

# Audit, Pensions and Standards Committee

## Supplementary Documentation

Thursday 27 June 2013

7.00 pm

COURTYARD ROOM - HAMMERSMITH TOWN HALL

At its meeting on 9 December 2010, the Committee agreed that limited and nil assurance audit reports be circulated to members separately to the main agenda. The relevant papers are attached, and are also available with the main agenda online

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Reports on the open agenda are available on the [Council's website](http://www.lbhf.gov.uk/Directory/Council_and_Democracy):  
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Date Issued: 19 June 2013


# **Audit, Pensions and Standards Committee Supplementary Documentation**

27 June 2013

<b><u>Item</u></b>		<b><u>Pages</u></b>
<b>16.</b>	<b>INTERNAL AUDIT QUARTERLY REPORT</b> Limited Assurance Reports issued in the period are attached.	1 - 60

## London Borough of Hammersmith & Fulham

### Final Internal Audit Report – Voids Management Performance Reporting

	Nil	Limited	Satisfactory	Substantial
<b>Audit Opinion</b>				

*The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management’s responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.*

*This report is prepared solely for the use of Audit Committees and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.*

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## 1. Introduction

- 1.1. As part of the 2012/13 Internal Audit Plan, agreed by the Audit and Pensions Committee on 15 March 2012 and as requested by the Director of Finance and Resources for Housing and Regeneration in September 2012, we have undertaken an audit of Voids Management Performance Reporting.
- 1.2. The Council's owned and managed housing stock comprises of approximately 13,000 rented homes and 4,400 leasehold homes
- 1.3. One of the performance indicators monitored as part of managing the housing stock is for turnaround times to re-let empty properties (voids). The Rehousing and Voids Procedure states that all voids should be included in the turnaround time calculation, with the exception of exclusions. Exclusions are defined as voids that become vacant as a result of:
  - A tenant being decanted for major works,
  - Sale or demolition voids,
  - Voids arising from mutual exchange, and
  - Void periods for properties taken over by the police or used by TRAs as for show flats or other purposes
- 1.4. Re-housing and voids officers have the responsibility to decide whether any exclusions can be applied to the void periods based on consideration of the type of works being undertaken.

**2. Scope and Summary of Findings**

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Void Management Policy and Procedure			0	2	0
Exclusions			1	2	0
Performance Management and Monitoring			0	1	0

### 3. Key Findings

3.1. One priority 1 recommendation was raised as part of this audit.

3.1.1. A number of data entry errors and anomalies were identified on the report showing completed dwelling voids between April 2012 to October 2012 and could not be explained. These included:

- Start dates being included for the exclusion period applied for works or by the rehousing team but not end dates (Void ref: 17624, 17854, 18025, 18206, 18828, 18857, 19063).
- Negative net void days (Void ref: 16314, 17352, 18104, and 19490).
- Eight exclusions applied against one property (Void ref: 19363) where some overlap and for one the exclusion end date is prior to the start date.
- End of works date is prior to start of works date (Void ref: 17880 and 18158) leading to net days being higher than total days void.

3.2. The remaining recommendations cover a number of themes across voids management and performance monitoring. Areas where recommendations have been raised include:

3.2.1. The Rehousing and Voids procedure provided made reference to H&F Homes, which has been integrated into the Council as the Housing and Regeneration Department since April 2011.

3.2.2. staff have not been provided with training regarding applying and documenting voids exclusions.

- 3.2.3. The reasons for applying exclusions were not clear on the Northgate system notes in four of five cases tested in respect of the Rehousing Team (Void ref: 17982, 18111, 18120, and 18267). We were informed that this could be due to inconsistent recording practices adopted by the officers.
  - 3.2.4. Exclusions had not been applied to the voids calculation in two cases (Void ref: 17571 and 18576) and it was not clear whether exclusions could have been applied in a further two cases (Void ref: 17600 and 18028) of total ten voids tested.
  - 3.2.5. The rolling record of voids with turnaround times over 26 days that is reviewed weekly does not document individual cases where exclusions should be applied but have not been.
- 3.3. Detailed recommendations can be found Appendix 1.



## 4. Audit Glossary

4.1. In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
<b>Substantial Assurance</b>	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

4.2. All recommendations also carry a priority weighting using the following classification:

Priority	Description
1	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system’s objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
2	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
3	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

4.3. It is recognised that there may be specific instances when full implementation may not be possible within the timescales defined above. In these instances, realistic timetables will need to be agreed with Internal Audit and consideration should be given to interim measures to partially or temporarily mitigate the identified risk until full implementation is possible.

## 5. Acknowledgement

5.1. Internal Audit would like to thank the officers involved with this audit for their assistance and co-operation.

## APPENDIX 1 – ACTION PLAN

Priority	Test Result/ Issue	Identified Risk	Recommendation	Management Response	Responsible Officer	Agreed Deadline
<i>1. Void Management Policy and Procedure</i>						
2	<p><b>Policies and Procedures</b></p> <p>We were provided with a copy of the Rehousing and Voids procedure. The policy refers to H&amp;F Homes, which was integrated into the Council as the Housing and Regeneration Department in April 2011 indicating that it has not been reviewed since then.</p> <p>The policy makes reference to BVPI212, a central government indicator for average time taken to re-let properties, which has been abolished.</p> <p>Detailed examples of the types of exclusions that should be applied</p>	<p>Where the Rehousing and Voids procedure is not reviewed regularly, there is an increased risk that staff members adopt incorrect or out of date working practices.</p> <p>Where the procedure does not clearly define the accepted reasons for applying exclusions, there is an increased risk that exclusions will not be applied correctly and that the voids Key Performance Indicator will be inaccurate.</p>	<p>The Rehousing and Voids procedure should be reviewed and updated as part of the review of all Housing and Regeneration Department policies and procedures.</p> <p>This update should include a listing of the circumstances where exclusions can be applied in relation to voids, both within the Voids Team and the Rehousing Team.</p>	<p>Agreed</p> <p>The void procedure will be reviewed as part of a wider review of housing policies and procedures. The voids procedure is scheduled to be completed by April 2013</p> <p>A defined list of exclusions and a void exclusion template are being created and will be signed off by the Director of Housing services. This will cover Housing management related voids exclusions and exclusion which are</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Part 1 – 30 April 2013</p> <p>Part 2 – 28 February 2013</p>

Priority	Test Result/ Issue	Identified Risk	Recommendation	Management Response	Responsible Officer	Agreed Deadline
	<p>by the Rehousing team had not been documented.</p> <p>The policy contained names of individuals that were no longer employed by the Council as well as departments that no longer existed.</p> <p>We were informed that all H&amp;F Homes policies are being reviewed by the end of 2012 as part of Housing and Regeneration Department internal reorganisation.</p>			<p>outside of the councils management control – for example due to police operations. Heads of service will approve applied exclusions at a weekly void review meeting</p> <p>Void exclusions related to capital works and disposals will remain with asset management and property services, supported by housing management through the Rehousing &amp; Voids Manager.</p>		

2	<p><b>Staff Training</b></p> <p>Discussions with the Director of Housing Services and the Head of Neighbourhood Services established that staff have not been provided with training regarding applying and documenting voids exclusions.</p>	<p>Where staff are not provided with training regarding voids exclusions and their correct application, there is an increased risk that staff do not apply exclusions correctly.</p>	<p>Staff should be provided with formal training regarding voids exclusions application and documentation. This training could be provided in following the redesign of the voids policy.</p>	<p>Agreed -</p> <p>Staff have previously been trained and will be trained on the list of exclusions and exclusions template and will be involved in the development of the new void policy and procedures.</p> <p>It should be noted that the Rehousing and Voids Manager is responsible for applying exclusions, with staff providing supporting information.</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>30 April 2013</p>
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2. Exclusions						
2	<p><b>Evidence of Exclusions</b></p> <p>The reasons for applying exclusions were not clear from the Northgate system notes in four of five cases tested applied by the Rehousing Team (Voids ref: 17982, 18111, 18120, and 18267).</p> <p>Discussions with the Head of Neighbourhood Services established that a reason for this could be the inconsistent use of language used by different officers when making notes on the Northgate system.</p>	<p>Where appropriate evidence to support the application of exclusions is not documented, there is an increased risk that exclusions cannot be supported. This may result in reduced assurance that the Key Performance Indicator for voids is accurate.</p>	<p>Staff should be formally reminded of the requirement to maintain detailed notes to support exclusions. This should include the use of consistent terminology.</p>	<p>Agreed – as above staff will be training on the exclusions list and procedures</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>30 April 2013</p>

2	<p><b>Exclusions</b></p> <p>From a sample of ten voids with turnaround time greater than 26 days, two cases were identified where exclusions could have been applied but were not (Void ref: 17571 and 18576).</p> <p>In another two cases (Void ref: 17600 and 18028), we could not be provided with explanations for the void turnaround time being greater than 26 days.</p>	<p>Where exclusions are not applied, there is an increased risk that the void turnaround KPI is inaccurate.</p>	<p>Staff should be formally reminded of the requirement to apply all appropriate exclusions.</p> <p>In the two cases identified retrospective exclusions should be applied to the voids.</p> <p>In the two cases where explanations could not be provided, the reasons for the void turnaround time in excess of 26 days should be determined and exclusions applied if required.</p>	<p>Agreed - Although the void and re-housing manager to apply the appropriate void exclusions on iworld having been agreed with the Heads of Neighbourhood Housing Services at a weekly review meeting</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>
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1	<p><b>Data Entry Errors</b> Examination of the report showing completed dwelling voids in the period April 2012 to October 2012 identified a number of errors and anomalies that could not be explained:</p> <ul style="list-style-type: none"> <li>• Start dates entered on the system for the exclusion period applied for works or by the rehousing team but not end dates (Void ref: 17624, 17854, 18025, 18206, 18828, 18857, 19063);</li> <li>• Negative net void days (Void ref: 16314, 17352, 18104, and 19490);</li> <li>• Negative exclusions leading to net days (total days void less</li> </ul>	<p>Where there are data errors and anomalies within the Northgate system, there is an increased risk that the KPI data reported is inaccurate. This may result in incorrect decisions being made by the Council.</p>	<p>The 'list of completed dwelling voids' report should be reviewed and where data errors are identified, these should be corrected.</p> <p>Management should investigate whether data validation checks can be embedded within the Northgate system to prevent invalid data from being entered.</p>	<p>Agreed – as above. the list of closed voids are reviewed at dedicated weekly void management meeting. All exclusions are reviewed and cleared by the responsible Heads of Neighbourhood Housing Services.</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>
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	<p>exclusions), being higher than total days void (Void ref: 17880 and 1815);</p> <ul style="list-style-type: none"><li>• Eight exclusions applied against one property (Void ref: 19363) with overlapping exclusion periods and one exclusion end date that was prior to the start date; and</li></ul> <p>In one case (Void ref: 17600) from a sample of ten voids with a turnaround time greater than 26 days the 'Excluded Works Start Date' on the system was 01-JAN-1900.</p>					
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3. Performance Monitoring and Management						
2	<p><b>Applicable Exclusions</b></p> <p>The Head of Neighbourhood Services maintains a rolling record of voids which do not meet the target turnaround time of 26 days. However, it does not evidence review of whether exclusions could be applied in each case had been completed or whether exclusions granted are valid.</p>	<p>Where the record of voids over the 26 day target is not reviewed to confirm exclusions have been applied correctly, there is an increased risk that the void turnaround KPI is inaccurate.</p>	<p>The Head of Neighbourhood Services should review individual cases on the list of voids over the target turnaround time to ensure that exclusions have been applied correctly. Where discrepancies in the application of exclusions are identified, these should be followed up with Voids and Rehousing officers.</p>	<p>The weekly void performance meeting with the Heads of Neighbourhood Housing Services, the service transformation manager and voids and re-housing manager reviews action against the current void properties and reviews the closed void properties to ensure correct exclusions are applied and that lessons learnt are recorded for future service improvement</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>

## APPENDIX 2 – TERMS OF REFERENCE

### Outline Scope and Boundaries for Audit

This audit will be a risk based review of the arrangements for leasehold services income collection and will include the following areas:

Ref	Audit Area – Description	Comments on Coverage / Area Objectives
1	Void Management Policy and Procedure	A void management policy and procedure exists and is communicated to all relevant staff.
2	Exclusions	All valid exclusions to the void turnaround period are applied promptly onto the system in line with agreed procedures.
3	Performance Monitoring and Management	Void property information is completely, accurately and timely produced and reviewed to allow for effective monitoring, decision making and reporting.
		Where poor performance is identified corrective action is taken.


## **APPENDIX 4 – DISTRIBUTION LIST**

Copies of this report have been distributed to:

- Margaret French                      Rehousing and Voids Manager
- Alex Banner                            Head of Neighbourhood Services
- Jo Rowlands                            Director of Housing Services
- Kathleen Corbett                      Director of Finance, Housing and Regeneration

London Borough of Hammersmith & Fulham, Royal Borough of Kensington & Chelsea and Westminster City Council

Draft Internal Audit Report – ICT Programme Management  
(Tri-Borough)

	Nil	Limited	Satisfactory	Substantial
<b>Audit Opinion</b>				

*The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management’s responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.*

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## 1. Introduction

- 1.1. An internal audit of the ICT Programme Management across the three Boroughs was conducted as part of the 2012/13 audit plan.
- 1.2. In February 2011, the London Borough of Hammersmith and Fulham (H&F), The Royal Borough of Kensington and Chelsea (RBKC) and the City of Westminster (WCC) published a report entitled 'Bold Ideas for Challenging Times'. This report set out a detailed plan to share services, combine back office and reduce management costs
- 1.3. A progress report published on 18 June 2012 stated that H&F, RBKC and WCC are on track to save £40million-a-year by 2015/16 by combining services and reduce management costs. This financial year, £7.7million of savings are predicted across the three authorities.
- 1.4. To support the ICT requirements of shared working for the three boroughs, an ICT programme is being implemented. The programme is currently in progress and cumulative expected savings are about £13 million.

## 2. Cross-borough Information

- 2.1. The internal audit was undertaken on a Tri-borough basis as each Borough has involvement in delivering the ICT Programme with Project Sponsors and Project Managers are from across the three boroughs.
- 2.2. The ICT Programme was set as a priority in the Tri-Borough Proposal “Bold ideas for challenging times” in order to enable a more integrated platform for joint working
- 2.3. The governance structure for the Programme consists of:
  - A Programme Management Board formed of representatives from all boroughs having high level oversight and decision making responsibility for the Programme and meets on a monthly basis;
  - Chief Information Officers Working Group, responsible for the overall management of the projects and their outputs;
  - A Programme Manager, appointed to coordinate the delivery of the whole programme; and
  - Project Managers who provide updates on the delivery status in bi-weekly meetings.
- 2.4. The estimated total savings across the five year for the Programme, as detailed in the ICT Tri-Borough Workstream Savings Analysis, is £13.7 million.
- 2.5. ICT provision at RBKC is currently delivered by an in house team, H&F have entered into a partnership with a single external provider and WCC used multiple external providers.



### 3. Scope and Summary of Findings

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Council and Service Objectives			0	1	0
Programme Management and Monitoring			0	3	1
Change Control			0	1	0
Definition and Delivery of Benefits			1	1	0
Support and Resources			1	0	0
Stakeholder Engagement			0	1	0
Dependencies			0	0	0
Management Information			0	0	0
Risk Management and Issue Control			0	0	0

## 4. Key Findings

4.1. Two priority 1 recommendations were raised as part of this audit.

4.1.1. A risk of limited resources has been identified and discussed at the ICT Programme Board. Prioritisation criteria are also developed and agreed to help manage conflicting priorities. However, these criteria are for Tri-Borough projects only and do not include prioritisation against business as usual or single Borough projects. The ICT Programme Board is responsible for resolving resourcing conflicts; however, in some cases it is not specified whether this includes conflicts where business as usual or single Borough projects are concerned. In addition, the process and authority for allocating staff to projects included within the ICT Programme is not always clear;

4.1.2. Discussions with the Programme Manager and three project managers established that budgets are not set for respective projects. In addition, cost tracking commenced in August 2012 and is not yet fully operational. We were informed that some costs are difficult to track due to the different operation models employed across the three Boroughs..

4.2. The remaining recommendations cover a number of themes across the three Boroughs and the overall Programme. Broad areas where recommendations have been raised include:

4.2.1. The high level strategic direction for the ICT Programme is included in the Leader's Proposal. However, an agreed statement of strategy and vision for the Programme has not been agreed;

- 4.2.2. Savings analysis of the overall Programme and changes to these savings over time was completed; however, a mechanism to monitor these savings at a Programme Board level is not in place. In addition, the link between the programme initiatives and the defined savings analysis is not transparent for monitoring purposes.
  - 4.2.3. Roles and responsibilities are not clear for all key individuals in the Programme Governance structure.
  - 4.2.4. A change control process that details agreed amendments to project scope and timescales was not formalised at individual project level for three of the four projects examined.
  - 4.2.5. Reporting responsibilities to the Programme Manager are not consistent across the four projects examined.
  - 4.2.6. Stakeholder Engagement is in place at Programme Level but not at individual project level in two of four cases tested.
- 4.3. Detailed recommendations can be found Appendix 1.
- 4.4. Where issues were identified but it would be inappropriate to raise recommendations, these are included in Appendix 2. Whilst management action is not required, we would encourage management to review and address these findings on current and future projects and programmes.
- 4.5. A number of good/best practices were noted during the course of the audit. These included practices within one project which could be adopted to resolve specific recommendations for another. A summary of these points can be found in Appendix 4. Whilst not representing specific control weaknesses that must be addressed, Appendix 5 also includes suggestions for potential improvements and opportunities that the ICT Programme team may wish to consider.

## 5. Audit Glossary

5.1. In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
<b>Substantial Assurance</b>	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

5.2. All recommendations also carry a priority weighting using the following classification:

Priority	Description
1	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system’s objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
2	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
3	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

5.3. It is recognised that there may be specific instances when full implementation may not be possible within the timescales defined above. In these instances, realistic timetables will need to be agreed with Internal Audit and consideration should be given to interim measures to partially or temporarily mitigate the identified risk until full implementation is possible.

## 6. Acknowledgement

6.1. Internal Audit would like to thank the officers involved with this audit review for their assistance and co-operation.

## APPENDIX 1 – ACTION PLAN

Priority	Test Result/ Issue	Identified Risk	Recommendation	Management Response	Responsible Officer	Agreed Deadline
<i>Council and Service Objectives</i>						
2	<p><b>Strategic Vision and Direction</b></p> <p>High level strategic direction for the ICT Programme is included in the Leader’s Proposal; however, an agreed statement of strategy and vision for the Programme has not been agreed.</p>	<p>Where strategic direction and vision of the programme is not agreed, there is an increased risk that the Programme does not deliver the requirements of the three Boroughs. There is an additional risk that the success of the programme cannot be effectively measured.</p>	<p>An overall statement of strategy and vision for the ICT Programme should be developed, against which the success of the programme should be measured.</p>	<p>Agreed.</p> <p>1.The ICT strategy has now been agreed including the vision</p> <p>2. Costed programme plan to deliver strategy under discussion. If approved, detailed business cases will follow, which will include success criteria</p> <p>3.Associated savings have been identified and are being tracked</p>	<p>Director of IT Strategy and Procurement/ CIOs</p>	<p>31/03/2013</p> <p>Workshop arranged to finalise the delivery plan for the programme to implement the ICT strategy</p> <p>Savings will be monitored at the CIO and Programme Boards</p>

<i>Support and Resources</i>						
1	<p><b>Resource Planning</b></p> <p>A risk of limited resources has been identified and discussed at the ICT Programme Board and prioritisation criteria have been developed to help manage conflicting priorities. However, in some cases these criteria are for Tri-Borough projects only and not business as usual or single Borough projects. The ICT Programme Board is responsible for resolving resourcing conflicts; however, in some cases it is not specified whether this includes conflicts with business as usual or single Borough projects. In addition, the process for allocating staff to projects included within the ICT Programme is not always clear.</p>	<p>Where resource requirements are not agreed and responsibility for determining where resources are allocated is not clear, there is an increased risk that projects may be delayed due to insufficient resources. Furthermore, low priority projects are completed at the expense of higher priority projects.</p>	<p>Responsibility for allocating resources to projects should be defined across the three Boroughs. This may involve appointing a resource planner(s), with responsibility for identifying and allocating resources. A resource plan should be agreed and maintained in support of the Programme. Prioritisation criteria should be expanded to cover business as usual and single borough projects.</p>	<p>Agreed.</p> <p>Agree role of CIO working group and Programme Board in resource allocation/ monitoring for tri-borough projects</p> <p>Potential conflicts with business as usual or single borough projects will be monitored and tracked by CIOs</p> <p>RBKC will introduce time recording to support the allocation and tracking of resources to the programme</p>	<p>Programme Manager/CIOs / Director of IT Strategy and Procurement</p>	<p>31/05/2013</p> <p>Review at CIO working group in April and implement in May</p> <p>Updated deadlines and indicate owners of all actions</p> <p>Draft resource plan will be in place by mid May 2013</p> <p>Time recording process in place at RBKC by mid May 2013</p>

<i>Definition and Delivery of Benefits</i>						
2	<p><b>Defining Benefits and Monitoring Delivery at a Programme Level</b></p> <p>Savings analysis of the overall Programme and relevant changes to these savings over time was completed; however, a mechanism to monitor these savings at a Programme board level is not in place. In addition, the link between the defined savings and programme initiatives is not transparent.</p>	<p>Where expected benefits are not defined and their delivery not monitored, there is an increased risk that the proposed high level benefits will not be delivered.</p>	<p>At programme board level, the link between the programme initiatives and the defined savings analysis should be transparent for monitoring purposes. The Programme Board should regularly monitor progress regarding delivery of benefits. A course of corrective action should be devised and agreed where benefits are not being delivered as expected.</p>	<p>Agreed.</p> <p>We now have the savings tracker, that sits behind the savings analysis paper</p> <p>Place on the agenda for CIO/Programme board for regular review</p> <p>Also, factor in business cases as they are agreed</p> <p>Resulting business cases will identify tri-borough savings separately</p>	<p>Programme Manager/CIOs/Director of IT Strategy and Procurement</p>	<p>30/04/2013</p> <p>Review at CIO working group in April 2013</p> <p>Updated deadlines and indicate owners of all actions</p> <p>Regular agenda item for review from April onwards</p>
1	<p><b>Providing Budgets and Tracking costs at Project Level</b></p> <p>Discussions with the Programme Manager and three project managers established that budgets are not set for the programme or for individual projects. Cost</p>	<p>Where budgets are not specified and costs are not monitored, there is an increased risk that the overall required savings for the ICT Programme are not delivered or that savings reported are inflated due to</p>	<p>Budgets for each significant project within the programme should be agreed. The threshold for what constitutes a significant project should be agreed by the Programme Board. This budget should then be monitored</p>	<p>Agreed.</p> <ol style="list-style-type: none"> <li>1. Cost tracker to be fully populated</li> <li>2. A threshold for what constitutes a significant project will be proposed to the Programme Board.</li> <li>3. For projects above the threshold, PMs</li> </ol>	<p>Programme Manager/CIOs/Director of IT Strategy and Procurement</p>	<p>31/05/2013</p> <p>Review at CIO working group in April 2013</p> <p>Updated deadlines and indicate owners of all actions</p> <p>Tracker fully</p>



	<p>tracking commenced in August 2012 but records are not yet fully populated.</p> <p>We were informed that some costs are difficult to track due to constraints such as a lack of staff time recording on some projects.</p> <p>In addition, method for apportioning the costs between the three Boroughs is not always clear at the start of projects.</p>	<p>project costs not all being captured.</p>	<p>against.</p> <p>The Programme Board should also determine the apportionment method of costs across the three Boroughs at the time of setting the budget.</p> <p>The mechanism to monitor the resources expended on a project should be agreed on a project by project basis including how staff time spent on the project will be accounted for.</p>	<p>will be responsible for agreeing the initial budget and monitoring and reporting spend across all three boroughs on a monthly basis</p> <p>4. Programme Manager will provide quarterly budget reports to Programme Board for all projects above the threshold</p> <p>5. The project initiation process including apportionment will be proposed to Programme Board</p> <p>6. RBKC are introducing time recording for tri-borough projects</p> <p>7. HFBP/SERCO report more frequently to PM on spend.</p>	<p>populated by April 2013</p> <p>Agree project initiation process by mid May 2013</p> <p>New reporting process in place by mid May 2013</p>
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<i>Programme Management and Monitoring</i>						
2	<p><b>Agreed Roles and Responsibilities</b></p> <p>The programme governance structure includes programme team members and their respective roles. High level roles and responsibilities for the ICT Programme Board, Chief Information Officers (CIO) group and the delivery team are also specified; however more detailed roles and responsibilities for the CIO working group and the Programme Manager have not been agreed and documented.</p>	<p>Where terms of reference do not detail the roles and responsibilities of all governance bodies and key members, there is an increased risk of staff not being aware of their responsibilities or a lack of accountability when these responsibilities are not discharged.</p>	<p>Terms of Reference for the CIO Working Group and roles and responsibilities for the Programme Manager should be agreed and documented.</p>	<p>Agreed.</p> <p>Produce TOR for CIO working group meeting</p> <p>Produce Roles and Responsibilities for programme manager role</p>	<p>Programme Manager/CIOs</p>	<p>30/04/2013</p> <p>Available by the end of April 2013</p>

2	<p><b>Project Management Reporting and Updates</b></p> <p>Discussions with project managers and the Programme Manager established that project reporting lines are not consistent across all projects. On two projects examined, the Programme Manager receives information from the technical leads and the Project Manager. On one project examined, the Programme Manager receives updates from the Project Sponsor.</p> <p>Discussions also established that reporting may be delayed where a project manager and the technical resource are from different Boroughs.</p>	<p>Where project reporting responsibilities are not defined or are not consistent, there is an increased risk of inaccurate, incomplete or untimely information being provided to the Programme Manager.</p>	<p>Project reporting responsibilities should be agreed for all projects in the Programme.</p> <p>Chief Information Officers (CIOs) should be informed by the Programme Manager where reporting is delayed.</p>	<p>Agreed.</p> <ol style="list-style-type: none"> <li>1. Reiterate project reporting responsibilities and requirements with all assigned project managers</li> <li>2. Report at CIO group meeting any failures to provide highlight reports</li> </ol>	Programme Manager	30/04/2013
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<p>2</p>	<p><b>Appointing Programme Manager for the duration of the Programme</b></p> <p>The Programme Manager role is currently provided by an external resource until December 2012.</p> <p>At the time of the audit, no provision had been made for a Programme Manager after this date</p>	<p>Where a Programme Manager is not in place for the duration of the Programme, there is an increased risk that the Programme will not be effectively coordinated and delivered</p>	<p>The role of Programme Manager should be filled for the duration of the Programme.</p>	<p>Agreed.</p> <ol style="list-style-type: none"> <li>1. Role is built into the costed programme paper</li> <li>2. Existing resource is available until end of March</li> </ol>	<p>Director of IT Strategy and Procurement/ CIOs</p>	<p>30/04/2013 Agreement to be reached by April 2013</p>
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<i>Change Control</i>						
2	<p><b>Change Control for Projects</b></p> <p>High level change control is managed through updating the programme plan milestones. However, two of the projects examined did not have a formal change control process in place.</p>	<p>Where change control is not formalised, there is an increased risk inappropriate or unauthorised changes may be made to the scope, budget or timescales.</p>	<p>A formal change control process scope, budget and timescale changes should be implemented for each project.</p>	<p>Agreed Document an agreed change control process for the programme/projects and communicate to all stakeholders</p>	<p>Programme Manager/CIO's</p>	<p>31/05/2013 Documented and in place by mid May 2013</p>

<i>Resources and Performance Management</i>						
2	<p><b>Feedback for Project Team Members</b></p> <p>Discussions with the Programme Manager established that feedback is not provided on the performance of project managers and key members of the project team.</p>	<p>Where project managers and other key staff are not provided with feedback on performance in project delivery, there is a lack of accountability and poor performance may not be addressed.</p>	<p>The Programme Manager should provide formal feedback to Project Managers and key members of the Project Management Team.</p> <p>Where practical this should also be communicated to the individual's appraiser.</p>	<p>Agreed.</p> <ol style="list-style-type: none"> <li>1. Agree projected related objectives within PM's performance management process</li> <li>2. Agree process for programme manager input to the above</li> </ol>	CIO's/Programme Manager	<p>31/05/2013</p> <p>Draft objectives agreed by end of April 2013</p> <p>Implemented process by mid May 2013</p>

<i>Stakeholder Engagement</i>						
2	<p><b>Stakeholder Engagement (Project Level)</b></p> <p>Stakeholders are not always identified at the outset of individual projects such as for the 'Shared Applications' and 'Working from Anywhere' projects. A 'Shared Applications' lessons learned exercise identified the need for improved stakeholder engagement.</p>	<p>Where stakeholders are not identified at the outset of the projects and their input and engagement is not obtained, there is an increased risk that stakeholders will not actively engage in the project impacting on its overall success.</p>	<p>A stakeholder engagement plan should be required for significant projects.</p>	<p>Agreed.</p> <p>1. Programme manager will require stakeholder engagement plans for all projects above the agreed threshold</p>	<p>Programme Manager</p>	<p>31/05/2013</p> <p>1. Plan updated and signed off by mid May 2013</p> <p>2. Common set of activities reviewed with TOM team by end of April 2013</p>

<i>Programme and Project Management</i>						
3	<p><b>Follow up of Actions</b></p> <p>Actions from previous meetings are included in the minutes of the following meeting. We were advised that there is not always sufficient time to check the actions and these remain open.</p> <p>Examination of minutes of meetings for the ICT Programme Board and CIO group between May and July established that some actions from May are still open in July, although we were advised that the majority of these actions had been implemented.</p> <p>Timescales for completing the actions are also not defined.</p>	<p>Where all outstanding actions are not monitored or followed up, there is an increased risk that actions are not completed and may cause delays to projects or the overall programme.</p>	<p>Actions arising from previous meetings should be followed up.</p> <p>Actions that are not completed by the following meeting should be assigned deadlines and followed up in subsequent meetings until implemented.</p>	<p>Agreed.</p> <p>1. Ensure all programme associated forums have a process for capturing, updating and setting deadlines for all actions</p>	<p>Programme Manager</p>	<p>31/05/2013</p> <p>In place across all ICT programme forums by May 2013</p>



## APPENDIX 2 – OTHER FINDINGS

The table below summarises areas where the issues were identified but it would be inappropriate to raise recommendations. Whilst management action is not required, we would encourage management to review and address these findings on current and future projects.

	Test Result/ Issue	Recommendation
<i>1. Council and Service Objectives</i>		
	<p><b>Programme Business Case</b></p> <p>Although elements of a business case such as a programme plan, programme governance structure and programme team are in place, an overall business case identifying the outline budget, associated expected benefits and providing different service provision options was not produced.</p>	<p>Business cases should be completed for all future programmes.</p>

## APPENDIX 3 – TERMS OF REFERENCE

### Outline Scope and Boundaries for Audit

This audit will be a full risk based review of the arrangements for ICT Programme Management and will include the following areas:

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
1	Council and Service Objectives	The programme is identifiably linked to key priorities of the Council, specifically to support the Bi- and Tri-Borough service transition in an effective and timely manner and this is documented.
		A business case is produced that clearly lays out the justification for funding the programme (and provides different options that can be considered).
		The process of monitoring against the benefits expected and the process of reporting progress to senior officers has been defined.
		An outline budget is prepared as part of the business case.
		Roles and responsibilities are clearly defined at each level of the programme/project management structure.
2	Programme Management and Monitoring	Programme and project governance and management arrangements are clearly defined and include the relevant roles and responsibilities, including those for decision making, managing benefits realisation, and milestone achievements.

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
		<p>Activities are identified and timescales set for their achievement to ensure overall delivery of the programme in accordance with the Council’s objectives.</p> <p>Regular and timely monitoring and gateway review meetings are held at all levels in the programme governance structure.</p> <p>Key monitoring documents such as the Programme Plan; Risks Log, Issues Log and Programme/Project Highlight Reports are provided to the board and any other relevant project groups on a regular basis.</p> <p>Variances from the agreed programme/project plan (including financial variances) are identified promptly and an effective course of corrective action taken.</p>
3	Change Control	Only valid changes are made to the project plan and are approved by the project/programme board.
4	Definition and Delivery of Benefits	<p>Financial and non financial expected benefits have been defined at the onset of the project. Measures and timescales to monitor delivery of benefits have been agreed and monitored against.</p> <p>Where expected benefits are not delivered (or forecast not to be delivered) an effective course of corrective action is taken.</p>
5	Support and Resources	The required level of support, resources and expertise are available to successfully deliver the programme.

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
6	Stakeholder Engagement	All key stakeholders have been identified and involved to a degree commensurate to their importance, influence and interest in the programme.
7	Dependencies	An adequate structure for identifying key dependencies is in place to ensure they are effectively managed.
8	Management Information	Management information is accurate, timely and adequate to allow effective management oversight, challenge and decision making.
9	Risk Management and Issue Control	Risks to the programmes and projects are identified and managed effectively as an integral part of the programme management process and are reported to the board.

## **APPENDIX 4 – GOOD PRACTICE NOTED AND ADDITIONAL FEEDBACK GIVEN DURING AUDIT**

Several areas of good practice were noted during the course of the audit including those identified in the table below. It may prove beneficial for the other teams to review with their colleagues how some of these practices may be adopted across all the projects and other Programmes to improve performance and the service offered to clients, as well as reduce risk and improve control within client affairs operations.

### **Good Practice Identified During the Audit and Possible Suggestions for Future Consideration**

1. Change control was maintained by the project manager at WCC for one of the four projects examined. This allows management to agree deviations from original scope and monitor that the project is still delivering the required benefits.
2. Project costs are monitored at LBHF based on those defined in Work Package Requests to the external IT provider. Monitoring of costs on all projects helps to ensure that these do not outweigh the benefits.
3. The Programme Governance structure includes senior management from all Boroughs. This helps ensure that informed decisions are made and are in line with Tri-Borough objectives.

## **APPENDIX 5 – DISTRIBUTION LIST**

Copies of this report have been distributed to:

- Jackie Hudson                      Tri-Borough ICT Director (LBHF)
- Andy Orr                              ICT Programme Manager (LBHF)
- Jane West                             Executive Director of Finance and Corporate Governance (LBHF)
- Ben Goward                          Interim Chief Information Officer (WCC)
- Howell Huws                        Head of Business Technology (LBHF)
- Barry Holloway                      Chief Information Officer (RBKC)

## Final Internal Audit Report 2012/13

# London Borough of Hammersmith and Fulham Housing Capital Management Programme

February 2013


This report has been prepared on the basis of the limitations set out on page 15.

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*This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 14 April 2011 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited under an arrangement agreed with Croydon Council. The report is confidential and produced solely for the use of London Borough of Hammersmith & Fulham. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.*

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<b>Introduction</b>	<p>As part of the 2012/13 Internal Audit Plan, agreed by the Audit and Pensions Committee on 15 March 2012, we have undertaken an internal audit of Housing Capital Management Programme.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out in the Audit Brief issued on 31 July 2012.</p>
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Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Setting and Approval of the Capital Programme			2*	1	0
Capital Programme Schemes Management and Delivery			0	2	0
Capital Programme Variations			0	1	0
Capital Programme Monitoring and Reporting			0	0	1
Risk Management			0	0	0

\* Recommendations raised under Area 1 are overarching issues that relate to all areas of the audit scope.

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.



Key Findings	Background and Key Statistics
<ul style="list-style-type: none"> <li>• The Council's Housing priorities and objectives are documented within the Housing Estates Investment Plan approved by Cabinet in April 2012;</li> <li>• The budget for the 2012/13 Housing Capital Programme was approved by Cabinet on 5 December 2011;</li> <li>• We were advised that the budget overview was based upon estimated figures from the relevant teams. Although we were provided with explanations of how the estimates were arrived at, this basis of the estimated budgets was not documented;</li> <li>• Monthly Programme budget reports are produced; however, these are not profiled and do not include committed expenditure. Therefore it was more difficult to assess through review of budget monitoring reports that the Council is on track to meet the budget set for the 12/13 Programme;</li> <li>• There is no consistent format for reports from individual schemes that feed into the overall monthly Programme budget reports;</li> <li>• We were provided with a Capitalisation Policy, however, this made reference to H&amp;F Homes whose functions became part of the Council in April 2011. We were subsequently advised that this policy was no longer in use as the Council's Corporate Capitalisation Policy is used;</li> <li>• Planned Maintenance monitoring meetings are held each month, as are Strategic Housing Capital Programme monitoring meetings. However, neither of these meetings are minuted;</li> <li>• At the time of our fieldwork, variations to individual projects within the Capital programme were not subject to formal approval;</li> <li>• Housing Capital Programme monitoring reports are provided to Business Board and Housing and Regeneration DMT on a periodic basis; and</li> </ul>	<ul style="list-style-type: none"> <li>• The 2012/13 Housing Capital Programme was approved on 5 December 2011, with a budget allocation of £35.73m;</li> <li>• As of period 5 (August 2012) the 2012/13 budget has been amended to £36.65m; and</li> <li>• The 11/12 Housing Programme was originally set at £46.7m. The final outturn was approximately £37.8m.</li> </ul>

- The Property Services Risk Register includes risks relating to the Housing Capital Programme and is discussed at monthly DMT meetings;

## Summary of Findings

### Setting and Approval of the Capital Programme

The Council's Housing Estates Investment Plan, approved by Cabinet in April 2012, states that:

"Over the past 5 years, the housing stock has benefited from a £213m investment via the Decent Homes Programme. In addition to the proposed area based improvements strategy and regeneration projects a capital maintenance investment strategy is in place to maintain and build on the benefits of the Decent Homes programme".

This Investment Plan incorporates the Council's Housing Capital Programme. The 2012/13 Housing Capital Programme was approved by Cabinet on 5 December 2011 with an allocated budget of £37.42m.

It was identified that, prior to approval, Cabinet had been provided with a high level overview of the proposed budget which had been broken down into specific areas of expenditure. We were informed by the Programme and Resources Liaison Officer that this proposal was based upon figures provided by the relevant teams. We were informed that costs are normally derived from previous expenditure on equivalent schemes and examples were provided to show that estimates were based on average unit costs adjusted to reflect the specific requirements of the project. Although the basis of the estimates could be demonstrated, this was not clearly documented.

We were informed by the Director of Asset Management and Property Services that a draft Asset Management Plan is to be put before Cabinet for approval in April 2013. It was stated that going forward this should allow for a more structured Housing Programme, where budgets are fixed (thereby assisting to even out cash flow across the year) with an allocation of contingency funds retained. It is hoped that the Strategy will also allow the Council to rationalise their assets, potentially disposing of poorly invested stock which incurs high maintenance costs.

There are essentially three types of work that are incorporated into the current Housing Capital Programme: planned maintenance, one-off projects and repair works. The Director of Asset Management and Property Services confirmed that only certain aspects of repair works can be capitalised, for example, works that extend the life or stock or upgrade an asset. We were provided with a Capitalisation Policy; however, this had not been reviewed and updated since the functions of H&F Homes became part of the Council in April 2011. We were subsequently advised by the Head of Corporate Accountancy and Capital that, since H&F Homes moved back into the Council, the Housing and Regeneration Department have been working to the Council's Corporate Capitalisation Policy. At the time of our audit fieldwork this policy was in the process of being reviewed.

Monthly budget reports are produced by the Programme and Resources Liaison Officer. We were provided with the budget report for period 5 (August 2012) which detailed actual expenditure for 2012/13 at £5.419m, just below 15% of the total revised budget of £36.652m. Budget monitoring reports are not currently profiled by month and nor is committed expenditure or expected completion date of projects recorded. Therefore it was more difficult to assess through review of budget monitoring reports that the Council is on track to meet the budget set for the 12/13 Programme.

We were provided with evidence that each 'scheme' within the Programme is allocated to a relevant cost code on OLAS. The cost codes are denoted within the monthly budget reports.

At the time of our fieldwork, no reconciliation was undertaken between the monthly Housing Capital Budget reports (produced using data from OLAS) and the monthly reports of individual schemes (produced using records of expenditure maintained by Project Managers).

Four recommendations have been raised as a result of our work in this area.

### **Capital Programme Schemes Management and Delivery**

We were informed by the Programme and Resources Liaison Officer that two Programme monitoring meetings are held on a monthly basis: planned maintenance monitoring meetings and Housing Capital Programme strategic monitoring meetings.

Whilst we obtained a copy of minutes from the planned maintenance monitoring meeting dated 12 July 2011, we were informed that these meetings are not normally minuted. It is however acknowledged that the 'Housing Capital Works Monitoring Schedule' spreadsheet is updated as a result of the meeting. We were also informed that the Housing Capital Programme strategic meetings had not been held in recent months as many of the functions of the meetings has been subsumed into other meetings such as the Housing and Regeneration DMT meetings.

A 'Housing Capital Works Monitoring Schedule' is maintained by the Technical Support Officer in relation to Planned Maintenance Works. Each scheme within the schedule is assigned a Project Manager and the schedule is updated after each of the Planned Maintenance Monitoring meetings. As discussed under the previous area, approximately 15% of the 2012/13 Housing Capital Programme budget had been spent by the end of period 5. The monitoring schedule also identifies that the 'status' of a large number of planned maintenance works is "to be programmed" (i.e. work had not yet commenced on these projects). In addition, the full tendering process has not been completed for a number of other works. We are unable to identify from the schedule when these works are due to be undertaken.

Project Managers for individual schemes (such as planned maintenance or one-off projects) are required to provide the Programme and Resources Liaison Officer with a monthly report that provides an update on the status of the scheme. This information is then fed into the overall monthly budget report for the Housing Capital Programme. Our testing of monthly reports for schemes identified that there is no standard pro-forma or consistent format for reporting information. Furthermore, committed expenditure was not reported in any of the 10 cases tested.

The Council's two repairs contractors, Kiers and Willmott Dixon, produce and submit reports of repairs undertaken on a monthly basis. Staff review these reports to identify what works can and cannot be capitalised into the Programme Budget.

One recommendation has been raised as a result of our work in this area.

### Capital Programme Variations

During the Cabinet meeting where the 2012/13 Housing Capital Programme and associated budget were approved, it was also approved that:

“authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director of Housing and Regeneration, to approve future amendments to the programme for operational reasons and where such amendments can be contained within the overall approved budget and available resources.”

It was identified that the Housing Capital Programme budget has been amended several times since it was approved at this Cabinet meeting in December 2011. The following variations in the budget were identified:

- £35.733m – Approved by Cabinet on 5th December 2011;
- £37.42m including the Jepson House Project previously in the Decent Neighbourhoods Programme – Report to Cabinet on 29th February 2012; and
- £36.65m – Quarter 1 Capital Monitor Cabinet Briefing report
- £36.7m – Quarter 2 Capital Monitor Cabinet briefing report

We were informed that the Director of Asset Management and Property Services meets with the Executive Director of Housing and Regeneration on a fortnightly basis to discuss any variations to the Programme.

It was identified that budgets for individual schemes within the Housing Capital Programme can be amended and reallocated without documented approval.

One recommendation has been raised as a result of our work in this area.

### Capital Programme Monitoring and Reporting

We were provided with evidence that the Housing Capital Programme is reported to Business Board on a periodic basis, often as part of the reporting on the Housing Revenue Account Programme.

In addition, we were informed by the Director of Asset Management and Property Services that details of the Housing Revenue Account are also reported to the Housing and Regeneration Departmental Management Team (DMT) on a periodic basis. We were provided with evidence that the 2011/12 Housing Capital Programme had been reported on 12 December 2011, 9 January 2012 and 12 March 2012. However, we were informed by the Executive Support Officer that, as at the end of period 5 (August 2012), the 2012/13 Housing Capital Programme had not been reported to DMT. We were advised that an overview of the Programme was due to be provided at the next meeting.

It is acknowledged that the Assistant Director of Asset Management and Property Services meets with the Executive Director of Housing and Regeneration on a regular basis to discuss the progress of the Programme and that the Director of Finance and Resources and the Executive Director of Housing both receive the Capital Monitor on a quarterly basis.

As described above, the Director of Asset Management and Property Services meets with the Executive Director of Housing and Regeneration on a regular basis to discuss the Housing Capital Programme.

#### **Risk Management**

We were provided with a copy of the Property Services Risk Register by the Head of Health and Safety. The register identified key risks to the Housing Capital Programme such as:

- Anticipated final costs are exceeded;
- Works are not completed;
- Possible delays; and
- Delays of meeting delivery timescales.

A column for 'existing controls' is established on the Risk Register as well responsible officers.

Within all Housing and Regeneration DMT meeting minutes examined, it was identified that risks had been discussed, including instances of those specifically relating to the Housing Capital Programme.

No recommendations have been raised as a result of our work in this area.

#### **Acknowledgement**

We would like to thank the management and staff from the service areas contacted for their time and co-operation during the course of the internal audit.

## 1. Audit trail to support the estimated Housing Capital Programme budget

Priority	Issue	Risk	Recommendation	
2	<p>The original 2012/13 Housing Capital Programme budget of £35.733m was approved by Cabinet on 5 December 2011. Cabinet had been provided with a high level overview of the Programme budget which had been broken down into four areas of expenditure:</p> <ul style="list-style-type: none"> <li>• Committed Expenditure;</li> <li>• Statutory Requirements, Health and Safety and Capitalisation;</li> <li>• Mechanical and Electrical, Building Fabric; and</li> <li>• Internal Amenity, Estate/Plot Works, Miscellaneous.</li> </ul> <p>We were informed that costs are normally based on previous expenditure on equivalent schemes and examples were provided to show that estimates were based on average unit costs, adjusted to reflect the specific requirements of the work. Although the basis of these estimates could be demonstrated, this was not clearly documented.</p>	<p>Where estimated budgets for schemes within the Housing Capital Programme are not supported by relevant documentation, there is an increased risk that an inappropriate budget will be set and approved for the Programme.</p> <p>Furthermore, where scheme budgets are based on the expenditure of prior years, there is an increased risk that inaccurate and/or inappropriate budgets will be rolled forward.</p>	<p>For the 2013/14 Housing Capital Programme budget and beyond, an audit trail should be retained to provide supporting evidence of the estimated budget for each scheme.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed			Director of Asset Management and Property Services	31/03/2013

## 2. Capitalisation of repair works

Priority	Issue	Risk	Recommendation	
2	<p>The Housing Capital Programme budget includes an allocation for repair works that can be capitalised (for example, works that extend the life or stock or upgrade an asset).</p> <p>We were provided with a Capitalisation Policy; however, this had not been reviewed and updated since H&amp;F Homes became part of the Council in April 2011.</p> <p>We were subsequently advised by the Head of Corporate Accountancy and Capital that, since the functions of the ALMO moved back into the Council, the Housing and Regeneration Department have been working to the Council's Corporate Capitalisation Policy. At the time of our audit fieldwork this was in the process of being reviewed.</p>	<p>Where staff are not aware of the correct Capitalisation Policy or the Policy is out of date, there is an increased risk that staff may adopt inconsistent or inappropriate practices. This may result in works being incorrectly capitalised and misstatements in the Council's accounts.</p>	<p>The review of the Council's Capitalisation Policy should be completed to ensure it is in line with current working practices and accounting standards.</p> <p>Details of where to access the Policy, along with a reminder of the requirement to adhere to its contents, should be communicated to staff.</p>	
Management Response			Responsible Officer	Deadline
<p>Agreed. Capital Accounting and Funding Guidance has now been produced. We now have a Capital Accounting team in HRD who are working with the Corporate Accountancy team to review capitalisation on a regular basis throughout the year.</p>			<p>Head of Corporate Accountancy and Capital / Director of Asset Management and Property Services</p>	<p>31/03/2013</p>



### 3. Profiling of the Housing Capital Programme budget and monitoring of progress

Priority	Issue	Risk	Recommendation	
1	The Programme monitoring spreadsheet is not currently profiled by month, nor is committed expenditure recorded. Therefore it was more difficult to assess through review of budget monitoring reports that the Council is on track to meet the budget set for the 12/13 Programme. In addition, we were also unable to confirm when a number of the Programme's planned maintenance schemes are due to commence as the 'Housing Capital Works Monitoring Schedule' identified them as "to be programmed".	Where the Housing Capital Programme budget is not profiled by month, there is an increased risk that variations to planned expenditure will not be identified in a timely manner. This may have a detrimental effect on the ability to take prompt remedial action.	<p>The Housing Capital Programme budget monitoring records should be updated to reflect expected fluctuations in expenditure across the year. In addition, the budget should also highlight:</p> <ul style="list-style-type: none"> <li>• Actual expenditure for each of the schemes per month;</li> <li>• Committed expenditure for each scheme, allocated to the relevant month; and</li> <li>• Forecasts of when uncommitted expenditure will be spent based on the estimates of Project Managers.</li> </ul> <p>If Programme expenditure falls behind schedule or is not within budget, this should be raised with management and actions should be taken to ensure that the timely completion of individual schemes is not affected.</p> <p>Management should consider the best approach to profiling the budget for repair works. For example, this could be based upon the seasonal trend of repairs in prior years.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed. It is not practical to profile the budget. Instead of monthly profiling we will include the expected completion date on our monthly monitoring reports. Projects will be RAG rated based on expected completion date and any red rated projects will be reported the DMT.			Director of Asset Management and Property Services	30/09/2013

#### 4. Monthly reporting of individual schemes and reconciliation to OLAS

Priority	Issue	Risk	Recommendation	
1	Our testing of monthly reports for individual schemes (submitted by the Project Managers to the Programme and Resources Liaison Officer) identified that there is no standard pro-forma or consistent format for reporting progress. Furthermore, expenditure committed was not reported in any of the 10 cases tested. Consequently, no reconciliation is undertaken between the monthly Housing Capital Budget reports (produced using data from OLAS) and the monthly reports of individual schemes (produced using records of expenditure maintained by Project Managers).	<p>Where details of individual schemes are reported in an inconsistent manner, there is an increased risk that key data may be excluded and any issues relating to that scheme may not be identified promptly.</p> <p>Furthermore, where reconciliations are not undertaken between individual scheme reports and data on OLAS, there is an increased risk that coding errors or inappropriate expenditure will not be identified.</p>	<p>A standard template for consistent reporting of details of individual schemes should be developed and communicated to Project Managers.</p> <p>Furthermore, once this reporting procedure has been implemented, reconciliation should be undertaken between:</p> <ul style="list-style-type: none"> <li>• Expenditure reported by Project Managers;</li> <li>• Details of expenditure extracted from OLAS; and</li> <li>• Expenditure as per the original Programme budget.</li> </ul> <p>Any variances identified should be subject to further investigation.</p> <p>Reconciliations should be documented and subject to review by a second officer.</p>	
Management Response			Responsible Officer	Deadline
Agreed			Director of Asset Management and Property Services	31/03/2013

## 5. Records of Planned Maintenance and Housing Capital Programme meetings

Priority	Issue	Risk	Recommendation	
2	<p>We were informed that two Programme monitoring meetings are held on a monthly basis:</p> <ul style="list-style-type: none"> <li>Planned maintenance monitoring meetings; and</li> <li>Housing Capital Programme strategic monitoring meetings.</li> </ul> <p>Whilst we obtained a copy of minutes from the Planned maintenance monitoring meeting dated 12 July 2011, we were informed that these meetings are not normally minuted. However, it is acknowledged the 'Housing Capital Works Monitoring Schedule' spreadsheet is updated as a result of these meetings.</p> <p>In addition, we were informed that the Housing Capital Programme strategic meetings had not been held in recent months.</p>	<p>Where monthly meetings to discuss the progress of the Housing Capital Programme are not held and minuted, there is an increased risk that slippages to the Programme will not be identified, or that actions to address performance issues will not be communicated to the relevant parties.</p>	<p>The Planned maintenance monitoring meetings held each month should be minuted. Action points arising should be documented and assigned to a responsible officer.</p> <p>In addition, consideration should be given to whether the Housing Capital Programme strategic meetings are required or if the functions can be subsumed into DMT meetings. If strategic meetings are required, the frequency of these meetings should be established and meetings should be minuted.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
<p>Agreed. Once the new processes have been implemented, monthly meetings will be held to discuss any variances in the planned Housing Capital Programme.</p>			<p>Director of Asset Management and Property Services</p>	<p>31/03/2013</p>

## 6. Approval of variations to the Housing Capital Programme budget

Priority	Issue	Risk	Recommendation	
2	<p>During the Cabinet meeting where the 2012/13 Housing Capital Programme and associated budget were approved, it was also approved that:</p> <p>“authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director of Housing and Regeneration, to approve future amendments to the programme for operational reasons and where such amendments can be contained within the overall approved budget and available resources.”</p> <p>However budgets for individual schemes can be amended or reallocated without any documented approval where this is contained within the approved budget.</p>	<p>Where amendments to the projects within the Housing Capital Programme do not require formal approval, there is an increased risk of inappropriate amendments to the overall Programme being made that may not be in compliance with requirements set out by Cabinet.</p>	<p>A financial threshold should be established over which amendments to the budgets of individual schemes require formal approval.</p> <p>Any amendments to projects within the Housing Capital Programme, within the approved budget, should then be formally approved by the Cabinet Member for Housing, Executive Director of Housing and Regeneration or a delegated officer, and evidenced as such.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
<p>Agreed. A summary of the overall Housing Capital Programme is already reported to Cabinet in quarterly capital monitoring reports and a process will be put in place for the approval of changes to individual project budgets.</p>			<p>Director of Asset Management and Property Services</p>	<p>31/03/2013</p>

## 7. Reporting the Housing Capital Programme to Housing and Regeneration DMT

Priority	Issue	Risk	Recommendation	
3	<p>We were informed by the Executive Support Officer that an overview of the 2012/13 Housing Capital Programme had not been presented at the Housing and Regeneration Departmental Management Team (DMT) meetings since April 2012.</p> <p>We were advised that an overview of the Programme was due to be provided to the next DMT meeting.</p> <p>It is acknowledged that the Director of Asset Management and Property Services meets with the Executive Director of Housing and Regeneration on a regular basis to discuss the progress of the Programme and that the Director of Finance and Resources and the Executive Director of Housing both receive the Capital Monitor on a quarterly basis.</p>	Where details of the Housing Capital Programme are not reported to the Housing and Regeneration DMT in a timely manner, there is an increased risk that senior management will not have the required information to make well informed decisions.	<p>Staff should be reminded of the need to report an overview of the Housing Capital Programme to the Housing and Regeneration DMT in a timely manner.</p> <p>Furthermore, such reports should be provided to DMT on at least a quarterly basis and evidence retained within the relevant meeting minutes.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed. An overview of the Programme is due to be provided to the next DMT meeting.			Director of Asset Management and Property Services	31/03/2013

**Statement of Responsibility**

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

**Deloitte & Touche Public Sector Internal Audit Limited**  
**London**  
**March 2013**

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