Others* and *Beechcroft, Martin & Others*. Since the Prison Service accounts were certified, however, the Service has lost its appeal against the decision of the original Employment Tribunal in *Bailey & Others*.

15. The second lead case (*Beechcroft, Martin & Others*) is expected to be heard in the four weeks commencing 16 January 2006 so is likely to be concluded before the accounts are certified. The Independent Expert appointed by the Employment Tribunal in this case has already concluded that most of the claimants perform work of equal value to their comparators thus reducing the likelihood that the Service will win the case.

16. A further 2,500 claims have been submitted to the Tribunal but are stayed pending the outcome of the 30 claims in *Beechcroft, Martin & Others*. The key issue for the 2004-05 accounts is whether a provision should be recognised for these stayed claims in view of developments on lead claims. We believe that there is a stronger case for providing for stayed cases in the 2004-05 accounts than there was in the 2003-04 accounts, given the loss of the *Bailey* appeal. If the hearing in January 2006 finds against the Service, we consider that there would be an overwhelming case for recognition of a provision. Even if the hearing is delayed, we note that the Prison Service has agreed to enter talks with the PCS union to explore common ground as a basis for a potential settlement, possibly involving a one-off payment. Consultants have also been engaged to assist in developing a job evaluation system. These actions appear to be a limited acknowledgement that there are probable liabilities associated with stayed cases.

17. A three month project is currently ongoing to estimate the potential liability associated with stayed cases. This is expected to be concluded by the end of the year. It is anticipated that the result will be in the region of £30-40 million but could be as high as £100 million. This estimate excludes interest which is likely to be charged at around 7%. Further liabilities may arise due to the Service's loss at Tribunal and on appeal of its defence against the doubling of pension rights for officers employed before 1987. This ruling if ultimately upheld could have ramifications across the Civil Service but cannot currently be quantified.

*Question 167 (Mr Richard Bacon): Letter from the Comptroller and the Auditor General to the Permanent Secretary, Home Office*

Following consideration of the matter at the Audit Committee<sup>1</sup> on 29 November, I am writing to tell you that I may have to qualify my audit opinion on the 2004-05 Home Office Resource Accounts.

The draft accounts presented to the NAO for audit on 9 September contained material errors and inconsistencies which have yet to be resolved by your staff. Consequently, the Home Office has been unable to produce accounts for you to sign as Accounting Officer by the statutory deadline of 30 November. Furthermore our audit has identified serious internal control weaknesses in the following areas:

- IT Controls: There is a lack of security within key IT applications through the absence of unique identification for system administrators, no audit trails, weaknesses in establishment of supplier records, and inadequate segregation of duties on both the Adelphi finance system and Immigration and Nationality Directorate asylum seeker systems.
- Bank Reconciliation: Due to difficulties in implementing the new Adelphi accounting system, the Home Office has been unable to reconcile its cash bank position leading to an unexplained difference of £3.025 million at 31 March 2005.
- General accounting controls: Other basic accounting reconciliations and controls have not been performed, contract management and budgetary controls are variable and manual authorisation controls are sometimes by-passed.

The combined effect of the non-availability of accounts for certification and fundamental weaknesses in internal controls mean that I am currently unable to conclude that the accounts are true and fair and that expenditure recorded within them is regular.

To avoid a qualification, the Home Office needs to reconcile the cash at bank position and produce a robust set of financial statements. I understand that work is in progress to achieve this and our staff are working together to secure a satisfactory outcome. However, if accounts cannot be laid by 31 January I may have to issue a report at that time to explain the absence of accounts to Parliament.

I will keep you and your successor Sir David Normington in the picture on significant developments and would be happy to discuss these matters with you before you leave for the Bank of England.

*Sir John Bourn KCB*  
Comptroller and Auditor General

12 December 2005

**Supplementary memorandum submitted by the Home Office**

*Question 9 (Mr Edward Leigh): Monthly breakdown of the 1,023 figure foreign nationals who have failed to be deported*

We were asked for the 1,023 figure broken down by month of release date. The table below shows the available information on the release date of the month of the 1,023 foreign national prisoners not considered for deportation.

<i>Timeline</i>	<i>Released</i>
1999	3
Before 2001	1
Before 2003	17
2000	3
2001	7
2002	10
2003	80
January 2004	11
February 2004	7
March 2004	10
April 2004	10
May 2004	11
June 2004	11
July 2004	15
August 2004	17
September 2004	21
October 2004	20
November 2004	18
December 2004	28

<sup>1</sup> Ev 24–28

<i>Timeline</i>	<i>Released</i>
January 2005	31
February 2005	28
March 2005	31
April 2005	33
May 2005	51
June 2005	52
July 2005	41
August 2005	45
September 2005	61
October 2005	49
November 2005	34
December 2005	49
January 2006	40
February 2006	30
March 2006	25
Not available	123
<b>Total</b>	<b>1,023</b>

*Clarification of apparent discrepancy between 19 “most serious” offences quoted in letter to Chairman of the Committee of Public Accounts on 25 April 2006 (Ev 33) and 13 “most serious” offences quoted in a letter from the Home Secretary to the Speaker of the House of Commons, 28 April 2006*

The information by the Home Office is different from the information previously provided to the PAC in the letter from the former Home Secretary of 25 April 2006 (Ev 21–23). This is because the immediate priority was to provide an update on the available information.

Later work investigating the situation uses data from a wider number of sources, reflecting a far more intensive investigation of each case. This has resulted in improved data which has caused, and will continue to cause, changes to the information originally provided.

*Question 16 (Mr Edward Leigh): Information regarding meetings between ministers and top officials in the Department drawing together the Prison Service and the Immigration Service and Question 156 (Mr Alan Williams): Protocols*

We said that we would clarify what communication had taken place with prison governors and the Immigration Service. The Prison Service Order (PSO) 4630, which sets out the procedures and actions relating to immigration matters was issued on 20 September 2004 and has not since been revised.

In addition, a protocol signed in December 2004, sought to improve the process of consideration for removal from prison custody to the immigration detention estate those foreign nationals held under immigration legislation.

A further message to Governors and Directors of contracted prisons reminding them of requirements to notify IND was carried out in April 2005 in one of a series of bulletins on foreign national prisoners.

Following the PAC hearing of 26 April 2006, we also reissued PSO 4630, which included revised contact details on 27 April 2006.

From October 2004 there were also regular monthly meetings at official level between the Immigration and Nationality Directorate (IND) and HM Prison Service (HMPS) on issues involving foreign national prisoners. At ministerial level, the increase pressure on the prison population in Autumn 2005 led to closer examination of the “segments” making up that population. The growing proportion of foreign nationals was highlighted and, in addition to the meetings at official level, the Home Secretary met with ministers and officials from both immigration and prisons to discuss measures to be taken. The first of these took place on 17 October 2005 on the need for closer working between IND and HMPS on a range of issues involving foreign national prisoners.

*Question 39 (Kitty Ussher): Current performance against the target for the timely removal of criminal cases*

The performance target for removal of Foreign National Prisoners is 85% within 28 days of the end of the individual’s criminal sentence.

Recent monthly performance is as follows:

December 2005	67.4%
January 2006	70.5%
February 2006	50.9%
March 2006	62.8%
April 2006	65.4%

The Home Office accepts that performance is low compared to our targets and, as described at the hearing, we have increased, and are further increasing, resources devoted to this area.

#### Updated statistics relating to foreign national prisoners

*Original breakdown of figures sent to the Committee		**Original breakdown of figures categorised into most/more/other		***Original figures validated by further work categorised into most/more/other (10/05/06)			Order of priority	
Offence	No.	Offence	No.	Total	Validated total	Total		
ABH/GBH	54	Most	Murder	3		4	Highest	
Arson	4		Manslaughter	2		2		
Assisting/facilitating illegal entry	16		Rape	9		14		
Burglary	41	More	Child sex offences	5	19	15	Higher	
Conspiracy	6		Sex offences (other)	7		8		
Customs (other)	6		Kidnapping	4		8		
Deception	66		Violence (other)/violent crime	57	68	46		
Driving Offences	5	Other	ABH/GBH	54		61		
Drugs—importation	20		Indecent assault	27		21		
Drugs—supply	62		Robbery	93		73		
Drugs—possession	95		Drugs—importation	20				
Drugs—other	27		Drugs—supply	62	(204)	184		
False imprisonment	3		Drugs—possession	95				
False instrument	85		Drugs—other	27				
Fraud	33		Burglary	41		40		
Immigration (other)	12		Arson	4		2		
Indecent assault	27		False imprisonment	3		1		
Kidnapping	4		Driving offences	5		30		
Manslaughter	2		Assisting/facilitating illegal entry	16		8		
Murder	3		Fraud	33		16		
Rape	9		Deception	66		63		
Robbery	93		Conspiracy	6		28		
Sex offences (minors)	5		Theft and kindred	52		57		
Sex offences (other)	7		False instrument	85		71		
Theft and kindred	52		Customs (other)	6		11		
Violence (other)	57		Immigration (other)	12		16		
Other	126		Other	126		86		
Not available	103		Not concluded	103		158		
<b>Total</b>	<b>1,023</b>		<b>Total</b>	<b>1,023</b>	<b>1,023</b>	<b>1,023</b>		<b>1,023</b>

\* Original breakdown of the 1,023 foreign nationals released from prison without consideration of deportation, broken down into offence (alphabetical order)

\*\* Further work to prioritise consideration of the 1,023 foreign nationals categorised the offences into “most serious”, “more serious” and others. Table shows the original breakdown sent to Edward Leigh split into these categories, and a total number for those in each category.

\*\*\* As work continues to compile information on the 1,023 individuals, we are to provide updated breakdowns. Table shows new breakdown split into most/more/other categories, and updated total for each category.

The Home Office is not at this stage able to provide the Committee with information on the prisons from which the 1,023 foreign nationals were released, the length of sentence for the 1,023 foreign nationals, or how long they have served. This information is contained in individual case files but was not entered electronically in every case in a central system. This means that it would be a very big manual job to produce this information and it would be of doubtful reliability.

*Question 62 (Mr Richard Bacon): Home Office estimates on Foreign National Prisoners prior to 1999*

There was no IND system to capture information on foreign nationals released from prison pre-1999 when a system of records was established. Comprehensive statistical information on prison discharges is not collated centrally. However, the number of those entering prison establishments under sentence each year can provide some indication of the number of sentenced prisoners discharged in a year. Information on foreign nationals entering prison establishments under sentence is available from 1993 onwards and this figure was 21,102 in England and Wales (1993–98 inclusive). The breakdown of each year is as follows:

1993	1994	1995	1996	1997	1998
2,218	2,746	3,405	3,671	4,167	4,895

*Figures provided by Research, Development and Statistics, NOMS.*

The table below shows the number of deportations broken down into year. However, it must be noted that prior to October 2000, these figures will also include people we now deal with as administrative removal, including those removed for overstaying or working in breach of conditions. The figures below include these categories as well as the deportation of Foreign National Prisoners and those with a family connection.

1993	1994	1995	1996	1997	1998
2,280	1,920	1,920	2,000	2,070	1,730

*Figures provided by Research, Development and Statistics, IND.*

*Question 135 (Annette Brooke): Forecast of numbers IND and HMPS anticipate dealing with over the next year*

The prison population projections produced by the Research, Development and Statistic branch of the National Offender Management Service (RDS NOMS) have not provided separate estimates for foreign nationals and there are currently no forecasts of flows of foreign national prisoners through the system. The growth in the foreign national prisoner population has been accompanied by changes in the profiles of nationalities, reflecting to some extent changes in the nature of make up of the general UK population, for example, the influx of visitors and migrant from EU Accession countries since May 2004.

There are currently no long term forecasted intake figures for foreign national prisoners, although work on this is being taken forward as a priority. Until that work is completed we are working on the basis of 600 new cases per month (based on April 2006 intake). Work is underway to assess the resources needed, based on this workload.

*Question 149 (Mr Alan Williams): Breakdown of 1,023 by the prison that they were released from*

The Committee also requested the 1,023 figure broken down by the prison from which they were released. However, whilst this information is contained in individuals' case files, it was not entered electronically in every case into a central system. The fact that a prison is not recorded on the central system does not affect whether an individual will have been considered for deportation.

*Question 172 (Mr Edward Leigh): Resolution of problems with cash management*

1. This note sets out the background to the cash management problems and the progress that has now been achieved in reconciling the cash. In summary:

- The Paymaster General (PGO) account is reconciled for 2004–05 and 2005–06. Reconciliations will be carried out on a monthly basis for 2006–07.
- In April 2006 the NAO confirmed that they were satisfied with the bank reconciliation of the PGO account for 2004–05.
- In May 2006 the Natwest Bank accounts for 2004–05 have been reconciled and the reconciliations are being reviewed by the NAO. Reconciliations for 2005–06 have been completed up to 28 February 2006 (the reconciliation as at 31 March 2006 will be completed shortly).
- The reconciliation of the PGO and Natwest Bank accounts have not disclosed any evidence of fraud.

## 2. *The initial technical problem—Paymaster General Account (May 2004)*

2.1 Shortly after the new accounting system went live the Home Office encountered a failure in its BACS payment facilities which prevented it from being able to make BACS payments from the Paymaster General account. Normally the Home Office would make daily payment runs but during the first three weeks of operation was only able to complete four payment runs. This had a severe impact on the payment processes of the Home Office and created difficulties with suppliers who were demanding immediate payment. This created a number of problems for the Home Office as BACS payments, which had been started in the accounting system but not completed, had to be cancelled (voided) on the system and alternative manual payments made. Payments totalling some £380 million were successfully voided using this process. However, for some £67 million of payments the voiding process did not work properly. The transactions were effectively only partly cancelled and this resulted in an error report of 300 pages and approximately 12,000 transactions. The problem was logged with Fujitsu Services in the early part of June 2004. At this time the problem was thought to relate only to the accounts payable module. The implications for the cash management module were not qualified or understood at this stage.

## 3. *Resolution of the technical problem by Fujitsu Services—June 2004 to May 2005*

3.1 Fujitsu Services referred this issue to Oracle during June 2004 for resolution. As a result of escalation of the problem by Fujitsu Services, Oracle delivered a technical solution in January 2005. The solution was applied to a test environment by Fujitsu Services and thoroughly tested before being finally applied to the live Adelphi environment in May 2005. The overall effect of this solution was to create an accounting entry which adjusted the bank account and creditor balances by £67 million (This is the background to the £67 million referred to in Table 1, lines 5 and 9 in paragraph 17).

## 4. *Cash management reconciliation difficulties—Paymaster General Account May 2004 to December 2004*

4.1 Cash management went live during May 2004 and early efforts to reconcile the cash management system were hampered by the business and consequent accounting issues generated by the BACS problems. It also became clear that the team operating the cash management module, who had been involved in the design, build and implementation of the module, did not fully implement the daily, weekly and month end processes. Because errors were made and processes not followed the bank reconciliation did not successfully reconcile bank balances in the general ledger to the bank statement balance.

4.2 Early reconciliations produced for June and July 2004 highlighted that there were differences that were not resolved. It was at this time that the cash management team recognised that the accounts payable problem, which had been logged with Sirius, was a contributing factor. The presumption of the team was that, once Oracle had delivered a solution, the bank reconciliation would then balance. Cash management staff did not flag up to senior management that they were experiencing problems and there was no evidence of bank reconciliations being reviewed by management chain outside of the cash management team.

## 5. *Review by Internal Audit—December 2004 to February 2005*

5.1 Between December 2004 and early February 2005, the Home Office Audit and Assurance Unit (AAU) undertook a review of the financial accounting controls. On the 14 February 2005, they told the Head of the Accounting and Financial Unit and the Director of Performance and Finance Directorate that there were serious issues on the bank reconciliation. AAU confirmed that there was no effective scrutiny of the bank reconciliation and that the first time the reconciliation was reviewed by senior management was in February 2005. An independent Oracle experienced consultant was immediately brought in to help with the reconciliation and an action plan was put in place. A follow up review by AAU was undertaken during April 2005. The progress reported to the April Audit Committee was that the bank reconciliation position had improved but had not been fully reconciled, as a software solution was required.

## 6. *Action undertaken by the Home Office to reconcile cash management—February 2005 to December 2005*

6.1 With assistance from the Oracle experienced contractor, the team were able to make progress on the cash management reconciliation. By June 2005 they knew that the solution provided by Fujitsu explained £67 million of the reconciliation difference but they were unable to resolve a remaining unreconciled difference of £3.035 million. Attempts to investigate this were hampered by the fact that reports available from the system at the time could not be run retrospectively. One million transactions had been processed through the account hence a manual reconciliation approach was not possible.

6.2 Faced with this problem, the judgement of the cash management team was that there were compensating differences in debtor and various other creditor accounts. Writing off these compensating unreconciled balances in these accounts to the Operating Cost Statement would make the closing balances as at 31 March 2005 correct. These entries were reflected in the accounts presented to the NAO on 9 September for audit.

6.3 Following on from their audit work, the NAO escalated their view that the accounts were inadequate to the Director of Performance and Finance during October 2005. They indicated that they were concerned that the unreconciled difference of £3.035 million could mask substantial errors and potential losses. The Home Office discussed with Fujitsu Services whether a systems based reconciliation was possible and following a scoping exercise, work commenced in the first week of November. By the 14 December the bank account was reconciled to within £3,500 and working papers were provided to the NAO for them to review.

## 7. Conclusion from reconciliation work on Paymaster General Account

7.1 Our work on reconciling the Paymaster General Bank Account has confirmed the following points:

- there was no evidence of fraud or loss; and
- there were no substantial errors in the resource accounts which needed correction as a result of completing the reconciliation—this work did not contribute to the changes in account balances between the accounts submitted on 9 September 2005 and those laid before Parliament on 31 January 2006.

7.2 Following further work by the NAO since the end of January 2006 they have confirmed that they are content with the reconciliation for 31 March 2005. They also confirmed through their review that the £3,500 difference did not mask larger offsetting differences.

7.3 Although the NAO refer to £946 million of gross adjustments in paragraph 17, this produced a net adjustment between bank and creditors of £67 million. This was reflected in the accounts submitted in September 2005. A number of adjustments actually had no overall effect on the accounts (eg £760 million reflected entries to eliminate from the cash accounts matching payments and receipts resulting from the £380 million failed BACs transactions in May 2004). Similarly the gross value of corrections needed to reflect the accounting entries associated with the application of the solution provided by Fujitsu totalled £180 million to produce the net adjustment between bank and creditors of £67 million.

### *Background information: Home Office banking arrangements*

There are two main types of bank accounts used to finance Home Office operations. These are an account with the Paymaster General and a facility with the National Westminster Bank.

#### *Paymaster General Bank Account*

The Home Office has an account with the Paymaster General through which:

- all exchequer funding is channelled;
- all major payments are made; and
- any receipts generated by the Home Office are processed (both Appropriations in Aid and Consolidated Fund Extra Receipts).

Paragraphs 16 to 18 and Tables 1 and 2 refer to this account.

The Paymaster General Bank Account was reconciled by the Home Office and audited by the NAO as at 31 March 2004. No problems were noted by the NAO and issued an unqualified Audit Opinion on the resource accounts for 2003–04.

#### *National Westminster Bank Accounts*

The Home Office has a facility with National Westminster Bank to provide a local banking facility to Home Office functions which need to bank receipts (eg receipts associated with asylum processes such as Leave to Remain fees) or provide a local petty cash facility to remote offices. There are two umbrella accounts which during the course of 2004–05 had up to 47 sub accounts which operate overnight sweeping arrangements and an automatic transfer to combined balances over £40,000 into the main Home Office Paymaster General Account. The NAO report refers to this in paragraph 19.

In 2004–05 there was no process or review process in place to ensure that reconciliation of the Natwest accounts were completed on a monthly basis.

Home Office sponsored agencies and NDPBs have their own bank accounts which are outside of these arrangements and were not affected by the Home Office problems.

#### *Adelphi*

In May 2004 the Home Office went live with its Oracle financial system (Adelphi), which comprised of a General Ledger (which records transaction information and is used to report financial performance in the Home Office), and the following modules:

- accounts payable;
- accounts receivable; and

- cash management (the module which reconciles cash transactions in the Home Office books to bank statements produced by Paymaster General).

The cash management team, who had participated in the design, build and implementation of the cash management module, were trained in its day to day operation and were responsible for the operation and were responsible for the operation and reconciliation of the module from May 2004. During 2004–05 the bank account in the General Ledger would have processed around one million transactions.

*Question 172 (Mr Edward Leigh): Use of Adelphi to keep track of programmes and project implementation Adelphi*

This note describes the Home Office Adelphi system, including the accounting facilities it provides, and describes how this can contribute to better programme and project management, as requested by Public Accounts Committee on 26 April 2006 (Question 172).

The Adelphi system is a major step forward in supporting the management of finance, human resources (HR) and procurement in the Home Office. There have been some transitional problems in introducing the new system, but overall Adelphi provides a sound business solution that is already delivering real benefit. Project and programme management are not the primary purpose of the system, but Adelphi can nevertheless make a useful contribution to these areas, as described in this note.

*Business rationale*

The Adelphi system provides an integrated business solution for administration of finance, HR and procurement in the non-Agency Home Office, including central policy directorates and the Immigration and Nationality Directorate.

The business rationale for Adelphi arose from the need to replace outdated legacy systems for finance and human resources (HR); and to introduce a central system to support procurement. The most effective way to do this was considered to be a class of business solution known as an Enterprise Resource Planning (ERP) system. The Oracle eBusiness suite was selected as best meeting Home Office business requirements.

The projected benefits of the proposed solution include productivity improvements through automation, sharing (rather than replicating) data and better management information and control over the resources used by the Home Office.

Total costs are estimated as £79 million and total benefits are estimated as £118 million. Of the total benefits, 76% (£91 million) are considered to be cashable.

*Development and rollout*

The Adelphi system was developed for the Home Office by the Sirius consortium including Fujitsu Services (lead contractor) and IBM Consulting (business advice services), under the IT 2000 PFI contract which also includes general provision of Home Office IT and telecoms. The proposal was subject to robust commercial negotiation, including a benchmarking study by the Gartner Group. The resulting programme was subject to an OGC Gateway 3 review (investment decision) before agreement was signed in May 2003, envisaging that the solution would be delivered to the Home Office ready for use from 1 April 2004.

An OGC Gateway 4 (readiness for service) review was held in February 2004, towards the end of the design, build and test phase of the project. The rollout of the system was phased, avoiding a ‘big bang’ implementation, in accordance with best practice and OGC recommendations. Core finance modules except for fixed assets (see below) were fully implemented in May 2004; core HR modules were fully rolled out by the end of September 2004; and a rolling programme to implement procurement was completed in March 2005. An automated interface from Adelphi HR to the Home Office payroll system (ePayfact) entered full operational service in April 2006. All the original intended functionality has now been rolled out except for HR self service; an interface from payroll to Adelphi General Ledger reporting monthly pay spend; and fixed assets (see section on finance modules, below). Work is continuing on each of these items.

The Oracle system requires a very disciplined approach to data quality and adherence to specified business processes. It also requires an integrated approach between finance, HR and procurement. Taken together all of this represented a substantial challenge for the Home Office, as it does for many or most organisations introducing an ERP solution. However the potential benefits of a fully integrated resource management system, and modern industry standard processes and IT, more than justified the business change required.

Agreement was reached at an early stage of the project that in keeping with best practice, the Oracle solution would be used without major technical customisation (a so called “vanilla” implementation). In other words, where the design revealed any conflict between the two, Home Office business processes would be adapted to fit the Oracle solution rather than *vice versa*. This reduces technical risk and has considerable lifetime benefits in reducing the cost and complexity of implementing future upgrades to the core Oracle eBusiness suite—although it may increase the extent of business change required by the organisation.

### *Finance modules*

Four finance modules (accounts payable, accounts receivable, general ledger and cash management) have been live since May 2004. The Adelphi fixed asset module is not yet live (and has not been paid for) because it could not calculate the modified historic cost accounting adjustments required for resource accounts. Oracle has recently provided a proposed solution for this problem which is being tested. A decision has yet to be taken on when this will be rolled out. Fixed asset calculations were therefore undertaken outside of the Adelphi System in 2004–05 and 2005–06.

Adelphi has already delivered a substantial advance on previous financial reporting and now provides budget managers with a single source for standard budget reporting, early in each month, providing transparency at each level. Budget managers therefore have significantly better information presented to them to enable timely action to take place in response to trends and exceptions.

### *Procurement*

The Adelphi procurement system provides substantially improved controls to ensure that expenditure on the purchase of goods and services from third party suppliers is properly authorised and that an invoice is properly linked to an authorised purchase order (and to receipt, where 3-way matching is required). It also provides Home Office-wide reporting on procurement activity and will increasingly allow better management of the Department's commercial activities with suppliers. Suppliers are now provided with a single point of contact with the Home Office in relation to payment of invoices, and have been advised that invoices will not be accepted without a reference to a matching purchase order ("No Order, No Payment"). This enforces the disciplined, industry-standard approach.

Widespread introduction of the Government Procurement Card (GPC) has at the same time enabled small payments to be handled efficiently, but still to be brought into the Home Office accounting system and integrated into management information reporting.

Adelphi delivers better management controls eg over access to data and transactions; authorisation; and accountability. In the light of internal audit and NAO observations, steps have been taken to improve and to establish further audit controls and transaction history, and to monitor access by Sirius technical support.

Within the overall Home Office performance on prompt payment, the record of the central Home Office has been unsatisfactory. The changes made by the Adelphi programme to centralised invoice processing, the GPC and standard purchase orders will improve the situation. This improvement began in 2005–06 and has continued following the introduction of "No Order, No Payment". In April 2006, 86% of invoices in the central Home Office were paid on time.

### *Benefit realisation*

The Adelphi Programme has developed a detailed approach to benefits management which has been maintained throughout the delivery and operation of the system. An OGC Gateway 5 (benefit evaluation) review was held in early 2006 and confirmed that Adelphi had delivered overall benefits largely in line with the expectations set in the Business Case. There is no doubt however that the early stages of implementation of Adelphi created considerable strains in the business which contributed to the serious problems on the Home Office accounts.

Adelphi will also be an important enabler as a working platform for the Single Transactional Shared Service (STSS) programme under way in the Home Office.

### *Lessons learned*

Several approaches adopted by the programme reflect good practice. These include: "hands on" conference room pilots to support the design and work on an early prototype of the intended solution, engaging business practitioners closely in that activity; integration between finance, HR and procurement; the "vanilla" approach to deploying the Oracle solution, avoiding customisation of the product; and significant investment in training, change management and business process design, recognising that this was a holistic business change programme, not just a technical system design.

A number of lessons have been learned about aspects of the programme which could have been handled better. Probably the most important lesson is that the scale of business change in implementing such a major new business system was still underestimated by the organisation as a whole, leading to slow take up of the full potential—and to some mistakes. In particular the problems in producing the 2004–05 accounts included not fully understanding how to reconcile the balances taken on from the BASS legacy system; not fully appreciating the implications of losing a key member of staff; and not fully undertaking the off-system controls of reconciling bank and suspense accounts.

As all of this has become better understood it has enabled improvements in processes and data quality to be made with a view to achieving the full potential of the system.

---

*Programme and project management*

The Home Office undertakes a variety of major programmes and projects to deliver a range of improvements and essential changes. Adelphi itself is of course one example.

The Home Office is giving a strong focus to improving programme and project management generally, for example through:

- adoption of strong programme and project management, and financial management, disciplines, including guidance;
- linking this to development of individual skills and competencies eg through the Professional Skills for Government initiative;
- central co-ordination and progress tracking for major projects;
- making use of relevant skills from outside the Department where these are necessary, eg business analysis, specialist project management, testing of software and new business processes; undertaking appropriate strategy reviews;
- engaging external scrutiny including OGC gateway reviews;
- ensuring that projects are adequately resourced;
- learning the lessons of previous projects and programmes; and
- encouraging a business culture in which necessary decisions are taken rather than avoided and risks are managed proactively.

The Adelphi system has not been developed specifically to manage projects and programmes, but can assist nevertheless, for example:

- use of main cost centres to track cost of major projects;
  - inclusion in the chart of accounts of the facility to include project codes which will be of particular use in tracking the cost of projects or programmes that cross-cut organisational boundaries and multiple financial years;
  - use of financial reporting to report on the above;
  - a best practice group (Chart of Accounts Review Panel) has been established to promote effective use of General Ledger coding;
  - use of Adelphi procurement to manage contracts and contractors effectively; and
  - Oracle Training Administration (OTA) has now been rolled out and is being used by training administration teams which will capture individuals' attendance eg on project or financial management courses.
-