

Audit and Pensions Committee

Agenda

Thursday 30 June 2011

7.00 pm

Committee Room 1 - Hammersmith Town Hall - King Street, London W6
9JU

MEMBERSHIP

Administration:	Opposition	Co-optees
Councillor Michael Adam (Chairman) Councillor Nicholas Botterill Councillor Marcus Ginn Councillor Robert Iggulden	Councillor Michael Cartwright (Vice-Chairman) Councillor PJ Murphy	Eugenie White (T.B.C.)

CONTACT OFFICER: Owen Rees
Committee Co-ordinator
Governance and Scrutiny
☎: 02087432088
E-mail: owen.rees@lbhf.gov.uk

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

Members of the public are welcome to attend the open part of the meeting. A loop system for hearing impairment is provided, along with disabled access to the building.

Date Issued: 21 June 2011

Audit and Pensions Committee Agenda

30 June 2011

<u>Item</u>		<u>Pages</u>
1.	MINUTES OF THE PREVIOUS MEETING	1 - 11
	(a) To approve as an accurate record and the Chairman to sign the minutes of the meeting of the Audit and Pensions Committee on 17 th February 2011.	
	(b) To note the outstanding actions.	
2.	APOLOGIES FOR ABSENCE	
3.	DECLARATIONS OF INTEREST	
	If a Councillor has any prejudicial or personal interest in a particular item, they should declare the existence and nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.	
	At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a prejudicial interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken, unless a dispensation has been obtained from the Standards Committee.	
	Where Members of the public are not allowed to be in attendance, then the Councillor with a prejudicial interest should withdraw from the meeting whilst the matter is under consideration unless the disability has been removed by the Standards Committee.	
4.	MEMBERSHIP AND TERMS OF REFERENCE	12 - 16
5.	APPOINTMENT OF COOPTED MEMBER	17 - 18
6.	PENSION VALUE AND INVESTMENT PERFORMANCE	19 - 37
	This report prepared by P-Solve, provides details of the performance and the market value of the Council's pension fund investments for the quarter ending 31st March 2011.	
7.	PENSIONS ADMINISTRATION CONTRACT	38 - 43
	This report is to appraise the Committee of the recommended award of the Framework agreement for the provision of Pension Administration Services which was submitted for approval by the Cabinet on the 20 th June 2011	
8.	ANNUAL REVIEW OF EARLY RETIREMENTS 2010 TO 2011	44 - 53
	The report draws the Committee's attention to the Local Government	

Pension Scheme retirements that occurred in 2010/2011 and the consequential effect on the pension fund. It also reports the number and value of redundancy payments made by the Council in 2010/11 for information.

- 9. EXTERNAL AUDIT PROGRESS REPORT** 54 - 67

This report sets out work undertaken by the Audit Commission, as external auditors, since the last meeting of the Committee.
- 10. 2011/12 EXTERNAL AUDIT FEE LETTERS - COUNCIL AND PENSION FUND** 68 - 76

This report sets out the fee letters for the external audit for the Council and Pension Fund accounts for 2011-12.
- 11. AUDIT COMMISSION RECOMMENDATIONS UPDATES & ANNUAL GOVERNANCE STATEMENT 2010 ACTION PLAN** 77 - 84

This report provides updates on the implementation of Audit Commission recommendations and of the AGS 2010 Action Plan.
- 12. TRI BOROUGH RISK MANAGEMENT** 85 - 93

This report updates the Committee of the implementation of risk management arrangements in Tri Borough planning.
- 13. RISK MANAGEMENT PROGRESS REPORT** 94 - 99

This report informs the Committee on the overall arrangements for, and performance of, risk management across the Council.
- 14. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2010/11 YEAR** 100 - 123

This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2010/11 financial year and provides assurances on the overall System of Internal Control, the System of Internal Financial Control, Corporate Governance and Risk Management. In all cases a satisfactory assurance has been provided with the exception of the significant control weaknesses recorded in the report. The report is a key element of the evidence supporting the Annual Governance Statement (AGS).
- 15. ST MARY'S PRIMARY SCHOOL** 124 - 126

This report is a summary of recent issues arising in relation to St Mary's Catholic Primary School.
- 16. SCHOOLS 2010/11 YEAR END SUMMARY INTERNAL AUDIT REPORT** 127 - 140

This report is a summary of the audit findings relating to schools in 2010/11.
- 17. CORPORATE ANTI FRAUD SERVICE ANNUAL FRAUD REPORT 2010/11** 141 - 161

This is the annual report on the progress made in delivering the 2010/11

year service plans; key results of the work undertaken; and the performance achieved.

18. INTERNAL AUDIT QUARTERLY REPORT

162 - 173

This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2011 as well as reporting on the performance of the Internal Audit service.

19. EXCLUSION OF THE PUBLIC AND PRESS

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraphs 1 and 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

20. EXEMPT MINUTES OF THE MEETING ON 17 FEBRUARY 2011

21. ANNUAL REVIEW OF RETIREMENTS AND REDUNDANCIES 2010-2011- EXEMPT ASPECTS

22. PERSONAL SERVICES COMPANIES- TO FOLLOW

London Borough of Hammersmith & Fulham



Audit and Pensions Committee Minutes

Thursday 17 February 2011

PRESENT

Committee members: Councillors Michael Adam (Chairman), Marcus Ginn, Robert Iggulden, Michael Cartwright (Vice-Chairman) and PJ Murphy

Trade Union Representative: Sheela Selvajothy

In attendance:

Alison Hamilton, Barnett Waddingham
Helen Smith and Simon Jones, P-Solve
Jon Hayes, District Auditor, Audit Commission
Julian McGowan, Audit Manager, Audit Commission

Officers:

Geoff Alltimes, Chief Executive
Jane West, Director, Finance and Corporate Services
Pat Gough, Assistant Director, Business Support
Geoff Drake, Chief Internal Auditor
Michael Sloniowski, Principal Consultant-Risk Management
Bob Pearce, Group Accountant- Technical
Janette Mullins, Head of Litigation
Owen Rees, Committee Coordinator

50. MINUTES OF THE PREVIOUS MEETING

RESOLVED THAT

- (i) The minutes of the last meeting be agreed as a true and correct record, subject to the addition of the following:

After paragraph 3 of Item 46 "Proposals For Reporting To The Audit And Pensions Committee", insert "Councillor Murphy said that, while he did not object to a change in scheduled date for one of the Committee's meetings, he asked that a clear rationale be provided for the move, when one was necessary."

- (ii) That the outstanding actions be noted.

51. APOLOGIES FOR ABSENCE

There were apologies from Councillor Botterill and Eugenie White.

52. DECLARATIONS OF INTEREST

Councillor Murphy declared a personal interest as a member of the Council's pension fund.

Councillor Cartwright declared a personal interest in all items as a member of the Council's pension fund. Councillor Cartwright declared a personal interest in respect of Item 17 as a local authority appointed Governor of Larmenier and Sacred Heart Junior School, and a personal interest in respect of Items 4, 5 and 6 as a member of the Mortlake Crematorium Board.

53. ACTUARIAL VALUATION OF THE PENSION FUND

Alison Hamilton, Barnett Waddingham, introduced the report which set out the results of the draft Actuarial Valuation of the Pension Fund. The valuation, which must be produced every 3 years, was used to set appropriate contribution rates to the Fund, with the aim of recovering any deficit over a long term.

The valuation showed that the Fund was now 74 percent funded, an improvement on the 70 percent funding level at the last valuation. (The report had erroneously stated that this represented a decrease in funding level). The Fund had experienced a 6% return on investment over the period, against a target of 6.5%.but the actuary was able to keep employer contribution rates stable.

Councillor Cartwright asked whether the return on investment was disappointing, given the failure to meet target. Alison Hamilton said that the return was good, given the prevailing economic climate during the period covered, adding that other authorities had seen a negative return on investment for the period.

Councillor Iggulden asked about contribution rates. He noted that the improvement in the funding level would appear to give scope for a reduction in the employers' contribution rate, which had risen considerably from the rate paid ten years previously. He questioned why the actuary did not offer employers a reduction in contribution rates, given the reduction in the deficit.

Alison Hamilton said that the employer rates were based on a number of assumptions, including a 25 year recovery of the deficit. In her view, any reduction in the employer's rate for the Council, would, based on the current assumptions, mean that the deficit would not be recovered within that period. Further, although the overall payroll had reduced, and was expected to continue to reduce due to continuing reductions in staff numbers, the amount of employer's contribution in cash terms needed to meet the deficit did not fall, so that the contribution rate, as a

percentage of payroll required to recover the deficit remained high. The fund's stability was a requirement of the regulations, and a reduction in the rate of employer contributions was not advisable at the time of the valuation.

Pat Gough, Assistant Director of Finance, explained when the employer's contribution rate had risen. The 2001 Actuarial Valuation had valued the fund as 98% funded, but the 2004 Actuarial Valuation saw that figure fall to 66%. This had prompted the rise in the employer contribution rate, which had stood at 12.3% in 2004/05. The typical contribution rate for a fund that was neither in deficit nor surplus was 13-14%.

The Chairman asked how future developments, including the reduction in staff numbers and investment conditions, were reflected in the valuation, and what the position was with regard to the scheme's deficit and the actuary's advice on its recovery.

Alison Hamilton said that, in response to the latter point, the actuary's recommendations were binding on the Council, rather than a matter for the Committee to decide, though her recommendations were made with a smooth rate of contribution in mind. She noted that, if the period for recovery of the deficit was extended beyond 25 years, the fund would struggle to pay off its deficit. With regard to the question of future events, and events after the 31st March 2010, the final report would have a section on post valuation events, but would not be able to take account of events in the future, including the new scheme likely to be introduced.

Councillor Murphy asked what the impact of increasing retirement ages was likely to be. Alison Hamilton said that a later state pension date would likely mean that workers, particularly lower-paid ones, would retire later, with pensions likely to be payable for a smaller number of years as a consequence; the extent of this effect was hard to determine, however.

With regard to the figure given for investment income on page 33 of the report, Bob Pearce clarified that the fall was the result of the way in which the Barings mandate operated.

RESOLVED THAT

- (i) The draft actuarial report be agreed, and;
- (ii) That approval of the finalised report be delegated to the Director of Finance and Corporate Services, prior to 31 March 2010.

54. FUNDING STRATEGY STATEMENT

Bob Pearce, Group Accountant- Technical, introduced the report, which set out the Funding Strategy Statement for the Fund. The Statement was being amended in the light of the outcome of the actuarial valuation, with the two mutually dependent.

As required by the terms of the Fund's regulations, officers would be consulting with all employers participating in the fund, prior to 31 March 2010.

RESOLVED THAT

- (i) The Funding Strategy Statement be approved, prior to consultation with all participating employers in the Fund, and;
- (ii) To delegate the finalisation of the Statement, following consultation, to the Director of Finance and Corporate Services.

55. PENSION VALUE AND INVESTMENT PERFORMANCE

Helen Smith, P-Solve, introduced the report which set out the performance of the Fund's investments in the quarter to 30th December 2010. She noted that the 6.5% return for 3 years matched the target set by the Actuary. She said that P-Solve were generally comfortable with the performance of the fund, though the coming year could be a challenging one for the fund. She also drew the Committee's attention to the change in management structure at Ruffer.

Councillor Iggulden asked that, where the Performance Overview and Asset Reconciliation and Valuation showed negative figures in red, an explanatory note be provided.

With regards to the performance of the Goldman Sachs mandate, Simon Jones, P-Solve clarified that the 3 year figure for the mandate was an aggregate of the performance of the old mandate against the old benchmark and the new mandate against the new benchmark, which accounted the discrepancy.

RESOLVED THAT

The report be noted.

56. GOVERNANCE COMPLIANCE STATEMENT

Bob Pearce, Group Accountant- Technical, introduced the report, which set out the Governance Compliance Statement, which assesses the Council's compliance against the standards for Pension Scheme governance set by the Department of Communities and Local Government.

The statement had been amended to include the new Terms of Reference for the Committee, agreed by full Council in May 2010, when the Pensions Fund Investment Panel merged with the Audit Committee. The statement showed that the Council was mainly compliant.

RESOLVED THAT

The Governance Compliance Statement be approved.

57. ANNUAL REVIEW OF RETIREMENTS 2009-2010

Pat Gough, Assistant Director- Business Support, introduced the report, which set out retirements by, and redundancies of, Council staff in the 2009-10 financial year. The former was supplied annually to the Committee, whilst the latter was provided at the Committee's request.

Councillor Murphy asked if any pattern had emerged around the causes of retirement on the grounds of ill-health. Jane West, Director of Finance and Corporate Services, said that this information would require collation, and interrogation, and that officers would therefore respond outside the meeting, on the basis of the previous 3 or 4 years worth of retirements.

Councillor Iggulden asked for clarification of the figures given as capital cost for retirements. Pat Gough said that this was an estimate of the cost for an early retirement, made with the assumption of normal mortality rates.

Councillor Cartwright asked whether any payments had been made for "added years". Jane West said that, in general, the practice had ceased, on the grounds that it could be construed as age discrimination, though where retirement was on the grounds of ill-health, enough years were added to bring the individual up to retirement age.

RESOLVED THAT

- (i) Officers be requested to check whether there was any common trend to ill-health early retirements and report this to the Committee, and;
- (ii) The report be noted.

58. TREASURY MANAGEMENT STRATEGY 2011-2012

Pat Gough, Assistant Director- Business Support, introduced the report, which set out the Treasury Management Strategy for 2011/12, prior to its submission to Council for approval. She said that the strategy, compiled in accordance with CIPFA best practice, set out the Council's borrowing requirements and proposed lending activity for the 2011/12 financial year. It would seek authority to expand the lending list, adding some foreign banks to the list. This was in response to new regulations on deposits, which would restrict the availability of call accounts, which the Council had used to add value; all deposits would be made in sterling at UK based offices.

Councillor Ginn asked about the Council's appetite for risk in its lending. Pat Gough said that the Council was relatively conservative, in common with most authorities, though less conservative than the Royal Borough of Kensington and Chelsea, for instance. The proposed move away from UK only investing in the coming year was a common one amongst other authorities.

Councillor Murphy asked about the structure of maturing loans in 2011/12. Pat Gough agreed to write to the Committee with this information.

RESOLVED THAT

The report be noted.

59. WORMWOOD SCRUBS 2009-10 ANNUAL GOVERNANCE REPORT

Julian McGowan, External Audit Manager, Audit Commission, introduced the report, which set out the results of the 2009-10 audit of the Wormwood Scrubs Charitable Trust Accounts. He said that it was a small audit, which gave an unqualified opinion and found that internal controls were adequate. With regard to the letter of representation, the final version had been signed by the new permanent Assistant Director Parks and Culture.

RESOLVED THAT

The report be noted.

60. AUDIT OPINION PLAN FOR LBHF ACCOUNTS 2010-11

Jon Hayes, District Auditor, Audit Commission, introduced the report, which set out the Audit Opinion Plan for the Council's accounts for 2010-11. He drew the Committee's attention to the fact that the accounts would be the first presented under the International Financial Reporting Standards (IFRS).

RESOLVED THAT

The report be noted.

61. AUDIT OPINION PLAN FOR LBHF PENSION FUND 2010-11

Jon Hayes, District Auditor, Audit Commission, introduced the report, which set out the Audit Opinion Plan for the Council's Pension Fund accounts for 2010-11.

RESOLVED THAT

The report be noted.

62. ANNUAL GOVERNANCE STATEMENT AND AUDIT COMMISSION RECOMMENDATIONS

Geoff Drake, Chief Internal Auditor, introduced the report, which updated on progress on Audit Commission recommendations, and on progress against the Annual Governance Statement.

With regards to the non-response received for R9- "Grants 2008-09- NDC", he confirmed that it would now be part of the protocol that, where no response was received, the officer responsible would be invited to give a verbal update to the Committee.

With regards to R2 "Ensure the capacity of the finance team is maintained, Councillor Murphy asked what factors enabled the risk to be closed. Jane West, Director of Finance and Corporate Services said that concerns about departed members of staff had been alleviated, with those staff replaced, with the upcoming implementation of World Class Financial Management also contributing.

With regards to the closure R5, regarding collaborative arrangements with Westminster and Kensington and Chelsea, the Committee asked officers to consider how progress on, and the management of risk within the project, might best be reported to it.

RESOLVED THAT

- (i) The report be noted, and;
- (ii) That officers consider how best to report to the Committee on the risk management of the three-boroughs project for the next meeting of the Committee, and that;
- (iii) That the officer responsible be asked to provide the Committee with a response to R9.

63. IFRS UPDATE

Caroline Wilkinson, Head of Finance Development, introduced the report, which set out progress towards the implementation of the International Financial Reporting Standards. The project was on track to produce restated accounts for 2009-10 by the March 31st deadline, before the 2010/11 accounts were produced. Officers had worked closely with the Audit Commission throughout the process, and of the risks identified, only those connected with Leases were still Amber.

The change to IFRS would have no bottom line implications, reflecting the CIPFA guidance on the matter though some alteration in the allocation of lease income to capital or revenue budgets was possible. Further update on the implementation of IFRS would accompany the 2010/11 accounts.

RESOLVED THAT

The report be noted.

64. COMBINED RISK MANAGEMENT HIGHLIGHT REPORT

Michael Sloniowski, Principal Consultant- Risk Management, introduced the report, which summarised the high-level risk management activity undertaken since the last meeting of the committee. Key activities in the period included a full review of the corporate risk register and aligning with the audit review of project and programme management, ensuring that there was suitable integration of risk management. Work was also ongoing to ensure that reporting processes were streamlined.

RESOLVED THAT

The report be noted.

65. INTERNAL AUDIT PLAN 2011-12

Geoff Drake, Chief Internal Auditor, introduced the report, which set out the audit plan for the 2011/12 financial year. He said that a new contract would be in place for the new financial year, which had been approved by Cabinet, under the Croydon framework with Deloitte that would produce a 20.1% saving. Work would be concentrated in key areas for the Council, both of concern and of importance, with the programme retaining a reasonable level of contingency.

RESOLVED THAT

The report be noted.

66. INTERNAL AUDIT QUARTERLY REPORT

Geoff Drake, Chief Internal Auditor, introduced the report, which set out internal audit activity in the period to 31st December 2010. 9 audit reports were finalised in the quarter, 8 FMSIS Inspection letters and 8 other management letters were issues, together with 4 other follow-up audits. Of the reports issued, 1- that on project and programme management had been issued with limited assurance, and 1- on St Mary's Primary School- had been issued with nil assurance.

Councillor Cartwright asked what the auditor did, in the light of the serious concerns raised by the report on St Mary's, and whether the Diocesan Board was involved. Geoff Drake said that the report was undertaken on behalf of the school's Governing Body, and was reported to the Director for Children's Services.

With regards to concerns expressed by Councillor Iggulden regarding the missing documentation, Geoff Drake said that the auditors had performed substantive testing and found no evidence of fraud or theft. Councillor Iggulden asked whether, given the missing documentation at the school's last audit, a follow-up audit should have been held sooner. Geoff Drake said that the last audit opinion had given substantial assurance, hence the timing of the audit.

The Chairman asked whether the difficulties were symptomatic in schools. Geoff Drake said that they were not, with many schools receiving substantial assurance. The Audit Service compiled an annual report picking out areas of common concern, and report these to Children's Services. The Committee, having noted the increased distance between schools and the LEA, agreed to ask the Director of Children's Services to write to it to describe the steps taken by Children's Services in response to such an audit. It also requested that officers submit the summary annual report on schools to it.

Councillor Murphy noted the concerns expressed around project management capacity in the audit report on project and programme management, and asked whether this was a risk, given the demand that the merger would place on these skills and on those training in the use of them. Jane West, Director of Corporate and Financial Services, said that the Council was currently recruiting senior project management professionals who would lead on training other staff in this area. She said that she was confident that, by bringing in this extra expertise, the Council could then grow the skills it required in-house.

Councillor Murphy suggested that this was a suitable area to be picked up in a regular reporting process on the risk management of the merger, as agreed under Item 62.

RESOLVED THAT

- (i) The Director of Children's Services be requested to write to the Committee setting out the steps taken in response to the audit of St Mary's Primary School, and;
- (ii) Officers be requested to submit the annual report on schools audits prepared for the borough's head teachers to the Committee, and;
- (iii) The report be noted.

67. ALMO CHIEF EXECUTIVE & SENIOR HOUSING MANAGEMENT- OPEN ASPECTS

Geoff Alltimes, Chief Executive, introduced the report, which set out the rationale and process for the recruitment and employment of Nick Johnson as Chief Executive of H & F Homes.

Councillor Murphy asked which officer had prepared the report. Geoff Alltimes said that it contained work from a number of officers, including the Assistant Director of Legal and Democratic Services and the Director of Finance and Corporate Services, but that he took responsibility for its contents.

Councillor Cartwright said that, while he had not been personally involved in the matter, he had seen the correspondence between officers and other members, and the press coverage of the matter. He expressed concern that the Council had employed an individual with a local government pension, in such a way as to circumvent the rules against doing so.

Jane West, Director of Finance and Corporate Services, clarified that it had been H & F Homes acting as employer, and that the rules of the LGPS at the time of Nick Johnson's retirement did not prevent him working for another local authority as a consultant whilst continuing to receive his pension.

As discussion of the process of Nick Johnson's appointment contained information relating to other individuals, the Committee moved to close the meeting to the public. The Committee's subsequent discussion is outlined in 72. ALMO Chief Executive and Senior Housing Management- Exempt Aspects.

At the conclusion of the exempt elements of that discussion, Councillor Murphy, seconded by Councillor Cartwright, moved that the Committee agree to refer the matter to the District Auditor, asking him to investigate, and called for a recorded vote.. The outcome of a vote on the resolution was as follows

For: 2

Against: 3

Those in favour: Councillors Murphy and Cartwright

Those against: Councillors Adam, Ginn and Iggulden

Councillor Murphy, seconded by Councillor Cartwright, then moved that the Committee write to the London Borough of Bexley, advising them of the position of Nick Johnson, as a pensioner of that borough, as Chief Executive of H & F Homes, calling for a recorded vote. The outcome of a vote on the resolution was as follows

For: 2

Against: 3

Those in favour: Councillors Murphy and Cartwright

Those against: Councillors Adam, Ginn and Iggulden

The Committee agreed that officers should be requested to examine the contract held with Johnson Davies Ltd and any similar contracts with service companies or agencies held by the Council or by H & F Homes, currently or in the recent past, to ensure that there was no potential National Insurance liability to the Council or H & F Homes, with appropriate indemnity arrangements.

RESOLVED THAT

- (i) The report be noted, and
- (ii) That officers should be requested to examine the contract held with Johnson Davies Ltd and any similar contracts with service companies or agencies held by the Council or by H & F Homes, currently or in the recent past, to ensure that there was no potential National Insurance liability to the Council or H & F Homes, with appropriate indemnity arrangements

68. EXCLUSION OF THE PRESS AND PUBLIC

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 1 and 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

69. ALMO CHIEF EXECUTIVE AND SENIOR HOUSING MANAGEMENT- EXEMPT ASPECTS

The outcome of the exempt aspects of the Committee's discussion are outlined in item 51

70. LEGAL AND GENERAL MATCHING FUND MANDATE

RESOLVED THAT

The recommendations of the exempt report be agreed.

71. PENSIONS ANNUAL BUSINESS PLAN

RESOLVED THAT

The recommendations of the exempt report be agreed.

Meeting started:

7.02 pm
Meeting ended: 10.00 pm

Chairman

Contact officer: Owen Rees
Committee Co-ordinator
Governance and Scrutiny
☎: 02087532088
E-mail: owen.rees@lbhf.gov.uk

Agenda Item 4



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Subject

**WARDS
All**

Committee Co-
Ordinator

MEMBERSHIP AND TERMS OF REFERENCE

RECOMMENDATION:

The Committee is asked to note its membership and terms of reference, as agreed at the Annual Meeting of the Council on 25 May 2011.

The Committee is asked to elect a Vice-Chairman.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
-----	----------------------------------	----------------------------------	----------------------

1.	Council Agenda, Annual Meeting, May 2011	Owen Rees 020 8753 2088	Hammersmith Town Hall
----	--	----------------------------	-----------------------

Membership

Councillor Adam (Chairman)
Councillor Botterill (Executive Member)
Councillor Ginn
Councillor Iggulden
Councillor Cartwright
Councillor Murphy

AUDIT AND PENSIONS COMMITTEE
TERMS OF REFERENCE

1. Membership

1.1 The Committee will have the following membership:

4 Administration Councillors
2 Opposition Councillors

1.2 The Chairman will be drawn from one of the Administration Councillors; the Vice-Chairman will be an Opposition Councillor.

1.3 The Committee may co-opt non-voting independent members as appropriate.

1.5 The agenda of meetings of the Committee will be divided into separate sections for Audit and Pensions matters.

1.6 The Pension Fund's external investment managers will be required to attend meetings of the Committee when dealing with Pensions matters and to submit reports and make presentations as required.

1.7 The Trades Unions and representatives from the admitted and scheduled bodies in the Pensions Fund shall be invited to attend and participate in meetings considering Pensions matters, but shall not have a formal vote.

1.8 The Committee may ask the Head of Internal Audit, a representative of External Audit, the Risk Management Consultant, Assistant Director (Business Support) and any other official of the organisation to attend any of its meeting to assist it with its discussions on any particular matter.

2. Quorum

2.1 The quorum of the Committee shall be 3 members.

3. **Voting**

3.1 All Councillors on the Committee shall have voting rights. In the event of an equality of votes, the Chairman of the Committee shall have a second casting vote. Where the Chairman is not in attendance, the Vice-Chairman will take the casting vote.

4. **Procedures**

4.1 Except as provided herein, Council Procedure Rules (as applicable to all Committees) shall apply in all other respects to the conduct of the Committee.

4.2 Meetings of the Committee shall be held in public, subject to the provisions for considering exempt items in accordance with sections 100A-D of the Local Government Act 1972 (as amended).

5. **Meetings**

5.1 The Audit and Pensions Committee will meet at least four times a year.

5.2 Meetings will generally take place in the spring, summer, autumn, and winter. The Chairman of the Committee may convene additional meetings as necessary.

5.3 The Chief Executive may ask the Committee to convene further meetings to discuss particular issues on which the Committee's advice is sought.

6. **Reporting**

6.1 The Audit and Pensions Committee will formally report back in writing to the full Council at least annually.

7. **Responsibilities**

(a) Audit

7.1 The Audit and Pensions Committee will advise the Executive on:

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the accounting policies and the annual accounts of the organisation, including the process for review of the accounts prior

to submission for audit, levels of error identified, and management's letter of representation to the external auditors;

- the planned activity and results of both internal and external audit;
- the adequacy of management responses to issues identified by audit activity, including the external auditor's annual letter
- the Chief Internal Auditor's annual assurance report and the annual report of the External Auditors.
- assurances relating to the corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services.

7.2 The Committee's responsibilities in relation to the annual accounts will include:

- to approve the Council's Statement of Accounts, in accordance with the deadlines set out in the Accounts & Audit Regulations 2003;
- acting as the Approval of Accounts Committee, to be held in June;
- to consider any report as necessary from the external auditor under Statement of Auditing Standard 610;
- to re-approve the Council's Statement of Accounts following any amendments arising from the external audit, in accordance with the deadlines set out in the Accounts & Audit Regulations 2003.

7.3 The Committee's responsibilities in relation to risk management will encompass the oversight of all risk analysis and risk assessment, risk response, and risk monitoring. This includes:

- the establishment of risk management across the organisation, including partnerships;
- awareness of the Council's risk appetite and tolerance;
- reviewing of the risk portfolio (including IT risks);
- being appraised of the most significant risks;
- determining whether management's response to risk and changes in risk are appropriate.

7.4 The Council has nominated the Committee to be responsible for the effective scrutiny of the Treasury Management Strategy and policies.

(b) Pensions - Decision-Making Powers (The following powers are hereby delegated on behalf of the Council)

- 7.5 To determine the overall investment strategy and strategic asset allocation of the Pension Fund.
- 7.6 To appoint the investment manager(s), custodian, actuary and any independent external advisors felt to be necessary for the good stewardship of the Pension Fund.
- 7.7 To monitor the qualitative performance of the investment managers, custodians, actuary and external advisors to ensure that they remain suitable.
- 7.8 To review on a regular basis the investment managers' performance against established benchmarks, and satisfy themselves as to the managers' expertise and the quality of their internal systems and controls,
- 7.9 To prepare, publish and maintain the Statement of Investment Principles, and monitor compliance with the statement and review its contents,
- 7.10 To prepare, publish and maintain the Funding Strategy Statement, the Governance Compliance Statement, and the Communications Policy and Practice Statement and revise the statements to reflect any material changes in policy,
- 7.11 To approve the final accounts and balance sheet of the Pension Fund and approve the Annual Report.
- 7.12 To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- 7.13 To oversee and approve any changes to the administrative arrangements and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- 7.14 To consider any proposed legislative changes in respect of the Compensation and Pension Regulations and to respond appropriately.
- 7.15 To approve the arrangements for the provision of AVCs for fund members.
- 7.16 To receive and consider the Audit Commission's report on the governance of the Pension Fund.



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Subject

**WARDS
All**

Committee Co-
Ordinator

APPOINTMENT OF CO-OPTED MEMBER

This report outlines an additional recommendation regarding the appointment of a non-voting co-opted member to the Committee.

RECOMMENDATION:

The Committee is asked to confirm the reappointment of Eugenie White as a non-voting co-opted member.

1. BACKGROUND

- 1.1 The Terms of Reference for the Audit and Pensions Committee, under 1.3, state that “The Committee may co-opt non-voting independent members as appropriate.”
- 1.2 Eugenie White served as a non-voting independent member on the Committee for 2010-11 municipal year
- 1.3 It is proposed that, given the high level of Eugenie White’s contribution to the Committee’s work, she be reappointed as a non-voting independent member for the 2011-12 municipal year.

2. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

Under the Council’s Members Allowances Scheme, co-opted members and independent members of the Standards Committee are entitled to an annual allowance of £504.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Council Agenda, Annual Meeting, May 2011	Owen Rees 020 8753 2088	Hammersmith Town Hall
2.	Council Constitution	Owen Rees 020 8753 2088	Hammersmith Town Hall
3.	Members Allowances Scheme	Owen Rees 020 8753 2088	Hammersmith Town Hall



AUDIT AND PENSIONS COMMITTEE

30th June 2011

CONTRIBUTORS

PENSION FUND VALUE AND INVESTMENT PERFORMANCE

**WARDS
All**

DF

This report prepared by P-Solve, provides details of the performance and the market value of the Council's pension fund investments for the quarter ending 31st March 2011.

RECOMMENDATION:

1. To note the report.

**LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	P-Solve quarterly fund manager reports	P.Gough Extn 2542	FCS, Room 42, Town Hall



London Borough of Hammersmith & Fulham Pension Fund

Investment Governance Report – Quarter 1 2011

May 2011



CAMRADATA
Pension Reporting

Summary

The assets of the Scheme are considered in terms of four equally weighted sections: UK Equities, Overseas Equities, Dynamic Asset Allocation Mandates and the Matching Fund.

The UK Equities are managed by Majedie and the Overseas Equities by MFS. There are two Dynamic Asset Allocation managers, Barings and Ruffer, managing three quarters and one quarter of this section respectively. The Matching Fund is split equally between a global bond mandate managed by Goldman Sachs and a Liability Driven Investment (LDI) fund managed by Legal & General. With the exception of the LDI fund, all others are actively managed by fund managers who aim to meet or exceed their stated benchmark.

Liability Benchmark (LB)

To match the predicted growth in the liabilities, the Total Fund return needs to meet a return equivalent to the Liability Benchmark plus 1.75% p.a. (net of fees). The Total Fund strategy aims to exceed this and targets a return 2.5% p.a. (net of fees) in excess of the Liability Benchmark. Within this, the Matching Fund is targeting a return of 1% p.a. in excess of the Liability Benchmark.

The liabilities move in accordance with changes in relevant gilt yields. For this reason, the benchmark used to measure the estimated movement in liabilities, the "Liability Benchmark" is calculated based on the movement of a selection of Index-Linked gilts, in the following proportions:

27% Index-linked Treasury Stock 2½% 2024, 63% Index-linked Treasury Gilt 1¼% 2027, 10% Index-linked Treasury Gilt 1¼% 2055

This Liability Benchmark was last reviewed in September 2008.

Manager Benchmarks

Each Investment Manager has a benchmark which they are monitored against on an ongoing basis. These are:

Majedie	<i>FTSE All Share + 2% p.a. over three year rolling periods</i>
MFS	<i>FTSE World ex UK + 2% p.a. over three year rolling periods</i>
Barings	<i>3 month Sterling LIBOR + 4% p.a.</i>
Ruffer	<i>3 month Sterling LIBOR + 4% p.a.</i>
Goldman Sachs	<i>3 month Sterling LIBOR + 2% p.a.</i>
Legal & General	<i>2 x FTSE + 15yr Index Linked Gilts - LIBOR p.a.</i>

Private Equity

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two by Unigestion which is invested almost entirely in Europe.

Breakdown of Scheme Performance by Manager as at 31st March 2011

Fund	Manager	Market Value (£000)	% of Total Fund	Target % of Total Fund	3 month return (%)	1 year return (%)	3 year return (%)
Total Fund		583,165	100.0	100.0	0.1	6.5	8.8
<i>Liability Benchmark + 1.75% p.a.</i>							
<i>Difference</i>							
UK Equities		155,429	26.7	25.0	(0.1)	(2.1)	6.7
Majedie							
<i>FTSE All Share + 2% p.a.</i>							
<i>Difference</i>							
Overseas Equities		156,583	26.9	25.0			
MFS							
<i>FTSE World ex UK + 2% p.a.</i>							
<i>Difference</i>							
Dynamic Asset Allocation Mandates		146,646	25.1	25.0	0.0	7.0	-
Barings (note 2)							
<i>3 month Sterling LIBOR + 4% p.a.</i>							
<i>Difference</i>							
Ruffer (note 2)							
<i>3 month Sterling LIBOR + 4% p.a.</i>							
<i>Difference</i>							
Matching Fund		122,756	21.0	25.0	(1.3)	2.9	-
<i>Liability Benchmark + 1% p.a.</i>							
<i>Difference</i>							
Goldman Sachs							
<i>3 month Sterling LIBOR + 2% p.a.</i>							
<i>Difference</i>							
Legal & General (note 3)							
<i>2 x FTSE + 15yr IL Gilts - LIBOR p.a.</i>							
<i>Difference</i>							
Cash		1,751	0.3	0.0	0.0	(5.4)	3.4
Cash							
<i>-</i>							

Notes:

- 1) All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.
- 2) Performance for Ruffer and Barings is for less than 3 years. Date of inception for Ruffer is 7th August 2008. Date of inception for Barings is 19th August 2008.
- 3) At the time of reporting, the Legal & General mandate consisted of index-linked gilts, the first step of the new LDI mandate. The longer term benchmark consists of a blend of benchmarks, reflective of Legal & General's previous holdings.



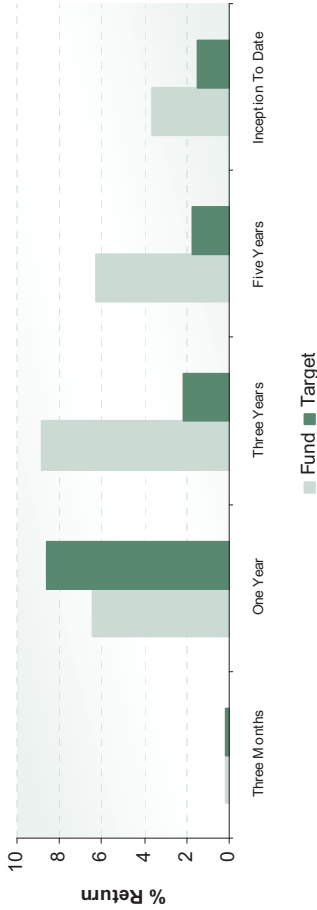
Asset Reconciliation and Valuation

Fund	Manager	Closing Market Value as at 31st December 2010 £000	% of Total Fund	Net Investment £000	Appreciation £000	Income Received £000	Fees £000	Closing Market Value as at 31st March 2011 £000	% of Total Fund	Target % of Total Fund
Total Fund		582,668	100	(319)	(1,268)	2,083	69	583,165	99.7	100.0
UK Equities	Majedie	154,028	26.4	(1,000)	1,074	1,327	-	155,429	26.7	25.0
Overseas Equities	MFS	157,600	27.0	(1,069)	(486)	538	69	156,583	26.9	25.0
Dynamic Asset Allocation Mandates		146,636	25.2	-	(205)	215	-	146,646	25.1	25.0
	Bairings	108,658	18.6	-	215	27	-	108,900	18.7	18.75
	Ruffer	37,978	6.5	-	(420)	188	-	37,746	6.5	6.25
Matching Fund		124,404	21.4	-	(1,650)	2	-	122,756	21.0	25.0
	Goldman Sachs	59,157	10.2	-	105	0	-	59,262	10.2	12.5
	Legal & General	65,247	11.2	-	(1,755)	2	-	63,494	10.9	12.5
Cash		-	-	1,750	-	1	-	1,751	0.3	0.0

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.



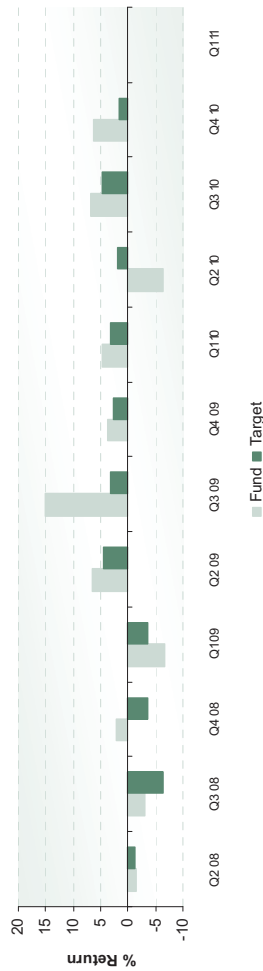
Historical Plan Performance



	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	0.14	6.45	8.83	6.28	3.64
Target	0.17	8.63	2.14	1.76	1.49

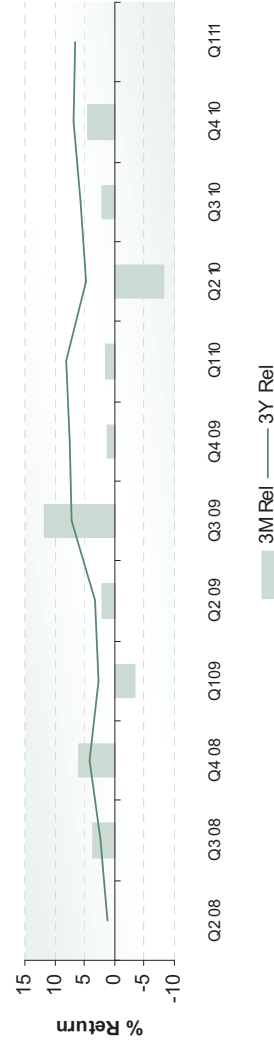
The Fund performed broadly in line with its liability benchmark over the quarter, returning 0.1% compared to the target of 0.2%. The relative underperformance was driven, in the main, by difficult conditions over the quarter across most asset classes, particularly sovereign fixed income. The Fund's performance of 6.5% over the year was below its target by 2.2%, as it was affected by the poor equity markets in the second quarter of 2010. Overall the Fund has performed well on a 3 and 5 year basis.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-1.39	-3.11	2.03	-6.68	6.46	15.21	3.59	4.75	-6.34	6.87	6.20	0.14
Target	-1.23	-6.35	-3.61	-3.50	4.47	3.09	2.57	3.21	2.00	4.68	1.57	0.17

Three Years Rolling Relative Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	-0.16	3.45	5.85	-3.29	1.90	1176	100	149	-8.18	2.09	4.56	-0.03
3Y Rel	103	2.21	4.13	2.79	3.37	7.14	7.52	8.10	4.86	5.57	6.83	6.55

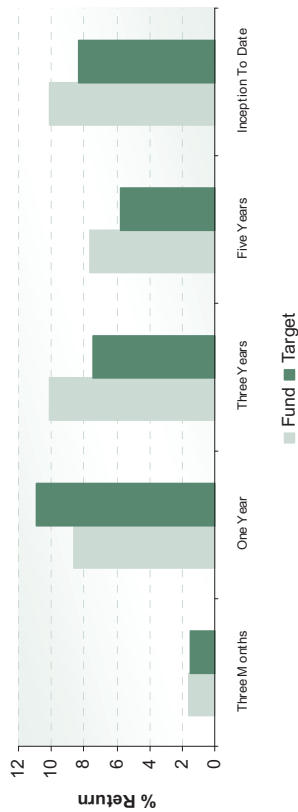
Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.



Majedie

Majedie are a small boutique specialist active UK Equity manager with a flexible investment approach. Their approach to investment is mainly as stock pickers. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

Historical Plan Performance

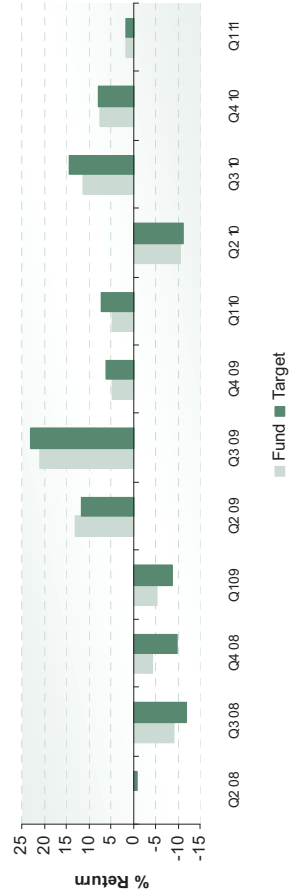


	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	1.56	8.63	10.12	7.61	10.08
Target	1.53	10.88	7.46	5.77	8.30

Quarterly Manager update

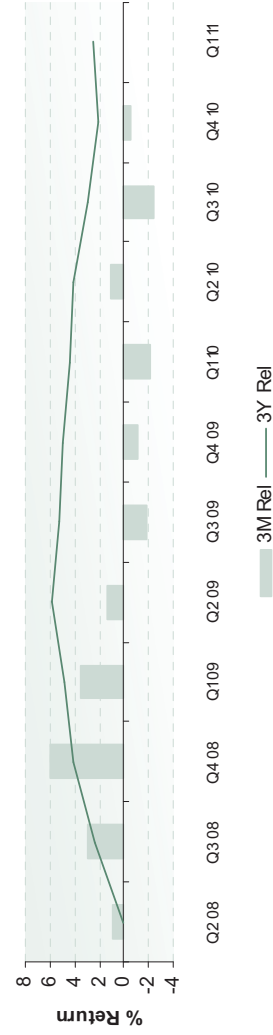
Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 1.6% over the quarter, in line with its target. Over 12 months, the portfolio was 2.3% below its target. The portfolio's positions in large cap multinationals, such as Vodafone, which offer strong balance sheets, decent yields, trading on low valuations with low expectations, were helpful over the quarter, as was the negative stance on the Banking sector. The long position on Pfizer, which had a strong quarter on the back of reduced R&D spending, and short position on Associated British Foods also aided performance. The long position on Nokia, who continue to struggle in an increasingly competitive mobile phone market, and 3i, tripped up by a weak UK economy over the quarter despite a recent recovery, were detrimental to overall performance.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	0.00	-9.13	-4.38	-5.47	2.97	20.72	4.80	4.73	-10.47	11.36	7.29	1.56
Target	-0.96	-11.75	-9.74	-8.63	11.43	22.94	5.99	6.93	-11.35	14.17	7.90	1.53

Three Years Rolling Relative Returns



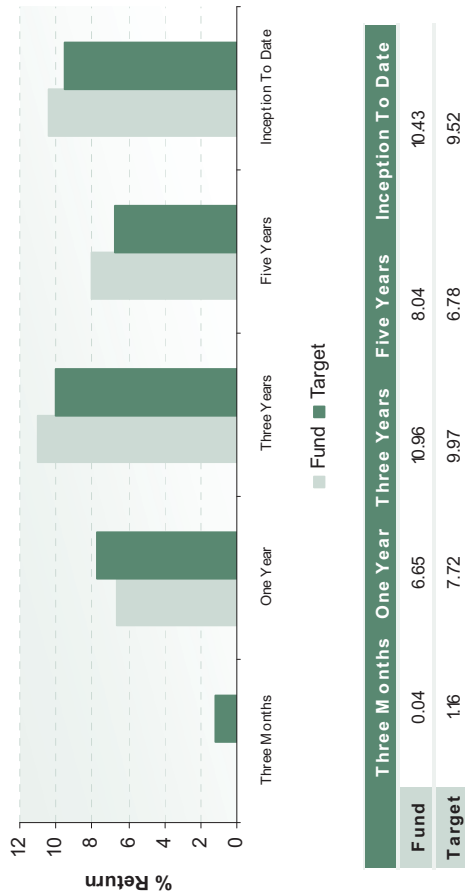
	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	0.96	2.96	5.94	3.46	1.38	-1.81	-2.06	0.99	0.99	-2.46	-0.57	0.03
3Y Rel	-	2.38	4.13	4.88	5.82	5.27	4.96	4.35	4.11	2.93	2.11	2.48

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.



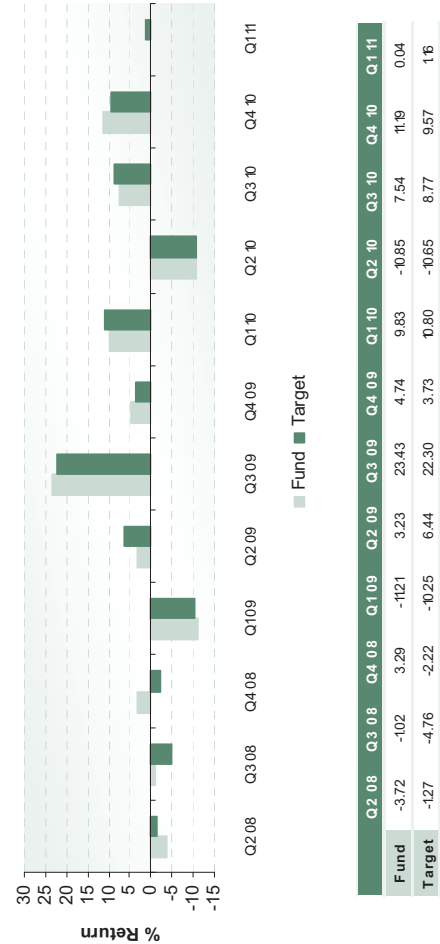
MFS are owned by Sun Life Financial based in Boston. Their investment philosophy is to select the best investment opportunities across regions and sectors. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

Historical Plan Performance

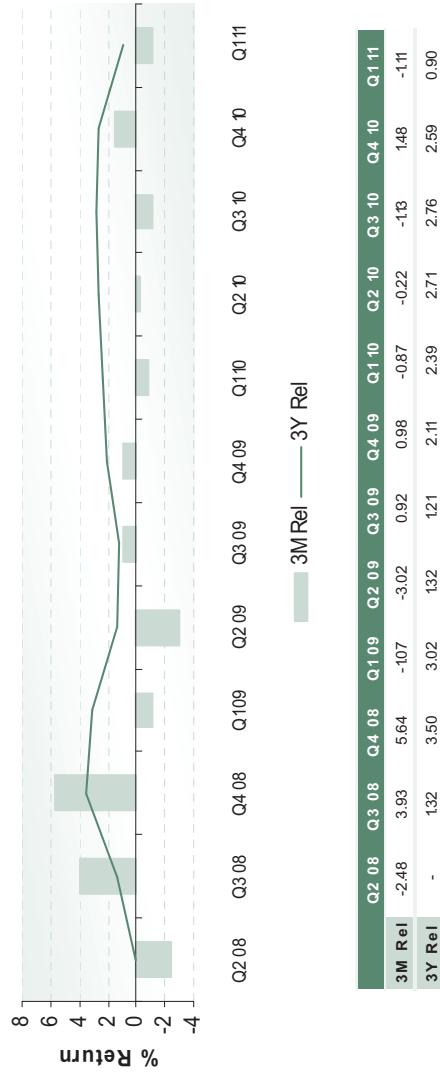


Quarterly Manager update	
Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The performance was flat over the quarter, 1.1% behind its target. Over 12 months, the fund was 1.1% behind its target. Stock selection in basic materials, industrial goods & services and energy aided performance as did individual stock holdings in Accenture, Autodesk and not owning Microsoft. Stock selection in health care and special products & services as well as stock selection and overweight positions in financial services, consumer staples and retailing was detrimental to performance. Individual holdings of Acer, Cisco, Tawain Semiconductor and Konica Minolta also detracted from performance over the quarter.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns

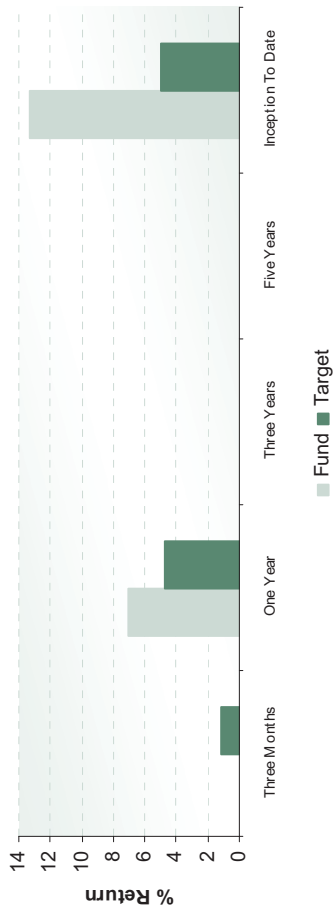


Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.



Dynamic Asset Allocation Group

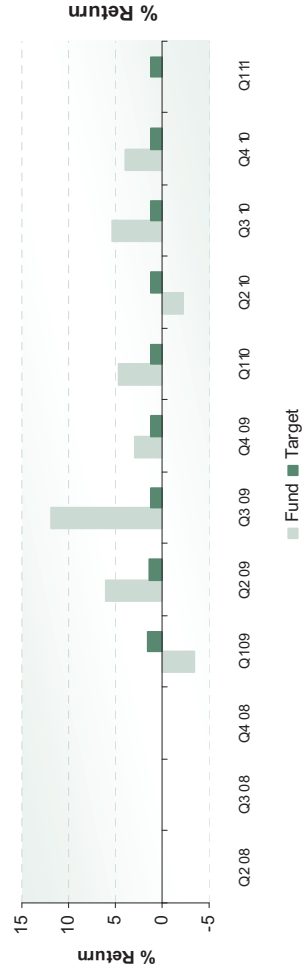
Historical Plan Performance



	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	0.01	7.04	-	-	13.26
Target	1.18	4.77	-	-	4.97

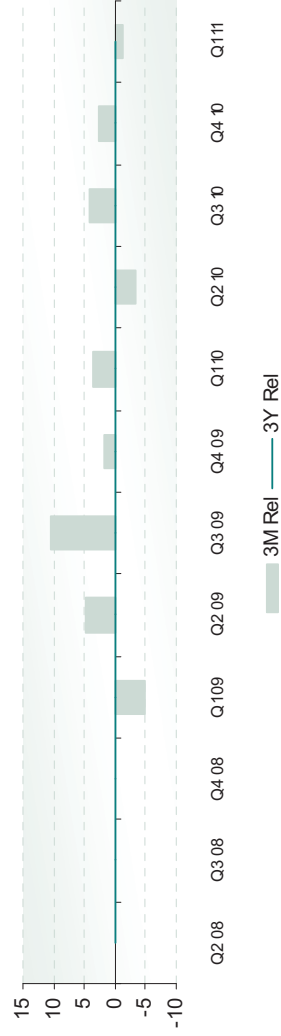
The performance of the group was flat over the quarter, the LIBOR-based target returned 1.2%, both Ruffer and Barings underperformed the target. The performance was primarily hindered by the equity holdings, as a result of stock selection in the case of Barings and exposure to Japan in the Ruffer portfolio. Over the past 12 months, performance has been 7.0% above target, as both managers (particularly Ruffer) have outperformed the target.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-	-	-	-3.38	6.10	1182	2.99	4.73	-2.22	5.32	3.94	0.01
Target	-	-	-	150	133	119	14	14	116	17	1.7	1.8

Three Years Rolling Relative Returns



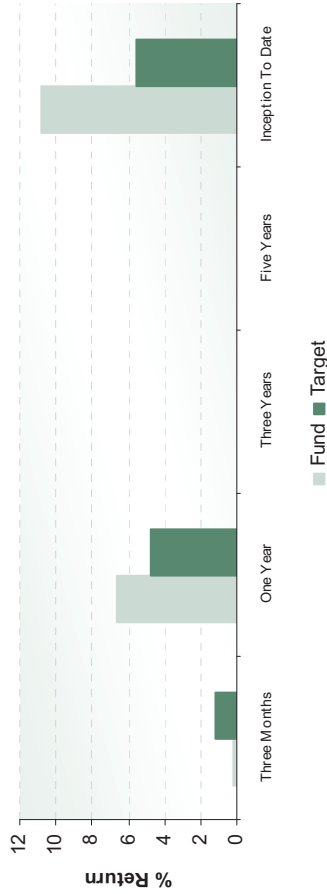
	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	-	-	-	-4.81	4.71	10.51	183	3.54	-3.34	4.10	2.74	-1.16
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-



Barings

Barings are a large UK based investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

Historical Plan Performance

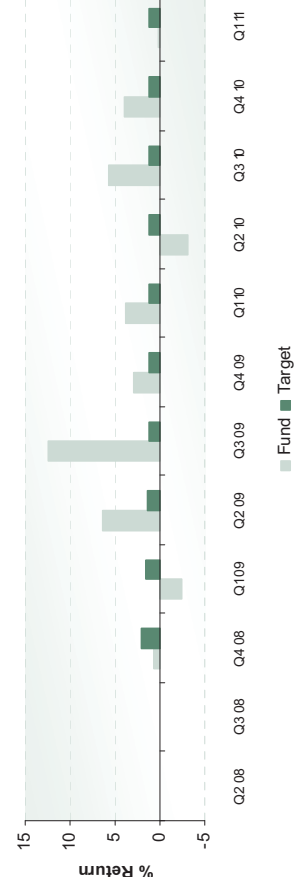


	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	0.22	6.65	-	-	10.78
Target	1.18	4.77	-	-	5.58

Quarterly Manager update

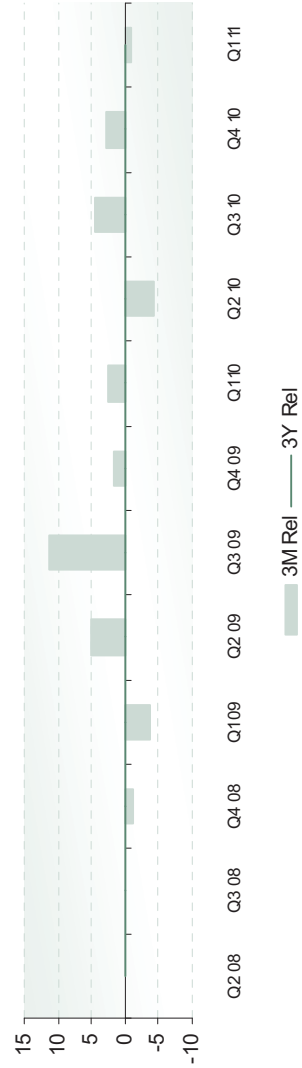
Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 0.2% over the quarter, 1.0% behind its target. Over 12 months, the fund is 1.9% ahead of target. Stock selection was below the market in both the UK and globally, although the portfolio had already limited its exposure to Japan avoiding the losses caused as a result of the earthquake. Gold detracted slightly over the quarter, as did the hedging instrument which finished down 8%. The portfolio fared better in the bond market with Australian, UK corporate and international convertible bonds performing well even though government bonds generally recorded losses over the period. Commercial property also did well.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-	0.67	-2.42	6.42	2.50	2.94	3.77	-3.12	5.73	3.88	0.22	1.18
Target	-	2.01	1.50	1.33	1.18	1.14	1.14	1.14	1.16	1.17	1.17	1.18

Three Years Rolling Relative Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	-	-	-1.32	-3.86	5.02	11.18	1.78	2.59	-4.23	4.51	2.68	-0.95
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

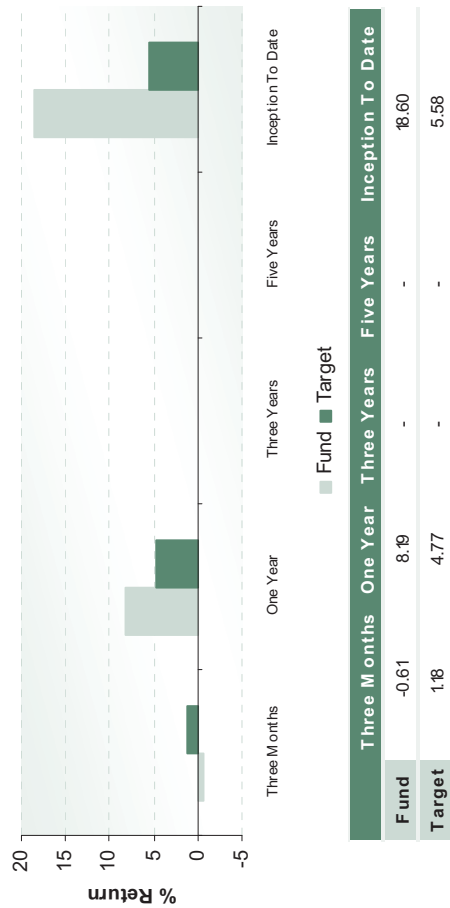
Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified



Ruffer

Ruffer are a small boutique investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

Historical Plan Performance



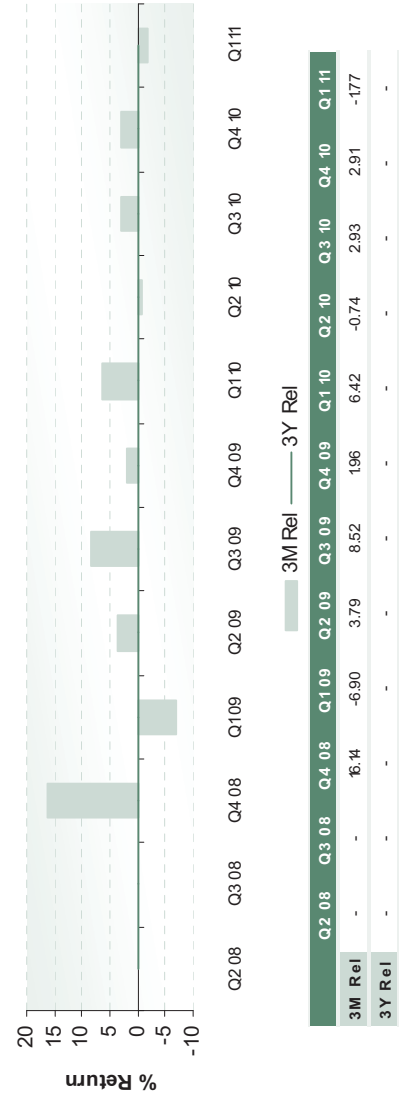
Quarterly Manager update

Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was -0.6% over the quarter, 1.8% behind its target. Over 12 months, the fund was 3.4% ahead of target. The portfolio's exposure to the Japanese markets, which fell sharply following the earthquake, holdings in gold and US dollar exposure hindered performance over the quarter. However, the portfolio's decision to initiate a position in long-dated US TIPS and hedge it's Yen exposure along with it's UK and global stock selection, especially SAP and ITV, did help to recover some ground.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns

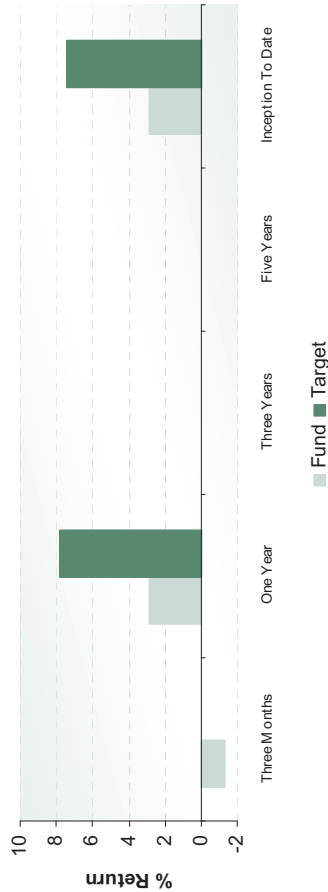


Three Years Rolling Relative Returns



Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

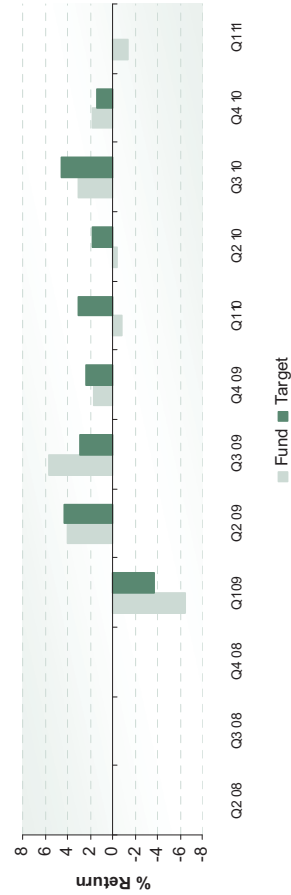
Historical Plan Performance



	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	-1.32	2.90	-	-	2.90
Target	-0.01	7.84	-	-	7.45

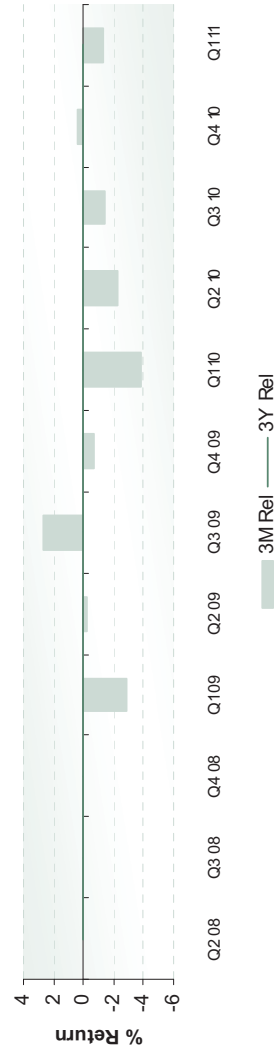
The performance of the Matching Fund over the quarter of -1.3% is 1.3% below its liability based benchmark. This can be attributed mainly to the adverse impact over the quarter of the negative returns from the LGIM Index-Linked portfolio (despite outperforming its target) combined with underperformance against target from Goldman Sachs. The Matching Fund return of 2.9% over the year was 4.9% below target due to the relative underperformance of both mandates.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-	-	-	-6.45	4.04	5.66	1.67	-0.88	-0.48	2.98	1.75	-1.32
Target	-	-	-	3.68	4.28	2.90	2.38	3.02	1.81	4.49	1.38	-0.01

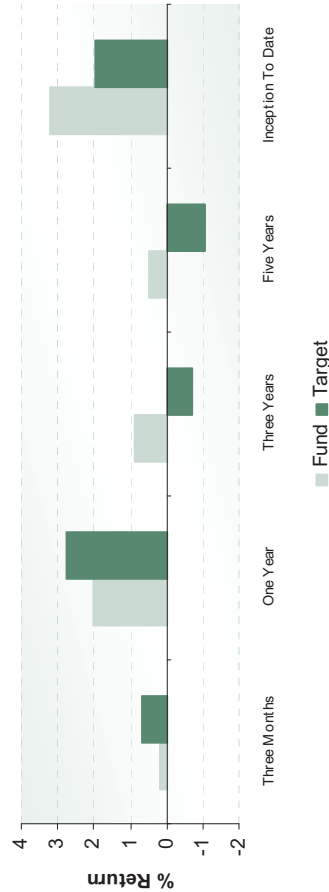
Three Years Rolling Relative Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	-	-	-	-2.87	-0.23	2.68	-0.69	-3.79	-2.25	-1.45	0.36	-1.31
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

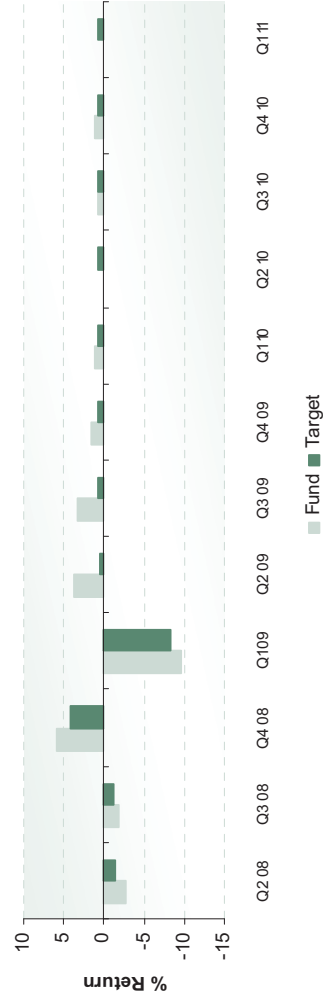
Goldman Sachs are a very large American investment bank who were first appointed in 1999 following a tender process. They have managed both equities and bonds on an active basis and since February 2009 manage an active bond fund.

Historical Plan Performance



	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	0.88	2.00	0.89	0.50	3.21
Target	0.69	2.76	-0.70	-1.07	1.96

Three Years Rolling Quarterly Returns

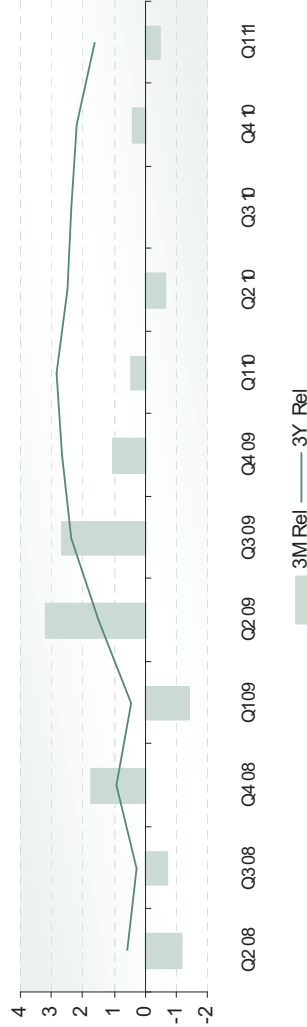


	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-2.67	-1.86	5.86	-9.70	3.78	3.36	1.66	1.10	0.03	0.68	1.10	0.18
Target	-1.48	-1.12	4.09	-8.39	0.56	0.70	0.65	0.65	0.67	0.68	0.68	0.69

Quarterly Manager update

Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 0.2% over the quarter, 0.5% behind its target. Over 12 months, performance was 0.8% below the target. The fund's country and EMD strategies hindered performance. However this was in part offset by the funds cross-sector strategy.
Process	No significant changes over the quarter.

Three Years Rolling Relative Returns

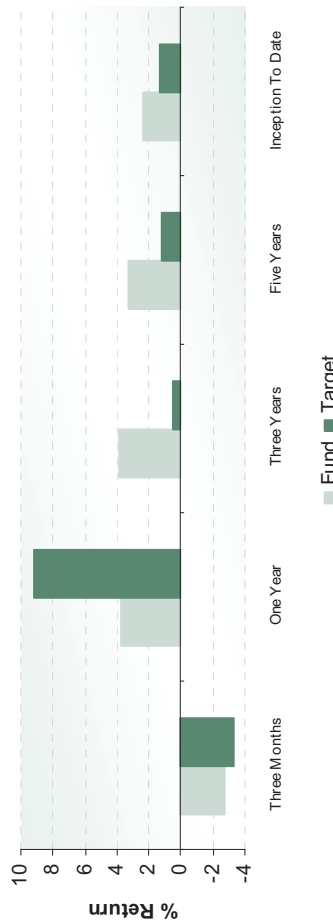


	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	-1.21	-0.74	1.70	-1.43	3.20	2.64	1.01	0.44	-0.64	0.00	0.42	-0.51
3Y Rel	0.54	0.27	0.90	0.47	1.48	2.37	2.68	2.86	2.51	2.37	2.19	1.60

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

Legal & General are a very large manager of indexed funds. They were first appointed to manage investments for the fund in 1993. They have managed both equities and bonds on an indexed basis. Their current investment mandate started in July 2009 following the investment structure review.

Historical Plan Performance

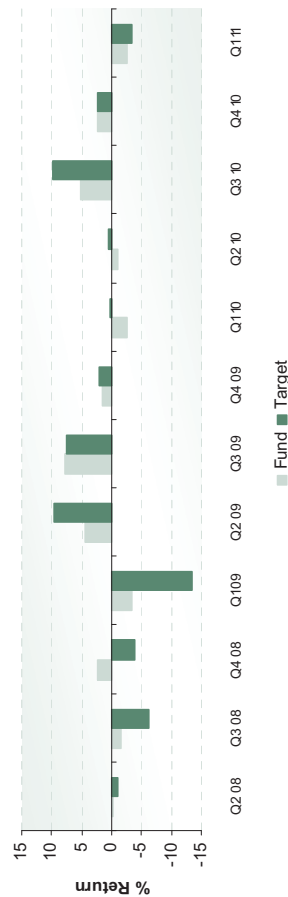


	Three Months	One Year	Three Years	Five Years	Inception To Date
Fund	-2.69	3.75	3.92	3.28	2.41
Target	-3.30	9.21	0.53	1.21	1.37

Quarterly Manager update

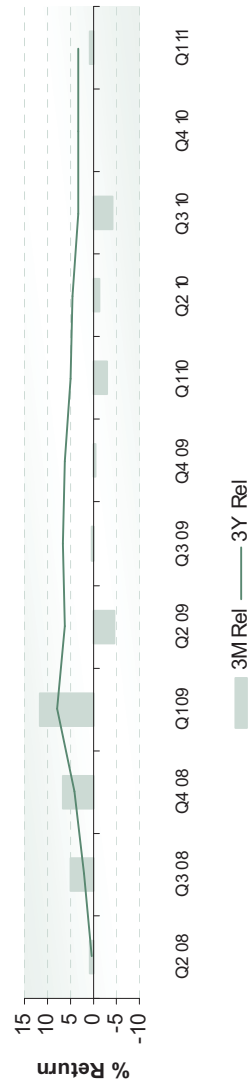
Organisation	LGLM has appointed Mark Zinkula, its head in North America, as its new chief executive, a year after former chief Peter Chambers announced his decision to retire.
Product	No significant changes over the quarter.
Performance	The fund performance was -2.69% over the quarter, 0.6% ahead of its target. Over 12 months, performance is 5.5% behind target. The fund, which is invested in the 2055 Index-Linked Gilt, has again tracked its market benchmark over the quarter and has continued to track its market benchmark since inception.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Fund	-0.17	-1.60	2.34	-3.32	4.29	7.85	1.68	-2.69	-0.96	5.18	2.34	-2.69
Target	-0.99	-6.25	-3.90	-13.51	9.52	7.48	2.08	0.36	0.39	9.89	2.38	-3.30

Three Years Rolling Relative Returns



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
3M Rel	0.83	4.97	6.49	11.78	-4.77	0.34	-0.40	-3.03	-1.34	-4.29	-0.04	0.63
3Y Rel	0.42	2.03	4.16	8.07	6.34	6.46	6.29	5.20	4.71	3.23	3.22	3.37

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

Market Performance

Despite the uncertainty at the start of the year, equity markets have finished the first quarter on a positive note. In sterling terms, UK and Global equities produced positive returns of 1% and 2% respectively. This, however, masked some wide variation in performance during the period and between markets.

United Kingdom Government bonds, meanwhile, produced a negative return over the period of -0.8% with longer dated bonds in particular falling back due to concerns over higher interest rates. UK Corporate Bonds, however, delivered a positive total return of 1% as the credit spread continued to fall.

Economic and Market Developments

Equities started the quarter positively with markets moving ahead in response to the perceived improvement in the economic outlook. However, the unexpected political turmoil in North Africa and the Middle East adversely impacted sentiment with the oil price rising significantly on concerns that the unrest could spread to Saudi Arabia, the world's largest oil producer, generating further upward pressure on the oil price.

Equity markets experienced further turbulence as the scale and destruction generated by the Japanese Tsunami became apparent to investors. Explosions at the Fukushima Daiichi nuclear plant, as water coolers failed, added to the difficulties faced by Japanese industry, with power supplies impacted and economic output lost.

Only now is the full economic impact being appreciated with Japan's March factory output having fallen by 15.3% month on month and household spending having declined by 8.5% annually. Against this backdrop, the Japanese market, which had initially fallen sharply, declined by 6.9% reflecting investors' assessment that the long term economic damage would be limited.

Elsewhere, the markets' focus centered on rising inflation, where global food and commodity prices have increased substantially, and economic growth with the Eurozone perhaps facing the most significant challenges. At its core, the German economy continued to perform strongly with economists predicting that the economy could grow by as much as 1% in the first quarter and by 3% over the year.

Germany's favourable outlook continues to be driven by the industrial sector, where orders grew by 2.4% in February after a 3.1% increase in January. However, there were encouraging signs that reliance on fast growing emerging markets was being reduced with domestic orders rising by 2.6%.

Despite the core Eurozone countries seeing continued expansion, the inevitable debt related strains resurfaced at the periphery, with Portugal now having to agree a €78 billion rescue package. The immediate market reaction however has been relatively sanguine and the European authorities must be hoping that Spain, seen by some as the next potential casualty, avoids a similar fate given that financial markets may be less accommodating.

Despite these tensions, the European Central Bank ('ECB') has been signalling higher interest rates in response to increasing inflationary pressure and in April, interest rates rose by 0.25% to 1.25%. With March inflation revised higher to 2.7% (up from 2.6%) against 2.4% for February, markets are expecting further rate rises with some suggesting perhaps as early as June.

Developed countries are not alone in facing inflationary pressures. China has been gradually tightening monetary policy via higher interest rates and by limiting credit creation to control inflation that reached 5.4% in March. These measures are expected to moderate economic growth to a still very respectable 9.4% for the quarter, but slightly lower than the growth of 9.8% achieved in the last quarter of 2010.

It is also significantly higher than the 1.8% growth achieved by the United States and clearly highlights the difference in performance between the world's two largest economies.

In the United Kingdom, the Bank of England also faces pressure to increase rates, but the economic backdrop remains uncertain and therefore is likely to be more cautious than the ECB.

Whilst the United Kingdom economy has recovered from the sharp and surprising decline seen at the end of last year with GDP growth rising 0.5%, the trend over both quarters is disappointing and will do little to reassure consumers who are seeing budgets squeezed by higher inflation and at the impact of Public Spending cutbacks. UK retailers in particular appear to be suffering with a number of companies including Dixons and Carpetright having recently announced profits warnings.

There are however, some grounds for optimism. Manufacturing activity remains strong and the March Purchasing Manager's Index for the service sector showed a strong bounce, which in part reflected a surge in Government spending ahead of the new fiscal year that will not be repeated over the coming months.

Outlook

Economists expect Global growth to be in the region of 3.5 to 4% for 2011 and with corporate earnings continuing to recover, profit margins remaining robust and healthy corporate balance sheets, equities have their supporters. However, economic recovery will remain sensitive to new developments and will inevitably face new challenges over the coming months in addition to the existing issues of higher inflation and an oil price that rose by over 20% during the last quarter.

Developments in China will be closely watched and any signs that their monetary tightening has overshoot will unsettle investors, who have become accustomed to seeing strong economic growth.

In addition, at some stage, the accommodative monetary stance of the major central banks will be reversed thereby withdrawing the liquidity that was pumped into the system, as the authorities sought to contain the effects of the credit crunch. There are already signs of this with the Federal Reserve Bank's Quantitative Easing program, which has been applying downward pressure on yields, widely expected to cease in June and further interest rate rises expected by the ECB, although broad policy remains supportive.

Overview:

Given the unprecedented market conditions experienced of late and the associated illiquidity of certain assets previously regarded as being liquid, The Pensions Research Accounting Group (PRAG) have produced a paper “Guidance on Investment Valuations” for use by those responsible for preparing pension fund financial statements.

This aims to provide guidance as to how to apply the “Market” or “Fair Value” requirements of the Statement of Recommended Practice (SORP): Financial Reports of Pension Schemes (Revised May 2007) which was incorporated into the Financial Reporting Standard (FRS) 26.

Essentially the issue is the extent to which there may be exposure to an unrecognised “Valuation Risk” within a fund in that the valuations being assigned to the assets may not be a true reflection of the realisable value of those assets.

FRS 26 aimed at creating consistency in valuations reported by Pension Funds and the Corporate Reporting of the sponsoring company. This involved the introduction of the “fair value” concept, defined as “*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction*”.

This definition was also incorporated into the revised SORP (2.95), which gives guidance on the valuation of the principal categories of investment as follows:

- Quoted Securities – closing (last trade or bid price) of stock exchange on which they are quoted.
- Unquoted Securities – “fair value” as estimated by the Trustees, based on advice of the investment manager or appropriate professional adviser.
- Pooled Investment vehicles – closing price or if no bid price, “fair value”.
- Properties – Valuation in accordance with RICS valuation standards
- Derivatives – Fair value in the net asset statement.

Detail:

The PRAG Guidance does not aim to address valuation methodologies, but says that those involved in preparing financial statements “*have to be satisfied that the valuations provided, comply with the investment valuation requirements of the SORP*”. It does not expect that valuations should be audited, but that there is an appropriate framework in place to establish and ensure the valuations are provided on a fair basis.

The SORP does not touch on valuing illiquid investments, other than to say that if the market for an investment is not active, then an estimate can be established using (unspecified) valuation techniques.

The International Accounting Standards Board (IASB) Expert Advisory Panel has however addressed this issue by producing a paper “*Measuring and disclosing the fair value of financial instruments in markets which are no longer active*” (October 2008). It subsequently (2009) published an exposure draft on Fair Value Measurement (“The Exposure Draft”) with the following objectives:

- Establish a single source of guidance for all fair value measurements
- Clarify the definition of fair value
- Enhance disclosure about fair value
- Increase convergence with US GAAP (Generally Accepted Accounting Principles)

The PRAG Guidance comments on what it describes as the three “Levels of Input” required for establishing fair value for an investment as defined in the IASB Exposure Draft. These are as follows:

Level 1 Inputs – represent quoted prices in an active market for identical assets that the entity can access at the measurement date, where “active market” is defined as “**one in which transactions take place with sufficient frequency and volume to provide pricing information**”

Level 1 inputs are easy to price; there is a liquid market for these securities

Implications for Trustees

Level 2 Inputs – reflect inputs observable directly (as prices) or indirectly (derived from prices). Level 2 inputs are moderately difficult to price; they have limited visible market parameters e.g. Swaps priced by reference to interest rate curves which are derived from observable market data.

Level 2 inputs can include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical assets in markets that are not active.
- Inputs other than quoted prices that are observable (interest rates, yield curves, volatilities).
- Inputs derived principally from, or corroborated by, market data.

Level 3 Inputs – refer to inputs that are not based on observable market data (unobservable inputs). Level 3 inputs are difficult to price; it is difficult to verify parameters used in their valuation e.g. private equity which uses information not available in the market.

The PRAG Guidance note goes on to say that Pension Funds using pooled vehicles may not be satisfied that considering pricing risks at a “unit” level provides an insight into the valuation risks in the underlying portfolio.

Consequently PRAG guidance is that the “look through” approach (where an assessment is made of the valuation basis of the underlying investments) is more useful to Fund accountants and Trustees when considering pricing risks within their investment portfolios. In many cases this will have the same effect as following the US guidance. It also acknowledges the fact that more guidance will be required on this point in the future.

PRAG recognises however that investment within a pooled vehicle may comprise different “Levels” of valuation categorisation. Importantly, (and perhaps in contradiction of the previous statement with regard to “look through”), in this event they say that the pricing of a pooled vehicle should be allocated to the pricing level which provides best fit to the predominant pricing characteristics of the underlying investments i.e. It is not split between pricing levels.

Based on a reading of the PRAG Guidance note, the first thing to say is that the motivation for issuing this appears to be one of ensuring that Pension Accountants and more importantly Trustees are aware of any pricing risks, which are inherent in their portfolios. Pricing Risk equates to the possibility that the valuation attached to the asset is not a true reflection (fair value) of its actual worth.

It seems to be in the main advisory rather than prescriptive, however it does make the point that some pension funds (e.g. those reporting to US parents and those whose UK parent company has adopted fair value accounting under FRS 26) should address the issue of “fair pricing” and satisfy themselves as to the appropriate level being adopted by their managers.

Additionally, PRAG believe it to be likely that this will become a reporting requirement for all funds, given the planned convergence of International Accounting Standards and UK GAAP in 2012.

Summary

Setting aside the possible future requirement from an accounting perspective to reflect the fair value of investments, it is perhaps incumbent on Trustees from a Governance perspective to satisfy themselves that the valuations placed on their assets are deemed to be “fair value” and to be at least aware of any investments which (based on the “Levels” outlined in the PRAG guidance) may be held to be Level 3 valuations. That is, where the valuations are not based on any observable market data.

This could be achieved through investigation with the Fund’s investment managers on a semi-regular basis and (as always from a governance perspective) documenting the results.

As with any other type of Investment Risk, Pricing Risk should if possible be identified and quantified as part of assessing the overall risk budget.

CAMRADATA Contact

Ian Bishop
Ian.Bishop@camradata.com
0131 624 8604
Charlotte House, 2 South Charlotte Street, Edinburgh EH2 4AW

Client Contact

Bob Pearce
Bob.Pearce@lbhf.gov.uk
020 8753 1808
2nd Floor, Town Hall Extension, King Street, Hammersmith, London W6 9JU

P-Solve Contact

Helen Smith
Helen.Smith@psolve.com
020 7024 7480
126 Jermyn Street, London SW1Y 4UJ

Scheme Actuary

Graeme Muir, Barnett Waddingham

Datasource: Data has been sourced from the Custodian, Northern Trust, and the Managers.

IMPORTANT INFORMATION

This report has been prepared by CAMRADATA Analytical Services Limited ('CAMRADATA'), a company registered in England & Wales with registration number 06651543. CAMRADATA is an associate of P Sigma Investments Limited. As of 1 August 2009, P-Solve Investments Limited (previously P Sigma Investments Limited), acting through its business division P-Solve Asset Solutions ('P-Solve'), delegated the delivery of investment governance reports ('reports') to CAMRADATA. Both P-Solve and CAMRADATA are part of the Punter Southall Group of Companies. CAMRADATA does not provide investment advice and accordingly is not authorised by Financial Services and Markets Act 2000 to do so. CAMRADATA is not regulated by the Financial Services Authority in the United Kingdom. This report is not intended to constitute an invitation or an inducement to engage in any investment activity nor is it intended to constitute investment advice and should not be relied upon as such. We recommend that you speak to your relevant advisers before taking any action.

This report contains expressions of opinion which cannot be taken as fact. The commentary provided is based on currently available information and on certain assumptions which may be subject to change without notice. Although CAMRADATA has prepared this document using information derived from sources considered to be reliable, CAMRADATA has not independently verified the accuracy of such information.

Although the information expressed is provided in good faith, neither CAMRADATA, its holding companies nor any of its or their associates represents, warrants or guarantees that such information is accurate, complete or appropriate for your purposes and none of them shall be responsible for or have any liability to you for losses or damages (whether consequential, incidental or otherwise) arising in any way for errors or omissions in, or the use of or reliance upon the information contained in this document.

CAMRADATA Analytical Services and its logo are proprietary trademarks of CAMRADATA and are registered in the United Kingdom.

This document is strictly confidential and is for the sole use of the party to whom it is sent. It must not be distributed to any third parties and is not intended and must not be, relied upon by them. Unauthorised copying of this document is prohibited.



30th June 2011

AUDIT AND PENSIONS COMMITTEE

CONTRIBUTORS

AD (HR)
AD (Procurement &
IT)
DFCS
AD (Legal &
Democratic
Servs)

**Award of a Framework Agreement for
Pension Administration Services**

WARDS

All

This report is to appraise the Committee of the recommended award of the Framework agreement for the provision of Pension Administration Services which was submitted for approval by the Cabinet on the 20th June 2011

RECOMMENDATION:

1. That the Report be noted

1. PURPOSE

- 1.1 The purpose of this report is to appraise the Audit and Pensions Committee of the recommended award of this Framework which was submitted for approval by the Cabinet on the 20th June 2011.
- 1.2 Following approval by Cabinet, the council intends to enter into a Call-off contract with Capita Hartshead Ltd (the recommended provider on the Framework) for provision of these services for a period of 6 (six) years extendable by a further 2 (two) years.

2. BACKGROUND

- 2.1 The tender process for the Pension Administration service has reached the point where the Council is now able to award the Framework following a detailed and comprehensive tender evaluation.
- 2.2 Pension Administration services are an important support service underpinning the management and administration of the Council's pension arrangements for all employee and ex-employee members of the Local Government Pension Scheme.
- 2.3 A report submitted to Cabinet on 20th June 2011 recommended that the Framework is awarded to Capita Hartshead Ltd who submitted the most economically advantageous tender in terms of the specified price/quality evaluation model. It also recommends that officers hold meetings with the successful contractor to agree/implement contract mobilisation.
- 2.4 The recommendation is that the Framework will commence on 1 October 2011 and will be for a period of 4 (four) years, with options to award call-off contracts for up to 6 (six) years with option to extend by up to a further 2 years (on an annual basis). However, the aim will be that all contracts called off from the framework will have co-terminus expiry dates to facilitate the retendering of the service by the participating councils.
- 2.5 These services are being tendered to renew contract arrangements upon expiry of the Council's current arrangements on 30 September 2011. A key objective is to reduce pension administration costs whilst optimising service quality.
- 2.6 These services are currently provided by the London Pension Fund Authority, a third party body, under contract with the Council. Annual expenditure on these services is £331,000 per annum.
- 2.7 It was established that, in the circumstance that the Framework was awarded to a new provider for both Hammersmith & Fulham and LB Brent, a number of staff had TUPE rights of transfer arising out of their working on LBHF and Brent pension administration matters.
- 2.8 In August 2010 Cabinet Member approval was given for the Council's existing contract for Pension Administration services to be reawarded, but retendered in the form of a Framework which could be accessed by other Councils in London.
- 2.9 Key objectives were to drive down costs; to provide better value for money, and improve service efficiency.

3. KEY ASPECTS OF EVALUATION OF TENDERS AND BENEFITS OF NEW CONTRACT

- 3.1 In May 2010, OJEU contract notices were published inviting expressions of interest. Subsequently in August, following evaluation of applicants, a shortlist of six (6) companies were approved by Members to be invited to tender via Cabinet member decision. The shortlisted companies and other exempt information relating to the procurement process are in the separate report on the exempt part of the Cabinet agenda.
- 3.2 An Evaluation Tender Model was published with the Invitation to Tender (ITT) documents. This required tenders to be evaluated through a staged approach, with those having passed through the earlier stages being evaluated on the basis of a 50/50 Price/Quality Model.
- 3.3 The six shortlisted companies were invited to tender. Four companies withdrew from the tendering process prior to the tender return date, leaving two companies who submitted tenders on or before the deadline of 21 February 2011.
- 3.4 The 2 organisations who submitted tenders were evaluated in accordance with the agreed Tender Evaluation Model. Both tender submissions were checked for completeness and both satisfied the criteria. Both tenders were then subjected to detailed examination of quality.
- 3.5 TUPE and Pension details of those staff eligible to transfer were not available when tenders were invited in January 2011 and thus, initially, tenders were invited to be submitted on a 'non-TUPE' basis (ie tenderers would simply base their submissions on the anticipated level of staffing, salaries etc required to provide the service without taking into account specific details of staff due to transfer).
- 3.6 TUPE and Pension details of those staff eligible to transfer became available significantly later in the tender period. These details were forwarded to the two tenderers (after the initial tender return date) as part of a subsequent post-tender clarification where, under the aegis of the Council's secure e-tendering portal, both tenderers were requested to provide details of any further costs arising out of employment of the staff eligible to transfer. Thus tenderers had submitted a 'TUPE' bid. Those responses were opened and downloaded by the Mayor on 22 March 2011.
- 3.7 Any additional costs were added to original tendered costs and taken into account in evaluation of price by each tenderer to the Council.

- 3.8 Detailed evaluation of both price and quality were then completed in accordance with the agreed evaluation model. Presentations were made by both tenderers. These presentations were evaluated and scored as part of quality.
- 3.9 Capita Hartshead Ltd scored consistently highly across all elements of both price and quality. Detailed scoring results are set out in the exempt part of the agenda.
- 3.10 The tendered costs will enable savings of approx £130,000 to be made annually by Hammersmith & Fulham. For information, annual savings of approx £65,000 will also be made by LB Brent who have worked closely with the Council in letting this Framework. The Council will also explore the cost/benefits of other additional services that are offered by the proposed provider.
- 3.11 The TAP considers that the tender submission represents value for money, is economically advantageous to both the Council and the LB Brent and thus recommends that the contract is awarded to Capita Hartshead Ltd.
- 3.12 The Tender Evaluation Panel which was chaired by the Assistant Director (HR) – Finance & Corporate Services and included representatives from the Pension Managers in Hammersmith & Fulham, LB Brent as well as RB Kensington & Chelsea and City of Westminster, Procurement, Legal and Finance who considered the results of this analysis. Scores for price and quality were calculated in accordance with the Price/Quality evaluation model. On this basis, the tenderer recommended above offered the most economically advantageous tender for appointment as the provider on the Framework.

4. BENEFITS ARISING FROM THE NEW CONTRACT

- 4.1 Capita Hartshead Ltd is a very well established company with proven experience and expertise in providing these specialised services to a wide range of Councils.
- 4.2 There are significant budget savings outlined above.
- 4.3 Some additional services (administration of redundancy, severance and other non-pension fund payments on behalf of the Council) will be incorporated within the base contract price.

5. RISK MANAGEMENT

- 5.1 In order to mitigate the risk of service disruption, the Council proposes a three-month mobilisation period, during which the Council will work with both the existing service provider and the new contractor to effect a smooth transfer in accordance with a detailed implementation plan to achieve full transfer by October 1 2011.
- 5.2 Risks have been considered throughout the procurement process and as part of the Corporate Risk & Assurance register under risk entry number 11, Market Testing of Services. Risks are also discussed at Competition Board and reviewed by the Executive Management Team and as part of project management.

6. EQUALITY IMPLICATIONS

- 6.1 A Predictive Equality Impact Assessment has been conducted and is available electronically. No adverse impacts have been identified.

7. CONCLUSIONS

- 7.1 The Tender Appraisal Panel chaired by the Assistant Director (HR) – Finance & Corporate Services met on 23rd March 2011 and resolved to recommend Capita Hartshead as the Framework provider to Cabinet at its meeting on 20th June 2011.
- 7.2 The Tender Appraisal Panel further proposes that officers arrange contract mobilisation meetings with the successful tenderer and the current provider to ensure a smooth implementation.
- 7.3 The Framework Agreement is to be awarded for a period of 4 years. The council will award a call-off contract for a period of 6 years with provision to extend by a further period of up to 2 years.

8. COMMENTS FROM DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 8.1 The estimated annual saving from the proposed new arrangements for pension administration are estimated at £0.13m per annum. These savings will initially benefit the Pension Fund rather than the Council's General Fund. Over time savings to the Pension Fund should feed through to the General Fund by reducing future pressure on the employer contribution.

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Cabinet Report: AWARD OF A FRAMEWORK AGREEMENT FOR PENSION ADMINISTRATION SERVICES	Debbie Morris x3068/Les Green x1878	Human Resources
2.			
3.			
4.			
5.			
6.			



AUDIT AND PENSIONS COMMITTEE

30th June 2011

Date	ANNUAL REVIEW OF RETIREMENTS 2010/2011	
June 2011		
Leader	<u>Summary</u>	Wards
Deputy Leader	<p>The report draws the Committee's attention to the Local Government Pension Scheme retirements that occurred in 2010/2011 and the consequential effect on the pension fund</p> <p>It also reports the number and value of redundancy payments made by the Council in 2010/11 for information.</p>	All
Contributors	<u>RECOMMENDATIONS:</u>	
LG	<ol style="list-style-type: none">1. To note the contents of the report.2. To note that the annual review of 2010/2011 specifically in relation to early retirements does not give rise to an increase in the employer contribution rate for Hammersmith and Fulham Council.	

1 Background

- 1.1 The last full triennial actuarial valuation of the pension fund was conducted in 2010/11 by Barnett Waddingham and it valued the fund's assets and liabilities as at the 31st March 2010.
- 1.2 The Valuation Report made an assessment of the contributions required from each participating employer in order to maintain the solvency of the pension fund. The certified total employer contribution rate for London Borough of Hammersmith and Fulham, including the staff who transferred from H&F Homes to LBHF on 1 April 2011 was calculated as 23.30% of pensionable pay from 1 April 2011 to 31 March 2014 :
- 1.3 Prior to 1 April 2011 H&F Homes employer contribution rate was 15% of pensionable pay, as it was agreed when H&F Homes began, that the past service deficit would not be passed to the Housing Revenue Account. Now that H&F Homes is transferring back to LBHF and in order that the Housing Revenue Account is not subject to a large increase in contributions in 2011/12, it was agreed that a phased increase to the employer's contribution rate would be applied, as follows:

	LBHF	Ex HF Homes employees
1 April 2011	24.70%	18.90%
1 April 2012	25.80%	22.80%
1 April 2013	26.60%	26.60%

- 1.4 In addition to the triennial valuation there is a requirement under regulation 38(5)b and 38(6) of the Local Government Pension Scheme Administration regulations 2008 to carry out an annual comparison of the early retirement costs with the costs that were anticipated in the full fund valuation.
- 1.5 The annual review provides the panel with details of the number and value of retirements and confirms whether the employer contribution rate requires to be adjusted.

2 Retirements in 2010/2011

2.1 Retirement data for 2010/2011 was supplied to the actuary in order to carry out the annual review. See Appendix 1

2.2 In summary the details were as follows:

Ill health retirements	7
Normal retirement age	29
Employer consent	1
Redundancy	27
Efficiency of the service	0
Late retirement	35
Deferred benefits into payment	87
Total	186

3. Actuaries report

3.1 In accordance with Regulations 38(5)b and 38(6) of the Local Government Pension Scheme Administration Regulations 2008, the fund actuary, Barnett Waddingham has carried out an annual comparison of the early retirement costs that have arisen in the Fund, with the costs anticipated in the Fund valuation as at 31 March 2010. This report is attached as Appendix 3 and recommends no change to the employer contribution rate for LBHF.

4. Redundancy payments made in 2010/11

Appendix 2 shows all redundancy payments made by the Council in 2010/11, for information.

4.1 Statutory redundancy is the amount the Council is obliged to pay under the Employment Rights Act based on the weekly earnings limit, which is currently £400.00 per week (pro-rated for part time employees).

4.2 Discretionary redundancy is the amount payable by waiving the earnings limit, so it is the amount calculated by using the employee's actual weekly pay, less the statutory redundancy amount.

4.3 Enhanced severance is paid under the Council's employment policy to low earning employees and it is the amount calculated by using a weekly pay figure equal to 1.5 x the Minimum Earnings Guarantee (pro-rated for part time employees), less the Statutory and Discretionary redundancy payments.

4.4 Taxable redundancy is the amount of the total statutory redundancy, discretionary redundancy and enhanced severance, which exceeds £30,000.00 and is therefore subject to income tax

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1	Actuarial files Annual Review file	Les Green X 1878	Finance and Corporate Services Dept Room 317 Town Hall

	Leaving Date	Statutory Redundancy	Discretionary Redundancy	Enhanced Severance	Taxable Redundancy	Grand Total
1	25/04/10	4,180.00	384.12			4,564.12
2	30/04/10	11,400.00	13,495.50			24,895.50
3	02/05/10	10,830.00	19,170.00		10,012.86	40,012.86
4	23/05/10	2,280.00	1,132.02			3,412.02
5	31/05/10	5,320.00	6,297.90			11,617.90
6	30/06/10	1,976.25		717.00		2,693.25
7	30/06/10	3,098.76		1,124.28		4,223.04
8	30/06/10	1,976.25		717.00		2,693.25
9	30/06/10	2,015.93		677.32		2,693.25
10	30/06/10	2,032.03		381.15		2,413.18
11	30/06/10	1,976.25		719.93		2,696.18
12	30/06/10	2,238.99		755.57		2,994.56
13	30/06/10	2,238.99		752.34		2,991.33
14	30/06/10	2,419.11		812.79		3,231.90
15	30/06/10	1,935.30		650.25		2,585.55
16	30/06/10	4,535.75		850.88		5,386.63
17	11/07/10	2,850.00	448.28			3,298.28
18	15/07/10	10,450.00	2,675.48	1,095.05		14,220.53
19	25/07/10	8,930.00	9,375.56			18,305.56
20	25/07/10	1,216.80	446.40			1,663.20
21	08/08/10	7,410.00	6,784.05			14,194.05
22	22/08/10	11,020.00	18,980.00		249.32	30,249.32
23	22/08/10	10,540.00	13,542.20			24,082.20
24	29/08/10	3,420.00	4,352.85			7,772.85
25	29/08/10	1,842.39				1,842.39
26	31/08/10	8,443.64		1,682.87		10,126.51
27	31/08/10	10,640.00	6,555.64			17,195.64
28	31/08/10	11,210.00	3,827.04			15,037.04
29	31/08/10	10,450.00	0.83			10,450.83
30	31/08/10	3,040.00	776.48			3,816.48
31	31/08/10	2,292.68	456.86			2,749.54
32	31/08/10	321.88		64.22		386.10
33	31/08/10	6,405.74	-	1,276.66		7,682.40
34	31/08/10	30,000.00				30,000.00
35	31/08/10	6,260.16		1,247.43		7,507.59

36	31/08/10	658.71				658.71
37	31/08/10	6,551.33	-	1,305.45		7,856.78
38	02/09/10	7,980.00	6,176.73			14,156.73
39	08/09/10	9,310.00	8,523.55			17,833.55
40	10/09/10	5,130.00	3,232.04			8,362.04
41	15/09/10	11,210.00	5,565.77	5,000.00		21,775.77
42	26/09/10	3,420.00	1,124.82	109.17		4,653.99
43	30/09/10	10,260.00	12,145.95			22,405.95
44	30/09/10	24,060.75				24,060.75
45	01/10/10	6,881.82				6,881.82
46	03/10/10	11,400.00	14,509.50			25,909.50
47	27/10/10	17,527.38				17,527.38
48	28/10/10	2,697.00				2,697.00
49	31/10/10	15,254.55				15,254.55
50	31/10/10	4,940.00		3,598.00		8,538.00
51	30/11/10	1,500.98		653.63		2,154.61
52	30/11/10	5,890.00	10,277.59			16,167.59
53	30/11/10	2,660.00	3,148.88			5,808.88
54	15/12/10	2,803.64				2,803.64
55	29/12/10	1,087.38				1,087.38
56	29/12/10	1,087.38				1,087.38
57	29/12/10	1,087.38				1,087.38
58	30/12/10	1,520.00	754.69			2,274.69
59	31/12/10	6,270.00				6,270.00
60	31/12/10	760.00	444.26			1,204.26
61	31/12/10	6,209.10		2,110.50		8,319.60
62	31/12/10	4,560.00	4,566.60			9,126.60
63	31/01/11	11,400.00	7,815.00			19,215.00
64	06/02/11	10,400.00	13,395.98			23,795.98
65	28/02/11	1,710.00	1,795.32			3,505.32
66	06/03/11	3,040.00	1,873.04			4,913.04
67	06/03/11	3,990.00	47.04	349.65		4,386.69
68	20/03/11	11,020.00	18,980.00		142.02	30,142.02
69	20/03/11	11,210.00	18,790.00		770.86	30,770.86
70	31/03/11	10,260.00	19,740.00		6,965.70	36,965.70
71	20/03/11	10,830.00	201.21	3,749.46		14,780.67

764,124.84

Early Retirements Report

Client London Borough of Hammersmith and Fulham Pension Fund **Date** 8 June 2011

Subject Review of Early Retirements Allowance

Prepared by Alison Hamilton FFA – Alison.hamilton@barnett-waddingham.co.uk

Prepared for Les Green

1 Introduction

1.1.1 We have been requested by Les Green to undertake a review of the early retirements over the year to 31 March 2011, and advise whether certified contribution rates from the triennial valuation as at 31 March 2010 for any of the employers who participate in the London Borough of Hammersmith and Fulham Pension Fund will have to be revised as a result of the review.

1.1.2 This report complies with all Generic Technical Actuarial Standards (TASs).

2 Data

2.1.1 We have been provided with data by the London Borough of Hammersmith and Fulham of early retirements within the year to 31 March 2011 in order to carry out the review. We have not carried out any data validation checks on this data. The data categorised by type of retirement is summarised below.

Type of Retirement	Number	Total Pension in Payment (£)
Deferred to Pensioner	87	188,886
Ill Health Retirement	7	31,431
Normal Retirement	29	417,582
Early Retirement (Employer Consent)	1	14,560
Redundancy Retirement	27	256,012
Efficiency Retirement	0	
Late Retirement	35	172,922
Total	186	1,081,393

2.1.2 In reviewing whether the certified contribution rate for any of the employers within the Fund should change in light of these early retirements, we only have to consider ill-health retirements.

2.1.3 When an employee or deferred member retires through normal age retirement, the Fund does not incur a cost in excess of what has been allowed for in the actuarial valuation.

2.1.4 When an employee retires early with employer consent or later than expected, the pension is actuarially reduced or increased and so is also expected to be cost neutral on the funding basis.

2.1.5 When an employee retires on redundancy or efficiency grounds, the employer is required to immediately fund the additional cost separately and so these retirements can also be ignored.

2.1.6 Therefore we have only considered ill-health retirements in our analysis.

3 Calculation of Allowance

3.1.1 Our calculations have been based on the method and assumptions consistent with the funding model and assumptions adopted at the 2010 funding valuation.

3.1.2 For each employer within the Hammersmith and Fulham Pension Fund, we allow for a certain number of ill-health retirements in each year as part of the future service cost.

3.1.3 Where there are more retirements than this, it may be prudent to ask for additional funding. The Regulations require that local authorities should monitor the number of ill-health retirements arising over each Fund year and refer the position to the Actuary if numbers exceed the allowed levels.

3.1.4 However, it is more relevant to the funding position to consider the expected amount of pension that would come into payment as a result of ill-health retirement, rather than just the number of retirements.

3.1.5 The table below shows the number of retirements and pension expected to come into payment as a result of ill health for all employers in the London Borough of Hammersmith and Fulham Pension Fund.

Code	Employer	Expected Number of Ill Health Retirements in 2010/11	Expected IH Pension to come in to payment in 2010/11 (£)
80	London Borough of Hammersmith and Fulham	2.9253	21,509
81	Mortlake Crematorium Board	0.0191	44
83	Family Mosaic Housing	0.0589	253
84	Hammersmith and Fulham Community Law Centre	0.0021	31
88	Urban Partnership Group	0.0072	65
89	London Oratory School	0.0396	204
90	Disabilities Trust	0.0049	8
91	Medequip Assistive Technology Ltd	0.0024	11
92	H+F Homes	0.3353	2,844
94	Glencross Cleaning Ltd	0.0061	13
95	Inspace Partnerships Ltd - Fulham Repairs	0.0102	59
96	Inspace Partnerships Ltd - Voids Repairs	0.0086	73
97	Burlington Danes Academy	0.0558	195
98	H & F Bridge Partnership	0.0357	555
99	P H Jones Ltd	0.0018	8
830	Irish Cultural Centre	0.0003	2
831	Kier Support Services Ltd	0.0215	172
832	Quadron Services Ltd	0.0603	455
833	Serco	0.1480	718
834	Tendis	0.0011	12
835	Turners Cleaning	0.2018	509
836	FM Conway	0.0201	193
837	Family Mosaic - Supporting People contract	0.0035	20
840	Kier - Non Responsive Repairs contract	0.0001	1
841	Thames Reach	0.0013	4
842	Eden Food Services	0.2151	724
843	Financial Data Management Ltd	0.0007	8
844	EC Harris LLP	0.0074	105
845	Crime Reduction Initiatives (CRI)	0.0015	7

3.1.6 The pension amounts shown are the annualised payroll of the total pension paid to members who retire through ill-health, after they have taken any cash on retirement.

- 3.1.7 We could then suggest that if ill-health pension comes into payment above the expected amounts shown above, then this triggers the Fund to seek extra payment from the employer. However this would mean for most small employers that any ill-health retirement would trigger an increase in their contribution rate, as statistically for these employers we expect significantly less than 1 retirement per annum.
- 3.1.8 We would suggest that the monitoring could allow a margin above the expected pension amounts, which if breached would trigger the Fund to seek extra payment. Technically, we suggest the margin would be approximately one standard deviation above the expected ill-health pension, rounded up to the nearest thousand pounds.
- 3.1.9 Based on this, we get the below allowances:

Code	Employer	Allowance for IH Pension to come into payment including margin (£)
80	London Borough of Hammersmith and Fulham	35,000
81	Mortlake Crematorium Board	1,000
83	Family Mosaic Housing	2,000
84	Hammersmith and Fulham Community Law Centre	1,000
88	Urban Partnership Group	1,000
89	London Oratory School	2,000
90	Disabilities Trust	1,000
91	Medequip Assistive Technology Ltd	1,000
92	H+F Homes	8,000
94	Glencross Cleaning Ltd	1,000
95	Inspace Partnerships Ltd - Fulham Repairs	1,000
96	Inspace Partnerships Ltd - Voids Repairs	1,000
97	Burlington Danes Academy	2,000
98	H & F Bridge Partnership	4,000
99	P H Jones Ltd	1,000
830	Irish Cultural Centre	1,000
831	Kier Support Services Ltd	2,000
832	Quadron Services Ltd	3,000
833	Serco	3,000
834	Tendis	1,000
835	Turners Cleaning	2,000
836	FM Conway	2,000
837	Family Mosaic - Supporting People contract	1,000
840	Kier - Non Responsive Repairs contract	1,000
841	Thames Reach	1,000
842	Eden Food Services	3,000
843	Financial Data Management Ltd	1,000
844	EC Harris LLP	2,000
845	Crime Reduction Initiatives (CRI)	1,000

4 Review of Retirements

4.1.1 The table below summarises the ill-health retirements that have come into payment over the year since 31 March 2010.

Code	Employer	Number of IH Retirements in 2010/11	Pension in payment
80	London Borough of Hammersmith and Fulham	3	14,820
92	H+F Homes	1	11,144
832	Quadron Services Ltd	1	3,802
833	Serco	2	1,664

4.1.2 These figures can then be compared with the allowances in table 3.1.9 to determine whether additional payment should be made into the Fund.

4.1.3 Of these employers, two (H+F Homes and Quadron Services) have breached their limit. The cost of these retirements can be calculated as

((Total Payroll for actual ill-health retirements LESS Expected Payroll for actual ill-health retirements) X 20)

4.1.4 We can then decide whether this additional cost is large enough that the ongoing contribution rate for these employers needs to be revised, based on the recovery period used in the 2010 valuation.

4.1.5 We have shown the current ongoing contribution rates, and suggested new contribution rates as a result of the excess ill-health retirements in the table below

Code	Employer	Target Rate from 2010 valuation	Additional Contribution Required as a result of Ill Health Retirements	Suggested New Rate
92	H+F Homes	23.3%	0.0%	23.3%
832	Quadron Services Ltd	22.3%	0.9%	23.2%

4.1.6 As H+F Homes are transferring back to the London Borough of Hammersmith and Fulham, the combined salary of the two employers is large enough that there will not need to be an increase in contribution rate to cover the cost.

4.1.7 However the ill health retirement for Quadron Services Ltd is significant in comparison to their payroll. Please let us know if you wish for us to revise the contribution rate for this employer.

4.1.8 We would be happy to answer any questions in relation to this report.

Alison Hamilton FFA
Partner, Barnett Waddingham LLP



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS
External Audit

June 2011 External Audit Progress Report

WARDS
All

This report sets out work undertaken by the Audit Commission, as external auditors, since the last meeting of the Committee.

RECOMMENDATION:

1. **Note the progress report**

External Audit Progress Report

London Borough of Hammersmith & Fulham

Audit 2010/11

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

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

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

Contents

Progress Report	2
2010/11 audit	2
2011/12 audit	3
Future of the Audit Commission	3
Recent publications	4
Contact details	4
Appendix 1 Planned outputs	5
Appendix 2 Interim Audit Recommendations	6
Appendix 3 Recent Publications	8
Improving value for money in social care (2 June 2011)	8
Going the distance - achieving better value for money in road maintenance (26 May 2011)	8
Better value for money in schools (10 May 2011)	8
Services for young people: Value for money self-assessment pack (19 April 2011)	9
Better value for money in schools (31 March 2011)	10

Progress Report

1 My principal objective as your appointed auditor is to carry out an audit that meets the Audit Commission's Code of Audit Practice (the Code). The purpose of this report is to provide you with an update on progress in delivering the 2010/11 audit plan and in planning the 2011/12 audit. It also highlights key national emerging issues and developments which may be of interest to members of the Committee. If you require any additional information regarding the issues included within this report, please contact me using the contact details at the end of this update.

2010/11 audit

2 My initial plans were set out in the 2010/11 fee letter sent to the Chief Executive and the Director of Finance and Corporate Services in April 2010. I provided detailed audit plans for the Council and Pension Fund audits at the Audit Committee in February 2011.

3 I set out below progress on work undertaken to date. A summary of the intended outputs for the audit is included at Appendix 1.

Interim work

4 A part of my interim audit I document and walkthrough the financial systems material to the production of the accounts. I also test the controls of selected systems to enable me to reduce testing at year end. Wherever possible I seek to place reliance on the work of internal audit to reduce the requirement for officers' time.

5 As a result of this work I made some recommendations which officers have accepted and responded to. Appendix 2 details the agreed action plan.

Financial statements audit

6 The draft Pension Fund accounts were provided to me on the 8 June 2011 and I have commenced the audit. The draft Council accounts are due to be provided to me by the end of June 2011.

7 As 2010/11 will be the first year in which the accounts are to be prepared using International Financial Reporting Standards, I conducted early work where possible to audit the re-stated 2009/10 comparators. Work has been completed on:

- accounting policies
- group accounts boundary; and
- segmental reporting.

8 Other areas of the IFRS restatement remain outstanding and so will be completed as part of the year-end audit.

Value for money

9 I am implementing a phased approach to my audit consideration of the developing arrangements across the three boroughs (the tri-borough arrangements) in the context of the value for money conclusion responsibilities - initially, for 2010/11, but with the main focus for 2011/12. To date, this has comprised a 'watching brief'. I am discussing with officers at the three boroughs the need to develop this ongoing work as arrangements themselves develop, with likely specific risk-based work to be progressed. I will continue to liaise with the Chief Executive and Director of Finance and Corporate Services as part of my work.

2011/12 audit

10 My initial plans for the 2011/12 audits of the Council and its pension fund were set out in my letters to the Chief Executive and Director of Finance and Corporate Services in March 2011. These are included as a separate item on this Audit Committee's agenda.

11 The Audit Commission consulted on the proposed work programme and scales of fees for local government for 2011/12. The final agreed programme and scale resulted in a significant reduction in audit fees to reflect the new approach to local VFM audit work. For 2011/12, the Audit Commission has also specified the scale audit fee for each individual body. This is intended to increase transparency and ensure planned reductions are delivered on the ground.

Future of the Audit Commission

12 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG is currently consulting on its proposals for the new audit regime and plans to publish a draft Bill for further scrutiny and comment later in the year. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

13 The Commission is working with DCLG to consider ways of transferring its existing in-house audit practice into the private sector. In April 2011, DCLG appointed FTI as financial consultants to give it advice on the best approach to externalising the audit practice and its valuation under different options. Pending approval from the government, the Commission's preferred option would be for the audit practice to become an employee-owned, or mutual, organisation.

Recent publications

14 The Audit Commission publishes independent reports which highlight risks and good practice to improve the quality of financial management in the health service and encourage continual improvement in public services including in the field of public health and health inequalities. Some of the recent reports are summarised in Appendix 3 and are also available on the Audit Commission web-site at:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/pages/default.aspx>

Contact details

Name	Telephone	Email
Jon Hayes District Auditor	0844 7982877	j-hayes@audit-commission.gov.uk
Julian McGowan Audit Manager	0844 7982655	j-mcgowan@audit-commission.gov.uk

Appendix 1 Planned outputs

Planned output	Indicative date	Actual date
Initial fee letter	April 2010	April 2010
Opinion audit plan	January 2011	February 2011
Annual Governance Report	September 2011	
Opinion on the financial statements and value for money conclusion	September 2011	
Final accounts memorandum	October 2011	
Annual audit letter	November 2011	

Appendix 2 Interim Audit Recommendations

Recommendations

Recommendation 1

Strengthen record keeping in respect of new starters, leavers and staff with change of circumstances. Original supporting documentation should be retained to include:

- starters, leavers or change of circumstances forms;
- offers of employment letters and signed copies of the contracts for new starters; and
- resignation letters and confirmation of leavers letter.

Responsibility	AD HR and DDF
Priority	High
Date	By 1 June 2011
Comments	We accept that improvements need to be made in the retention of supporting documentation for payroll changes and we will be meeting together mid May to formalise our policy going forward with a view to implementation by 1st June 2011.

Recommendation 2

Reconciliation variances should be investigated and cleared. A formal process of completing reconciliations and clearing variances in a timely manner should be introduced. Management should review and sign-off reconciliations.

Responsibility	DDF
Priority	High
Date	By 30 June 2011
Comments	We have started to evidence our review and sign off of reconciliations - eg. LBHF pension membership and housing benefits (rent allowances and rent rebates). It is intended that this will be rolled out across all our key reconciliations by the beginning of July 2011 as part of the WCFM implementation.

Recommendation 3

Establish a formal policy for the clearance of suspense accounts, detailing:

- the frequency of suspense account clearance;
- the time a transaction remains in the suspense account; and
- introduce formal review and sign-off procedures.

Responsibility	DDF
Priority	High
Date	By 31 May 2011

Recommendations

Comments We will review all our suspense accounts as part of the 2010/11 closing process with a view to formalising a policy for clearance. By 31st May we will produce a policy covering the issues highlighted above.

Recommendation 4

All requests for invoices should be supported with a signed and authorised formal request.

Responsibility DDF and Departments

Priority High

Date Ongoing

Comments We have already reminded relevant staff of this requirement. In addition we are investigating the possibility of centralising electronic storage of supporting documentation with a view to allow for monitoring of compliance with our practice.

Appendix 3 Recent Publications

Improving value for money in social care (2 June 2011)

'Improving value for money in adult social care' is the first in a series of briefings that will look at value for money in health and social care.

This briefing finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services.

Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face.

But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.

Going the distance - achieving better value for money in road maintenance (26 May 2011)

The report looks at the challenges faced by the country's 152 council highways authorities. England's 236,000 miles of local roads - used by 30 million drivers every day - are under attack from increasing traffic, severe winters, higher repair costs, and dwindling highways funding.

The report highlights how councils can get more for their money, including cost-saving collaborations with neighbours, asset management to show when road maintenance will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience.

It includes a series of case studies which demonstrate how some councils have developed strategies that balance growing service demands with reducing resources.

Better value for money in schools (10 May 2011)

The Audit Commission's equality impact assessment (EIA) of the Better Value for Money in Schools study led to an approach which included whether any changes in school resourcing designed to achieve greater efficiency would have a differential impact on particular groups within the school population.

The study looked at the ways that maintained schools could deploy their workforce more efficiently. It focused on four areas of classroom deployment; curriculum breadth; staff absence and cover; and the wider school's workforce.

By making schools workforce more efficient schools can free up resources that either allow them to deliver the same quality of education while budgets are contracting, or better education with the same budget.

School budget cuts are likely in the future, which has the potential to impact particularly on students from a disadvantaged background and pupils with special educational needs.

The summary document sets out the findings from the EIA, showing how equality and diversity issues were embedded in the study.

Services for young people: Value for money self-assessment pack (19 April 2011)

This is a free self-assessment pack resulting from collaboration between the Audit Commission and the Confederation of Heads of Young People's Services (CHYPS). It aims to help make sure money spent on services for young people is well used and has the right impact.

Already piloted in six areas, it has been credited with:

- helping statutory and voluntary providers to begin longer-term reviews of provision, staffing and costs;
- increasing self-awareness among managers and staff about council youth services;
- stimulating discussion between partner organisations on improvement and how to achieve better value for money;
- identifying some 'quick wins'- for example, doing more to celebrate young people's achievements; and
- generally raising the profile of youth services.

The pack is organised into five modules which take users through a structured assessment of their services, drawing on their own and comparative data about spending and outcomes. It then helps them prepare an action plan to provide the best value for money services for young people, specifically tailored to their area and its resources.

Services for Young People: Value for Money Self-Assessment Pack is a voluntary, online, self-assessment tool aimed at elected members and senior staff with an interest in services for young people. It is relevant to all councils, fire and rescue authorities, the police, voluntary and private sectors - indeed anyone who is involved in commissioning or delivering services locally for young people.

In 2009 the Audit Commission report Tired of Hanging Around showed how sport and leisure activities could prevent young people being drawn into anti-social behaviour. It found that a young person caught up in the criminal justice system costs the taxpayer £200,000 by the age of 16, but one needing support to stay out of it costs less than £50,000. The report identified a need for councils and their partners to improve resources for young people. This new resource is designed to complement it.

Better value for money in schools (31 March 2011)

These four briefings are designed to help schools make the best use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings.

England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces.

These briefings, under the heading Better Value for Money in Schools, examine patterns in spending in maintained schools in England. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment.

They look at four areas where schools have scope to improve efficiency:

- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;
- approaches to covering for staff absence, including supply teachers; and
- the size, cost and composition of the wider (non-teaching) school workforce.

In addition we published a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.

For more information about the briefings you can email schoolsworkforce@audit-commission.gov.uk

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

June 2011



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

**2011/12 External Audit Fee Letters – Council
and Pension Fund**

**WARDS
All**

This report sets out the fee letters for the external audit for the Council and Pension Fund accounts for 2011-12.

RECOMMENDATION:

- 1. Note the fee letters**

our reference 20110228

28 February 2011

Mr Geoff Alltimes
Chief Executive
London Borough of Hammersmith & Fulham
Town Hall
King Street
London W6 9JU

Direct line 0844 798 2877

— Dear Geoff

Hammersmith & Fulham Pension Fund Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Hammersmith & Fulham Pension Fund. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, including no inflationary increase in 2011/12 for audit and inspection scales of fees.

The scale fee for Hammersmith & Fulham Pension Fund is £35,000. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£35,000	£35,000

I will issue a separate audit plan in March 2012. This will detail the risks identified to the financial statements audit. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Finance. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Jon Hayes Engagement Lead	j-hayes@audit-commission.gov.uk 0844 798 2877	Responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit Committee and issuing the auditor's report.
Julian McGowan Engagement Manager	j-mcgowan@audit-commission.gov.uk 0844 798 2655	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Jon Hayes
District Auditor

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the [audit] committee.

Table 1

Planned output	Indicative date
Audit plan	March 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements	September 2012

28 February 2011

Mr Geoff Alltimes
Chief Executive
London Borough of Hammersmith & Fulham
Town Hall
King Street
London W6 9JU

Direct line 0844 798 2877

— Dear Geoff

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at London Borough of Hammersmith & Fulham. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- audit of financial statements;
- value for money conclusion; and
- whole of government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ
T 0844 798 1212 F 0844 798 6187 www.audit-commission.gov.uk

The scale fee for London Borough of Hammersmith & Fulham is £360,000. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£360,000	£400,000
Certification of claims and returns	£80,000	£110,000

I will issue a separate audit plan in March 2012. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Finance. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Jon Hayes Engagement Lead	j-hayes@audit-commission.gov.uk 0844 798 2877	Responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and

		Chair of Audit Committee and issuing the auditor's report.
Julian McGowan Engagement Manager	j-mcgowan@audit-commission.gov.uk 0844 798 2655	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Jon Hayes
District Auditor

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the [audit] committee.

Table 1

Planned output	Indicative date
Audit plan	March 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Finance)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Subject

WARDS

Internal Audit Manager

**Audit Commission recommendations
updates & Annual Governance Statement
2010 Action Plan**

All

This report provides updates on the implementation of Audit Commission recommendations and of the AGS 2010 Action Plan.

RECOMMENDATION:

That the Committee notes the report.

Internal Audit

Update on Audit Commission report recommendations

The table attached as Appendix 1 shows updates on recommendations from Audit Commission reports which have been previously reported. Updates on 2 recommendations have been sought for this report provided. Both recommendations have been reported as fully implemented. No new reports have been issued by the Audit Commission since the last meeting of the Committee. We will continue to report progress on all outstanding recommendations contained in any newly received reports at future meetings.

Annual Governance Statement Action Plan

The 2010 Annual Governance Statement (AGS) was first considered by the Audit and Pensions Committee at its June 2010 meeting.

Attached as Appendix 2 is the final update to the action plan relating to the control weaknesses identified in the statement and report on its progress. Updates on the control weaknesses identified in the 2011 AGS will be reported to future meetings.

The action plan is a necessary result of producing the AGS. Because these issues are considered to be significant the action plan and the progress made in its implementation should be periodically reported to the Audit and Pensions Committee to agree and then to monitor progress. The action plan should provide sufficient evidence to show that the individual significant control weaknesses taken from the AGS will be resolved as soon as possible, preferably in-year before the next statement is due.

Failure to act effectively on the significant control issues would increase the exposure of the council to risk.

The schedule at Appendix 2 shows the current stated position as reported by the identified responsible officers. Unless otherwise stated, Internal Audit has not verified the current position reported in either appendix and can therefore not give any independent assurance in respect of the reported position.

The Audit and Pensions Committee is invited to note the updates provided by operational management.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit report recommendations progress update	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU
2.	Annual Governance Statement Action Plan	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU

Audit Commission Recommendation updates

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Update for June Audit and Pensions Committee meeting
Grants 2008-09					
<i>New Deals for Communities</i>					
	<p>R9 Review the NDC asset register to ensure it only records expenditure which is capital in nature, over the de minimis of £5,000 and is clearly traceable to a tangible asset.</p>	<p>It is agreed that improvements need to be made to ensure that the NDC asset register is maintained in accordance with CLG guidelines. Guidance has been drafted by the departmental finance officer responsible and this will be reviewed by corporate finance colleagues and an Audit Commission view sought before implementation to correct the register for 2009/10. (Target March 2010)</p>	<p>Housing Finance Manager</p>	<p>The NDC asset register has been reviewed and updated in line with the recommendation. This will now be passed to corporate finance colleagues and the Audit Commission for review before implementation.</p> <p>{Target Date: December 2010}</p>	<p>Discussions have now taken place with Corporate Finance and the necessary changes have now been made to the asset register by the NDC Finance Manager.</p> <p><i>This recommendation is now closed and no further updates will be reported</i></p>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Update for June Audit and Pensions Committee meeting
Annual Audit Letter 2009/10					
	<p>R4 Improve the level of compliance with internal procedures when making housing benefit claimant assessments.</p>	<p>The Subsidy team was established 3 years ago and has been successful in reducing the errors in the overall subsidy claim to a net £21k in the 2008/09 claim. Whilst the system of quality checking has made improvements we accept in now needs to be reviewed to maximise the impact of the quality checking that we can currently resource. This will be undertaken after the 2009/10 subsidy claim audit has been completed.</p> <p>{Target Date: May 2011}</p>	<p>Assistant Director (H&F Direct)</p>	<p><i>The 2009/10 audit was completed in December, but some outstanding queries are still being finalised and therefore the claim has still to be signed off. It is expected that this should be by middle of January 2011.</i></p> <p><i>As planned the review of the process and type of quality checking will be reviewed over the next few months.</i></p>	<p>The Audit was signed off in January 2011 and we have just received notification from the DWP of the agreed financial impacts.</p> <p>Letter from DWP dated 1 April 2011.</p> <p>This recommendation is now closed and no further updates will be reported</p>

2009/10 Annual Governance Statement**Action Plan**

AGS Finding re Significant Control Weakness	Responsible Officer	December Update	February Update	Update for June Audit and Pensions Committee meeting
<p>Budget Estimation</p> <p>Corporate Capital and Revenue monitoring identified variances to budgets during the 2009/10 year. These were brought to the attention of the council's Financial Strategy Board as part of the standard monitoring process. Consequently departmental procedures have been strengthened through more explicit standard setting by Corporate Finance complimented with written guidance. Financial Regulations were updated and republished in 2009. An internal Audit review of the process will be undertaken during the 2010/11 year to gain an assurance on the effectiveness of the process improvements.</p>		<p>Audit work has been carried out and the final management letter on Budget Variances was issued in January. The management letter includes 3 recommendations for future consideration</p>		
<p>Reconciliation of Financial Systems</p> <p>The Council has progressed well in redeveloping financial systems and processes over the past few years and acknowledges the project to move towards World Class Financial Management. However there are outstanding recommendations from External Audit relating to reconciliations that remain to be fully resolved.</p>	<p>Head of Corporate Accountancy</p>	<p>The financial systems stream of the WCFM project has identified improvements to the reconciliation of financial systems which are being implemented now.</p>	<p>Improvements continue to be made and a comprehensive schedule of systems reconciliations is being compiled which will form the workplan for the centralised systems team which is part of the new WCFM structure currently out for consultation.</p>	<p>We have started to evidence our review and sign off of reconciliations - e.g. LBHF pension membership and housing benefits (rent allowances and rent rebates). It is intended that this will be rolled out across all our key reconciliations by the beginning of July 2011 as part of the WCFM implementation.</p> <p>{Target date July 2011}</p>

AGS Finding re Significant Control Weakness	Responsible Officer	December Update	February Update	Update for June Audit and Pensions Committee meeting
<p>Business Continuity IT</p> <p>A paper has been submitted to Cabinet, and approved, recommending the implementation of a Business Continuity project to increase IT resilience. This will take some time to complete however it is anticipated that once in place arrangements should prove robust in the event of an IT service interruption.</p>	<p>Head of IT Strategy</p>	<p>The Business Continuity paper was approved in February 2010. H&F Bridge Partnership have negotiated with suppliers on data storage, made proposals for cost containment and determined a suitable supplier for the future Storage Area Network, which is a key part of the BC proposals. Procurement has taken place. Though the plan was originally to have a the new BC service ready in December 2010, an unexpected issue causing a delay arose in relation to the installation of upgraded air conditioning in the Hammersmith Town Hall computer room. This work cannot now complete until the end of November which means that user acceptance testing for the whole service has had to be put back to complete in February, at which point the whole service can go live.</p> <p>{Target Date 28/2/11}</p>	<p>Upgraded air conditioning has now been installed in the Hammersmith Town Hall computer room, permitting HFBP to begin the real work of installing new servers and storage for Business Continuity. HFBP have come up with an innovative way of completing testing which will allow the user acceptance testing for the whole service to be done largely in normal work time, starting mid January. This is now planned to complete end of February 2011, at which point the whole service can go live.</p> <p>{Target Date 28/2/11}</p>	<p>Some technical difficulties and some delays through clashing priorities within the council meant testing was prolonged. All services have now been tested by the council except for one in Children's services and the Revenues and Benefits service in Finance and Corporate services. Once these are complete (due end April) the new Business Continuity service will go live.</p> <p>{Target date May 2011}</p>

AGS Finding re Significant Control Weakness	Responsible Officer	December Update	February Update	Update for June Audit and Pensions Committee meeting
<p>Contract Management of Consultants</p> <p>The Audit Committee has received a report that identifies a number of weaknesses in managing these contracts that need to be addressed. The corporate Procurement team are leading a piece of work across departments to strengthen the management of consultants and the area will be re-audited in the 2010/11 audit programme.</p>	<p>Principal Consultant (Strategic Procurement)</p>	<p>The Quarterly Internal Audit report to the September meeting of the Committee included the following update on the follow-up audit work carried out in relation to the 2009/10 <i>Use of Consultants</i> Internal Audit report.</p> <p>“A follow-up audit has now been carried out which will be formally reported as part of the quarterly report to the next meeting. This found that 2 priority 1 recommendations had been fully implemented. The remaining 1 priority 1 recommendation and 3 priority 2 recommendations were found to be only partly implemented. The partly implemented recommendations relate to controls that should exist within departments. As a result of this additional centralised controls are being introduced in the relevant areas.”</p>		



AUDIT AND PENSIONS COMMITTEE

JUNE 2011

CONTRIBUTORS

All departments

Subject

Tri Borough Risk Management

This report updates the Committee of the implementation of risk management arrangements in Tri Borough planning.

**WARDS
All**

RECOMMENDATION:

- 1. The committee consider and approve the arrangements for implementing risk management across the Tri Borough programme.**

1. PURPOSE

1.1. This report presents to Members the progress of embedding risk management across the Tri Borough council programme as requested by the Audit & Pension Committee at its February 2011 meeting. This also establishes the first in a series of regular quarterly risk management reporting to the Audit & Pension Committee for Tri Borough risk management.

2. BACKGROUND

2.1. Cabinet approved the Tri Borough Proposal document 'Bold Ideas for Challenging Times' at its February 2011 meeting. The move to the next stage – from 'Proposals' to 'Plans' - represents a valuable opportunity to develop robust risk management and further enable Members scrutiny of plans to implement new models of service delivery.

2.2. Cabinet considered a further report at its May 2011 meeting updating and noting the positive public response to the proposals and the draft business cases highlighting continued confidence in achieving the £35m savings target. The report updated Cabinet Members on progress of proposals to the future provision of services for Adult Social Care, Children's Services, Corporate Services, Libraries and Environmental Services.

2.3. More specific proposals, including the proposed appointment of a joint Chief Executive with the Royal Borough of Kensington and Chelsea, and also updating Cabinet on business cases for the Integration of Children's Services, Environment Services and Adult Social Care are tabled for the 20th June Cabinet meeting.

3. RISK MANAGEMENT

3.1. Responsibility for risk management will sit within a governance structure outlined in the February 2011 Cabinet report and the proposal document 'Bold ideas for Challenging Times'. This proposed the following governance and Programme Delivery structure;

3.2.

Programme Delivery Teams

Strong, empowered teams are to be appointed for each programme dedicated to the delivery of plans and savings. Each programme team should comprise (as a minimum):

A Senior Responsible Owner: One Chief Executive will be responsible for each of four programmes. The Senior Responsible Officer (SRO) must be empowered to take decisions and remove barriers across the boroughs within agreed parameters.

Business change managers: Very senior staff such as Chief Officers to lead the change from the service perspective, resolve blockages and be responsible for the delivery of savings and protection of service quality.

A Programme Manager: Delivering the experience, credibility and strong influence to direct and deliver the programme across all three boroughs. Responsible for the co-ordination and execution of the projects required to enable the savings.

Programme and Project Support: Programme management experience and strong relationship skills to manage and monitor plans, progress, risks and issues and to give problems the visibility needed so that the programme manager and business change managers can solve them. To make cost-effective use of senior people's time and support inexperienced project and business change managers.

Project managers: To deliver specific changes required to enable Business Change Managers to deliver savings. For example, delivering an outsourcing exercise, implementing an IT system.

3.3.

Pooled Delivery Support

At particular times programmes will need specialist support in the following areas:

a) Restructure and Human Resources: End-to-end support and capacity to help deliver management rationalisations (establishing structures, posts, grades; conduct of recruitment exercises; subsequent contractual issues and management of departures). There will be considerable demand for such support at the early stages of Tri-borough delivery.

b) Support from other key functions: Programmes will also require procurement, legal, finance, IT, internal and external communications, consultation and property input. Internal resource will be used (wherever possible).

c. Business and Financial Analysis and Intelligence: There is a significant upfront requirement for this resource in order to ensure consistent metrics (and therefore fair apportionment of costs and benefits) and the development of robust business cases and savings targets.

13. The extent and timing of support required will vary between programmes. Careful management of specialist support will be needed to prevent resource conflicts between programmes, ensure the correct prioritisation/sequencing and management of dependencies. Tri-borough will use existing staff where possible, capitalising on the skills and experience of staff in the three boroughs. Each borough brings to the table significant and complementary strengths in programme and change management on which to build, for example but not limited to organisational development and transformation management (LBHF), business analysis (WCC) and programme delivery support (RBKC).

3.4. The London Programme Management Approach will be adopted for programme management and will be the preferred approach to project management. This includes establishment of a Portfolio Management Office (PMO) that will support the delivery of the benefits of the Tri-borough programmes in the following ways and these are being implemented for Hammersmith and Fulham Council facilitated through our Organisational Development Division and are;

Supporting change programmes by

- assisting programmes to identify and meet their requirements for specialist resources
- identifying, understanding and advising on dependencies between programmes
- helping programmes to establish suitable governance arrangements between projects and programme boards
- providing hands on support with programme delivery (e.g. identifying benefits and risks and programme planning)
- developing clarity and consistency in terms of roles, responsibilities, accountabilities and helping SROs and Lead Programme Directors to interpret and apply these to their programmes
- coaching/mentoring key role players in what to do and how to do it and identifying and addressing individual learning development requirements

The PMO will support Tri-borough initiative as a whole by

- giving confidence that benefits are tracked and delivered
- developing and facilitating communities of practice
- holding an overall picture of Tri-borough ensuring that dependencies are managed and opportunities identified.
- delivering programme assurance processes/exercises
- establishing suitable governance arrangements between Portfolio Management Board (PMB), the Central Programme and Policy Board (CPPB) and Programmes and adjusting these as needed. Ensuring the programmes are linked in with leads on HR, IT etc
- providing the Secretariat functions for PMB and CPPB (agendas, papers, minutes etc)

3.5. The high level Tri-Borough Programme Governance Structure is attached as **Appendix A**. Discussions have commenced with colleagues in Westminster and the Royal Borough of Kensington and Chelsea how Tri-Borough risks will be tested and monitored through respective Boroughs Audit Programmes.

3.6. There are undeniably numerous risks associated with such a change programme and these are not to be understated. A number of these have already been expressed in the risk log disclosed on page 89 of the document 'Bold Ideas for Challenging Times'. A more comprehensive set of risks attached to the proposals has been shared with the Tri Borough Sponsoring Group and its Senior Responsible Officer.

3.7. Additional details on risks attached to specific programmes are included in the Cabinet report of the 20th June 2011 in specific Tri-Borough Service Plans and Proposals. Complementary to this the Hammersmith & Fulham Council Corporate Risk & Assurance register has been updated to incorporate its Tri-Borough high level risks, a copy of which has been provided to the Audit & Pension Committee through existing Risk Management reporting. As new risks emerge they will be logged by the Programme Manager in compliance with the agreed Programme Management approach.

4. UPDATES FROM PROGRAMME LEADS

- 4.1. Adult Social Care** - Marian Harrington. The structure of Tri-borough Adults' Services commissioning core is now ready to go to the three Cabinets (20th June 2011). The services will continue to be managed by the councils with each borough having a lead Assistant Director within the commissioning core. Permission to appoint a single Director of Adults' Services for the three boroughs is projected to take place by the autumn.
- 4.2.** The proposal is for Hammersmith and Fulham to be the employing authority for all new senior appointments in Adults' Services. We are also seeking permission to negotiate the development of integrated health and social care services with the Central and North West London Community Health Trust. Integrated health and social care services will have a distinct borough identity and will be responsive to local need. Budgets will be retained by the councils and not delegated to community health services.
- 4.3. Corporate services** - Jane West. The Corporate Services work-stream has been making good progress on its cornerstone Project Athena. The three boroughs are leading on the London-wide procurement of managed service solutions for HR transactions, finance and procurement transactions, property transactions and business intelligence. Once in place, various framework contracts would provide Tri-borough integrated IT platforms and transactional processing for these services. The IT systems would be owned and managed by the providers, not the three councils.
- 4.4.** Although the Tri-borough councils are leading on the procurement of these services, any London council or other public body, will be able to join the framework agreement. Seventeen other London boroughs have already formally expressed an interest. Given the London-wide value of the project, Capital Ambition, a pan London partnership for work on performance and procurement, is making £750,000 available to fund the procurement process. The June Cabinets will be asked to formally support the project and to contribute £250,000 from each borough towards the estimated procurement process costs.
- 4.5. Children's Services** - Andrew Christie. The proposed Tri-borough Children's Services model to be presented to the June Cabinets will include plans for:
- A single commissioning function bringing together social care and family support services to help families that have broken down
 - A single education commissioning function responsible for raising standards and preventing failure in 153 schools
 - Three borough based delivery units with responsibility for protecting children, supporting families and delivering early help as efficiently as possible. However, where appropriate, specialist services will be combined to share overheads and expertise (e.g. Youth Offending Service, Fostering & Adoption).

- 4.6.** The proposed Tri-borough service will involve a transition to one department for Children's Services, managed by one management team. There will be one post responsible for education, one for commissioning other services and one for providing the financial support. Each borough will have a director responsible for the delivery of child protection, children in the care of the local authority and family support services.
- 4.7. Libraries** – David Ruse. A strong vision for the future of the library service, with improvements for customers and savings for councils, underlies the business case for an integrated library service that is to be presented to all three Cabinets in June. While there will be fewer posts in the new arrangements, there will be opportunities for staff and a more sustainable financial base for the service. If agreed, a process will be put in place to appoint a new senior management team by the autumn, with a fully integrated structure by spring 2012. The new senior team will be employed by Westminster. The integrated service will reflect local community needs and be complemented by locally commissioned services in each borough. Delivery models, such as a Trust, will also be considered. If approved by Cabinets, a formal consultation with staff will begin.
- 4.8. Environmental services - Tot Brill** An updated timetable for the review of each service and the governance and support structures to ensure a strong business cases for change, while continuing to deliver excellent services to residents, will be ready for the June report to Cabinets.
- 4.9. Councils explore employee led mutuals** Sustaining public services for a reduced cost is a key part of the Tri-borough proposals and work is being done to explore how new enterprises can be set up to secure new income and reduce running costs. In RBKC the Youth Support and Development Services, which comprises 170 staff, is exploring this option. The Royal Borough is examining the feasibility of its Youth Support and Development Service (YSDS) opting out of local authority control and forming a free standing, employee led social enterprise. The project is part of the Cabinet Office Employee Led Mutual Pathfinder Programme. The ultimate aim of the project is to re-provide youth support services under contract at a reduced cost. Information about the project is shared among youth services staff via a 'communities of practice' website.
- 4.10.** Hammersmith and Fulham is also exploring new ways of working around an employee mutual with a private sector partner to deliver ICT and finance services to schools. Again, part of the Cabinet Office Employee Led Mutual Pathfinder Programme, it is hoped that the new organisation will employ a total of 42 staff in total from the three councils and will help to reduce council liability and costs. Ultimately it is hoped that the mutual will sell its services to other organisations and is intending to provide some of its profits back into the councils for the delivery of other social benefits.

5. Future reporting arrangements

5.1. As new service delivery proposals are developed risk will be retained, transferred or shared as structures develop. Directors and Service Managers shall retain responsibility and accountability for their Service areas and will continue to need to provide public assurance on their Internal Control environment. Resilience and service to the customer must be maintained and risks appropriately managed. In support of this and as stated in page 7 of the accompanying papers of the February report to Cabinet entitled 'Bold Ideas for Challenging Times'

Assessment of children at risk will continue to be done on a borough basis but specialist functions and management will be combined.

5.2. Where it remains a legal duty to do so the Identification, assessment, management, reporting and scrutiny of operational risk will therefore be relatively unaffected by the proposals. Risk will continue to be identified and reported on a Borough by Borough basis.

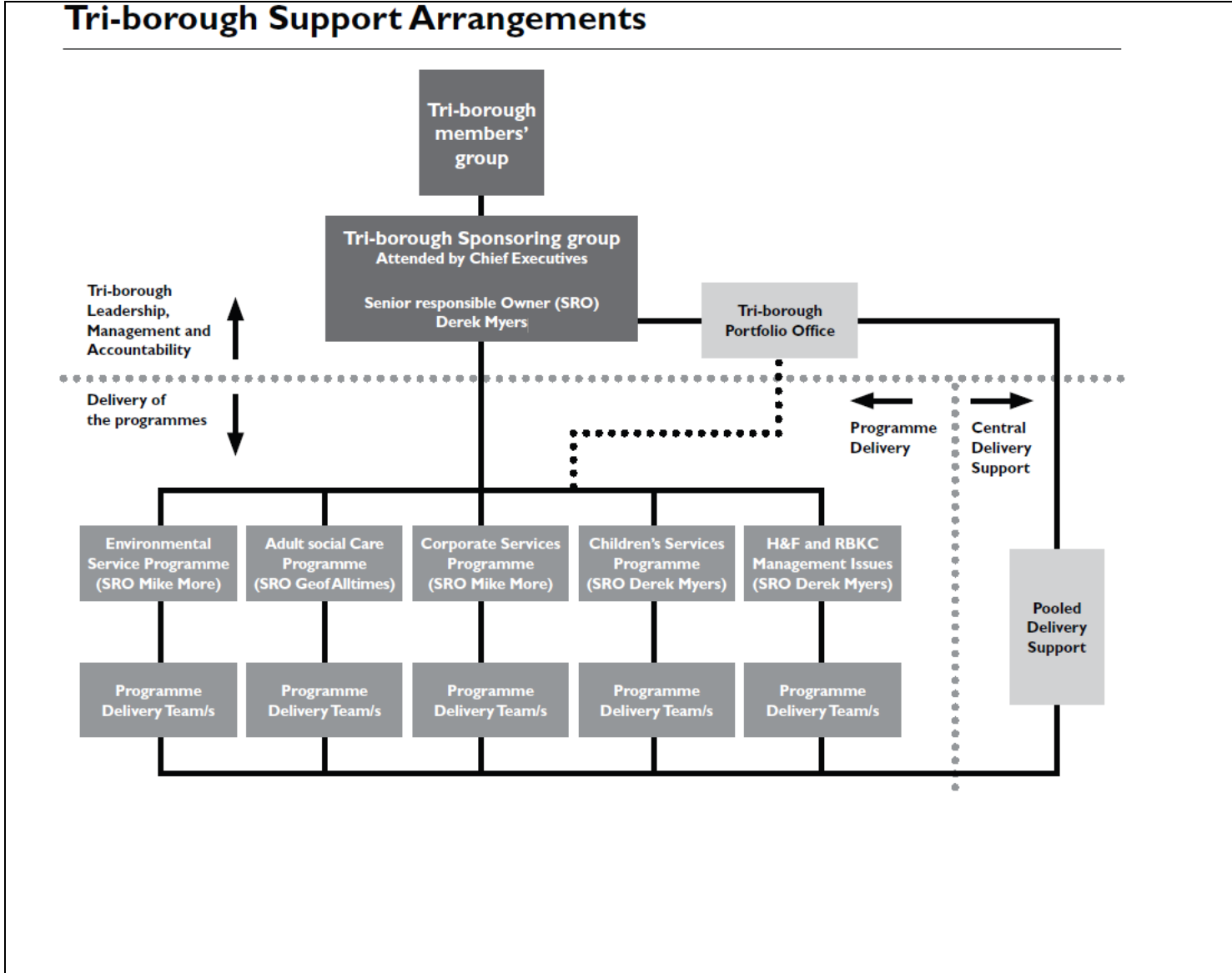
5.3. It is proposed that quarterly updates on emerging risk areas from Tri-Borough working continue to be reported through the existing risk management quarterly reports provided to this Audit and Pension Committee.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Cabinet Tri Borough Implementation Plans 20 June 2011	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
2.	Bold Ideas for Challenging Times	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
3.	Tri Borough Working Update 9 th May 2011	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
4.	Tri Borough proposals risk register	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
5.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall,

			Hammersmith
--	--	--	-------------

APPENDIX A





AUDIT AND PENSIONS COMMITTEE

2011

CONTRIBUTORS

Subject

**WARDS
All**

All departments

**COMBINED RISK MANAGEMENT HIGHLIGHT
REPORT**

This report updates the Committee of the risks, controls, assurances and management action orientated to manage organisational level risks.

RECOMMENDATION:

- 1. The committee consider the current Strategic, Programme and Operational risk position as outlined in the report.**
- 2. The committee approve the revised Hammersmith & Fulham Risk Standard for 2011 to 2014**

1. PURPOSE

1.1. This report updates Members on the highlight risk management issues identified across council services and follows changes in the reporting process to Committee expressed at its September 2010 meeting. Effective risk management continues to help the council to achieve its objectives by 'getting things right first time' and is a key indicator of the 'Corporate Health' of the council.

2. BACKGROUND

2.1. The Finance and Corporate Services Department acts as the lead Department on risk management supported by the Principal Consultant Risk Management. Departmental Directors act as Risk Champions in their own service areas to support the process across all levels of the authority. Risk Management is critical to both the value for money assessment and provision of annual assurance that form part of the annual accounts.

3. Strategic risks update

3.1. The Corporate Risk Register has been reviewed by the Council's Executive Management Team. In addition all risks have been reviewed, and where necessary modified, in the work leading to the preparation of the council's Annual Governance Statement. The full version accompanies this paper for Members information at **Appendix 1**.

3.2. Revision highlights include;

3.3. Corporate risk number 1. - Business Continuity - Medium risk - Stable

3.3.1. Information Technology continuity risk was reviewed as part of the preparation of the Annual Governance Statement. The review identified that user acceptance testing (UAT) has taken place over January and February for the new IT business continuity environment by council and HFBP staff. HFBP have prioritised their resources to make a push to try and complete the BC project by the end of the May. HFBP have a number of loose ends to tie up, including completing UAT on two remaining applications and finalising the Business Continuity Plan itself. There is a recognised dependency on

some HFBP suppliers for some of this, which is expected to be a smooth process.

3.3.2. The Service Resilience Group has recognised an ongoing difficulty with getting continuity plans developed by services. The council's Executive Management Team will be updated on this issue more fully in June. This will highlight the current status of plans across the council and recommend a proposed programme to address any gaps.

3.3.3. In addition the 2012 Olympic risks relating to transport, skills and resource shortages and increased likelihood of terrorism have been included explicitly in the Corporate Risk Register. These issues are being managed through the Service Resilience Group.

3.4. Corporate risk number 3 – Managing Statutory Duty – High risk - Stable

3.4.1. Corporate Health & Safety arrangements were considered as part of the Annual Governance Statement review process. Premises safety in terms of fire, gas, asbestos, Legionella and control of contractors remains a core concern. Building Property Management (SMARTFM) are closely working with Corporate Safety to improve the robustness of the arrangements. Centralising facilities management has revealed a number of issues across the property portfolio that are being addressed. Gas safety audits in a number of core areas are on-going and further processes (e.g. fire safety) will be audited shortly.

3.4.2. Access to premise management and the named accountable persons is now available via the SmartFM site. The Corporate Asset Management System (CAMSYS) is now the central repository for all this data, including Corporate Safety reports, but a web based front end is required so that premise managers can access it; funding has now been approved and it is at the development stage. Once these improvements are in place it is anticipated that the exposure to this risk will be greatly reduced.

3.4.3. Corporate parenting is registered within this risk area. This has now been recognised explicitly on the Corporate Risk Register. In addition the Childrens Services Department have fully refreshed their departmental risk register and are developing an assurance map for their services. An initial set of Tri-Borough working risks have also been identified for the Fostering Service, Local Safeguarding Children Boards and Youth Offending Service.

3.5. Opportunity risk number 2. – Tri Borough – High risk – Stable

3.5.1. Merging of services with Westminster and the Royal Borough of Kensington & Chelsea. Cabinet received an update on Tri Borough working in May. This also contained reference to a number of risks associated with the move to shared service provision. These have been noted and discussed with the departmental contacts and will also inform the Portfolio Delivery Manager in the Organisational Development Team. Principal issues include but are not limited to staffing (retention, reduction and morale) Information Technology provision, continuity of service provision for the customer and not slipping on standards of public protection.

3.6. Opportunity risk number 5. - Re-integration of H & F Homes

3.6.1. Integration of the new department with the council's risk management framework is progressing. Internal Audit has also reviewed the risk management arrangements of the new Housing and Regeneration Department as part of the integration process. This review included coverage of the risk management software system used which is an in-house Microsoft Access database, risk reporting, contacts and roles and responsibilities.

3.7. Detailed information on controls and assurances is contained in the fabric of the corporate risk register, project tracking record and contract and market testing schedules. Work is in progress to mitigate these risks. The exposure rating of corporate risks has not proven to be volatile indicating a reasonable and consistent level of Internal Control.

4. Programme and projects

4.1. The Transformation Office provided an Assurance Statement on overall Programme and Project governance arrangements for 2010/11 with no disclosures of any significant control weaknesses.

4.2. There are no specific significant issues for Members consideration to report for this period. Some departments report minor delays in signing off Information Technology led projects and the overall environment is positive. The Resident Services Department identify two project red risks, h&f Lifestyle & Leisure Card - RSD (project 60) which is delayed due to provider issues and RSD (project 40) e-Resource Booking and Payment for facilities and services that is being allocated an H & F Project Manager.

5. Operational

5.1. Department have now completed their annual comprehensive refresh of their risk and assurance registers as part of the Directors Assurance Statement. As a result it is now the prime document in support of departmental assurance requirements and of the end of year position on risk. A separate financials risk set with assurance map has been presented to the council's Financial Strategy Board for consideration. Departments will continue to review risks periodically at their management team meetings and the risk and assurance register will form the basis of the future audit plan for each department.

6. Resilient services

6.1. Following the 2010/11 audits of risk management, risk controls, gap analysis of the British Standard for risk BS31100 and the Directors and Annual Assurance Statement, the Hammersmith & Fulham Risk Standard has been updated to reflect recommendations in each of the reports. Consultation has also taken place with operational officers in Insurance, Health & Safety, Business Continuity and Emergency Planning. A copy of the document is attached as **Appendix 2**.

6.2. Modification highlights include but are not limited to;

6.2.1. A single consolidated table to assess impact

6.2.2. reference to alternate Risk Assessment models, tools and techniques

6.2.3. The Annual Assurance Statement and process

6.2.4. Improved information on Internal Control

6.2.5. Consideration of consequence in a separate column in the risk & assurance register

7. Market Testing

7.1. A new reporting line covering this area has been established as part of the new Transformation portfolios. Procurement and market testing is now under the Market Management Portfolio. The Senior Responsible Officer on the Executive Management Team is the Director of Resident Services. Other areas under consideration include increased commercialisation, social enterprises and mutuals and the identification of

alternate contract provision through a single Tri-Borough procurement strategy.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Audit Commission: Worth The Risk, Improving Risk Management in Local Government	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
2.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
3.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	OGC Website	http://www.ogc.gov.uk/documents/Risk.pdf
4.	Departmental Risk Registers	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
5.	CIPFA Finance Advisory Network The Annual Governance Statement	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith
6.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Corporate Finance Division, Internal Audit, Town Hall, Hammersmith

AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Chief Internal Auditor

**TITLE: Head of Internal Audit Annual Report
2010/11 year**

**WARDS
All**

This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2010/11 financial year and provides assurances on the overall System of Internal Control, the System of Internal Financial Control, Corporate Governance and Risk Management. In all cases a satisfactory assurance has been provided with the exception of the significant control weaknesses recorded in the report. The report is a key element of the evidence supporting the Annual Governance Statement (AGS).

RECOMMENDATION:

To agree the contents of the report.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Internal Audit plans, documents, audit files and supporting papers	Geoff Drake Ext. 2529	Finance Dept, 4 th Floor Town Hall

London Borough of Hammersmith and Fulham Head of Internal Audit Report For The Year Ended 31 March 2011

This management letter has been prepared on the basis of the limitations set out on page 22

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.

Contents

1. Executive Summary	1
1.1. Introduction	1
Head of Internal Audit Opinion on the Effectiveness of Internal Control 2010/11	2
1.2. Scope of Responsibility	2
1.3. The Purpose of the System of Internal Control	2
1.4. The Internal Control Environment	2
1.5. Review of Effectiveness	2
1.6. Head of Internal Audit Annual Opinion Statement	3
1.7. Basis of Assurance	3
1.8. 2010/2011 Year Opinion	5
1.9. The System of Internal Financial Control	6
1.10. Corporate Governance	6
1.11. Risk Management	6
2. Detailed Report	8
2.1. Introduction	8
2.2. Significant Control Weaknesses	8
2.3. Key Issues	9
2.4. Qualifications to the opinion	9
2.5. Other Assurance Bodies	10
2.6. Risk Management Process	10
2.7. Audit Plan	10
2.8. Internal Audit Assurance Levels	10
2.9. Internal Audit Performance	11
2.10. Compliance with CIPFA Code of Internal Audit Practice	11
2.11. Working with External Audit	11
2.12. Internal Audit Provision Going Forward	12
APPENDIX A - Assurance Levels 01/04/2010 – 31/03/2011	14
APPENDIX B - Internal Audit Performance – 2010/11	18
APPENDIX C: Internal Audit Work for Which No Assurance Opinion was provided	19
APPENDIX D - Follow up Audits	21

1. Executive Summary

1.1. Introduction

1.1.1. The purpose of this report is to meet the Head of Internal Audit annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at paragraph 10.4 that the report should:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control;
- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.1.2. The Code of Practice also states at Paragraph 10.4.1 that:

1.1.3. "The Head of Internal Audit should provide a written report to those charged with governance timed to support the Statement on Internal Control."

1.1.4. Therefore in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 and amending regulations. These state that:

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

Head of Internal Audit Opinion on the Effectiveness of Internal Control 2010/11

1.1.5. This opinion statement is provided for the use of the London Borough of Hammersmith & Fulham in support of its Annual Governance Statement.

1.2. Scope of Responsibility

1.2.1. The London Borough of Hammersmith & Fulham is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2.2. In discharging this overall responsibility, the London Borough Hammersmith & Fulham is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

1.3. The Purpose of the System of Internal Control

1.3.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hammersmith & Fulham's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.4. The Internal Control Environment

1.4.1. The Internal Audit Code of Practice states that the internal control environment comprises three key areas, internal control, governance and risk management processes. Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

1.5. Review of Effectiveness

1.5.1. The London Borough of Hammersmith & Fulham has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual letter and other reports.

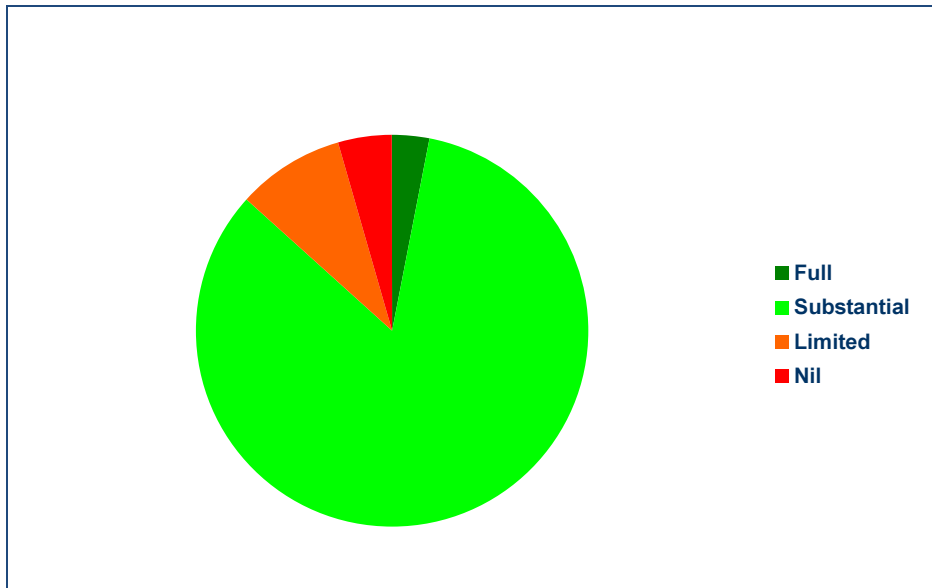
1.6. Head of Internal Audit Annual Opinion Statement

- 1.6.1. Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2010/11 including our assessment of the London Borough of Hammersmith & Fulham's corporate governance and risk management processes.
- 1.6.2. The internal audit plan for 2010/11 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

1.7. Basis of Assurance

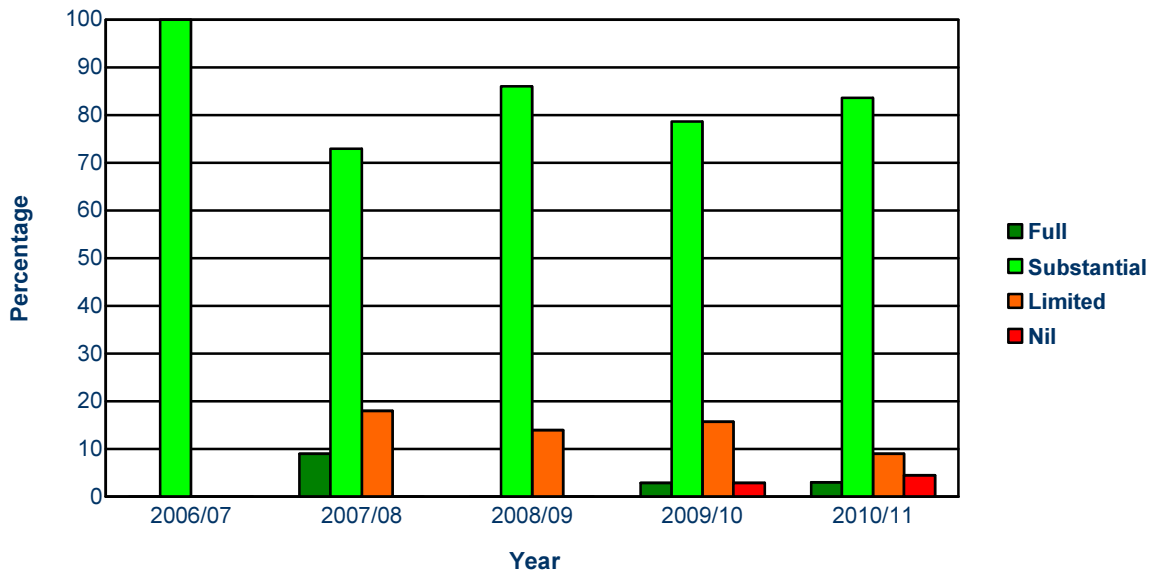
- 1.7.1. We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and additionally from our own internal quality assurance systems.
- 1.7.2. Our opinion is limited to the work carried out by Internal Audit based upon the strategic internal audit plan. Where possible we have considered the work of other assurance providers, such as External Audit.
- 1.7.3. The audit work that was completed for the year to 31 March 2011 is listed in Appendices A, C and D. Appendix A lists all the audits where assurance opinions are provided.
- 1.7.4. Three Nil assurance reports were issued, of which, one (St Mary's Catholic Primary School) has been finalised at the time of writing. The St Mary's Catholic Primary School report contained seven priority 1 recommendations and 24 priority 2 recommendations. Of these, five priority 1 and 18 priority 2 recommendations have been reported by management as having been implemented.
- 1.7.5. It should be noted that External Audit will not be requiring any further testing from Internal Audit for this financial year. Failures in certain key controls highlighted through our mid-year testing mean that no further testing was required. However, given the status of the control environment as a whole and the results of our three full key financial systems audits undertaken in 2010/11, we believe the financial system to be sound.
- 1.7.6. The pie chart below shows the levels of audit assurance achieved for the 2010/11 year. 87% of the systems audited achieved an assurance level of substantial or higher of which two audits were full assurance ('William Morris Sixth Form' and 'Trent Self-Service'). 13% received an assurance level of limited or lower.

Assurance Levels for the year to 31 March 2011



1.7.7. The bar chart below shows the levels of assurance provided for all systems audited since the 2006/07 financial year. The distribution of assurance opinions has remained stable in comparison to the previous year. Over a longer period there has been a small reduction in the number of Nil and Limited assurance reports despite better targeting of areas of high risk and control weakness. This suggests an improvement in the overall system of internal control over time.

Assurance Levels of Reports from 2006/07 to 2010/11



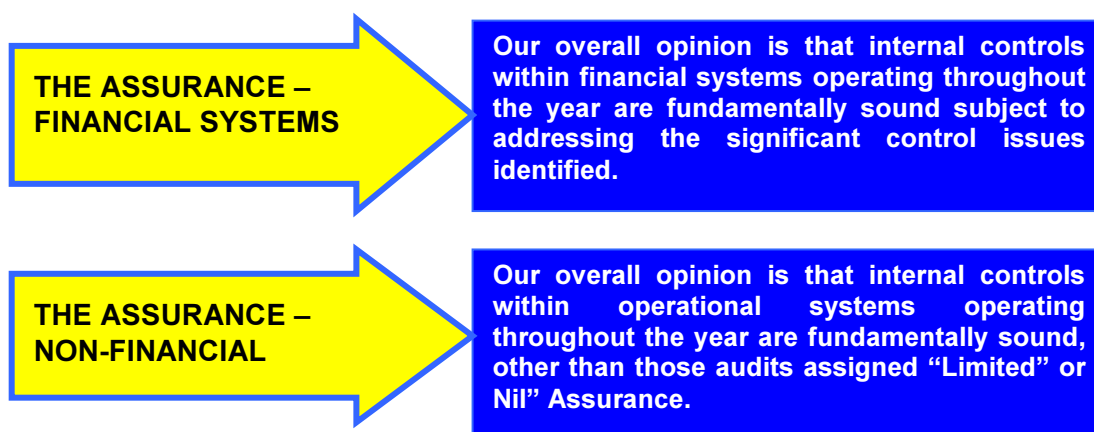
1.7.8. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2011/12 to confirm that they have been implemented. The table below shows the percentage of recommendations past their implementation date reported as implemented for the last four years. Recommendations that have not been implemented that have passed their implementation deadline will continue to be reported to Departmental Management Teams and the Audit and Pensions Committee.

1.7.9.

Financial year	Recommendations Raised	Recommendations Implemented	% Implemented
2010/11	145	77	53%
2009/10	395	344	87%
2008/09	504	492	98%
2007/08	485	485	100%

1.8. 2010/2011 Year Opinion

1.8.1. From the Internal Audit work undertaken in 2010/11 it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2011 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



1.8.2. In reaching this opinion, the following factors were taken into particular consideration:

- a) The whole programme of internal audit work undertaken by Deloitte between the 1st April 2010 and the 31st March 2011. This included a review of the Council's Corporate Governance and Risk Management arrangements;
- b) Year end review of Internal Audit as part of the Annual Governance Statement (AGS) process in April 2011 provided a positive result;
- c) The outcome of audit work for which no assurance level was provided. A summary

of work undertaken and key findings can be found in Appendix C; and

- d) Follow up of audits undertaken in the 2009/10 financial year. A summary of the outcome of these follow up visits can be found in Appendix D.

1.9. The System of Internal Financial Control

1.9.1. The system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and Financial Regulations;
- Standing Orders, Standing Financial Instructions and Schemes of Delegation;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicates financial performance against the forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- Appropriate, formal project management discipline.

1.9.2. Our review of the effectiveness of systems of internal financial control is informed by:

- The work of internal audit as described in Appendices A, C and D; and
- The external auditors in their management letter and other reports.

1.9.3. From the above, we are satisfied that the Council has in place a sound system of internal financial controls, with the exception of those significant control weaknesses identified within this report. Based on the management responses provided to our recommendations, we are also satisfied that mechanisms are in place which would identify and address any material areas of weakness on a timely basis.

1.10. Corporate Governance

1.10.1. In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on the work of Internal Audit as described in Appendix A, which provided a 'substantial' level of assurance as to the Corporate Governance systems in place.

1.11. Risk Management

1.11.1. A number of risk management audits were included in the 2010/11 plan, including the following:

- Departmental and Divisional Risk Management;
- Annual Assurance Statements / Directors Assurance Statements; BSI

Standard Gap Analysis; and

- Risk Register Controls Testing (fieldwork in progress at the time of writing).

1.11.2. Substantial assurance was provided for Departmental and Divisional Risk Management audit with no significant issues identified.

1.11.3. With regards to Annual Assurance Statements / Director's Assurance Statements audits, significant areas for improvement were identified in the 2009/10 year exercise. As a result of this, the process has been developed further for the 2010/11 year exercise.

1.11.4. We also undertook a gap analysis against the BSI Standard for Risk Management (BS31100). No significant areas of non compliance were identified.

1.11.5. In drawing together our opinion we have relied upon:

- Our assessment of risk management through individual audits;
- The role of the Risk Manager who has Council wide responsibilities for co-ordinating and implementing the risk management policies across the Council; and
- The work of Internal Audit as described in Appendices A, C and D.

1.12. We would like to take this opportunity to formally record our thanks for the co-operation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

HEAD OF INTERNAL AUDIT

May 2011

2. Detailed Report

2.1. Introduction

2.1.1. This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- Any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- The management processes adopted to deliver risk management and governance requirements;
- Comparison of the work undertaken during the 2010/11 year against the original Internal Audit plans; and
- A brief summary of the audit service performance against agreed performance measures.

2.2. Significant Control Weaknesses

2.2.1. Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2010/11 the following were noted:

- The appointment of consultants continues to be an issue, including those employed through Personal Service Companies. The Personal Service Companies audit follows on from a nil assurance opinion given in 2009/10 for the Use of Consultants audit. This suggests that the Council remains exposed to risk;
- One school, St Mary's Catholic Primary, received a 'Nil' assurance opinion. Significant control weaknesses were found in all aspects of administration of the schools finances;
- Formal ICT resilience and disaster recovery arrangements have not been implemented for the majority of the Council's systems to mitigate against a disaster. In 2009/10, IT Business Continuity was identified as a weakness in the Council's Annual Assurance Statement; and
- External Audit will not be requiring any further testing from Internal Audit for this financial year. This was due to failures in a number of key controls highlighted through our mid-year testing. These were mainly related to reconciliations and suspense accounts, an issue that had been identified in previous years and were understood to have been resolved.

2.2.2. Other significant control weaknesses identified and included in the Council's Annual Governance statement include:

- The provision of information in compliance with the Freedom of Information Act has been the subject of a review from the Office of the Information Commissioner who has sought a written undertaking from the Council to improve the responsiveness to information requests; and
- Issues remain in relation to the management and control of gas safety certification for temporary accommodation and that of departmental wide risk assessment as a counter-balance to newly emerging areas of risk.

2.3. Key Issues

2.3.1. There are a range of key issues that are likely to be of significance for the 2011/12 year and beyond, that Internal Audit need to be aware of. These include:

- The change in Government in May 2010 continues to give rise to a significant number of issues affecting the Council and delivery of services;
- Impact of the current economic climate on the Council's finances through reduced levels of income. Local government will have to cover a funding shortfall of around £6.5bn in the next financial year, with some councils facing more than 16 per cent reductions in the amount of money they receive from Government;
- The potential for more transformation projects being undertaken to deliver MTFs savings. This brings challenges in implementing a series of interconnected transformation projects successfully without impacting on current service delivery. There is likely to be increased Internal Audit involvement in transformation projects and new initiatives at an early stage both to provide assurance and provide support for new systems being 'right first time';
- Hammersmith & Fulham Council, the Royal Borough of Kensington & Chelsea and Westminster City Council intend to merge services in many areas. The integration of the three boroughs may give rise to additional risks related to governance, delegation of powers; performance management; and financial management of shared services; and
- On 15 November 2010 the Secretary of State announced the decision to immediately abolish FMSiS. Consultation for a new standard went live on 10 March 2011 and ended on 30 April 2011. Based on the limited information provided on the DfE website, it appears that the audit work currently undertaken at schools will be sufficient to provide assurance on compliance with the new standard without significant additions or amendments to the current coverage.

2.4. Qualifications to the opinion

2.4.1. Internal Audit has had unrestricted access to all areas and systems across the Authority and has received appropriate co-operation from officers and members.

2.5. Other Assurance Bodies

2.5.1. In formulating their overall opinion on internal control, we took into account the work undertaken by the following organisation, and their resulting findings and conclusion:

- a) The annual letter from the Authority's external auditors.

2.6. Risk Management Process

2.6.1. The principle features of the risk management process are described below:

2.6.2. Risk Management Policy

The Authority has established a Risk Management Policy that sets out the Authority's attitude to risk and to the achievement of business objectives. The Policy:

- a) explains the Authority's underlying approach to risk management;
- b) documents the roles and responsibilities of the Authority and directorates;
- c) outlines key aspects of the risk management process; and
- d) identifies the main reporting procedures.

This Policy has been communicated to key employees and can be accessed on the Authority's intranet.

2.6.3. Risk Registers

The Authority has departmental and divisional risk registers in place. Procedures are in place for risk registers to be reviewed at least on a bi-annual basis. We adopt a risk based auditing approach.

2.7. Audit Plan

2.7.1. The Operational Plan for the 2010/11 year flowed from corporate and departmental risk registers and other issues brought to the attention of Internal Audit. We agreed and discussed the audit plan with Directors, Assistant Directors and Heads of Service. We also consulted various other sources.

2.7.2. Our operational planning is designed to provide an even flow of work throughout the year, and to allow us to monitor progress. As a result this information can be used as a key benchmark against which progress on individual assignments can be measured.

2.8. Internal Audit Assurance Levels

2.8.1. Appendix A sets out the level of assurance achieved on each systems audit and the change in assurance opinion where the audit has been undertaken previously. This shows that no areas audited this year have shown deterioration in control since the last time they were audited. There is an ongoing programme of follow up work for all reports receiving a "Limited" or "Nil" audit assurance opinion to ensure that recommendations are implemented.

2.8.2. Of the 6 audits that received a limited audit assurance (three final and three draft) two fell within the Finance and Corporate Services Department, one within the Housing and Regeneration Department, one within Environment Services and two within Resident

Services. Of the three nil assurance reports (one final and two draft) one fell within Children's Services, one draft report fell within Environmental Services and the other fell within Finance and Corporate Services. In all cases, audit recommendations were agreed with management at the time of the audit along with an action plan to address the identified weaknesses. Follow up audits will, or have already been, undertaken in each case to review the adequacy and effectiveness of the corrective action taken.

- 2.8.3. Ten follow up visits were undertaken in 2010/11 to determine if recommendations raised within the 2009/10 audit visits have been implemented. A summary of our findings can be found in Appendix D.

2.9. Internal Audit Performance

2.9.1. Appendix B sets out pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against targets. Overall performance of Internal Audit has improved with all targets (with the exception of issuing audit briefs) being achieved or exceeded. Focus will be given to maintaining these performance standards in 2011/12.

2.9.2. The target of delivering 95% of the audit plan by 31 March 2011 was exceeded by 2 percentage points. It should be noted that 104 audit days were deferred into the 2011/2012 audit plan at the request of auditees compared to 36 in the previous year. This increase in days carried forward is mainly due to changes or delays in the projects or initiatives being audited.

2.10. Compliance with CIPFA Code of Internal Audit Practice

2.10.1. Internal Audit has comprehensive quality control and assurance processes in place and we can confirm that we comply with the CIPFA standards. Our assurance is drawn from:

- a) The work of external audit;
- b) Quality reviews carried out by both the Hammersmith and Fulham Internal Audit section and Deloitte; and
- c) Annual review of Internal Audit introduced as part of CIPFA guidance on the Annual Governance Statement. This reports that the Internal Audit service is fully compliant with the CIPFA standards on Internal Audit.

2.11. Working with External Audit

2.11.1. The Audit Commission was consulted regarding the audit plan for the 2010/2011 year, and a number of audits in the internal audit plan were identified by them as being key to the external audit programme of work.

2.11.2. In 2009/10, failures in key financial controls highlighted through our mid-year testing meant that no further testing was required for the 2009/10 financial year.

2.11.3. A meeting between Internal Audit, Corporate Finance and the Audit Commission was held to discuss the results of our audit work and determine how this situation could be avoided in 2010/11. As a result of this meeting, Internal Audit prepared a schedule of all key controls that would be tested and guidance on what evidence would be required to demonstrate that the control was operating effectively.

- 2.11.4. Despite an increased level of internal audit support, 16 out of the 34 controls tested were not operating effectively. As a result of the failure of these controls, the Council was unable to secure a saving in the Audit Commission fee as they were unable to rely on the controls tested.
- 2.11.5. It should be noted that, although the Audit Commission judged the controls tested to have failed, substantial assurance was provided for the three full key financial systems audits undertaken in 2010/11. The Audit Commission require 100% compliance with their specified controls to consider the controls effective. An internal audit will test significantly more controls and does not require 100% compliance to provide a substantial assurance opinion.
- 2.11.6. Internal Audit will develop proposals with the aim of improving the effectiveness of these controls in the 2011/12 financial year.

2.12. Internal Audit Provision Going Forward

2.12.1. The following aspects will impact on the future delivery of the Internal Audit service:

- With the reduction in size of the new contract with Deloitte, there is a need to maximise the assurance provided and seek opportunities to add value. This may involve sharing assurance with partners, placing more reliance on other sources of assurance and an increase in the reliance on self assessment;
- The integration of the Council with Westminster and RBKC is likely to increase the likelihood of cross borough audit work where assurances are required over shared operations; and
- The potential for more transformation projects being undertaken to deliver MTFS savings. This brings challenges in implementing a series of interconnected transformation projects successfully without impacting on current service delivery. There is likely to be increased Internal Audit involvement in transformation projects and new initiatives at an early stage both to provide assurance and provide support for new systems being 'right first time'.

APPENDIX A - Assurance Levels 01/04/2010 – 31/03/2011

The table below provides a summary of the assurances assigned to each of our audits. Where the direction of travel column is blank, no audit has previously been conducted.

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
FINALISED						
Children's Services	CHS Facilities Management					09/02/2011
Children's Services	School Management Support Team					28/10/2010
Children's Services	Schools Centralised Banking & Financial Management					29/10/2010
Children's Services	Pre Booked Transport and Accommodation					09/02/2011
Children's Services	Safeguarding Children (Part 1)					09/02/2011
Children's Services	John Betts Primary School			↔		31/03/2011
Children's Services	Kenmont Primary School			↔		24/02/2011
Children's Services	Larmenier & Sacred Heart Catholic Primary School			↔		12/01/2011
Children's Services	Lena Gardens Primary School			↔		12/01/2011
Children's Services	Miles Coverdale Primary School			↔		20/01/2011
Children's Services	Old Oak Primary School			↔		21/03/2011
Children's Services	Sir John Lillie Primary School			↔		09/11/2010
Children's Services	St Paul's Primary School			↔		10/11/2010
Children's Services	St Thomas of Canterbury Catholic Primary School			↔		08/03/2011
Children's Services	Wendell Park Primary School			↔		29/10/2010
Children's Services	St Mary's Catholic Primary School					12/11/2010
Children's Services	Phoenix High School			↔		12/01/2011
Children's Services	William Morris Sixth Form			→		18/02/2011
Children's Services	Woodlane High School			↔		05/01/2011
Children's Services	Queensmill School			↔		24/03/2011
Community Services	New Complaints System					28/07/2010
Corporate	Management and Monitoring of Contractors					03/02/2011
Environment Services	CAMSYS Application Audit					03/02/2011

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Environment Services	EC Harris Contract Management					22/10/2010
Environment Services	Asset Management					03/02/2011
Finance and Corporate Services	Departmental and Divisional Risk Management			↔		03/03/2011
Finance and Corporate Services	CRB Checks*					10/06/2011
Finance and Corporate Services	HFBP Billing					25/10/2010
Finance and Corporate Services	IT Work requests					29/03/2011
Finance and Corporate Services	Single Equality Scheme					10/02/2011
Finance and Corporate Services	Trent Self Service					01/10/2010
Finance and Corporate Services	Smart Working Programme					03/02/2011
H&F Homes	Fire Safety					28/09/2010
H&F Homes	Gas Safety			↔		22/10/2010
H&F Homes	Business Planning					28/09/2010
H&F Homes	Reconfiguration of Customer Facing Services					12/11/2010
Housing and Regeneration	Accessible Housing Register (Housing Options)					01/12/2010
Resident Services	SERCO Waste Management					05/08/2010
Resident Services	Government Procurement Cards					09/02/2011
Resident Services	Anti-Social Behaviour Unit			↔		03/11/2010
Residents Services	Bishops Park / Fulham Palace Regeneration					03/03/2011
DRAFT						
Children's Services	School Meals					07/04/2011
Children's Services	Family Assist					23/03/2011
Children's Services	Family Support Programme					10/03/2011
Children's Services	All Saints Primary School			↔		16/03/2011

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Children's Services	Sacred Heart High School			↔		17/02/2011
Community Services	Personal Budgets					21/03/2011
Environment Services	Carbon Reduction Commitment					22/12/2010
Environment Services	Vertical Contract Audit - 145 King Street					25/03/2011
Environment Services	Vertical Contract Audit - Cobbs Hall					25/03/2011
Environment Services	Vertical Contract Audit - Normand Park					11/04/2011
Environment Services	Market Testing - BTS					26/01/2011
Finance and Corporate Services	Housing Benefits					4/03/2011
Finance and Corporate Services	Pension Administration					17/03/2011
Finance and Corporate Services	Partnership and Corporate Governance			↔		29/03/2011
Finance and Corporate Services	IT Performance					23/02/2011
Finance and Corporate Services	Trent Application Audit					01/04/2011
Finance and Corporate Services	Market Testing - Legal Services					26/01/2011
Finance and Corporate Services	Personal Service Companies					31/03/2011
H&F Homes	Core Financials - Housing Rents			↔		16/02/2011
H&F Homes	Core Financials - Housing Repairs			↔		21/03/2011
H&F Homes	Integration of H&F Homes in to the Council					07/04/2011
H&F Homes	Ending of Tenancies					13/04/2011
Resident Services	Spydus Application Audit					27/07/2010
Resident Services	Powersuite Application Audit					31/03/2011
Resident Services	Financial Management in Libraries					01/04/2011
NOT YET ISSUED						
Community Services	Preventions					

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Housing and Regeneration	Accommodation Services					
Total		3	6	56	2	

Total Reports	67
----------------------	----

* Substantial Assurance opinion provided on adequacy of controls; however due to the number of outstanding CRB checks, limited assurance has been provided on the effectiveness of controls.

Assurance Levels

We categorise our **opinions** according to our assessment of the controls in place and the level of compliance with these controls.

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses, 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.
Limited Assurance	Weaknesses 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.
No Assurance	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.

Direction of travel

→	Improved since the last audit visit. Position of the arrow indicates previous status.
←	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

APPENDIX B - Internal Audit Performance – 2010/11

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Authority. The table below shows the actual and targets for each indicator for the period.

Performance Indicators		Annual Target	Performance	Variance
1	% of draft reports issued within 10 working days of exit meeting or end of fieldwork (whichever is later).	95	98	+3
2	% of final reports issued within 5 working days after agreement of management responses (this does not include reports which do not require director approval, e.g. FMSiS reports or follow up or other special deliverables).	100	100	0
3	% of plan complete based on deliverables (draft reports, FMSiS and Mgmt letters). This does include FMSiS Reports.	95	97	+2
4	% of plan complete based on days delivered.	95	95	0
5	% of audit briefs issued 10 days before start of audit (Accounting for Exceptions)	95	94	-1
6	% of audit follow ups completed	100	100	0
7	% of Satisfaction survey satisfactory	98	75	-23
8	% of 2010/11 recommendations past their implementation date that have been implemented	N/A	56%	N/A
9	% of 2009/10 recommendations past their implementation date that have been implemented	N/A	94%	N/A
10	% of 2008/09 recommendations past their implementation date that have been implemented	N/A	99%	N/A
11	% of 2007/08 recommendations past their implementation date that have been implemented	N/A	100%	N/A

APPENDIX C: Internal Audit Work for Which No Assurance Opinion was provided

The table below provides a summary of the scope and key findings of audit work for which no overall assurance level was provided.

Department	Audit	Issued
Final		
Children's Services	Risk and Control Advice - Introduction of BACS and Direct Debits in Schools	03/11/2010
Children's Services	Contact Point Gap Analysis	08/06/2010
Children's Services	YPLA funding - Lady Margaret	31/03/2011
Children's Services	YPLA funding - London Oratory	07/04/2011
Corporate	Tendering Self Assessment	28/02/2011
Corporate	Market testing - Summary Report	28/01/2011
Corporate	Fees and Charges	28/09/2010
Environment Services	Utilisation of Accommodation	23/11/2010
Environment Services	Planning Applications - Risk and Control Advice	14/03/2011
Finance and Corporate Services	Key Financial Control Testing - Frameworki	08/11/2010
Finance and Corporate Services	Risk Management - Assurance Frameworks	20/05/2010
Finance and Corporate Services	Internal Recharges & Resource Demand Management	04/11/2010
Finance and Corporate Services	Risk Management - Directors Assurance Statements	26/01/2011
Finance and Corporate Services	Risk Management - BSI Standard Gap Analysis	12/10/2010
Finance and Corporate Services	Preliminary Testing of Key Financial Controls	26/11/2010
Finance and Corporate Services	BOIP Board Attendance - Summary Report	07/04/2011
Finance and Corporate Services	Key Financial Controls Testing - Debtors	08/03/2011
Finance and Corporate Services	WCFM - Payments - Risk and Control Advice	18/03/2011
Finance and Corporate Services	WCFM - Salaries Monitoring - Risk and Control Advice	01/04/2011
Finance and Corporate Services	WCFM - Internal Recharges - Risk and Control Advice	04/11/2010
Finance and Corporate Services	Business Planning Cycle	14/10/2010
Finance and Corporate Services	Budget Variances	27/01/2011
Finance and Corporate Services	PCI Compliance – Gap Analysis	24/01/2011
H&F Homes	Reconfiguration of Customer Facing Services (Project)	01/09/2010

Draft		
Finance and Corporate Services	GCSX - Government Connect Secure Extranet - Code of Connection (CoCo) – Gap Analysis	10/3/2011
Not Yet Issued		
Children's Services	Early Years – Compliance with Statutory Duties Gap Analysis	-
Children's Services	School Finance Manual benchmarking	-
Community Services	Preventions Gap Analysis	-
Environment Services	Vertical Contract Audit - Summary Report	-
Finance and Corporate Services	Data Quality	-
Finance and Corporate Services	Risk Register Controls Testing	-
Finance and Corporate Services	ITIL	-

APPENDIX D - Follow up Audits

Follow visits were undertaken on the following audits that received a 'Limited' or 'Nil' assurance opinion in their 2008/09 or 2009/10 audit visit. The number of recommendations found to be implemented was as follows:

Department	Audit	Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
Final						
Children's Services (School)	Brackenbury School	21	13	5	3	0
Community Services	McBeth and Briony Centre	14	9	2	3	0
Finance and Corporate Services	Use of Consultants	6	2	4	0	0
H&F Homes	Tenancy Verification	6	3	3	0	0
Resident Services	Leisure Centre Contract Management	6	3	2	1	0
Resident Services	Business Continuity Follow Up	9	6	3	0	0
Housing and Regeneration	Accessible Housing Register	9	5	1	0	3
Draft						
Children's Services (School)	Fulham Primary School	16	4	7	5	0
Children's Services (School)	St Mary's Catholic Primary School	32	15	12	4	1
Environment Services	Parking PCNs	7	1	6	0	0
Total		126	61	45	16	4
%			48.4%	35.7%	12.7%	3.2%

<p>Statement of Responsibility</p>	<p>We take responsibility for this report which is prepared on the basis of the limitations set out below.</p> <p>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.</p> <p>Deloitte & Touche Public Sector Internal Audit Limited</p> <p>London</p> <p>May 2011</p> <p>In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.</p> <p>Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.</p> <p>Deloitte & Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.</p> <p>Member of Deloitte Touche Tohmatsu Limited</p>
---	---

AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Assistant Director
Finance & Resources
(Children's Services
Department)

St Mary's Catholic Primary School

This report is a summary of recent issues arising
in relation to St Mary's Catholic Primary School.

WARDS

All

RECOMMENDATION:

To note the contents of this report and the
formalisation of the following procedures:

Where there is a change of Headteacher an
additional financial management audit will be
commissioned;

In planning the quarterly audit plan,
Children's Services will identify specific
schools where additional assurance is
required;

Follow-up audits will be used to confirm the
implementation of all audit
recommendations.

St Mary's Catholic Primary School

- 1 Background
 - 1.1 The previous audit in April 2007 provided satisfactory assurance.
 - 1.2 School Management Support (SMS) provide business support services to St. Mary's and had identified control weaknesses and other concerns within the operation of the school's finances, that were the responsibility of the Senior Admin officer.
 - 1.3 The recently appointed Headteacher had taken over a school with serious weaknesses and understandably had concentrated on Teaching and Learning.
 - 1.4 The schools 2 previous audits had been cancelled, or been unable to be completed due to a fire on one occasion and a break in on the other. When the second audit was unable to be completed, concerns were raised by SMS to the Assistant Director School Resources, who subsequently met with audit to draw up the next steps including scheduling another audit.
- 2 Audit
 - 2.1 Deloitte's on behalf of the Council undertook an audit in Autumn 2011 with an objective to provide reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls in operation.
 - 2.2 The Audit opinion of the report was that no assurance could be given to the satisfactory operation of the financial controls and processes that the school should have had in place. The report made 29 recommendations in all, including seven priority ones.
 - 2.3 The focus of the audit was on the school's main account through which local authority funding is processed. There was no evidence of fraud identified during the course of the audit.
- 3 Post-Audit Work
 - 3.1 Following the results from this audit the Headteacher worked with School Management Support to implement the recommendations.
 - 3.2 SMS officers helped identify instances where although the school finance system recorded payments to suppliers, several companies had never received payment. School Management Support carried out a detailed analysis and confirmed that that none of the payments had been presented to the bank for payment. The cheques were cancelled and reissued.
 - 3.3 SMS attended additional meetings with the Headteacher and governors to offer advice and support in implementing more robust and

more up to date policies and procedures. In this way, SMS were able to provide model policies for the school to amend and adopt, sharing the good practise being used in other schools in the borough, and to support the Headteacher in implementing new in house procedures to ensure a more sound financial system

- 3.4 Throughout this period the Governing Body and especially the Chair of Finance, played a very active role in moving the school forward. At the time of the Audit Committee in February 2011, 27 out of 29 recommendations had been implemented.

4 Current position

- 4.1 The school has identified irregularities in the operation of the school building fund, that is a diocesan board account and is carrying out its own investigation supported by the Council.
- 4.2 The school currently has another member of staff covering the admin officer role within the school and is coping well following some one to one training and additional support visits to the school. Following the audit report the school continues to make excellent progress in the set up of its systems and procedures to address the weaknesses identified.

5 Conclusion & Recommendations

- 5.1 Children's Services have reviewed the circumstances of the case and whilst it is clear that the scope of school audits would not have identified irregularities in the operation of the diocesan account, the financial environment that the school operated within was not sound, and officers raised concerns.
- 5.2 The department proposes to regularise its procedures to reinforce sound financial practice. It is proposed to do this in the following three ways:

Where there is a change of Headteacher an additional financial management audit will be commissioned;

In planning the quarterly audit plan, Children's Services will identify specific schools where additional assurance is required;

Follow-up audits will be used to confirm the implementation of all audit recommendations.

AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Chief Internal Auditor
Deloitte & Touche LLP

**Schools 2010/11 Year End Summary Internal
Audit Report**

This report is a summary of the audit findings relating to schools in 2010/11.

WARDS

All

RECOMMENDATION:

To note the contents of this report

**LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/ Copy	Department/ Location
1.	Full school reports from April 2010 to March 2011	Geoff Drake Ext. 2529	Finance and corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

London Borough of Hammersmith and Fulham Schools 2010/11 Year End Summary Report May 2011

This management letter has been prepared on the basis of the limitations set out on page 13

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.

1. Executive Summary

- 1.1.** The Schools Audit Strategy consists of a three-year plan to visit all schools at least once during this period. From the 2010/11 year, the programme has been based on the Financial Management Standard in Schools (FMSiS) assessments supplemented by a programme of thematic audits covering purchasing and school meals. In addition, the thematic audits were conducted on three central functions.
- 1.2.** On 15 November 2010 the Secretary of State announced the decision to immediately abolish FMSiS. As the Council still required assurance on whether there are sound governance and financial management arrangements across schools, the FMSiS audit programme was amended to form standard probity audits covering broadly the same areas of scope.

1.3. School Audit Visits and Follow Up

- 1.3.1. Overall the results in 2010/11 were improved over the previous year with all but one of the 17 schools audited receiving a 'Substantial' or 'Full' assurance opinion. Other than the one school that received 'Nil' assurance, St Mary's Catholic Primary, no priority one recommendations were raised as a result of our probity audit testing. Further, when looking at the results of the last 4 years of audit coverage only 3 schools have received a limited assurance and only one a nil assurance.
- 1.3.2. Follow up visits were undertaken at three of the schools that received a 'Limited' assurance opinion in 2009/10. The results were disappointing as 54% of these recommendations that had been reported as implemented by the schools had not been fully implemented.
- 1.3.3. No significant common issues were identified from the audits. The most commonly occurring issues were governors and staff not being included in registers of pecuniary interests; financial procedures not being approved by Governors annually; required numbers of quotes not being obtained and retained, and official orders not being raised on SIMS.

1.4. YPLA Funding

- 1.4.1. Local authorities receive funding from the YPLA in respect of maintained schools with sixth forms and post-16 learners with special educational needs. Internal Audit undertook audits of YPLA funding at two schools in 2010/11. Our audit testing identified a small number of exceptions at each school; however no significant errors or anomalies were found.

1.5. Additional Audit Work Undertaken Related to Schools

- 1.5.1. Additional work undertaken in relation to schools included audits of School Meals contract Management; School Management Support Service and Schools Centralised Banking and Financial Management.
- 1.5.2. Substantial assurance was given for all work where an assurance opinion was provided. The main issues identified were:
- School meals - the monitoring of school returns plus budget monitoring and evidencing checks on free meals eligibility;
 - School Management Support Service - maintaining service agreements and records of school visits, undertaking financial health checks on schools, prompt invoicing of schools and formal monitoring of service budget position and performance; and

- Central Financial Management - maintaining bank mandates, issuing reminders for schools monthly returns, deactivating access to Bankline for those not accessing the system for 90 days, and reviewing unreconciled items reports from schools.

1.5.3. At the end of the 2010/11 financial year six of the 13 priority 1 and 2 recommendations raised in the above audits had not yet been implemented.

1.6. Proposed Management Actions

1.6.1. This report has proposed a number of actions for management to consider that have not been raised in audit reports. The main recommendations are that the Children's Services department should take proactive action in collaboration with schools to improve control and address the common areas of weakness identified in audit reports. Schools should ensure that they have fully implemented audit recommendations before they report this has been done. Support to schools on this should be available from Children's Services Department.

MAIN REPORT

2. Introduction

2.1. This report gives an overall summary of the results of the work we have undertaken on schools during the 2010/11 financial year. This includes a summary of:

- Schools audit visits and follow up visits;
- FMSIS and the proposed replacement scheme, Schools Financial Value Standard (SFVS);
- YPLA Funding audits;
- Additional audit work related to schools; and
- Further action for management to consider.

3. Results of School Audit Visits and Follow Up Visits

3.1. Results of School Audit Visits

- 3.1.1. The probity element of our audit visits has been reduced in scope in comparison to previous years with the intention of targeting key areas and also undertaking a number of thematic audits. The abolition of FMSIS during the year had no effect on the programme of schools to be visited and little impact on the coverage of the audit programme.
- 3.1.2. A summary of the schools audited in 2010/11 with the results of their most recent OFSTED inspection is shown in the table at Appendix A. Further, a summary of assurance opinions provided over the last four years covering all schools can be seen in appendix C which shows that in the period only 3 schools received a limited assurance and only one a Nil assurance. Overall the results in 2010/11 were improved over the previous year with all but one of the 15 schools audited receiving a 'Substantial' or 'Full' assurance opinion; one school received 'Nil' assurance, St Mary's Catholic Primary School. This is the only school where any priority one recommendations were raised.
- 3.1.3. For the one school that received a 'Nil' assurance opinion, the Council has engaged with the school to assist in addressing the weaknesses identified and consequent audit recommendations, with Internal Audit service support where requested.
- 3.1.4. While there were no common significant (priority 1) issues, the following common issues were identified across a number of schools:
- Governors and staff with financial management responsibility not being included on the register of pecuniary interests (6 schools);
 - The Governing Body not formally approving the School's Financial procedures on an annual basis (6 schools);
 - The required number of quotes or tenders not being obtained and retained (4 schools); and
 - Official orders not being raised on the SIMS system (8 schools). It is acknowledged that the School's Finance Manual does not require primary schools to raise official orders on SIMs; however this is considered good practice.
- 3.1.5. Children's Services department should take proactive action in collaboration with schools to address common areas of control weakness and improve the control environment within schools. Internal Audit will offer their support where required.

3.2. Results of School Follow Up Visits

- 3.2.1. Follow up visits were undertaken at three of the schools that received a 'Limited' assurance opinion in 2009/10 to confirm that recommendations had been implemented. The results of these follow up visits can be found in appendix B.
- 3.2.2. The results of these follow up visits were disappointing as 54% of recommendations had not been fully implemented (34% partly implemented and 20% not implemented). We would encourage schools to take corrective action where control weaknesses have been identified and only report recommendations as being implemented where they are confident the issue has been addressed.
- 3.2.3. Internal Audit are available to offer advice and support where there is any doubt over the implementation of recommendations.

4. FMSIS and the Schools Financial Value Standard (SFVS)

- 4.1. On 15 November 2010, the Secretary of State announced the decision to abolish FMSiS immediately and develop a simpler standard as a replacement. From this point on there has been no requirement to complete FMSiS assessments.
- 4.2. The results of the FMSiS assessments were relied upon for the Head of Internal Audit assurance opinion and the Council still required assurance that there are sound procedures with respect to governance and financial management. With this in mind, FMSiS assessments were replaced with a standard audit visit covering the following areas:
 - Governance;
 - Financial Management;
 - Purchasing; and
 - School Meals.
- 4.3. The Department for Education (DfE) are now seeking views on the new Standard, provisionally named the Schools Financial Value Standard (SFVS). The Department of Education website states that, "The replacement will be a much simpler version concentrating on key points on which governors and heads ought to assure themselves. It will:
 - Concentrate on demonstrating value for money rather than processes;
 - Be developed in conjunction with schools themselves, and be proofed as acceptable and helpful to them before it is introduced; and
 - Be usable by academies and free schools as well as the maintained sector."
- 4.4. The proposed assessment takes the form of a series of questions which school governing bodies should formally discuss with their head teacher and other senior staff annually. The first run should be completed by September 2012 and for schools that had not attained FMSiS, must be completed before the end of March 2012. Only one school in the borough has failed to achieve FMSiS – St Mary's Catholic Primary. Management will need to consider how to ensure this is delivered, and how this will be reported under the new regime.
- 4.5. Consultation for the new standard went live on 10 March 2011 and ends on 30 April 2011. Based on the limited information provided on the DfE website, it appears that the audit work currently undertaken at schools will be sufficient to provide assurance on compliance with the new standard without significant additions or amendments to the current coverage.

5. YPLA Funding

- 5.1.** We received a request to trial audits of Young People's Learning Agency (YPLA) funding to provide added assurance on the accuracy of returns. The funding methodology for YPLA intends to provide a nationally consistent method of calculating allocations to all 16–18 providers based on the amount of learning delivered. Local authorities receive funding from the YPLA in respect of maintained schools with sixth forms and post-16 learners with special educational needs and are required to consider the risks to funding and the need for assurance. There are five sixth forms and academies receiving funding with LBHF.
- 5.2.** The Internal Audit service undertook audits of YPLA funding at two schools in 2010/11 – Lady Margaret and London Oratory. The work undertaken was based on the testing suggested in 'YPLA Finance Guidance to Local Authorities'. Our audit testing identified a small number of exceptions at each school; however no significant errors or anomalies were found.
- 5.3.** It is our opinion that the significant time required to undertake this testing outweighed the assurance provided by the work. Therefore, we would recommend in future years that the Council considers undertaking some form of assurance work using internal resources as this may offer better value for money.

6. Additional Audit Work Undertaken Related to Schools

6.1. The following audits were undertaken in relation to schools:

- 6.1.1.** School Meals – This audit related to management of the Council's contract with Eden Foodservice for the provision of meals to Schools. Substantial assurance was provided with recommendations raised related to:
- Monitoring of school meals returns received from schools;
 - Budget monitoring; and
 - Documenting checks on eligibility for free school meals.
- 6.1.2.** School Management Support Service – Substantial assurance was provided. Recommendations were raised in relation to:
- Maintaining service level agreements with schools;
 - Maintaining records of support visits to schools;
 - Conducting and documenting annual financial health checks;
 - Prompt raising of invoices to schools; and
 - Formal monitoring of budgetary and service performance.
- 6.1.3.** Schools Centralised Banking and Financial Management – Substantial assurance was provided. Recommendations raised in relation to:
- Maintenance of authorisation for bank mandate changes;
 - Issuing reminders where monthly returns have not been received from schools;
 - Deactivating access to the Bankline system for those that have not accessed the system for 90 days; and
 - Review of unreconciled items reports received from schools.

6.1.4. BACS and Direct Debits in Schools - The Council was exploring the possibility of changing school bank mandates to include the facility to pay by Direct Debit and BACS. A request was made for Internal Audit to provide advice on the risks and controls related to making payments by Direct Debit and BACS to help ensure that any possible risk and control issues are identified and addressed prior to implementation.

6.2. At the end of the 2010/11 financial year, six of the 13 priority 1 and 2 recommendations raised in the above audits had not yet been implemented.

6.3. We are also currently undertaking a benchmarking exercise to compare the content of School Finance Manuals from four local authorities. We hope to complete this work by the end of May 2011 and will make the results available to the Children's Services Department.

7. Proposed Actions for Management

7.1. As a result of the work undertaken in 2010/11 we would ask management to consider the following recommendations:

- The Children's Services department should take proactive action in collaboration with schools to address common areas of control weakness and improve the control environment within schools;
- Schools should be reminded that all recommendations agreed and included in their final internal audit report should be implemented. Consideration should be given to gaining additional assurance that recommendations have been implemented for those schools receiving Limited or Nil assurance opinions and also determining why unimplemented recommendations were reported as implemented;
- Management should continue to gain assurance of the accuracy of data maintained with respect to YPLA funding. Consideration should be given to using in-house resources to gain this assurance in a more cost effective manner; and
- Consideration should be given to how the new Schools Financial Value Standard will be reported on and the involvement of Internal Audit within this process.

Appendix A - School Audits Undertaken in 2010/11

The table below summarises the assurance opinions and Ofsted inspection results for each of the school audits audited this financial year.

Type of School	School	Audit Opinion				Draft Issue Date	Final Issued Date	Date of last Ofsted	Result of Ofsted
		Nil	Limited	Substantial	Full				
FINALISED									
Primary	All Saints Primary School			✓		16/03/2011	11/05/2011	18/06/2008	Satisfactory
Primary	John Betts Primary School			✓		08/03/2011	31/03/2011	29/06/2007	Outstanding
Primary	Kenmont Primary School			✓		25/10/2010	24/02/2011	07/12/2010	Satisfactory
Primary	Larmenier & Sacred Heart Catholic Primary School			✓		08/12/2010	12/01/2011	11/02/2009	Outstanding
Primary	Lena Gardens Primary School			✓		06/12/2010	12/01/2011	09/07/2009	Good
Primary	Miles Coverdale Primary School			✓		22/11/2010	20/01/2011	14/01/2010	Satisfactory
Primary	Old Oak Primary School			✓		21/02/2011	21/03/2011	03/11/2010	Good
Primary	Sir John Lillie Primary School			✓		22/10/2010	09/11/2010	10/12/2008	Good
Primary	St Paul's Primary School			✓		28/10/2010	10/11/2010	09/12/2008	Good
Primary	St Thomas of Canterbury Catholic Primary School			✓		04/02/2011	08/03/2011	18/11/2008	Good
Primary	Wendell Park Primary School			✓		30/09/2010	29/10/2010	30/01/2008	Good
Primary	St Mary's Catholic Primary School	✓				13/07/2010	12/11/2010	10/06/2010	Good
Secondary	Phoenix High School			✓		30/11/2010	12/01/2011	16/01/2008	Outstanding
Secondary	William Morris Sixth Form				✓	09/02/2011	18/02/2011	03/02/2010	Outstanding
Special	Woodlane High School			✓		08/12/2010	05/01/2011	04/10/2007	Good
Special	Queensmill School			✓		17/03/2011	24/03/2011	10/03/2010	Outstanding
Secondary	Sacred Heart High School			✓		17/02/2011	04/05/2011	14/01/2009	Outstanding
Total		1	0	15	1				

Appendix B - School Follow up Visits Undertaken in 2010/11

Follow up visits were undertaken to the following three schools that received a 'Limited' assurance opinion in their 2009/10 audit visit. The number of recommendations found to be implemented was as follows:

School	Recommendations	Implemented	Partly Implemented	Not Implemented	Not Applicable	Draft Issued	Final Issued
Brackenbury School	14	9	2	3	0	22/12/2010	17/02/2011
Fulham Primary School	16	4	7	5	0	08/02/2011	-
St Mary's Catholic Primary School	32	15	12	4	1	24/02/2011	-
Total	62	28	21	12	1		
	%	45.9%	34.4%	19.7%	1.6%		

Appendix C – Assurance Opinions For All Schools

The table below shows the assurance opinions provided to each school over the last four years.

School	Year			
	2007/08	2008/09	2009/10	2010/11*
Nursery Schools				
Bayonne Nursery School		Substantial		
James Lee Nursery School		Substantial		
Randolph Beresford Nursery School		Substantial		
Vanessa Nursery School	Substantial			
Addison Primary School			Substantial	
All Saints C of E Primary School	Substantial			Substantial
Avonmore Primary School			Substantial	
Bentworth Primary School		Substantial		
Brackenbury Primary School			Limited	
Canberra Primary School		Substantial		
Flora Gardens Primary School		Substantial		
Fulham Primary			Limited	
Greenside Primary School			Substantial	
Holy Cross RC Primary School			Substantial	
John Betts VA Primary School	Substantial			Substantial
Kenmont Primary School	Substantial			Substantial
Langford Primary School		Substantial		
Larmenier Sacred Heart RC Primary School	Substantial			Substantial
Lena Gardens Primary School	Substantial			Substantial
Melcombe Primary School		Substantial		
Miles Coverdale Primary School	Substantial			Substantial
New Kings Primary School			Substantial	
Normand Croft Community School		Substantial		
Old Oak Primary School	Substantial			Substantial
Pope John RC Primary School			Substantial	
Queens Manor Primary School		Substantial		
Sir John Lillie Primary School	Substantial			Substantial
St Augustine's RC Primary School		Substantial		
St John's C of E Walham Green Primary School		Substantial		

School	Year			
	2007/08	2008/09	2009/10	2010/11*
St Mary's RC Primary School				Nil
St Paul's C of E Primary School	Substantial			Substantial
St Peter's C of E Primary School		Substantial		
St Stephens' C of E Primary School			Substantial	
St Thomas of Canterbury RC Primary School	Substantial			Substantial
Sullivan Primary School		Substantial		
The Good Shepherd RC Primary School		Substantial		
Wendell Park Primary School	Substantial			Substantial
Wormholt Park Primary School			Limited	
Secondary Schools				
Fulham Cross Girls' School	Substantial			**
Henry Compton School	Substantial			**
Hurlingham & Chelsea School			Substantial	
Lady Margaret School			Substantial	
The London Oratory School		***		
Phoenix High School	Substantial			Substantial
Sacred Heart High School	Substantial			Substantial
William Morris Sixth Form	Substantial			Full
Special Schools				
Cambridge School			Substantial	
Jack Tizard School		Substantial		
Queensmill School	Substantial			Substantial
Woodlane High School	Substantial			Substantial
Pupil Referral Unit				
The Bridge Academy			Substantial	

* The test programme for 2010/11 audit visits is reduced from previous years and therefore the assurance opinion provided may not be comparable.

** Fulham Cross Girls and Henry Compton Schools federated on 1 September 2009. Therefore no audit was undertaken in 2010/11

*** London Oratory School was visited in 2006/07 where Substantial assurance was given and a follow up audit was conducted in 2008/09.

Appendix C - Definition of Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

● ●	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
●	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
●	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
●	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Page 139

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

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
May 2011

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.

Deloitte & Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS
Head of Fraud Service
Chief Internal Auditor
Director of Finance

TITLE
**Corporate Anti Fraud Service
Annual Fraud Report 2010/11**

WARDS
All

This is the annual report on the progress made in delivering the 2010/11 year service plans; key results of the work undertaken; and the performance achieved.

RECOMMENDATION:

To agree the contents of the report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Corporate Anti Fraud Service operational investigation files and performance reports	Kirsten Quinn	Corporate Anti Fraud Service, 4th Floor, Town Hall, Hammersmith

Hammersmith & Fulham Council

Corporate Anti Fraud Service

Fraud Report

The Council's Annual Fraud Report to 31st March 2011

Management Summary

- 1 This report details the counter fraud work undertaken during the year to 31st of March 2011 by the Council's Corporate Anti Fraud Service (CAFS).
- 2 CAFS has delivered an exceptional performance this year achieving 29 successful prosecutions, 257 sanctions (these include administrative penalties, recovered properties, removals from the council's Housing Register, etc). This total of 286 successful outcomes compares to a target of 180 and a previous year performance of 278. This is the best performance since the inception of this unit in April 2006 and substantially more of these results are from prosecutions (17 in 2009/10 compared to 29 in 2010/11).
- 3 The service identified fraud and error to the value of £14,621,709 including the housing fraud work from the special projects, this figure includes direct cash benefit to the council of £404,500. This compares to CAFS operating costs of £905k and gross costs of £1.1 million.
- 4 The work undertaken by the service has continued to expand with increased referrals for tenancy fraud and internal fraud, plus joint work undertaken with the police supported by a CAFS officer seconded to Hammersmith police station identifying and working on cases in which both the Council have an interest and which serve to reduce crime in the community.

1. Introduction

- 1.1 Counter fraud services for the council are provided by the Corporate Anti Fraud Service (CAFS). The CAFS scope includes suspected fraudulent Housing Benefit and Council Tax Benefit claims, suspected fraudulent tenancies and circumstances of tenancy related matters, and investigating allegations of fraud or irregularity committed within or against the Council. Further coverage is provided by undertaking special projects, which currently covers tenancy issues.
- 1.2 The CAFS service also has responsibility for raising fraud awareness across the Council, managing participation in the Audit Commission's National Fraud Initiative, providing advice and guidance in such areas as Money Laundering and Whistleblowing, and maintaining close working relationships with the police and other partnership organisations in order to facilitate the effective combating of fraud directed against the Council, whilst contributing to the reduction of crime overall.

2. Performance

- 2.1 CAFS performance is measured on outputs which is the number of sanctions successfully applied and the number of fraudulent issues stopped or prevented. We also keep under review the value of fraud and error identified plus the amount of recovered and recoverable losses identified for the Council and the public purse.
- 2.2 The CAFS target for the year was 180 successful outcomes, which has been exceeded significantly with a final outturn of 286. This is easily the best performance of the Service since its creation in 2006 and has improved year on year since its inception. **Figure 2** in Appendix 1 show the breakdown of sanctions achieved.
- 2.3 The number of successful prosecutions achieved this year is substantially improved at 29 delivered against last year's total of 17. In order to manage any delays going forward CAFS has identified and monitored progress on all potential prosecution cases. Copies of some of the press releases for the prosecution cases are provided at **Appendix 2** for information.
- 2.4 It is worth mentioning the volume of referrals received which shows that the service continues to receive more volumes than it can investigate.

CAFS received 1007 referrals comprised of 415 benefit cases, 328 tenancy related cases, 112 internal or corporate cases, a further 152 tenancy project cases, and 7 others. Of these 212 cases were rejected for investigation either because of insufficient quality of information or due to insufficient capacity to proceed. This is summarised in **Figure 1** of Appendix 1.

- 2.5 The measurable financial value of CAFS work involves cash recoveries received from the application of penalties or court awards, Housing Benefit overpayments which become a debt owed to the Council plus a 40% 'bounty' on these overpayments which is paid to the Council via subsidy, the recovery of property or removals from the Housing Register which the Audit Commission have put a value of £75,000 per property, the prevention of fraudulent Right to Buy applications which would attract a discount of £16,000 per property and is valued by the Audit Commission at £26,000, and other overpaid benefits which are recoverable and while bringing no specific value to the Council do represent a saving made to the public purse. The analysis of the value of fraud identified and recovered is contained in the table at **Figure 3** in Appendix 1.
- 2.6 It was the intention to report how much of council debt generated from CAFS work was recovered in the year. Unfortunately system reports only contain details of debts raised and the outstanding amounts at the time the report is produced. While this has previously been calculated as achieving an average of £72k per annum we agreed to only quote actual recoveries going forward and unfortunately while we are certain that at least £120k has been recovered the reports have not been consistent over the year so an accurate year end figure cannot be provided. This is something we will actively pursue for the future as a priority.
- 2.7 Appendix 1 figure 3 shows that the council recovered £404,522 last year and a further £751k is recoverable. There is a further value to the council from properties retained for welfare housing that according to the Audit Commission is worth £13.5 million to the council. These compare well to the cost of the service which was an operational cost of £950k, and a gross cost of £1.1 million.

3. Service Review

- 3.1 The core CAFS service remained temporarily expanded for the year to undertake specialised projects related to tenancy fraud, plus an increase in size of the corporate fraud team reflecting the size of the caseload.
- 3.2 The core CAFS work covers housing benefit, fraudulent tenancies, and corporate fraud. Additional activities include investigating applications on the Housing Register, and a significant amount of fraud and error identified through management of the National Fraud Initiative exercise. The deterrence effect of the publicised work of the Service cannot be ignored, which includes the press releases made for every successful prosecution. Examples of press coverage achieved as a result of these press releases is provided at Appendix 2 for information.
- 3.3 The profile of the Service, the Council, and the fight against fraud in Hammersmith and Fulham has been raised as a result of joint working with the police. One of the CAFS officers has been a dedicated single point of contact between the police and the Council's counter fraud service. The officer spends most of his working time based at Hammersmith police station, working with the police's Payback Unit identifying cases that are of joint interest to the police and the Council, and where there are likely to be identifiable assets which can be seized and confiscation applied for under the Proceeds of Crime Act. The peripheral benefits of this working relationship relate to crime in general.
- 3.4 In order to maximise the realisable benefits from work of this nature, three CAFS officers have trained as accredited Financial Investigation Officers, a further two senior officers have trained as senior authorising officers. We now have the option to apply to the courts to make restraints ourselves, rather than being dependant on the police. The advantage is that currently any assets seized and confiscated and allocated by the court are divided between the Council and the police. If we apply the restraints and bring proceedings ourselves, then we have the opportunity to maximise income to the Council.
- 3.5 Tenancy fraud is being widely recognised as a growing area of concern and the Audit Commission make strong recommendations that Local

Authorities do all in their power to crack down on an estimated 50,000 unlawful tenancies or sublets nationwide. In November 2009 the Minister for Housing announced a national crackdown on tenancy fraud with a series of measures including tenancy data matching. We are reportedly the first Authority nationally to successfully prosecuting a case of Sub-Letting.

4. Conclusion

- 4.1 2010-11 have seen the most successful year for counter fraud investigation since the formation of CAFS in 2006 (and indeed prior to that). The level of referral continues to increase due in part to the work of the CAFS team in raising awareness and improving liaison between the Council and its partners, coupled with a long overdue raising of awareness at a national level on tenancy fraud.
- 4.2 Following the reduction in funding at the beginning of the 2010/11 year and a re-structure the unit has now reduced in size. As a result the reliance on temporary staff is reduced and the management structure has been flattened.
- 4.3 The aim of the Corporate Anti Fraud Service going forward is to continually improve the benefit it delivers to the council. With the reduced funding the intention is to focus on achieving better results with the resource available. Options being considered include improving the referral and risk scoring process, making better use of intelligence and increasing our focus on proactive work such as data mining, and by trying to reduce our main operational cost areas such as our legal costs.
- 4.4 The work of local government fraud units will be substantially altered by the proposed national government changes in 2013. CAFS will work together this year to redirect their resources into non benefits related investigations which add value at a more local level. A full pro active programme will be run which will concentrate on areas of risk within the council which are unrelated to the payments of national benefits.

Appendix 1

Fig. 1 Cases Opened, Rejected, and Closed 2010-11

Fraud Area	B/fwd from 2010/11	Referred	Rejected	Closed	C/fwd into 2011/12
Benefit Fraud	389	415	201	239	364
Tenancy Fraud	172	328	11	185	304
Housing Register Project	161	146	-	265	42
Other Housing Fraud	47	-	-	47	0
PSL/HAL Tenancy Project	252	6	0	258	0
Internal or Corporate Project	120	112	-	140	92

Fig. 2 Performance by Outcome Achieved

	Prosecutions Successfully Undertaken	Caution, Penalty, Recovery or Disciplinary Sanction	Positive Outcome / Action Achieved	Totals
Housing Benefit	29	50	24	103
Tenancy	01	53	0	54
Tenancy projects	0	92	0	92
Corporate	01	34	02	37
Total	31	229	26	286

Performance Outturn against Target

	Annual Outturn
	Total
<i>Target 2010/11</i>	180
Total outturn	286
<i>Target 2009/10</i>	150
<i>Total 2009/10</i>	278
Total 2008/09	186
Total 2007/08	130
Total 2006/07	132
Total 2005/06	96

Fig.3 Financial Value of Counter Fraud Work Undertaken 2010-11

		Recovered		Recoverable		Additional value to public purse	Speculative Income
		Recovered by CAFS	Recovered to LBHF via subsidy	Recoverable by CAFS	Recoverable by LBHF	Value of properties recovered or lets avoided	Value of Assets Currently Restrained
Benefits	Penalties (31)	£39,625					
	Costs, Compensation, POCA	£22,574				£3,628.07	
	HB Overpayments				£726,819		
	40% Bounty on HB O/Ps		£290,728				
	Fraud Training	£600					
Tenancy	Tenancies recovered (48)					£3,600,000	
	Housing Register removals (90)					£6,750,000	
	HR Removals2009/10**					£2475,000	
	Right to buys					£52,000	
	Housing other (8)					£407,000	
Corporate	Corporate cases	£41,277				£82,555	
NFI*	HB Overpayments				£24,296	95,889	
	40% Bounty on HB O/Ps		£9,718				
	Pay & pensions						
	Creditors						
Assets Restrained: Benefits cases							950,375
Assets Restrained: Corporate cases							0
Total		£104,076	300,446	0	751,115	13,466,072	930,375
Total recovered		404522					
Total balance recoverable				751,115			
Total overall recoverable value to the council		1,155,637					
Total value to council due to CAFS work		14,621,709					

*NFI is a bi-annual exercise. Results for the last exercise were published as part of the 2009-10 Annual Fraud Report. No results expected in this area until Q4 at the earliest.

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

CAFS PRESS CUTTINGS – 2010/11

May

The screenshot shows the website for the London Borough of Hammersmith & Fulham. At the top, there is a navigation bar with links for 'Home', 'A-Z of services', 'Jobs', 'Property pages', 'Subscribe to h&f newsletter', and 'h&f news contacts'. A search bar is also present. The main header features the 'h&f news' logo and the tagline 'putting residents first'. A sidebar on the left lists 'Council Services' and 'News' with sub-links like 'News index', 'Arts', 'Blogs', 'Dining out', and 'Hot topics'. The main content area displays a news article titled 'Benefit fraudster foiled' dated Friday May 21, 2010. The article reports that a woman, Elizabeth Abisuga, has avoided jail by the skin of her teeth after being caught by the council's anti-fraud team. She had deceived the council out of more than £18,500 of benefits. The article details her use of alternative National Insurance numbers and a bank account not known to the council. It also mentions her previous conviction for conspiracy to defraud in 1992. A quote from Cllr Greg Smith is included at the end of the article. On the right side of the page, there are several promotional banners: 'h&f news+live' with a subscription link, 'Share your views' with a keyboard icon, 'Borden summer 2011' featuring a woman's face, and a '10% OFF plus FREE delivery & returns' offer.

London Borough of Hammersmith & Fulham Accessibility | Contact | Help | Feedback Search Site: enter search terms Search

h&f news+live
Subscribe to h&f news live, our e-newsletter

Get involved...
Send your stories
Send your photos

Home A-Z of services Jobs Property pages Subscribe to h&f newsletter h&f news contacts

h&f putting residents first

Council Services
News

News index»
Arts»
Blogs»
Dining out»
Hot topics»

Benefit fraudster foiled
Friday May 21, 2010

A woman who deceived the council out of more than £18,500 of benefits has avoided jail by the skin of her teeth.

Elizabeth Abisuga, of Bloemfontein Avenue, Shepherds Bush, failed to tell the council that she worked at St Bernard's Hospital, Southall.

Investigations by the council's corporate anti-fraud team also revealed that Abisuga was using two alternative National Insurance numbers to that used for her benefit claims. This meant that it was especially difficult for her fraud to be detected.

The 42 year-old admitted during interview that she had failed to declare that she worked and that she was using a bank account that the council had not been made aware of.

In total, the mother of two swindled the council out of £15,996 of housing benefit and £2,593 of council tax benefit. She also defrauded the Department of Work and Pensions out of £23,729 of income support.

Abisuga was sentenced to six months imprisonment, suspended for two years, at Isleworth Crown Court on Friday, May 7. She would have served with a custodial sentence had it not been for her two children. She will also have to pay back the money that she was not entitled to. Abisuga served a three year jail term in 1992 for conspiracy to defraud.


Cllr Greg Smith, Cabinet Member for crime and street scene, said "Benefit fraud will not be tolerated in Hammersmith & Fulham and we will continue to bring those who cheat the system to justice. The council carefully scrutinises how every penny of tax-payers money is spent and will continue to clamp down hard on those who think that fraud is acceptable."

Share your views

Borden summer 2011

10% OFF plus FREE delivery & returns

June




POWERED BY FULHAM & HAMMERSMITH, KENSINGTON & CHISLEAHOPE AND HAYES & UXTON CHRONICLE WEBSITES

Updated 6:15am 15 December 2010



1°C - 2 kph




Join the Community!
Log In | Register

Get involved
RSS news for you | Forums
Send your stories and pictures

Home
News
Sport
TV listings
Video & Pics
Lifestyle
Classifieds
Contact Us
Sitemap
Weather

Hot Topics
Royal Wedding
Fulham FC
QPR FC
Chelsea FC
All Topics...



Site Web

Home News

Local News

Benefit fraudster escapes jail

Jul 30 2010 By Greg Burns

Add a comment
 Recommend



AN 'IDIOTIC' benefit fraudster has avoided jail after conning Hammersmith & Fulham council out of thousands of pounds.

Nazar Hussein, 36, of Hammersmith Road, was given a six-month suspended sentence and ordered to carry out 40 hours unpaid work at Isleworth Crown Court on July 14.

Hussein lied to the council about his work and also failed to declare a number of bank accounts under his name.

Investigations by the council's corporate anti-fraud team found that up to £300 in cash was being paid into these accounts by Hussein each week.

When challenged by officers he said other people were paying in the money but this was exposed as untrue.

As a result he illegally obtained £17,734 in housing benefit and £1,201 council tax benefit which the court also ordered him to pay back.

Councillor Greg Smith, H&F council cabinet member for residents' services, said: "When will these idiots learn that if you commit a benefit fraud offence in Hammersmith & Fulham you will be caught and you will be punished?"

"Every penny counts as the council works to cut its historic debt of £133m and we will not let fraudsters help themselves to taxpayers cash."

Share

Share

More

Related Tags

- ▶ benefit fraud,
- ▶ crime,
- ▶ nazar hussein

(What's this)

Related Stories

- ▶ Survey of theft hot spots shows rich pickings in Hammersmith
Aug 6 2010
- ▶ Police arrest ten more after Chelsea FC and Cardiff City brawl
Aug 6 2010
- ▶ Hunt continues for Chelsea FC and Cardiff City football jobs
Jul 27 2010
- ▶ Police release CCTV in hunt for arcade robber
Jul 22 2010
- ▶ Police swoop on H&F drug dealers
Jul 19 2010
- ▶ Taxi driver charged with sexual assault
Jul 16 2010

Get Involved

Chronicle Classifieds

Find a new job

Find local business

Find a car

Find a home

Find a dream date

Book an Ad

▶ Sales & Services
▶ Family notices

Business Finder

LocalMole.co.uk

What
Where
Search

Pubs in Fulham	Plumbers in Fulham
Restaurants in Fulham	Builders in Fulham
Hotels in Fulham	Schools in Fulham

More Fulham Businesses ▶

List your business for free ▶

Jobs

Find your new job:

Job Title

e.g. secretary

Industry All industries

Location All Jobs South East

August

London Borough of Hammersmith & Fulham Accessibility | Contact | Help | Feedback

Search Site: enter search terms

Search >

h&f news

Get involved...
Send your stories
Send your photos

[Home](#) [A-Z of services](#)

[Jobs](#)

[Property \(Pdf\)](#)

[Subscribe to h&f newsletter](#)

[h&f news contacts](#)



Council Services

News

- [News index»](#)
- [Arts»](#)
- [Blogs»](#)
- [Dining out»](#)
- [Hot topics»](#)

Housing fraudster foiled

Tuesday August 10, 2010

A man who lied in order to get a place on the housing waiting list has been fined almost £2,000.

When filling in his housing register application form, Hassama Ahmed, 25, of Wolfe House, White City Estate, failed to tell council officers that he was the joint owner of the property.

Ahmed's bid was successful but investigations by the council's corporate anti fraud service quickly revealed his lies.

The conman pleaded guilty to fraud and at West London Magistrates on Tuesday July 20 was fined £315 with costs of £1,560.

A council spokesman said: "This kind of behaviour will not be tolerated in Hammersmith & Fulham. There are thousands of people waiting patiently on the housing waiting list and we will not people lying in order to jump to the front of the queue is unacceptable."

* [Send us your comments now](#)

Your comments

Send us your comments now

Summer 2010

Family activities

Family Information Service
0845 313 3933

h&f news live

Subscribe to h&f news live, our e-newsletter



September

London Borough of Hammersmith & Fulham Accessibility Contact Help Festivals
Search Site
Search

h&f news

[Get it online!](#)
[Send your stories](#)
[Send your photos](#)

Home
A-Z of services
Jobs
Property pages
Subscribe to h&f newsletter
h&f news contacts



Council Services

News

- News index
- Articles
- Blogs
- Dining out
- Hot topics

Classroom helper cheats council out of thousands

Wednesday September 29, 2010

A teaching assistant who stole £30,000 in benefits to pay off his debts has been given a 12-month suspended sentence and 100 hours of community service.

Rodney Brathwaite, 41, of Colne Court, Emlyn Gardens in Shepherd's Bush pleaded guilty at Isleworth Crown Court to defrauding Hammersmith & Fulham Council out of more than £13,400 in housing benefit and council tax benefits of £2,700, and almost £20,000 in income support from the Department of Work and Pensions (DWP).

Brathwaite had been receiving benefits from the council from May 2005 to December 2008 after claiming that he was unemployed, a single parent and that the only money he received was income support.

But he failed to inform either the council or the DWP of a change in his circumstances when he started working.

An investigation led by H&F Council found that Brathwaite had actually been working with John Cullen Lighting, which has a showroom in Kings Road, Fulham from November 2005 to November 2006. And just a fortnight later, he began his job as a teacher's assistant job at a Kensington & Chelsea school – where he was still employed when H&F caught him out.

At first Brathwaite said that he had only been a voluntary helper at the school and then, in an interview with the council's fraud squad, that he had only been paid for six hours' work. But he eventually changed his story and admitted that fraud, saying he had not told the council or the DWP of the change in his circumstances because he was in financial difficulties and needed the money.

Brathwaite however denied ever having worked for John Cullen Lighting, despite the council presenting him with evidence from the company to show he worked there. A copy of his job application form for the post of teacher's assistant, which Brathwaite had himself completed, stated that the lighting and design company was his current employer at that time.

Cllr Greg Smith, cabinet member for residents' services, said: "Brathwaite should have been setting an example to the children in his class, who looked up to him, but instead he has let them down by being a liar and a cheat. He says he needed the money but decent law-abiding people simply do not steal £30,000 no matter what dire straits they might find themselves in.

"Brathwaite told tales out of school and I hope he has learnt his lesson – if he steps out of line again, it will mean detention."

Brathwaite pleaded guilty to four counts of dishonestly failing to notify a change of circumstances to LBHF and the DWP – two each – under the Social Security Administration Act.

Sentencing Brathwaite on August 27, Judge Andrew McDowell said he had spared him from paying costs as 'an act of mercy for a man who owes so much already' and warned him that should he breach the terms of the suspended sentence, the factors that assisted [him] today will not do so in the future'.

Send us your comments now

Subscribe to h&f news live, our e-newsletter

h&f Home Buy

Helping you onto the property ladder

020 8753 6464

h&f Home-Buy @lbhf.gov.uk

Markets and street trading

Thought about stall trading?

Phone: 020 8753 2451

Email: streettrading@lbhf.gov.uk

September continued

Parents of two-week-old are sent to jail for £90,000 benefits fraud



Lady Cyril at court yesterday. Right, Graham Young

'£90,000 scam of the Lady and the tenant'

A TITLED widow helped to
swoop taxpayers out of £90,000
in benefits, a court heard.

Lady Cyril Bowden, 70, is
accused of claiming benefits
for a house in HammerSmith,
west London, while living
with a man claiming to be a
tenant.

Her late husband was Sir
Frank Bowden whose
grandfather set up the
Fletcher cycle firm.

Graham Young, 67,
allegedly claimed
thousands in
pension credits
and housing and
council tax
benefits from
HammerSmith and
Fulham Council.

The pair were
found living
together at Lady
Bowden's address
in Whitehall, Boris

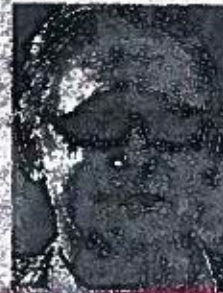
Islington Crown Court heard.
Gavin Irwin, prosecuting,
said properties in both their
names had been transferred
into Lady Bowden's
ownership during the
four-year scam.

Jason Cross, defending
Lady Bowden, said the close
friends were living in the
same house because Mr
Young had a cold.



Mr Young denies 11 counts
of failing to disclose a

change of
circumstances
between 2004 and
2008.

Lady Bowden
denies five counts
of money
laundering and
one of dishonestly
retaining unlawful
credit. The jury is
expected to retire
today.




October

 Print  Close

Willesden & Brent
Times24

Suspended prison sentence for benefit cheat

 Lorraine King, Sub-Editor
Friday, October 15, 2010
2:22 PM

Greedy 36-year-old tried to hide her £26,000 nest egg

A GREEDY benefit cheat who withdrew £26,000 out of her bank account when she discovered she was being investigated has received a suspended prison sentence.

Collette Anazodo, of Uxbridge Road, Shepherds Bush, hastily took out the cash when she realised Hammersmith and Fulham Council were probing her entitlement to Housing and Council Tax benefit.

The 36-year-old had not only been claiming benefits while working but she also tried to hide thousands of pounds she had saved in three separate bank accounts.

When she was invited to attend an interview under caution by the council's fraudbusters she failed to turn up, withdrew the money out of her account and subsequently snubbed a further five invitations.

When she was eventually collared in October last year, she claimed she was entitled to the benefit because she was ill thus did not have to declare her job.

She also pleaded ignorance about declaring her nest eggs.

She eventually admitted fleecing the council out of £17,766 in Housing Benefit and £4,130 of Council Tax Benefit.

She also swindled £37,000 of the Department for Work and Pensions.

Anazodo was convicted of benefit fraud and money laundering, due to her withdrawing the large sum, and was sentenced to two years in jail suspended for ten months.

Cllr Greg Smith, cabinet member for residents' services, said: "It beggars belief that people think they can commit benefit fraud and get away with it.

"This council will work tirelessly to catch those who think it is acceptable to con the benefits system.

"Every penny counts as the council works to cut its historic debt of £133 million and we will not let fraudsters help themselves to hard working taxpayers' money."

Copyright © 2011 Archant Regional Ltd. All rights reserved.

CAFS PRESS CUTTINGS – 2010/11

October continued: CAFS coverage in the United States of America.

The screenshot shows the USA TODAY website interface. At the top, there is a navigation bar with 'USA TODAY | Topics' and various menu items like Home, News, Travel, Money, Sports, Life, Tech, and Weather. Below this is a secondary navigation bar with links for Fantasy, MLB, NFL, NBA, NHL, Coll. Football, Coll. Basketball, Preps, Motor Sports, Golf, and UFC. The main content area features a breadcrumb trail: 'Topics > Organizations > Sports Leagues > International Soccer > Fulham >'. The article title is 'Shepherd's Bush benefits cheat spared jail'. The text of the article states: 'A BENEFITS cheat has avoided jail after conning the council out of thousands of pounds. Collette Anazodo, 36, of Uxbridge Road, Shepherd's Bush, pleaded guilty to fraud and money laundering at Isleworth Crown Court on September 27 and was handed a two-year suspended sentence.' To the right of the article is a sidebar with a 'Get alerts about Fulham' section, 'Topics related to Fulham', and 'Other topics'. The 'Other topics' section lists 'Topics in the news' (1. NFL, 2. French Open, 3. Barack Obama, 4. NHL, 5. Brian Rafalski, 6. New York, 7. Lauren Alaina, 8. Finals, 9. USA, 10. President Obama) and 'Browse Categories' (Brands, Culture, Events and Awards, Health and Wellness, Legislation and Acts, Natural and Physical Sciences, Organizations, People, Places, Geography, Religion and beliefs). At the bottom of the page, there is a footer with 'USA TODAY Digital Services' and various links for mobile, newsletters, RSS, Twitter, podcasts, widgets, e-edition, and more. The footer also includes 'Visit our Partners' and 'A GANNETT COMPANY'.

USA TODAY | Topics

Subscribe | Mobile | Google USA TODAY stories, photos and more | Sign in | Become a member | Join USA TODAY

Home | News | Travel | Money | Sports | Life | Tech | Weather

Sports: Fantasy | MLB | NFL | NBA | NHL | Coll. Football | Coll. Basketball | Preps | Motor Sports | Golf | UFC | More

Advertisement

Topics > Organizations > Sports Leagues > International Soccer > Fulham >

Comment 0

Shepherd's Bush benefits cheat spared jail

A BENEFITS cheat has avoided jail after conning the council out of thousands of pounds. Collette Anazodo, 36, of Uxbridge Road, Shepherd's Bush, pleaded guilty to fraud and money laundering at Isleworth Crown Court on September 27 and was handed a two-year suspended sentence.

Related topics:

« Previous | Next »

What Do You Think?

To leave a comment, you need to sign up.

Sign up | Log in

powered by Pluck

Get alerts about Fulham

Subscribe to an RSS feed about Fulham

Subscribe

Topics related to Fulham

Other topics

Topics in the news	Browse Categories
1. NFL	* Brands
2. French Open	* Culture
3. Barack Obama	* Events and Awards
4. NHL	* Health and Wellness
5. Brian Rafalski	* Legislation and Acts
6. New York	* Natural and Physical Sciences
7. Lauren Alaina	* Organizations
8. Finals	* People
9. USA	* Places, Geography
10. President Obama	* Religion and beliefs

USA TODAY Digital Services

Mobile | E-Newsletters | RSS | Twitter | Podcasts | Widgets | e-Edition | USA TODAY for iPad | Kindle Edition | Print Edition | Subscribe to paper | Reprints & Permissions | USA TODAY Topics | Reporter Index | Corrections/Clearifications | Contact Us | Archives

Home | News | Travel | Money | Sports | Life | Tech | Weather

Visit our Partners: USA WEEKEND | USA TODAY LIVE | Sports Weekly | Education | Space.com | Travel Tips

Contact us | Advertise | Pressroom | Media Lounge | Jobs | FAQ | Reprints/Permissions | Privacy Notice/Your California Privacy Rights | Ad Choices | Terms of Service | Site Index

© 2011 USA TODAY, a division of Gannett Co. Inc.

A GANNETT COMPANY

October continued:

Titled widow helped swindle £90,000 of taxpayers' cash in housing benefit fraud

By DAILY MAIL REPORTER
 Last updated at 6:57 PM on 30th October 2010

Comments (30) Add to My Stories Share Like 15

A titled widow who helped to swindle £90,000 of taxpayers' cash in benefits was jailed for 12 weeks today.

Lady Oriol Bowden, 70, was convicted of accepting housing benefits as a landlady which she was not entitled to.

Her partner, Graham Young, was jailed for 12 months after he claimed to be Lady Bowden's lodger at the Putney home so he could draw ten of thousands of pounds in benefits from Hammersmith and Fulham Council as well as Council Tax benefit and pension credits.

However, he failed to notify the authorities when his relationship with Lady Bowden began in 2004 and that his living arrangements had changed.

Young was claiming to be a single man living at one address when in fact he had a common law spouse, Lady Bowden, and was spending most of his time living with her as man and wife.

Had Young informed the council of his change in circumstances Lady Bowden would have been means tested and he would have had his benefit hand-outs slashed, the court heard.

The court also heard that even though Lady Bowden was supposed to be his landlady the pair regularly stayed at two other properties - one in Berkshire and one in Ramsgate, Kent, owned by her, along with a gallery also in Ramsgate.

Both the house and gallery in Ramsgate had been bought in both their names, but were later transferred to Lady Bowden's sole ownership.

However, one of the properties was willed to Young because Lady Bowden didn't want him to have nothing when she died.

More...

Benefit cheat who jugged her way to £53,000 claiming she lived alone is caught out by husband's tyre marks in the snow

Police were alerted to a strange incident involving Lady Bowden's BMW when the pair were listed as common law spouses on their joint insurance policy.

They were then found to living together in Winkfield, Berkshire, and arrested in 2006.

The couple denied being in a relationship and insisted they were just close friends with a 'unique and special bond' and never had a sexual relationship. However, Lady Bowden's police statement referred to Young as her boyfriend.

David Levin, prosecuting, also said the couple often shared a bed and stayed in the same hotel room, but they claimed it was too big and they didn't have space.



Jailed: Lady Oriol Bowden was sentenced to 12 weeks in prison after being found guilty of benefit fraud

Search Advanced Search

FEMALE TODAY

Michelle hails Kate, Britain's First Lady of style
 Duchess of Cambridge's £175 dress caused such a frenzy the retailer's website crashed



112 JOHNS: Kate looked every inch the modern and fashionable style icon
 And Sam Cam beat Michelle by an anatomic nose



TV's worn fake eyelashes every day for the past 13 years
 'TOWIE' Chloe Sims braves the make-up free look
 Should try it more often



She may look like the perfect pop princess... but Cheryl Cole suffers from the curse of the cankles (that's when your calf and ankle become one)



Natalie Cassidy's fiancé Adam Cottrell arrested and charged over assault on actress
 He was quizzed by police after argument at the home



Anything for my best friend: David Beckham turns out for Manchester Utd in Gary Neville's testimonial
 He flew in specially from LA



Ryan Giggs shows the strain as injunction scandal refuses to go away... and his wife appears WITHOUT her wedding ring



October continued:

Chronicle

London 9:52am 14 December 2010

21°C · 71°F

Home
News
Sport
TV listings
Video & Pics
Lifestyle
Classifieds
Contact Us
Sitemap
Weather

Hot Topics
Royal Wedding
Fulham FC
QPR FC
Chelsea FC
All Topics

Go
Search

Home News

Local News

Crackdown on benefit fraudsters continues

Oct 26 2010 By Greg Smith

A PENSIONER was handed a suspended prison sentence for benefits fraud seven months after her husband was convicted of the same offence.

Elizabeth Kamara, 65, of Willow Vale, Hammersmith, saw her four month jail sentence suspended for a year at Blackfriars Court on October 15.

She had pleaded guilty to falsely claiming £22,635 of housing benefit and £8,819 of council tax benefit with her husband Ibrahim, who was given a nine-month suspended sentence in March.

The pair were investigated after Hammersmith & Fulham Council's anti-fraud team gained intelligence that Mrs Kamara had savings in a bank account and was working as a full-time care assistant.

They found that, between 2002 and 2004, the couple completed five benefit application forms which they both signed.

H&F Council's battle against benefit fraudsters will see another woman sentenced next month for swindling the council out of £8,300 in housing benefit.

Kirsty McCluskey, 40, of Moylan Road, Hammersmith, was found guilty at Isleworth Crown Court on October 15.

McCluskey claimed £4,000 in housing benefits for a home she was not even living in and then a further £2,450 she was not entitled to for failing to declare she had another income and she will be return to the court to be sentenced on November 12.

Councillor Greg Smith, H&F cabinet member for residents' services, said: "This council will not tolerate this kind of dishonest behaviour.

"A welfare cheat is no different from someone who comes up and robs you in the street.

"Every penny counts as the council works to cut its historic debt of £133 million and we will not let fraudsters help themselves to hard working taxpayers' money."

Share

Print

Facebook

Twitter

LinkedIn

StumbleUpon

Delicious

Reddit

Diigo

MySpace

OpenSocial

Google+

Print

Related Tags

- benefits fraud
- crime
- fulham
- hammersmith

(What's new)

Related Stories

- Friends of Fulham park reject council's plan to sell corner to developers Nov 2 2010
- Widow jailed after council benefits scam Nov 2 2010
- Fulham midfielder set to return for Chelsea clash Nov 2 2010
- Search for missing 27-year-old catches on Fulham Nov 1 2010
- Muslim community quiz borough commander on knife crime Nov 1 2010
- Shepherd's Bush burglar jailed Nov 1 2010
- Arrests after ten-day Fulham crime crackdown Nov 1 2010

Get Involved

We want your local stories, views & pics

Send your stories

Send your pics

Send your videos

Extra Links

Home

News

Sport

TV listings

Video & Pics

Lifestyle

Classifieds

Contact Us

Sitemap

Weather

Chronicle Classifieds

Find a new job

Find local business

Find a car

Find a home

Find a dream date

Book an Ad

Sales & Services

Family notices

Business Finder LocalMole.co.uk

What Where Search

Plumbers in Fulham

Restaurants in Fulham

Hotels in Fulham

Builders in Fulham

Schools in Fulham

More Fulham Businesses >

List your business for free >

Jobs

Find your new job

Job Title

e.g. secretary

Industry

Location

Search

Featured jobs

Afternoon Receptionist/Greeter High School, South, £7.381.53 apply now!

November

Thursday, November 18, 2010 **Sun** 49

BENEFIT COCAINE BARONS

Couple's luxury life

By ANTHONY FRANCE

A COUPLE ran a multi-million-pound drug empire while on housing benefit.

Michael Lawrence, 42, and Tracy Lucas, 44, went on luxury holidays in Florida and Mexico while raking in £80,000 of taxpayers' cash.

Their gang, who flooded London with cocaine and cannabis for ten years, were caught after undercover cops mounted an 18-month operation.

Lawrence and Lucas sometimes spent £4,000 a night on champagne, owned a £385,000 house in Chessington, Surrey, and had £500,000 in the bank.

But they defrauded Hammersmith and Fulham Council out of £80,358 from 2005.

Lawrence was jailed for 8½ years after admitting drug and fraud charges. Lucas got seven months for benefit fraud. Lawrence's brother James, 44, got ten months



Caught... couple in Mexico

suspended, and sister Sandra, 45, got a community sentence for helping launder money.

Two friends were jailed for helping the couple supply the drugs.

afrance@the-sun.co.uk

November continued

4 12 November 2010

NEWS

FOR THE LATEST NEWS /
www.fulhamchronicle.c

News in brief

Con artist caught


WEST KENSINGTON: A fraudster who claimed benefit pretending to be a lone parent has narrowly escaped a jail sentence.

Jetmira Barjami, 29, of Ivatt Place, West Kensington, claimed state benefits as a single mother with two children and was also collecting income support, housing benefit and council tax benefit.

However, following an anonymous tip-off, Hammersmith and Fulham Council's corporate anti-fraud service (CAFS), found that Barjami was living with her partner, an employee of Jobcentre Plus.

Barjami admitted defrauding the council out of £10,762 of housing benefit and £1,975.38 of council tax benefit. She was given a three-month sentence suspended for 12 months at Isleworth Crown Court on November 5.

January



Chronicle

Joined: © 3:41pm 26 February 2011

Join the Community!
Log in | Register

Home
News
Sport
TV listings
Video & Pics
Lifestyle
Dating
Live Events
Classifieds
Contact Us
Sitemap
Weather

Hot Topics
Royal Wedding
Fulham FC
QPR FC
Chelsea FC
48 Topics


Home
News
Local News

White City benefits cheat took a six-week Dubai holiday with stolen profits

By Greg Burns
Feb 13 2011

Like Tweet 0 13114 0 Print

[Add a comment](#) [Recommend](#)



A BENEFITS cheat narrowly avoided jail after taking her six children on a lengthy holiday to Dubai with £10,000 she stole from the public purse over eight years.

Anab Gas, of White City Estate, Shepherd's Bush, pleaded guilty to two counts of benefit fraud at West London Magistrates Court last Tuesday (15/2).

The 39-year-old was handed a three-month suspended prison sentence meaning she will be jailed if she commits a similar offence in the next 12 months.

Gas admitted swindling Hammersmith and Fulham Council out of £8,000 of housing benefit and £1,383 in council tax benefits.

Council officers began investigating in 2008 after the Department for Work and Pensions highlighted a £30,700 overpayment she received, but never declared, after her father died.

When interviewed, Gas told the council's planned corporate anti-fraud team that she knew she should have declared the cash but blamed stress for her refusal to do so amid arguments with her step-mother about the money.

She also admitted spending the money on a six-week jolly to Dubai, a Vauxhall Corsa and furniture for her home.

Councillor Greg Smith, cabinet member for residents services, said: "Gas' deceit is enough to make people's blood boil.

"She thought she could get away with putting her hands in the council's coffers but I am delighted that her plans blew up in her face.

"The council has to save £54m over the next three years and will not let rogues like Gas undermine our efforts."

What do you make of the sentence? Is it too lenient? Email gregburns@trinity.outh.ouk with your views.

Follow me on Facebook and Twitter for the latest borough news, sport and chat chat.

[Add a comment](#) [Recommend](#)

Related Tags

- anab gas
- benefits cheat
- crime
- shepherd's bush
- white city

[\(What's tags\)](#)

Related Stories

- Atomic veterans relatives urge MoD to acknowledge human cost of tests
Feb 25 2011
- Shepherd's Bush boxing club launched to keep youngsters on right path
Feb 25 2011
- TV presenter Edith Bowman thrills Gruffalo fans at Westfield
Feb 25 2011
- Shepherd's Bush man spared prison for death threat to cousin who gave up job
Feb 23 2011
- Westfield expansion plans could include social housing
Feb 23 2011
- Young Grace enjoys mascot experience at QPR as fundraising hits £25,000
Feb 22 2011
- Barack Obama-backed singer to perform in Shepherd's Bush tonight
Feb 22 2011

Chronicle Classifieds

[Find a new job](#)

[Find a car](#)

[Find a dream date](#)

[Sales & Services](#)

Business Finder

What Where

Jobs in Fulham
Restaurants in Fulham
Hotels in Fulham

[More Fulham Businesses](#)

[List your business for free](#)

Jobs

Find your new job

Job Title

e.g. secretary

Industry

Location

Featured jobs

Afternoon Receptionist Greenford
£7.501 55appri.com

Get Involved



AUDIT AND PENSIONS COMMITTEE

30 June 2011

CONTRIBUTORS

Chief Internal Auditor
Internal Audit Manager
Deloitte & Touche LLP

Subject

**Internal Audit Quarterly report for the
period 1 January to 31 March 2011**

**WARDS
All**

This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2011 as well as reporting on the performance of the Internal Audit service.

RECOMMENDATION:

- a) To note the contents of this report
- b) To approve the amendments to the audit plan as outlined in Appendix B

CONTENTS

1. Introduction	1
2. Internal Audit Coverage	1
3. Internal Audit Service	3
4. Audit Planning	4
Appendix A Audit reports issued 1 October to 31 December 2010	6
Appendix B Amendments to 2010/11 Audit Plan	8

1. Introduction

- 1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2011 as well as reporting on the performance of the Internal Audit service.
- 1.2 In order to reduce the volume of paperwork being sent to Committee members, the appendices routinely included with this report in the past detailing outstanding recommendations and reports, as well as the full text of all limited or nil assurance reports have not been appended to this report. However, the information which would have been contained in these appendices has been made available to all members separately.

2. Internal Audit Coverage

- 2.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 2.2 A total of 25 audit reports were finalised in the fourth quarter of 2010/2011 (see **Appendix A**). In addition 11 other management letters and 3 follow-up reports were issued.
- 2.3 One audit report issued in this period received limited assurance. All 8 of the recommendations made in the report on *Parking Pay and Display* have been reported as fully implemented and a follow-up audit will now be carried out. A copy of this report has been made available to members. Another report on *Personal Service Companies* received nil assurance and has been made available separately to members.
- 2.4 The Internal Audit department works with key departmental contacts to monitor the numbers of outstanding draft reports and the implementation of agreed recommendations.
- 2.5 Departments are given 10 working days for management agreement to be given to each report and for the responsible director to sign it off so that it can then be finalised. There are currently 2 reports still outstanding that were due to be signed off on or before 31 March and these are listed in **Appendix B** for information.

There is 1 report outstanding each for Environment Services Children's Services (non-schools). Neither of these reports will be over 6 months old at the time of the Committee meeting. We are pleased to report that there are no reports outstanding for Schools, Community Services,

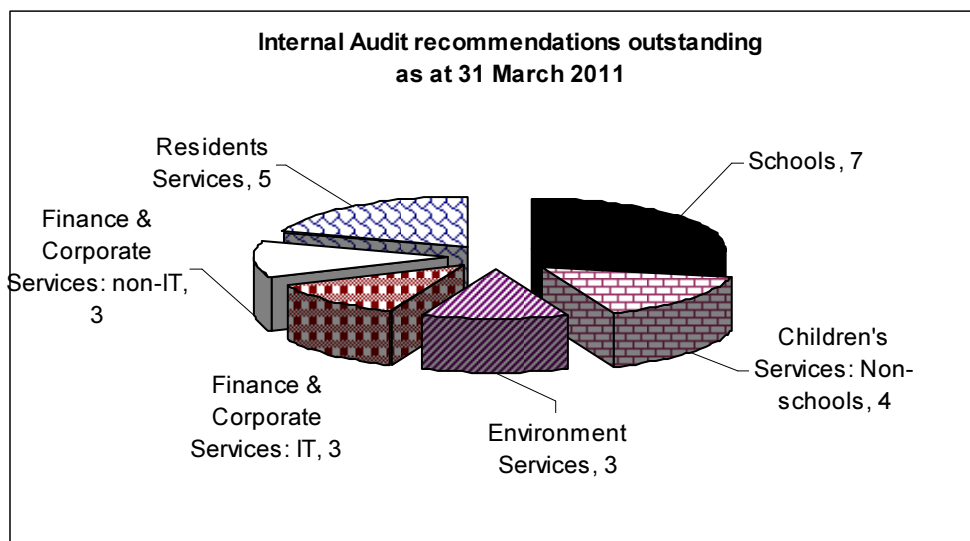
Finance and Corporate Services, Housing and Regeneration or Residents Services.

2.6 There are now 25 audit recommendations made since Deloitte commenced their contract in October 2004 where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or where the auditee has not provided any information on their progress in implementing the recommendation. This compares to the 21 reported as outstanding at the end of the previous quarter and represents a slight deterioration in the overall position. We continue to work with departments and HFBP to further reduce the numbers outstanding.

2.7 The breakdown between departments is as follows:

- Schools – 7
- Children’s Services (non-schools) – 4
- Environment Services Dept – 3
- Finance & Corporate Services Dept – 6
- Residents Services - 5

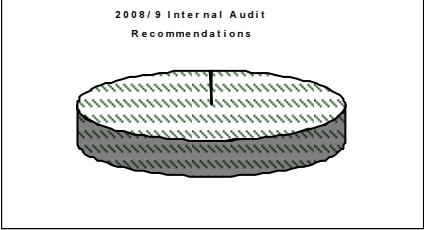
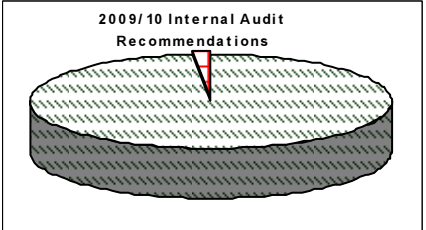
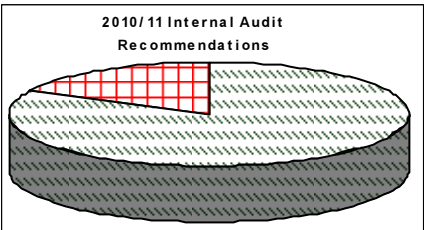
Three of these outstanding recommendations relate to HFBP. We are pleased to report that there are no recommendations outstanding in respect of Community Services or Housing and Regeneration



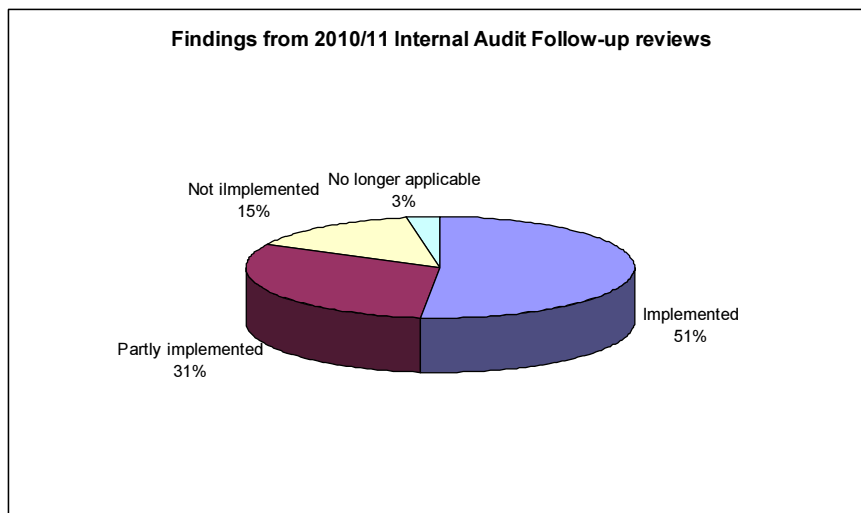
2.8 None of the 25 recommendations listed are over six months past its target date for implementation as at the date of the Committee meeting. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will be arranging meetings with the specific managers and Assistant Directors responsible for all recommendations overdue by more than 3 months as and when this occurs.

The breakdown of recommendations implemented as a proportion of the total raised in each audit year can be seen below.

100% of recommendations made prior to 2008/09 have been implemented

<p>Percentage of 2008/9 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.75%</p>	<p>394 recommendations implemented out of a total of 395</p> <p>1 recommendation outstanding</p>	
<p>Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.</p>	<p>98.29%</p>	<p>344 recommendations implemented out of a total of 350</p> <p>6 recommendations outstanding</p>	
<p>Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.</p>	<p>82.35%</p>	<p>84 recommendations implemented out of a total of 102</p> <p>18 recommendations outstanding</p>	

2.9 We have been concerned to note an apparently disappointing level of recommendations for which full implementation can be verified when we carry out follow-up audits. A summary of our findings in 2010/11 is shown below.



We will continue to work with departments and senior management to improve the effectiveness of recommendation implementation. In addition we have introduced into the 2011/12 audit plan implementation verification of all priority 1 recommendations.

3. Internal Audit Service

- 3.1 Since the last report to the Audit Committee, there has been no structural change to the operation of the internal audit service. The in-house team consists of the Chief Internal Auditor (CIA) and Audit Manager. Deloitte Public Sector Internal Audit Ltd carries out individual audits and also periodically provides management information to support the reporting requirements of the in-house team
- 3.2 The previous contract with Deloitte expired on 31 March 2011. With effect from 1 April, the service is provided by Deloitte through the framework contract already in place between Deloitte and the London Borough of Croydon.
- 3.3 Part of the CIA's function is to monitor the quality of Deloitte work. Formal monthly meetings are held with the Deloitte Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures are provided for the period from 1 January to 31 March 2011 are shown below.

Performance Indicators 2010/11

Ref	Performance Indicator	Target	Pro rata target	At end of March	Variance	Comments
1	% of deliverables completed (2010/11)	95%	95%	97%	+2%	111 reports delivered out of a total plan of 115
2	% of planned audit days delivered (2010/11)	95%	95%	95%	0%	939 days delivered out of a total plan of 991 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	94%	-1%	67 audit briefs out of 71 issued within PI requirement
4	% of Draft reports issued within 10 working days of exit meeting	95%	95%	98%	+3%	54 draft reports out of 55 issued within PI requirement

- 3.4 The target of delivering 95% of the 2010/11 audit plan has been achieved.
- 3.5 At the end of the year, Internal Audit issues the following annual summary reports: -
- Annual Head of Internal Audit Assurance Report
 - Schools End of Year summary report
 - Finance End of Year summary report
 - IT End of Year summary report
 - Project Management End of Year summary report

- 3.6 The first two reports have been provided to members as separate items for discussion at this meeting. The main points of the remaining 3 reports are summarised below.
- 3.7 **Finance** – 14 finance related audits were carried out in 2010/11 which gave an assurance opinion. Of these, 13 were given a substantial assurance. The remaining audit received a nil assurance and members have been provided with a copy of this report.
- 3.8 Internal Audit undertook significant preparatory work with key officers to support testing for external audit in 2010/11. The results of this were disappointing and we continue to develop the ongoing support we offer in order to reduce external audit time required (and consequentially the audit fee).
- 3.9 On the basis of the Finance related audit work carried out in 2010/11 the Head of Internal Audit Annual Assurance Report provided an assurance that the system of internal financial control in place at the London Borough of Hammersmith and Fulham (LBHF) for the year to 31 March 2011 was in line with proper practice.
- 3.10 **IT** – Seven IT audits were carried out in 2010/11 which gave an assurance opinion. Of these, 5 were given a substantial assurance. The remaining 2 audits received limited assurance.
- 3.11 On the basis of the Internal Audit work undertaken in 2010/11 we are able to provide assurance for the areas audited that IT Governance for the 2010/11 financial year accords with proper practice, except for any details of significant internal control issues as documented in the full report.
- 3.12 **Project Management** - Internal Audit undertook 8 Project management audits and 1 follow up in 2010/11. Of these, one was given full assurance and 6 were given substantial assurance. The remaining audit received a limited assurance.
- 3.13 The main focus of project management audits in 2010/11 was benefits management. Although this was found to be well managed in most cases, with project benefits being defined at the outset, issues were identified with defining the measures and mechanisms to monitor delivery of benefits.

4. Audit Planning

- 4.1 Amendments that have been made to the 2011/12 Internal Audit Plan have been shown in Appendix C which the Committee is invited to approve.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/ Copy	Department/ Location
1.	Full audit reports from October 2004 to date	Geoff Drake Ext. 2529	Finance and corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

APPENDIX A

Audit reports Issued 1 October to 30 September 2010

We have finalised a total of 25 audit reports for the period to 31 March 2010. In addition, we have issued a further 11 management letters and three follow-up reports.

Audit Reports

We categorise our **opinions** according to our assessment of the controls in place and the level of compliance with these controls.

Audit Reports finalised in the period:

No.	Audit Plan	Audit Title	Director	Audit Assurance
1	09/10	Laptop/Mobile Asset Management and Security	Jane West	Substantial
2	09/10	Parking Pay and Display	Nigel Pallace	Limited
3	09/10	BACS	Jane West	Substantial
4	10/11	PCI Compliance	Jane West	N/A
5	10/11	Wood Lane High School	Andrew Christie	Substantial
6	10/11	Phoenix High School	Andrew Christie	Substantial
7	10/11	Larmenier and Sacred Heart School	Andrew Christie	Substantial
8	10/11	Lena Gardens Primary	Andrew Christie	Substantial
9	10/11	Miles Coverdale School	Andrew Christie	Substantial
10	10/11	Asset Management	Nigel Pallace	Substantial
11	10/11	Smartworking Project Management	Nigel Pallace	Substantial
12	10/11	Management and Monitoring of Contractors	Nigel Pallace	Substantial
13	10/11	CAMSYS Application Audit	Nigel Pallace	Substantial
14	10/11	CHS Facilities Management	Andrew Christie	Substantial
15	10/11	Government Procurement Cards	Lyn Carpenter	Substantial
16	10/11	Pre Booked Transport and Accommodation	Andrew Christie	Substantial
17	10/11	William Morris Sixth Form	Andrew Christie	Full
18	10/11	Kenmont Primary School	Andrew Christie	Substantial
19	10/11	Departmental and Divisional Risk Management	Jane West	Substantial
20	10/11	St Thomas of Canterbury School	Andrew Christie	Substantial
21	10/11	Old Oak Primary School	Andrew Christie	Substantial
22	10/11	IT Work Requests	Jane West	Substantial
23	10/11	Queensmill School	Andrew Christie	Substantial
24	10/11	John Betts Primary School	Andrew Christie	Substantial
25	10/11	Personal Service Companies	Jane West	Nil

Audit Reports

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses, 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.
Limited Assurance	Weaknesses 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.
No Assurance	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.

Other Reports

Management Letters

No.	Audit Plan	Audit Title	Director
26	2010/11	Market Testing – Summary Report	Jane West
27	2010/11	Fulham Palace Project Management	Nigel Pallace
28	2010/11	Risk and Control Advice – Planning Applications	Nigel Pallace
29	2010/11	WCFM Payment – Risk and Control Advice	Jane West
30	2010/11	Vertical Contract Audit – 145-155 King Street	Nigel Pallace
31	2010/11	Vertical Contract Audit – Cobbs Hall	Nigel Pallace
32	2010/11	Debtors Key Financial Controls Testing	Jane West
33	2010/11	WCFM Salaries Monitoring – Risk and Control Advice	Jane West
34	2010/11	YPLA Funding – Lady Margaret School	Andrew Christie
35	2010/11	YPLA Funding – London Oratory School	Andrew Christie
36	2010/11	Attendance at BOIP Project Board – Summary Report	Jane West

Follow ups

No.	Audit Plan	Audit Title	Director	Findings on recommendations				Total
				Fully Implemented	No longer Applicable	Partly Implemented	Not Implemented	
37	2010/11	Parking PCNs	Nigel Pallace	1	0	6	0	7
38	2010/11	St Mary's Primary School	Andrew Christie	15	1	12	4	32
39	2010/11	Housing Options – Project Management	Mel Barret	5	3	1	0	9

APPENDIX B

Internal Audit reports in issue more than two weeks as at 31 March 2011

	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer	Target date for responses	Awaiting Response From
1	2010/11	Children's Services	Andrew Christie	Family Support Programme	Substantial	10/03/2011	Programme Manager	24/03/2011	Director
2	2010/11	Environment	Nigel Pallace	CRC Energy Efficiency Scheme	Substantial	22/12/2010	Carbon Reduction Manager	05/01/2011	Auditee and Director

Amendments to 2010/11 Audit Plan

	Department	Audit Name	Nature of amendment (e.g. added/ deleted/ deferred)	Reason for amendment
1	Finance & Corporate Services	Core Financials – completion of 2010/11 testing	Deleted	Removed from plan after consultation with External Audit
2	Residents Services	Council's arrangement with the Police	Deleted	Removed from plan after consultation with department