

Audit, Pensions and Standards Committee

Agenda

Wednesday 11 February 2015

7.00 pm

COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL

MEMBERSHIP

Administration:	Opposition
Councillor Iain Cassidy (Chair) Councillor Ben Coleman Councillor Adam Connell Councillor PJ Murphy Councillor Guy Vincent	Councillor Michael Adam Councillor Nicholas Botterill Councillor Donald Johnson Councillor Mark Loveday

CONTACT OFFICER: Poonam Patel
Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2088
E-mail: poonam.patel@lbhf.gov.uk

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http://www.lbhf.gov.uk/Directory/Council_and_Democracy

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Date Issued: 02 February 2015

Audit, Pensions and Standards Committee Agenda

11 February 2015

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1. MINUTES OF THE PREVIOUS MEETING	1 - 12
(a) To approve as an accurate record and the Chairman to sign the minutes of the meeting held on Tuesday 2 nd December 2014.	
(b) To note the outstanding actions.	
2. APOLOGIES FOR ABSENCE	
3. DECLARATIONS OF INTEREST	
If a Committee member 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. RISK MANAGEMENT HIGHLIGHT REPORT	13 - 66
This report presents a quarterly review of risks faced by the Council.	
5. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT	67 - 72
This report summarises Progress on implementing recommendations arising from the KPMG 'Report to those charged with governance (ISA 260) 2013/14' and the Annual Governance Statement.	
6. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2014	73 - 94
This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2014 as well as reporting on the performance of the Internal Audit service.	

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|-----------|--|-----------|
| 7. | TREASURY MANAGEMENT STRATEGY REPORT 2015/16 | 95 - 114 |
| | The report sets out the Council's Treasury Management Strategy for 2015/16. | |
| 8. | GRANTS REPORT 2013/14 | 115 - 119 |
| | This report presents the certified the grant claims from 2013/14 financial year, which the external auditor, KPMG finalised. | |
| 9. | INTERNAL AUDIT ANNUAL PLANS 2015/16 YEAR | 120 - 138 |
| | This report summarises internal audit approach used to develop the Internal Audit plans for the 2015/16 year as well as providing the audit plans. | |

Agenda Item 1

London Borough of Hammersmith & Fulham



Audit, Pensions and Standards Committee Minutes

Tuesday 2 December 2014

PRESENT

Committee members: Councillors Michael Adam, PJ Murphy, Iain Cassidy (Chair), Guy Vincent, Adam Connell, Ben Coleman, Nicholas Botterill and Mark Loveday.

Officers: Geoff Drake (Senior Audit Manager); Hitesh Jolapara (Bi-Borough Director of Finance); Andrew Hyatt (Tri Borough Head of Fraud); Jonathan Hunt (Tri-Borough Director of Pensions & Treasury); Poonam Patel (Committee Coordinator); Michael Sloniowski (Bi-Borough Risk Manager); Nicola Webb (Pension Fund Officer); Jane West (Executive Director of Finance & Corporate Governance).

External: Alistair Sutherland (Deloitte).

INTRODUCTIONS

The Chair opened the meeting and announced that item 4 would be taken after item 12.

74. MINUTES OF THE PREVIOUS MEETING

(a) Matters Arising

PAGE 2 (57) – Pension Fund Annual Report 2013/14

Jane West (Executive Director of Finance & Corporate Governance) confirmed that Cabinet met on Monday 1 December 2014 and agreed to the change in the Bi-Borough LGPS Pensions Administration Services from 1 April 2015. It was agreed that a report on this change would be presented at the proposed Pensions Sub-Committee; if established under Item 12 of the agenda and that Debbie Morris, (Bi-Borough Director of HR) would be invited to present the item.

ACTION: Tri-Borough Director for Pensions & Treasury

PAGE 3 (59) – Pension Fund Employers

Nicola Webb (Pension Fund Officer) stated that of the four bonds outstanding at the last meeting, two were now in place, for one the paperwork was being finalised and one remained outstanding. It was confirmed officers were continuing to pursue this.

RESOLVED –

THAT, the minutes of the meeting held on Tuesday 16th September 2014 be agreed as a correct and signed by the Chair.

75. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillors Adam Connell and Nicolas Botterill.

Apologies for absence were received from Councillor Donald Johnson.

76. DECLARATIONS OF INTEREST

Alistair Sutherland (Deloitte) declared that when working for his previous employer (Mercer), he had been involved with the team that had worked with Standard Life on designing Standard Life Investment's Long Lease Property Fund.

77. QUARTERLY PENSION FUND UPDATE

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report and agreed to report back to Councillor Vincent on the figures presented in page 14, Appendix 1 of the report. It was also agreed that future reports would include Year To Date (YTD) figures.

ACTION: Tri-Borough Director for Pensions & Treasury

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced Alistair Sutherland, Deloitte representative. Alistair Sutherland announced that a senior fund manager with Majedie, one of the fund's equity managers, Alan Parker would be retiring, however he would continue as a consultant until June 2015. Members noted the quarterly Performance Overview figures from page 18 of the report. A question was asked whether there was any benchmark or survey data which would allow the Members to determine how well the Fund had performed relative to other LGPS funds. In response, Jonathan Hunt agreed to report back his findings, as Members were keen to identify what benchmarking had been done and sources used, i.e. WM (World Markets).

ACTION: Tri-Borough Director for Pensions & Treasury

RESOLVED –

THAT the report be noted.

78. TREASURY MID-YEAR REVIEW 2014-15

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report and confirmed that the movements reported in paragraph 4.1, page 43 of the report were in line with the current annual investment strategy. The Committee noted that new strategies would be considered in 2015, as well as identifying the cash benefits of internal and external borrowing.

It was also noted from paragraph 4.1, page 43 of the report that the 31st March 2014 return figures were better and that it was worth looking into further, with the possibility of rolling cash deposits on; as the last change in custodian held assets was in 2008. There was an opportunity to look into higher rated companies, such as Unilever and Tesco, by reviewing high credit quality UK corporates. Further details regarding the yield return on the high raked names, Network Rail and TfL would be considered within the preparation of the 2015/16 Treasury management Strategy which would come before the Committee.

ACTION: Tri-Borough Director for Pensions & Treasury

RESOLVED –

THAT the Committee noted the Council's debt, borrowing and investment activity up to the 30th September 2014.

79. ANNUAL AUDIT LETTER 2013/14

Hitesh Jolapara (Bi-Borough Director of Finance) presented the report to the committee and agreed to report on the Grant Claims at the next meeting, of the Audit, Pensions Standards Committee; Wednesday 11 February 2015.

ACTION: Bi-Borough Director of Finance

RESOLVED –

THAT the report be noted.

80. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT

Geoff Drake (Senior Audit Manager) presented the report to the Committee. Members referred and enquired the progress of the Annual Governance Statement recommendations in page 57, paragraph 5.2.1 and page 61, Appendix B of the report. In response, Geoff Drake agreed to report back the expected completion date for the one remaining action for "Public Health, finance accounting and charging".

ACTION: Senior Audit Manager

RESOLVED –

THAT the contents of the report be noted.

81. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 JULY TO 30 SEPTEMBER 2014

Geoff Drake (Senior Audit Manager) presented the report to the Committee by highlighting that Appendix D of the report was for information and sought feedback to the proposal in removing the circulation of background papers with the main agenda. The Committee agreed that they found the background papers very useful and would like to continue receiving them as they were not very long.

ACTION: Senior Audit Manager

Geoff Drake drew the Committee's attention to the list of recommendations that were considered by Management not to implement, as featured on page 73, Appendix C of the report. The Committee queried the number of outstanding audit recommendations identified at paragraph 5.1.9, page 65 of the report and whether this demonstrated that management were not taking audit recommendations seriously enough. The Committee's attention was drawn to the table at paragraph 5.1.13 showing these represented a small scale of audit recommendations. There was concern that some were over 3 months overdue, which was almost entirely the result of new procedures being developed, as part of a wider paper that was being developed by the department. It was suggested that information be provided to the committee to clarify positions for all outstanding audit recommendations in future reports.

ACTION: Senior Audit Manager

Members referred and discussed the Total Facilities Management, Final Internal Audit Report June 2014, background report, which was circulated to Members only, with the agenda. In response the following points were noted as a result of a lengthy discussion.

- Contract was awarded without a full range of Key Performance Indicators.
- The LINK service was set up with no Key Performance Indicators in place.
- The IT management systems were not functioning.
- Quality assurance methods were not defined.
- A large payment was authorised, signed-off by the Strategic Partnership Board.
- Procurement was led by RBK&C under Hammersmith & Fulham's name.
- The framework was established under H&F.
- Need to identify the mobilisation and complexities of the contract.
- Need to identify the timescales of procurement and implementation.
- Contract was not considered for any other supplier than Amey, thus raising concerns around the bidding process.

The audit assurance level given was discussed and the Committee asked to receive a report on the reasoning's that Internal Audit went through to achieve a "Limited" assurance opinion on this audit rather than the 'Nil' assurance that members would have expected.

ACTION: Senior Audit Manager

It was noted that in response to the bulleted list above the Committee asked that management report back to address the observations and concerns raised.

ACTION: Executive Director of Finance & Corporate Services

Councillor P J Murphy recommended, as a means to go forward and to keep a firm grip on the contract, a report on Total Facilities Management should be added to the Finance and Delivery Policy Accountability Committee. It was noted that Councillor Murphy welcomed Councillor Adam and Councillor Botterill to participate with the work around addressing the issues raised, as Councillor Botterill was the Cabinet Member at the time of approving the contract in 2012/13.

ACTION: Tri-Borough Head of Facilities Management

Members referred to the H&F background report, Final Internal Audit Report for Jack Tizard School, September 2014 and it was agreed that letters detailing the audit guidance on offer would be circulated. It was noted that the Finance and Governance team would liaise with HR to support this process.

ACTION: Executive Director of Finance and Corporate Services

Members referred to the background report Public Health (Governance) with a perception that it was not reporting seriously enough. In response, it was highlighted that the model used was the same as Westminster City Council's Internal Audit service and that from 1 April 2015 there would be a standard model report format for all Tri and Bi-borough audits. It was noted that they were already in use by H&F Internal Audit. It was agreed that the members' comments would be reported back to the Tri-borough Audit Service.

ACTION: Senior Audit Manager

RESOLVED –

THAT the contents of the report be noted.

82. INDEPENDENT PSIAS APPRAISAL FOR LBHF INTERNAL AUDIT

Geoff Drake (Senior Audit Manager) presented the report and referred to the LBHF Internal Audit service generally conforming to the requirements of the Public Sector Internal Audit Standards. In response, to the Committee querying why the service did not fully comply, it was noted that the service fully complied with the standards; however implementing every entry in the list of Statements of Good Practice, was neither necessary for the service and in some cases would be excessive. It was also noted that the report conformed across the board.

RESOLVED –

THAT the contents of the report be noted.

83. CORPORATE ANTI FRAUD SERVICE REPORT 1 APRIL 2014 TO 30 SEPTEMBER 2014

Andrew Hyatt (Tri Borough Head of Fraud) presented the report and highlighted in response to the Single Fraud Investigation Service that a media strategy would be launched in 2015.

Members noted from Andrew, that DWP was considered to be well resourced and thoroughly prepared for the transition, as they had information on per business type, which formed DWP Intelligent Projects. They were working closely on how to risk assess the work from those projects and the focus from detection to prevention. In response, Members requested a report in 2016 to review the outcomes of the changes.

ACTION: Tri-Borough Head of Fraud

RESOLVED –

- (a) THAT to note the fraud work undertaken during the year 1 April 2013 to 30 September 2014; and
- (b) THAT to note the latest information about the Single Fraud Investigation Service.

84. RISK MANAGEMENT HIGHLIGHT REPORT

Michael Sloniowski (Bi-Borough Risk Manager) presented the report and drew the Members attention to Appendix 1, the Strategic Tri-borough Risk Register on page 128 of the report. Members noted that the strategic corporate risk register was unlikely to report numerous high risks, as these would be reported in their respective individual departmental risk registers.

Members referred to page 133 of the report and requested for detail on the Council's insurance cover in relation to reference 9, Standards and Delivery of Care list in the Tri-borough Risk Register and questioned if a specific management team would lead this. In response Michael Sloniowski agreed to arrange for the Tri-Borough Insurance Officer to report back to the Committee.

ACTION: Bi-Borough Risk Manager

Members queried from page 129, reference 4, the Market Testing Risks of the report the number of higher level of risks and the improvements to the controls concerning the School Meals contract, this should be reflected in the register. In response, Michael Sloniowski confirmed that he would report this point back to the Bi-Borough Procurement Risk Strategy board for their consideration.

ACTION: Bi-Borough Risk Manager

Members noted that officers were managing both negative and opportunity risks. The Bi-borough Risk Manager explained that as negative risks were managed some opportunities fallout from this process, which then were noted in registers, sometimes at a lower level.

RESOLVED –

- (a) THAT to note that a fundamental review of risks faced by the Council had been undertaken by Hammersmith and Fulham Business Board in the last quarter.
- (b) THAT consideration was given to the corresponding mitigations in the register, as attached in Appendix 1 of the report.

85. PENSION FUND GOVERNANCE - PENSION FUND SUB COMMITTEE

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report from the supplementary agenda and drew the Members attention to page 3, Appendix 1, as it set out the proposed Pension Fund Sub-Committee Terms of Reference. In response Members agreed to the recommendations under paragraph 2.2, as set out on pages 1 and 2 of the report.

RESOLVED –

- (a) THAT a Pensions Sub-Committee be established;
- (b) THAT the Sub-Committee's Terms of Reference outlining its membership, operational matters and decision powers, as detailed in Appendix 1 of the report be approved.
- (c) THAT the Members of the Sub-Committee consisting 3 Administration and 2 Opposition Members be the following:

Administration	Opposition
Chair, Councillor Iain Cassidy Councillor P J Murphy Councillor Guy Vincent	Vice-Chair, Councillor Michael Adam Councillor Nicholas Botterill

- (d) THAT the Committee delegate authority to the Sub-Committee to exercise power on all pension matters as outlined in the draft terms of reference.

86. DATES OF FUTURE MEETINGS

Wednesday 11th February 2015.

87. EXCLUSION OF THE PUBLIC AND PRESS

The Chair requested for any members of the public and press to leave the meeting room, as all the public reports had been heard and the Committee were then moving onto exempt items.

RESOLVED –

That under section 100A (4) of the Local Government Act 1972, 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 by paragraph 3 of Schedule 12A of the said Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

88. MINUTES

RESOLVED –

That the exempt Minutes of the meeting held on 16 September 2014 be agreed as a correct record and signed by the Chair.

89. PENSION FUND INVESTMENT STRATEGY

RESOLVED –

THAT the recommendations as set out in the exempt report be approved.

Meeting started: 7:00pm
Meeting ended: 9:45pm

Chairman

Contact officer: Poonam Patel
Committee Co-ordinator
Governance and Scrutiny
Tel: 020 7853 2088
E-mail: poonam.patel@lbhf.gov.uk

Audit, Pensions & Standards Committee – Action Tracker 2014/15

Meeting	Item and Minute number	Action	Lead	Completion Status
13 th February 2014	Capita Presentation (19)	That officers supply the committee with overtime figures That officers supply a breakdown of administrative costs to the fund	Jonathan Hunt	Yes
13 th February 2014	Pension Fund – Funding Strategy Statement (22)	Officers to bring forward a report on admitted bodies and their position in the fund	Jonathan Hunt	Yes
13 th February 2014	Treasury Management Strategy (24)	Officers to supply a list of assets identified for disposal and their income target	Christopher Harris	Yes
13 th February 2014	Grant Report (26)	Officers to supply the information requested regarding underpayments and what percentage the repayment of the total amount paid	Chris Harris	Yes
13 th February 2014	Annual Governance Statement action plan (28)	Officers to provide information on gas safety for leaseholders	Michael Sloniowski	Yes
13 th February 2014	Combined Risk Management report (29)	Officers to provide a full list of Children’s Services/Education risks	Michael Sloniowski	Yes
30 th June 2014	LGPS Consultations (40)	That a presentation on the CIV be given at a future meeting	Jonathan Hunt	
30 th June 2014	Combined Risk Management report (42)	That a briefing on the Council’s response to the risk of cyber-terrorism be presented to the next committee; That risk registers for the Housing and Regeneration Department be made available to members of the Audit, Pensions and Standards Committee	Ed Garcez Michael Sloniowski	Yes Yes

Audit, Pensions & Standards Committee – Action Tracker 2014/15

30 th June 2014	Head of Internal Audit Annual Report (45)	That the Health, Adult Social Care & Social Inclusion PAC be invited to consider the risk management and assurance arrangements of the Tri-Borough Adult Social Care department; and That Internal Audit report back on the position regarding follow up recommendations that were reported as not implemented	Craig Bowdery Geoff Drake	Yes Yes
30 th June 2014	Pension Fund Actuarial Extension (51)	Officers explore whether the contract could incorporate other councils beyond the tri-borough and whether RBKC's contract includes a break clause.	Jonathan Hunt	Yes
16 th September 2014	Pension Fund Annual Report 2013/14 (57)	The Director undertook to forward Members details of the cost of Support Services. He would also report back on monitoring the administration of the Fund including whether pensioners were being paid the right benefit on time	Jonathan Hunt	Yes
16 th September 2014	Statement of Accounts, including Pension Fund 2013/14 (61)	The Executive Director undertook to send to Members the Pie Chart showing the split between Asset Sales and Operational costs; and a Briefing Paper on the changes to the Savings Plan since January 2014.	Jane West	Yes
16 th September 2014	Combined Risk Management highlight report (64)	The Committee requested that the report previously sent to Audit, Pensions and Standards Committee that included reference to risk appetite be identified for Members information.	Michael Sloniowski	
16 th September 2014	NNDR Fraud Investigation update	Officers undertook to send Members a briefing on the Council's experience of recovering money by staged payments.	Andy Hyatt	
16 th September 2014	H&F measures in place to mitigate the threat of cyber-terrorism	Officers undertook to brief Members about a DDOS attack	Jackie Hudson	Yes


Audit, Pensions & Standards Committee – Action Tracker 2014/15

2 nd December 2014	Pension Fund Annual Report 2013/14 - Minutes	Debbie Morris be invited to the Pensions Sub-Committee in January 2015 meeting and present the Bi-Borough LGPS Pensions Administration Services report that went to Cabinet on 1 st December 2014.	Jane West	Yes
2 nd December 2014	Quarterly Pension Fund Update	Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report and agreed to report back to Councillor Vincent on the figures presented in page 14, Appendix 1 of the report. It was also agreed that future reports would include Year To Date (YTD) figures.	Jonathan Hunt	Yes
2 nd December 2014	Quarterly Pension Fund Update	Report detailing comparative performance be reported back to a future meeting.	Jonathan Hunt	
2 nd December 2014	Treasury Mid-Year Review 2014-15	Further details regarding the yield return on the high raked names, Network Rail and TfL would be considered within the preparation of the 2015/16 Treasury management Strategy which would come before the Committee.	Jonathan Hunt	
2 nd December 2014	Annual Audit Letter 2013/14	A report on the Grant Claims be submitted to the next meeting, 11 February 2015.	Hitesh Jolapara	Yes
2 nd December 2014	Annual Governance Statement Action Plan and Outstanding Recommendations for External Audit	Obtain from management the expected completion date for Public Health, finance accounting and charging.	Geoff Drake	Yes
2 nd December 2014	Internal Audit quarterly progress report	Members should continue to receive the background papers to the Internal Audit Quarterly progress report.	Geoff Drake	Yes
2 nd December 2014	Internal Audit quarterly progress report	In future reports provide details of all outstanding recommendations beyond their due date for implementation, with departmental updates on progress.	Geoff Drake	Yes

Audit, Pensions & Standards Committee – Action Tracker 2014/15

2 nd December 2014	Internal Audit quarterly progress report	Report on Total Facilities Management – give details on the reasons for giving a ‘Limited’ rather than ‘Nil’ assurance.	Geoff Drake	Yes
2 nd December 2014	Internal Audit quarterly progress report	A report on Total Facilities Management be drafted for the Finance and Delivery Policy Accountability Committee.	Debbie J Morris (LINK)	Yes
2 nd December 2014	Internal Audit quarterly progress report	Letters be sent to the Schools, offering guidance.	Jane West	
2 nd December 2014	Corporate Anti-Fraud Service Report 1 April 2014 to 30 September 2014	A report be presented in 2016 detailing the performance of the new Single Fraud Investigation Service.	Andrew Hyatt	
2 nd December 2014	Risk Management Highlight	Tri-borough Insurance Officer to report back on Standards and Delivery of Care.	Michael Sloniowski	Yes
2 nd December 2014	Risk Management Highlight	Report back to the Bi-borough Procurement Risk Strategy board that Market Testing Risks in the register should not only present the number of higher level of risks but the improvements to the controls concerning the School Meals contract.	Michael Sloniowski	Yes

Agenda Item 4

	<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT PENSIONS AND STANDARDS COMMITTEE</p> <p>(February 2015)</p>	
<p>TITLE OF REPORT Risk management highlight report</p>		
<p>Report of the Executive Director of Finance and Corporate Governance</p>		
<p>Open Report</p>		
<p>For Review & Comment</p> <p>Key Decision: No</p>		
<p>Wards Affected: None</p>		
<p>Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance</p>		
<p>Report Author: Michael Sloniowski, Bi-borough Risk Manager</p>	<p>Contact Details: Tel: 020 8753 2587 E-mail: michael.sloniowski@lbhf.gov.uk</p>	

1. EXECUTIVE SUMMARY

- 1.1. The Audit Pensions and Standards Committee is responsible for reviewing the arrangements in place for identifying and managing key risks. Following the move towards the delivery of both Bi-borough and Tri-borough services this has necessitated the development of a Tri-borough risk register to enable the information to be shared across all three Councils.

2. RECOMMENDATIONS

- 2.1. The committee are asked to note that the quarterly review of risks faced by the Council has been undertaken by Hammersmith and Fulham Business Board in the last quarter. The committee are invited to consider these risks and corresponding mitigations in the register, attached as Appendix 1.

3. REASONS FOR DECISION

- 3.1. The risk management arrangements continue to be integral to the overall internal control arrangements of the Council and contribute to the Annual

Governance Statement. The Audit Pensions and Standards Committee's role is to provide an oversight of the authority's processes to facilitate the identification and management of key risks. By ensuring that effective management of risk is undertaken services can benefit by reducing their significance; either by reducing the level of impact or likelihood.

4. INTRODUCTION AND BACKGROUND

- 4.1. The risk management arrangements continue to be integral to the overall internal control arrangements of the Council and contribute to the Annual Governance Statement. The Audit Committee's role is to provide an oversight of the authority's processes to facilitate the identification and management of key risks. The key action for Hammersmith and Fulham Business Board each quarter is to identify and keep under review the strategic risks while also taking the operational controls that deal with the risks on a day-to-day basis into account. By ensuring that effective management of risk is undertaken services can benefit by reducing their significance; either by reducing the level of impact or likelihood.
- 4.2. The Council has a number of significant change and transformation programmes each managed by a programme board. The majority of programmes relate to the Tri-borough agenda. Individual programme boards produce a risk register identifying significant risks to the delivery of the specific programme.
- 4.3. Good risk management enables the Council to pursue its vision effectively. The Council is committed to an integrated risk management process within all working practices and management processes, including corporate governance, the budget setting process and medium term financial plan, business planning, performance management, programme and project management and partnerships.
- 4.4. Regulation 4 of the Accounts and Audit Regulations 2011 sets out the Council's responsibility for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.
- 4.5. The Council will be well placed to benefit from improved management of risk after reviewing its strategic risks given the pace of change under the modernising agenda and the range of existing and new risks that it faces due to their diverse and complex responsibilities.

5. PROPOSAL AND ISSUES

Risk Register.

- 5.1. The Tri-borough risk register, attached as **Appendix 1**, holds a variety of business risks focussing on the strategic objectives set for the council. These have recently been reviewed by the Royal Borough of Kensington and Chelsea Town Clerk and also by Hammersmith and Fulham's Business Board.
- 5.2. Risks are prioritised for reporting in accordance to the scoring methodology highlighted within the Tri-borough risk management strategy. The range or spectrum of risks comprising significant risk is commonly defined as being made up of three major categories of risk - strategic, change and service delivery (operational business as usual) risks. Hammersmith and Fulham Council categorise risk in this way and that is consistent with good practice as defined by the Institute of Risk Management, Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.
- 5.3. The unifying factor of all of the Council's key, potentially large-scale and significant risks, are that they are inter-related and form part of a wider collective or portfolio effect of risk exposure to the Council.
- 5.4. Management of this exposure is most effective and efficient when undertaken in common, collective and portfolio terms, rather than on an individual risk by risk basis or appetite by appetite basis varying across different directorates.

Key departmental business risks.

- 5.5. Risks identified by departments are also consolidated into the Departmental risk register and are attached as **Appendix 2**. Departmental risk registers also include operational risks affecting teams but excludes low level operational or specialist activities where other risk assessments exist, for example health and safety at work.
- 5.6. Where appropriate, risks identified in these risk registers have been incorporated into the annual audit planning process to enable audit resources to be directed to the most appropriate areas that may affect business assurance.
- 5.7. The Council's key risk management challenge, justifying the importance of continued good risk management practice, is to maintain and advance its excellent services while at the same time managing significant reductions in its spending.

Tri-borough Adult Social Care Services.

- 5.8. The Key Risk Profile for Adult Social Care has been updated and is also provided for information in **Appendix 2**. Adult Social Care continues to make improvements to their approach to strategic risk management since

the last quarter. The department are going through their key governance boards, assigning risks to them and working through with them how they should review each risk on the basis of the Tri-borough approach. Where new risks are being identified they are prompted to consider including them on the risk register.

- 5.9. Departments remain responsible for the self-regulation of their departmental risk management arrangements, including identification, measurement and reporting. **Appendix 1** illustrates the Council's current key Strategic Risks as identified and reviewed by Hammersmith and Fulham Business Board. Progress in managing risks is monitored and reported to the Board so that losses are minimised and intended actions are achieved. Reporting upwards is necessary on the whole spectrum of risks in the Council's risk profile, not just on those being controlled. This is needed to ensure that the process does not become a narrowly focused bureaucratic arrangement and that Members have an opportunity to scrutinise risk management performance in departments.
- 5.10. Good risk management relies on a system of current and planned controls and services rely on those controls to manage and reduce their risks. The Committee needs to be sure that current controls are in place and that planned controls are being implemented; in other words, assurance is required on those actions being undertaken.
- 5.11. Improved management of council risks could result in financial savings across the council by reducing the number of incidents that occur through unmanaged risks and help us to achieve objectives through managed (opportunity) risks.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. *Not applicable as the report is a representation of the business risks and opportunities to H&F council.*

7. CONSULTATION

- 7.1. *Not applicable as the report addresses the business risks to H&F council.*

8. EQUALITY IMPLICATIONS

- 8.1. *The responsibility to complete Equality Impact Assessment in relation to policy decisions is the responsibility of the appropriate departmental officer. The report highlights some of the risks and consequences of risk taking over a broad landscape and as such specific Equality and Diversity issues are referred to in the councils Bi-borough Risk and Assurance Register.*

9. LEGAL IMPLICATIONS

- 9.1. *Failure to manage risk effectively may give risk to increased exposure to litigation, claims and complaints. As such the report contributes to the effective Corporate Governance of the council.*

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. *Exposure to unplanned risk could be detrimental to the ongoing financial and reputational standing of the Council. Failure to innovate and take positive risks may result in loss of opportunity and reduced Value for Money. There are no direct financial implications with the report content.*

11. RISK MANAGEMENT

- 11.1. *It is the responsibility of management to mitigate risk to an acceptable level. Appropriate and proportionate mitigating actions to known risks are expressed in the Bi-borough Risk and Assurance Register and subject to review as part of planned Audit work and the Annual Governance Statement.*

- 11.2. Implications verified/completed by: Michael Sloniowski, Principal Consultant Risk Management. 020 8753 2587

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. *Failure to address risk in procurement may lead to a reduction in the expected benefits (Value for Money, Efficiency, Resilience, Quality of Service) and leave the council exposed to potential fraud and collusion as identified in the Bribery Act.*

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Tri-borough Internal Audit, Town Hall, Kensington
2.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	Michael Sloniowski 2587	Tri-borough Internal Audit, Town Hall, Kensington
3.	Departmental Risk Registers, Tri borough Portfolio risk logs	Michael Sloniowski 2587	Tri-borough

			Internal Audit, Town Hall, Kensington
4.	Tri-borough Programme report updates	Michael Sloniowski 2587	TriBnet
5.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Tri-borough Internal Audit, Town Hall, Kensington





[Note: Please list only those that are not already in the public domain, i.e. you do not need to include Government publications, previous public reports etc.] Do not list exempt documents. Background Papers must be retained for public inspection for four years after the date of the meeting.

LIST OF APPENDICES:





Appendix 1
Strategic Tri-borough risk register.

APPENDIX 2

Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
1	<p>Managing budgets, finance risks. Managing reductions in local, regional and national (capital and revenue) income streams.</p>	<ul style="list-style-type: none"> • Budget proposals, growth and reductions are projected and monitored. • Central contingency for in-year budget risks and earmarked reserves. • Tri-borough Business and Financial Planning. • Medium Term Financial Strategy. • Monthly corporate revenue and capital monitoring. • Move to Managed Services for financial transactional services. • Critical Friends Board review and recommendations to increase the potential of Tri-borough. 	3	4	<p>Medium</p> <p></p> <p>12</p> <p></p>	<p>Jane West, Executive Director of Finance and Corporate Governance, h&f Council.</p> <p>Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.</p>	January 2015
2	<p>Loss of Government Grant. Increase in difficulty to respond to reductions in grants allocated by Central Government. in particular to specific grants affecting residents and stakeholders.</p>	<ul style="list-style-type: none"> • Tri-borough Business and Financial Planning. • Doing more with procurement and use of technology to protect front-line services. • New proposals for h&f Strategic Procurement following the Critical Friends Board review. • Organisational review of management spans and layers. • Leadership development scheme in order to streamline management structures. 	5	4	<p>High</p> <p></p> <p>20</p> <p></p>	<p>Jane West, Executive Director of Finance and Corporate Governance, h&f Council.</p> <p>Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.</p>	January 2015



Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
3	Management of the Better Care Fund	<ul style="list-style-type: none"> The first draft of the Better Care Fund Plan, developed by Tri-borough in partnership with the corresponding 3 Clinical Commissioning Groups with assistance provided by the Integrating Care team at PPL Consulting and the Local Government Association. Further consultation is being planned with key stakeholders across the 3 localities including our residents, voluntary and community sector, primary, acute and community health providers, and our social service teams. The vision is being realised through the North West London's Whole System Integrated Care Programme, as a part of the successful Living Longer and Living Well Pioneer application, through Shaping a Healthier Future and our supporting Out of Hospital Strategies. 	3	4	Medium  12 	Liz Bruce Tri-borough Executive Director of Adult Social Care.	January 2015
4	Market Testing risks. Failure to deliver high quality commissioned services at the best cost to the taxpayer. Tri-borough or Bi-borough procurement risk appetite may vary and procurement procedures may become unclear across Tri-borough.	<ul style="list-style-type: none"> A Tri-borough procurement code has been established. A Tri-borough contracts approval board has been established. A Tri-borough forward plan of procurement has been produced. Tri-borough Adult Social Care and Childrens Services departments have established contract and commissioning boards. A review of the three boroughs Procurement service provision is to be conducted as part of the Corporate Services Programme and 	4	3	Medium  12 	All Executive Directors. Bi-borough Procurement Strategy Board. Adult Social Care and Childrens Services	January 2015

APPENDIX 2

Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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	<p>Not achieving Social value in procurement</p> <p>Contracts records management</p>	<p>following the Critical Friends Board report.</p> <ul style="list-style-type: none"> • Harmonising of the Royal Borough Contract Regulations and Hammersmith and Fulham Contract Standing Orders and simplification of Governance processes as an outcome of the review of Procurement. • Contracts registers are now managed through the CapitaESourcing Westminster City Council hosted system. • A Tri-borough Procurement Risk Advisory Group, PRAG, has been established to identify and improve risks in the procurement process. 				Procurement Contracts and Commissioning Boards.	
5	Failure to manage Public Health Service risks.	<ul style="list-style-type: none"> • Tri-borough Public Health strategic business plan and associated aims, deliverables and risks. • The Public Health Outcomes framework (The three boroughs will be measured against public health outcomes.) • Strategic direction is derived from a number of sources including: • RBKC 2014/15 Budget proposals, six ambitions for the Council. • Tri-borough Joint Strategic Needs Assessments • The Public Health grant is ring-fenced and must be spent in line with clear grant conditions. 	3	4	<p>Medium</p>  <p>12</p> 	Meradin Peachey, Director of Public Health.	January 2015



APPENDIX 2**Tri-borough Corporate Services Risk Register**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
		<ul style="list-style-type: none">Grant conditions set out six prescribed functions; Sexual Health STI and treatment, contraception, NHS health check programme, health protection, public health advice, national child measurement programme.					

APPENDIX 2

Tri-borough Corporate Services Risk Register




Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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6	<p>Business Resilience.</p> <p>Sub-risks Systems that are not joined up and connected in the event of a Royal Borough or Tri-Bi Borough event.</p> <p>Failure of Information Governance during the development of major programmes.</p> <p>Supply chain resilience.</p>	<ul style="list-style-type: none"> • Managed Services Programme. Testing, Disaster Recovery and Business Continuity Planning. • The Councils' generic Business Impact Analysis and Contingency/Business Continuity Plans are designed to be 'scalable' in response to any size of incident, and linkages with neighbouring local authorities ensure that central government and local government mutual aid assistance will be forthcoming in the event of a large-scale incident. • Corporate Incident Management Procedures incorporate Business Continuity. • Corporate Finance and Departmental (RBKC Brookes Bates, h&f Creditsafe) credit checking. This is potentially moving to a Tri-borough solution with a newly procured supplier. • Contractor Business Continuity Planning. • Terrorism insurance cover. • Tri-borough Councils are working together to prevent terrorism offering free interactive workshops to raise awareness of the Prevent Strategy. • Prevent aims to stop people from becoming terrorists or supporting terrorism by focusing on supporting and protecting those who might be vulnerable to radicalisation. 	4	3	<p>Medium</p>  <p>12</p> 	<p>Lyn Carpenter Bi-borough Executive Director for Environment, Leisure and Resident Services.</p> <p>Tony Redpath, Director of Strategy and Local Services, the Royal Borough of Kensington and Chelsea.</p>	January 2015
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APPENDIX 2



Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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7	Information Management and digital continuity.	<ul style="list-style-type: none"> • Approval of Tri-borough Information Management Strategy at Shared Services Board. • Senior Information Risk Officers. • Draft Tri-borough Information Management Strategy. • Tri-borough Information Management Board. • Tri-borough Information Management work programme. • Development of a Tri-borough approach to training, guidance and policies. • Service Resilience Group review of key Information Technology systems and the Service Continuity Plans. 	4	3	Medium  12 	Jane West, Executive Director of Finance and Corporate Governance, h&f Council. Ed Garcez Tri-borough Chief Information Officer.	January 2015
8	Managing statutory duty. Non-compliance with laws and regulations. Breach of duty of care. Equalities (public sector equality duty or 'PSED') and Human Rights.	<ul style="list-style-type: none"> • A Bi-borough Health and Safety Service commenced in January 2014 and Bi-borough Officers appointed to posts commencing September 2014. • A Bi-borough Health and Safety Committee was established in October for the Royal Borough and h&f Councils. • A Bi-borough Health and Safety training package, Workrite was implemented across the Royal Borough and h&f Councils. • Pro-active Health, Safety and Welfare culture across the Councils. • Tri-borough - The Total FM contractor AMEY now manages a number of statutory and regulatory Health and Safety procedural, record 	4	3	Medium  12 	Nigel Pallace, Interim Chief Executive, h&f Council. Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea. Charlie Parker Chief Executive	January 2015

APPENDIX 2

Tri-borough Corporate Services Risk Register



Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
		and management processes. <ul style="list-style-type: none"> Legislative changes are adopted and reflected in amendment to the Councils' constitutions, budgets are allocated through a unified business and financial planning process. EIA's and Equality Statements address Human Rights where applicable. The Royal Borough Stock Conditions Surveys. Capital Programme. 				Westminster City Council.	
9	Standards and delivery of care. <ul style="list-style-type: none"> Breach in standard and delivery of care – caring and care homes, schools. A breach of information security protocols in relation to an individual. Corporate Parenting. 	<ul style="list-style-type: none"> Insurance cover is in place in the event of a claim for a breach of duty of care and in respect of financial claims. Legislative changes are adopted and reflected in amendment to the Councils' constitutions. Budget allocation are made through a unified Tri-borough business and financial planning process. All child protection cases have remained allocated to a social worker despite the high demand. A detailed action plan has been implemented in response to the increased numbers of children with child protection plans, to safely manage the demand and reduce activity in line with that of our statistical neighbours. 	4	3	Medium  12 	Liz Bruce Tri-borough Executive Director of Adult Social Care. Andrew Christie Tri-borough Executive Director of Childrens Services.	January 2015

Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
10	Failure of partnerships and major contracts.	<ul style="list-style-type: none"> The Link is an Intelligent Client function (ICF) that manages the AMEY Total Facilities Management (TFM) contract for Tri-borough. The LINK is a team of Council employees formed to manage the performance of services and govern the TFM contract. They work with AMEY to ensure services are kept to a high standard. The team is hosted by the Royal Borough of Kensington and Chelsea. They are responsible for: <ul style="list-style-type: none"> monitoring and auditing of Amey's performance. general service improvement and innovation. long term facilities management strategy. Information and Communications Technology (ICT) Programme Board. Setting up of an ICT Intelligent Client Function. The key provisions of the Tri-Borough working agreement are based on a 'high trust model' and the key principle underpinning the agreement is the sharing of staff using s.113 of the Local Government Act 1972. New proposals to be developed for Strategic Procurement following the Critical Friends Board report. 	4	3	Medium  12 	Nigel Pallace, Interim Chief Executive, h&f Council. Charlie Parker Chief Executive Westminster City Council. Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.	January 2015



APPENDIX 2

Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
11	<p>Increase in complexity of working with partners.</p> <p>NHS, Commissioning Police</p> <p>Clinical Groups,</p>	<ul style="list-style-type: none"> • Governance. • Information sharing protocols. • The role of Members scrutiny of partners risk management undertaken by the Scrutiny Committees at the Royal Borough of Kensington and Chelsea and Policy and Accountability Committees at h&f. 	4	3	<p>Medium</p> <p></p> <p>12</p> <p></p>	<p>Nigel Pallace, Interim Chief Executive, h&f Council.</p> <p>Charlie Parker Chief Executive Westminster City Council.</p> <p>Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.</p>	January 2015

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Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
12	<p>Decision making and maintaining reputation and service standards.</p> <ul style="list-style-type: none"> • Pre-determination (policies, contract reviews). • Breach of Officer or Member code of conduct. • Information Management and Governance. • Inappropriate data released . • Poor data quality internally or from third parties, breaches of information protocols, information erroneously sent to third parties. 	<ul style="list-style-type: none"> • Feasibility studies and options appraisals. • Members induction. • Capacity building (I.T., Staff) • Development of Ward Panels. • Annual Audit letters produced by External Audit provide assurance to Members and Chief Officers. • A review of the corporate governance arrangements has been conducted by Internal Audit. • Directors Assurance Statements are completed as part of the Annual Governance Statement process. • Annual Complaints review report produced to Committees. • Combined Tri-borough Finance and Service Planning processes. • Information governance forms part of the Tri-borough ICT Programme. 	4	3	<p>Medium</p>  <p>12</p> 	<p>Jane West, Executive Director of Finance and Corporate Governance</p> <p>Steven Mair City, Treasurer Westminster City Council.</p> <p>Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.</p>	January 2015

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

Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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13	<p>Failure to identify and address internal and external fraud.</p> <p>Introduction of a single fraud investigation service (SFIS) by the Department of Work and Pensions</p>	<ul style="list-style-type: none"> • An adaptable Tri-Borough corporate fraud function now exists which responds through a single professional and effective team to the challenging and changing range of fraud, both internally and externally executed. • CAFS teams use a risk assessment to assist in targeting and workload prioritisation. • A review of the whistleblowing policy has been undertaken and a revised Bi-borough policy is now in place and being communicated via the Intranet. • The Corporate Procurement Teams have attended Counter Fraud training given by the Tri-borough Head of Fraud. 	4	3	<p>Medium</p> <p></p> <p>12</p> <p></p>	<p>Jane West, Executive Director of Finance and Corporate Governance h&f Council.</p> <p>Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.</p> <p>All Executive Directors</p> <p>Tri-borough Director of Internal Audit, Risk, Fraud and Insurance</p>	January 2015
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Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
14	<p>Change in management of schools.</p> <ul style="list-style-type: none"> Relationships and accountabilities of academies. Managing the potential of fraud in schools. Managing the schools responsibilities under statute. Safeguarding responsibilities. 	<ul style="list-style-type: none"> Amey/Link now provide some statutory compliance services for schools. The role of 3 Borough Mutual in management of capital works. Child and adolescent mental health services (CAMHS), report CAMHS in Hammersmith and Fulham and particularly services for young people aged 13 years and above. It includes information on the current CAMHS initiatives. CAMHS Task and Finish Group report to the H&F Health and Wellbeing Board. Support aimed at preventing mental ill health include resources for self-help and early stage interventions provided in universal settings such as schools, youth groups, early years groups, sports and leisure and in community settings. 	4	3	<p>Medium</p>  <p>12</p> 	Andrew Christie Tri-borough Executive Director of Childrens Services	January 2015

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Tri-borough Corporate Services Risk Register

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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1	Risk of lack of clarity on the level of ambition for Corporate Services transformation.	<ul style="list-style-type: none"> Corporate Services Board approval on the Corporate Services Blueprint (29th January) – approved 29/1/2014. Corporate Services review target operating models & decisions. Communication campaign (once decisions approved). 	3	4	Medium  12	Jane West, Executive Director of Finance and Corporate Governance h&f Council. Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea.	November 2014
2	Risk of change overload (& underload) for staff within Corporate Services and users of those services (excluding Human Resources).	<ul style="list-style-type: none"> Phased implementation of Corporate Services projects. Clear and coherent view of change happening to inform decision making. Effective communication and engagement with necessary staff (who may be being kept on at risk). Monitor organisational 'temperature'. Change Readiness Assessment to inform implementation planning. 	3	4	Medium  12	Jane West, Executive Director of Finance and Corporate Governance h&f Council. Nicholas Holgate, Town Clerk, The Royal Borough	November 2014

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



Tri-borough Corporate Services Risk Register







Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
						of Kensington and Chelsea.	
3	Risk of change overload for staff within HR and users of HR services	<ul style="list-style-type: none"> • Human Resources restructure paused pending Managed Services Programme. • Clear and coherent overall plan/ view of change happening to inform decision making. • Effective communication and engagement with necessary staff (who may be being kept on at risk). • Monitor organisational temperature. • Change Readiness Assessment to inform implementation planning. 	3	4	Medium  12	Debbie Morris, Bi-Borough Director for Human Resources, Carolyn Beech Acting Director of Human Resources Westminster City Council.	November 2014
4	Risk of Tri-borough Corporate Services proposal not being approved.	<ul style="list-style-type: none"> • Close engagement with Members. • Close engagement with key stakeholders throughout Corporate Services review process. 	3	4	Medium  12	Nicholas Holgate, Town Clerk, The Royal Borough of Kensington and Chelsea. Charlie Parker Chief Executive Westminster City Council.	November 2014

APPENDIX 2**Tri-borough Corporate Services Risk Register**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
						Jane West, Executive Director of Finance and Corporate Governance h&f Council.	



Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Adult Social Care							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review Date

1	Better Care Fund benefits could be less than expected as further design and scoping work is undertaken.	<ul style="list-style-type: none"> Cost benefit workshops taking place. 	4	4	High  16 	Rachel Wigley Tri-borough Director for Finance, Adult Social Care	November 2014
2	Provided services re-provision is delayed and Human Resources issues may cause further delays.	<ul style="list-style-type: none"> Quarterly meetings with commissioning to review the resources and the progress they are making. Lessons learned regarding common property and pensions issues arising during externalisation. Escalate to Portfolio Board and the Senior Management team regarding challenges and delays. 	5	3	Medium  15 	Rachel Wigley Tri-borough Director for Finance, Adult Social Care	November 2014

Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Adult Social Care							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review Date
3	Reducing customer satisfaction and reducing reputation of adult social care. Reducing self-reported outcomes of Service Users and carers.	<ul style="list-style-type: none"> Undertake Adult Social Care user and carer surveys regarding quality of life and satisfaction. Develop an external communications strategy to reinforce the role and purpose of ASC and community health services and shift towards independence, self-reliance and reablement. 	4	3	Medium  12 	Liz Bruce Tri-borough Executive Director of Adult Social Care.	November 2014
4	Low staff morale, staff survey shows low morale and concerns in key areas.	<ul style="list-style-type: none"> Staff engagement plan in response to Your Voice survey results. Promote the achievements of Tri-borough ASC. Adult Social Care Leadership Team - Tri-borough (ALTT). 	4	3	Medium  12 	Liz Bruce Tri-borough Executive Director of Adult Social Care.	November 2014
5	Resources required to fully meet service demand following Care Act implementation. Clarity of available funding from Government to support additional demands for services from self-funders	<ul style="list-style-type: none"> Manage resource planning through the Department of Health and Local Government Association linked to programme delivery. Care Bill Board. 	3	4	Medium  12 	Rachel Wigley Tri-borough Director for Finance, Adult Social Care	November 2014


Appendix 2 **DEPARTMENT SPECIFIC**
Tri-borough Adult Social Care






Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review Date
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	and carers.						
6	Organisational change in operations (front line staff) and potential re-structure to meet savings plans and challenges.	<ul style="list-style-type: none"> • Manage resources. • Define the need of local residents. • Calculate the cost of implementation. • Manage the message. 	3	4	Medium  12 New	Liz Bruce Tri-borough Executive Director of Adult Social Care.	November 2014
7	Lack of support and resources from corporate colleagues of the current strategy.	<ul style="list-style-type: none"> • Discuss with the corporate Human Resources lead. • Engage with Innovation and change management and Human Resource colleagues. • Improve communications on the Customer Journey. 	4	4	High  16 New	Liz Bruce Tri-borough Executive Director of Adult Social Care.	November 2014





Appendix 2 **DEPARTMENT SPECIFIC**
Tri-borough Adult Social Care

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review Date
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8	Better Care Fund prioritisation. Focus on Group A projects resulting in slippage on other schemes especially Integrated Crisis Response, Community Independence and Homecare.	<ul style="list-style-type: none"> The Better Care Fund programme office has given priority to the Integrated Crisis Response resulting in a full costed business case. 	4	4	High  16 New	James Cuthbert, Assistant to the Executive Director.	November 2014
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


Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Children's Services							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
1	Business as usual risk. If serious harm comes to a child or young person to whom the Council has a duty of care for then the Council could be seen to be at fault.	<ul style="list-style-type: none"> Family Services Directors manage the risk within their departments and ensure controls are in place. Employees have enhanced DBS checks. On-going Local Safeguarding Childrens Board activities to ensure quality assurance. Review lessons learnt from cases and ensure appropriate local safeguarding training is given to staff. 	3	5	Medium  15 	Tri-borough Childrens Services SLT (Management Team)	November 2014
2	Children's Projects list risk. Political drive to Implement the SEN Strategy Phase 2. Failure to deliver a specialist provision for 70 children with severe learning disabilities that are resident within the Royal Borough.	<ul style="list-style-type: none"> A business plan is in place Consultation is taking place and being managed. Senior Management oversight. SEN Strategy Phase 2 is being run as a project and is engaging with stakeholders, including Cabinet Members. 	3	4	Medium  12 	Tri-borough Childrens Services SLT (Management Team)	November 2014
3	Capital risk. If Academy conversions	<ul style="list-style-type: none"> Monitoring reports to each Council's schools 	3	4	Medium 	Tri-borough Childrens	November 2014

Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Children's Services							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
	processes are not completed on time then there will be a negative impact on each authority. Failure to deliver improvements or changes in time.	Capital Programme Board to highlight risks as necessary.			12 	Services SLT (Management Team)	
4	Business as usual risk. If staff morale is low then this may impact on service delivery and staff leave. Differing pay, terms and conditions are not comparable for staff from different boroughs. Workforce anxiety about on-going service changes. If there is a reduction in the workforce this can reduce capacity and capability to deliver change.	<ul style="list-style-type: none"> There is no single corporate solution however, there are opportunities to look at this at individual directorate/service level. Ongoing staff engagement should take place and suitable handover and knowledge transfer should take place before exit. Workforce strategy developed. 	3	4	Medium  12 	Tri-borough Childrens Services SLT (Management Team)	November 2014
5	Business as usual risk. If looked after children starts to rise there will be an increasing	<ul style="list-style-type: none"> The new Assistant Director of Tri-borough Looked After Children / Care Leavers will drive forward work within the Tri-borough service. 	3	4	Medium 	Tri-borough Childrens Services SLT (Management	November 2014

Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Children's Services							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
	demand for placements, particularly for adolescents resulting in pressure on the placements budget.	<ul style="list-style-type: none"> A Looked After Children tracker is in place to monitor the number and the need. Looked After Children numbers are monitored against the national trend. Launch of Focus on Practice. 			12 New	Team)	
6	Schools finance. The changing relationship with schools. We require that effective financial standards and processes are in place in all schools.	<ul style="list-style-type: none"> Review and develop the Scheme for Financing Schools across Tri-borough to incorporate the changing funding, procurement and legislative changes. Review the findings of Audit reports to develop and target training at areas of concern and weaknesses in the operation of financial processes within schools. 	3	4	Medium  12 	Tri-borough Childrens Services SLT (Management Team)	November 2014
7	If there is a failure to align public health priorities to support improved outcomes for children and their families the we may not be able to exploit the benefits of Public Health investment.	<ul style="list-style-type: none"> Ensure that regular engagement takes place between colleagues in Public Health services and colleagues across the department. 	3	4	Medium  12 New	Tri-borough Childrens Services SLT (Management Team)	November 2014
8	Procurement approach – If ChS do not carry out procurement processes properly including	<ul style="list-style-type: none"> Ensure that the complexity and timescales of the procurement process is understood and that sufficient time is planned in to undertake the procurement process with robust 	3	4	Medium 	Tri-borough Childrens Services SLT (Management	November 2014

Appendix 2 **DEPARTMENT SPECIFIC**
Tri-borough Children's Services

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
	ensuring sovereignty implications.	governance.			12 New	Team)	



Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Children's Services							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
9	If the current improvements in the Passenger Transport Contracts are not sustained then this will impact on service users and will cause reputational and financial harm to each council.	<ul style="list-style-type: none"> • Clear performance and contract monitoring in place. • Robust remedial action taken when required. • Clear governance arrangements in place. • Report by exception to Senior Leadership Team and other governance boards when required. • Specific risk log to be implemented. 	3	5	Medium  15 New	Tri-borough Childrens Services SLT (Management Team)	November 2014
10	School Meals reprocurment to deliver value for money contracts and to agreed timescales.	<ul style="list-style-type: none"> • Project Board are actively managing the risks. • School meals working group working across all aspects of the project. • Engaging members, service users, staff and other stakeholders. 	3	4	Medium  12 New	Rachel Wright Turner, Tri-borough Director for Commissioning	November 2014
11	Negative impact on each authority if the changes required from the new Children and Families Act are not adequately delivered.	<ul style="list-style-type: none"> • Children and Families Act Executive Board and programme governance in place. • Resources are in place to manage the programme and lead on communications, engagement, and training for all stakeholders. • A clear programme and transition plan are in place. • Executive Board actively manages high level risks and monthly report by exception to Childrens SLT via Portfolio Board. 	3	4	Medium  12 New	Ian Heggs, Tri-borough Director of Schools, Quality and Standards	November 2014

Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Children's Services							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date

Appendix 2

DEPARTMENT SPECIFIC





Tri-borough Children's Services

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
12	Delivery of a single Information system.	<ul style="list-style-type: none"> Senior Leadership Team have considered the evaluation of Mosaic and Kcics and have agreed the next steps in system selection, including market research and a business case. A representative from Corporate ICT will be joining the Project Board and working with the Project Team. 	3	4	Medium  12 New	Rachel Wright Turner, Tri-borough Director for Commissioning	November 2014
13	2 Year Olds offer, failure in duty to provide sufficient places to meet local need.	<ul style="list-style-type: none"> Capital funding for further expansion is being focussed on the schools sector. Steering Group is in place. Three working groups who are overseeing workstreams. 	3	4	Medium  12 New	Rachel Wright Turner, Tri-borough Director for Commissioning	November 2014

Appendix 2

DEPARTMENT SPECIFIC

Bi-borough, Environment, Leisure and Resident Services risks

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
1	There is a medium risk that increasing financial pressures and uncertainty leads to loss of staff, skills and knowledge, increase in workplace stress, high levels of sickness and ultimately affecting service delivery.	<ul style="list-style-type: none"> Communications with Tier 4 managers have begun; some reviews are still in progress, a few are at the start of implementation phase. Workforce Development Working Group and Talent Management Plan in place. 	4	3	Medium  12 	Lyn Carpenter Bi-borough Executive Director Environment, Leisure and Resident Services	November 2014
2	There is a risk that contamination levels to the recycled waste stream continues to increase.	<ul style="list-style-type: none"> Regular sampling and consequent analysis of a larger dataset provides a more accurate view of performance and possible management. The service will continue to investigate waste contamination issues and take appropriate enforcement action. Moved to clear sacks and adopted a new educational campaign. Street Scene Enforcement will continue to investigate waste contamination issues and take appropriate action. Waste Control Authorities will consider market testing for recycle. A Bi-borough Officer level Waste Innovation Group has been established. 	4	3	Medium  12 	Kathy May Head of Waste Management, Markets and Enforcement	November 2014




Appendix 2**DEPARTMENT SPECIFIC****Bi-borough, Environment, Leisure and Resident Services risks**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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Appendix 2

DEPARTMENT SPECIFIC

Bi-borough, Environment, Leisure and Resident Services risks





Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
3	Failure to realise the Archives savings and inability to re-provide a service as part of Tri-borough.	<ul style="list-style-type: none"> • Successful completion of second phase to accommodate archives into Hammersmith Library. • Monthly meetings with Tri-borough property services and regular meetings with stakeholder groups. 	4	4	Medium  15 New	Donna Pentelow, Head of Service, Cleaner Greener and Cultural Services	November 2014
4	Risk that the recycling rate will continue to reduce.	<ul style="list-style-type: none"> • Proactive campaigns being prepared. • Prakash Patel undertaking further research. • Monitoring of the work being undertaken by Waste and Resources Action Programme. 	4	4	High  16 New	Kathy May, Head of Waste Management, Markets and Enforcement	November 2014
5	Risk that income targets for registrars is not achieved due to staff shortages and Human Resources issues. Not enough registrars taking notices.	<ul style="list-style-type: none"> • Income monitored on a monthly basis. • Regular updates are provided to staff. • Deputy registrars training postponed however the NCS manager will now undertake notice training to assist with income targets. 	3	4	Medium  12 New	Mary Byrne, Customer Experience / Performance Reporting Manager	November 2014

Appendix 2

DEPARTMENT SPECIFIC

Bi-borough Transport and Technical Services risks

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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

1	Adverse budget variances.	<ul style="list-style-type: none"> Regular finance & trading accounts monitoring. Work with planning to secure Community Infrastructure Levy and section 106 funds. Review budget staffing level. MTFS planning process. Parking Control Board. Recovery plan in place. Recruitment approval process. Review adverse variances and report action plan to Departmental Management Team Planning meetings. 	3	4	Medium  12 	Mark Jones, Director for Finance & Resources T&TS DMT (Management Team), All Heads of Service	November 2014
2	Health and Safety breaches affecting staff and others	<ul style="list-style-type: none"> Safety Audit. Contractors managed. Construction, Design and Management (CDM) controls in place. Maintenance and inspection schemes underpin the engineering response to risk. Monthly compliance monitoring reports from the Link. ISO Certified Quality Assurance. Learning and Development plans. Ongoing training programme. Established Bi-borough Health and Safety Committee. 	3	4	Medium  12 	All Managers	November 2014




Appendix 2 **DEPARTMENT SPECIFIC**

Bi-borough Transport and Technical Services risks

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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
		<ul style="list-style-type: none"> • Departmental policies, divisional risk assessments. 					
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Appendix 2 DEPARTMENT SPECIFIC Housing and regeneration							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
1	Changes in the welfare benefit system - impact on the HRA.	<ul style="list-style-type: none"> Sent out DD forms to every tenant with the rent increase letter, improved direct debit set up on i-world, implementing the ability to set up DD's over the phone, DD campaign, Housing management under occupation focus with 2 additional posts added to 13/14 budget to specifically address this risk 	4	4	High  16 New	Kathleen Corbett, Director for Finance and Resources	December 2014
2	Changes in the welfare benefit system - impact on Temporary Accommodation Expenditure.	<ul style="list-style-type: none"> Adopted freedoms on the Localism Act to discharge the homelessness duty direct to the private sector, Housing Options have strengthened front of house to provide more tailored advice, assistance and homelessness prevention services. The Council has amended the criteria for admittance to the Housing Register to exclude homeless households in long term settled accommodation. Full membership of a West London Procurement framework with a panel of third party providers providing accommodation inside and outside London 	4	4	High  16 New	Kathleen Corbett, Director for Finance and Resources	December 2014

Appendix 2 DEPARTMENT SPECIFIC Housing and regeneration							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
3	Consultation errors limiting income to £100 per leaseholder maximum for the duration of any contracts in excess of 12 months.	<ul style="list-style-type: none"> Check lists drafted for clients to complete and final sign off by Head of Service. Review each dispute on its own merit and a decision reached on a case by case basis regarding a response to the challenge. All change of names and addresses to be updated once a week to ensure all leaseholders are consulted at their preferred address. 	3	5	Medium  15 New	Jana du Preez, Head of Leasehold Services	December 2014
4	Too many single point failures in the production of Service Charges.	<ul style="list-style-type: none"> Instruct h&f Bridge Partnership as and when necessary 	3	5	Medium  15 New	Jana du Preez, Head of Leasehold Services	December 2014
5	Judicial review on cessation of service or regeneration scheme. Costs associated in supporting or defending a review and timescales in deferring a decision on a	<ul style="list-style-type: none"> Briefing session by the AD Legal Services and Opportunities Manager held February 2012. Adequacy of working papers and decision making progress, consultation, equalities assessments, MTFs, Budget Planning, Equalities Impact Assessment and Action Plan. 	4	3	Medium  12	Kathleen Corbett, Director for Finance and Resources	December 2014

Appendix 2 **DEPARTMENT SPECIFIC**
Housing and regeneration

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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	change to the service. Change to the council budgetary or decision process.				New		
6	Recruitment and retention problems - Inability to replace staff due to the limited ability to source temps exclusively via Pertemps who does not have the required candidates available.	<ul style="list-style-type: none"> The only recruitment route available is via Pertemps and therefore there are no other option. However HR have been meeting with Pertemps Management to discuss lack of performance in this area. 	4	3	Medium  12 New	Kathleen Corbett, Director for Finance and Resources	December 2014
7	Welfare Reform /Local Housing Allowance Changes - increased demand.	<ul style="list-style-type: none"> HB Assist and Rehouse UK linked with new prevention strategy. 	4	4	High  16 New	Toby Graves, Head of Housing Advice & Assessment	December 2014
8	Welfare Reform /Local Housing Allowance Changes - decreased	<ul style="list-style-type: none"> Agreement for cabinet put incentive package of £750K in place. 	4	4	High 	Glendine Sheperd, Head of	December 2014

Appendix 2 DEPARTMENT SPECIFIC Housing and regeneration							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
	supply				16 New	Allocations Home Buy & Property Solutions	
9	Risk associated to the departure of experienced regeneration staff as a result of the uncertainty of a number of regeneration projects being paused for review.	<ul style="list-style-type: none"> Current controls include ensuring that all key business processes and history are documented. Multiple relationships are established with key external partners, staff are cross-trained where possible (as per personal development plans and succession planning), the retention of other consultants and staff with significant history of experience in these regeneration projects. 	4	3	Medium  12 New	Kathleen Corbett, Director for Finance and Resources / Stephen Kirrage, Director for Asset Management & Property Services	December 2014
10	Delivery of specific regeneration at Earls Court. Planning consent.	<ul style="list-style-type: none"> Current controls include ensuring that all key business processes and history are documented. Multiple relationships are established with key external partners, staff are cross-trained where possible (as per personal development plans and succession planning), the retention of other consultants and staff with significant 	3	5	Medium  15	Head of Earls Court Regeneration (Subject to planning colleagues managing CAPCO	December 2014

Appendix 2 **DEPARTMENT SPECIFIC**
Housing and regeneration

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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		history of experience in these regeneration projects.			New	application)	
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Appendix 2 DEPARTMENT SPECIFIC Housing and regeneration							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
11	Strategic - Start on site for Shepherds Bush Market	<ul style="list-style-type: none"> Landowners meetings Project boards. Feedback from LBHF facilitated workgroups. 	4	3	Medium  12 New	Head of Regeneration & Development	December 2014
12	MTFS savings not delivered	<ul style="list-style-type: none"> Set up a programme board to plan how to make savings. Carry out fundamental reviews on temporary accommodation on home buy & economic development learning and skills. 	4	3	Medium  12 New	Mike England, Director for Housing Options Skills & Economic Development	December 2014
13	WDP Legal Challenge	<ul style="list-style-type: none"> Staff fully engaged in legal process. Ongoing regular update meetings 	4	3	Medium  12 New	Stephen Kirrage, Director for Asset Management & Property Services	December 2014

Appendix 2

**DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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



1	Service Continuity and Disaster Recovery (services are not considering IT in their resilience planning assuming that corporate IT is, and provide, the solution).	<ul style="list-style-type: none"> A refresh of service continuity planning is underway across the three Councils. A strategic rather than a tactical response across the 3 Councils is desired. 	3	4	Medium  12 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
2	Co-ordination and control of IT procurement across the three Councils.	<ul style="list-style-type: none"> The method of procurement varies from Council to Council, this includes the use of the Councils new e-procurement system. CapitalESourcing is used to record procurement activity but not currently for H&F Bridge Partnership. 	4	4	High  16 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
3	Information asset co-ordination across three Councils, Lifecycle (retention, management and disposal).	<ul style="list-style-type: none"> The method of management of Information including the policies and appetite varies across the three Councils. A Tri-borough Information Management Strategy has been proposed by Executive Management and is to be developed. Tri-borough Information Management Board. 	3	5	Medium  15 	Ed Garcez, Tri-borough Chief Information Officer	December 2014

Appendix 2 DEPARTMENT SPECIFIC							
Tri-borough Information Management and Technology							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date

Appendix 2

**DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**

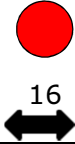
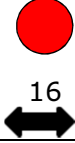
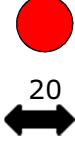
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4	Variable Information asset risk appetite across three Councils.	<ul style="list-style-type: none"> Information asset including electronic or physical loss of data, inappropriate data sharing and differing risk appetite is managed by separate policies and strategies in the three Councils. Tri-borough Information Management Board. 	3	4	Medium  12 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
5	Information asset risk of statutory, regulatory or local policy non-compliance.	<ul style="list-style-type: none"> Local policies exist for the management and control of information. 	4	4	High  16 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
6	Roles are not linked through the Human Resources systems to manage Starter, Movers and Leavers. It is devolved.	<ul style="list-style-type: none"> A strategy is required to develop role based security for Starters, Movers and Leavers. 	5	5	High  25 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
7	Use of mobile devices risk appetite and tolerance.	<ul style="list-style-type: none"> A strategy is required to develop a harmonised approach to device based security. 	5	5	High  25 	Ed Garcez, Tri-borough Chief Information Officer	December 2014

Appendix 2

**DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**

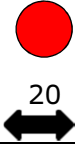
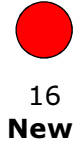
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8	Denial of service vulnerability as networks converge.	<ul style="list-style-type: none"> Unmitigated. Risk has been recognised and is under consideration. A report on Cyber threats was prepared and taken to h&f Audit, Pensions and Standards Committee for consideration. 	4	4	High 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
9	Failure to manage Information following outsourcing. Assurance from service providers.	<ul style="list-style-type: none"> Information sharing agreements are in place however compliance checking is not effectively undertaken. 	4	4	High 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
10	Tri-borough records management and control.	<ul style="list-style-type: none"> Engagement with the Information Commissioners Office and other boroughs. Tri-borough Information Management Board. Tri-borough Information Management Strategy drafted and is to be reviewed by the Tri-borough Chief Information Officer prior to review by the Joint Management Team and Westminster City Council Executive Management Team. 	5	4	High 	Ed Garcez, Tri-borough Chief Information Officer	December 2014

Appendix 2

**DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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11	IT functions across the 3 Councils are not operating as a single entity.	<ul style="list-style-type: none"> • Appointment made of a Tri-borough Chief Information Officer. • Corporate Services programme proposes to establish a new organisational structure following a target operating model. 	5	4	High 	Ed Garcez, Tri-borough Chief Information Officer	December 2014
12	ICT target operating model (TOM) <ul style="list-style-type: none"> • Management and leadership of the ICT function is increasing difficult with reducing morale and a lack of confidence in management ability and capability to deliver the prescribed changes. As evidenced in the Your Voice survey there is an increasing lack of shared vision with staff unclear as to what 	This risk is being mitigated as noted below, however ultimately requires clear leadership and confirmation of strategic direction to be effectively mitigated: <ul style="list-style-type: none"> • Clear & regular communicating of the latest position/ and expected timeline for consultation on and implementation of the TOM with staff (this is starting to be counter-intuitive with a number of 'failed starts') • regular opportunities for one-to-one, team and 'open door' discussions with the ICT DLT (and individual members of the DLT) • genuine engagement with staff through the formal consultation process, clearly explaining the need for the change, the benefits and the opportunities that may be presented ("what's in it for me") • continuing detailed planning around the procurement process and project, on the 	4	4	High 	Ed Garcez, Tri-borough Chief Information Officer	December 2014

**Appendix 2 DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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	<p>we're trying to achieve. This cannot be sustained.</p> <ul style="list-style-type: none"> Morale – staff have expected confirmation of the ICT TOM for months, with expectation set in 2012 when a shared ICT strategy was formally agreed. Ongoing delay and uncertainty around the new IT organisation is having a detrimental effect on the morale of ICT staff, reflected in a higher than normal number of staff leaving. The impact of this uncertainty is such that there may be a reduction in the efficacy of the ICT Service; a disruption to, or a lack of resilience in, services 	<p>basis that the required decisions will be taken on time and that procurement will be needed</p> <ul style="list-style-type: none"> filling vacant positions with more expensive temporary agency resources (as we cannot recruit permanent staff at the outset of a reorganisation). 					
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Appendix 2 **DEPARTMENT SPECIFIC**
Tri-borough Information Management and Technology

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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	<p>as key senior managers and staff leave with the consequential risk to the Councils' operations.</p> <ul style="list-style-type: none"> Procurement – the ICT information technology and communications procurement exercise has a key dependency on the TOM decision and any further delay in taking this decision will adversely impact on the delivery timelines for this key procurement. A strategy and funding decision is required not later than 5 January 2015 if we are to meet key dates for OJEU notice, PQQ and ITT release, etc. If these timelines are not met several actions will be 						
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**Appendix 2 DEPARTMENT SPECIFIC
Tri-borough Information Management and Technology**



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	need to be taken including extending existing contracts, thereby risking legal challenge from suppliers, substantially adding to direct cost and also indirectly in that best value will not be gained if the three boroughs procure separately.						
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Appendix 2

**DEPARTMENT SPECIFIC
Total Facilities Management**



Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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1	Tasks may not be completed in compliance with the Total Facilities Management contract, or may be missed.	<ul style="list-style-type: none"> • Checks that systems are working as intended and that staff have adequate training. • A Change Director has been employed and is working on the Transition Plan. • Agreed with Amey that workshops will help staff to ensure they have clear understanding of the contract. • LINK team are well versed and are reinforcing requirements • Items due at anniversary of the contract have been highlighted and are scheduled or completed by Amey. • All contractual items that have not been completed are in the Amey transition. 	3	4	Medium  12 New	Debbie Morris, Head of Facilities Management Tri-borough	November 2014
2	Perception of the service by customers is negative due to tasks not being completed in a timely fashion or communications not being clear.	<ul style="list-style-type: none"> • A communications plan has been written. • Staff have been made aware of the implications of good communication. • Agreement has been reached regarding items that need to be communicated and to whom. • Service improvement manager has been tasked with targeting key stakeholders to ensure LINK have their requirements. • TFM intranet now up and running and has both Amey and LINK information on it. 	4	3	Medium  12 New	Debbie Morris, Head of Facilities Management Tri-borough	November 2014

Appendix 2

**DEPARTMENT SPECIFIC
Total Facilities Management**

Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date
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		<ul style="list-style-type: none"> Customer service excellence programme will be published to customers. Backlog tasks on the helpdesk are being reviewed. 					
3	Asset Management. Lack of stakeholder engagement will impact reviews, causing issues during the review and in gaining acceptance of recommendations.	<ul style="list-style-type: none"> Clear communications to stakeholders of the aims and objectives and findings of reviews. Buy in is required for strategy from the business group and other stakeholders after findings.. 	4	3	Medium  12 New	Martin Olomofe, Senior Asset Management Surveyor	November 2014
4	Asset Management. There is a risk in implementing actions and outcomes from asset reviews when they have been approved.	<ul style="list-style-type: none"> Working with business groups to develop and agree scope and briefs where necessary. 	4	3	Medium  12 New	Martin Olomofe, Senior Asset Management Surveyor	November 2014





Risk movement.



Risk exposure increased since last review.



Risk exposure decreased since last review.

Score	Key
16-25	 RED - High and very high risk - immediate management action required
11-15	 AMBER - Medium risk - review of controls
6-10	 GREEN - Low risk - monitor and if escalates quickly check controls
1-5	 YELLOW - Very low risk - monitor periodically

Appendix 2 DEPARTMENT SPECIFIC Total Facilities Management							
Ref	Risk	Mitigating Action	Likelihood	Impact	Risk rating /exposure	Officer Group	Review date



No movement of risk since last review.

Agenda Item 5

 hammersmith & fulham	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (11 February 2014)
TITLE OF REPORT	
Annual Governance Statement Action Plan and Outstanding Recommendations for External Audit.	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Senior Audit Manager	Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises Progress on implementing recommendations arising from the KPMG 'Report to those charged with governance (ISA 260) 2013/14' and the Annual Governance Statement.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. In September 2014 the Council's External Auditors (KPMG) issued their 'Report to those charged with governance (ISA 260) 2013/14'. The report contained one recommendation for implementation by management.
- 4.2. The Council's 2013/14 Annual Governance Statement (AGS) also contained issues that required action by management. Action plans are a necessary result of the AGS and should provide sufficient evidence 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.
- 4.3. Failure to act effectively on the significant control issue would increase the exposure of the council to risk. As these issues are considered to be significant, the action plans and the progress made in implementation will be periodically reported to the Audit, Pensions and Standards Committee to agree and then to monitor progress.

5. PROPOSAL AND ISSUES

5.1. Update on External Audit recommendations

- 5.1.1. The table attached as Appendix A shows the progress reported by the responsible managers in implementing the recommendation from the KPMG 'Report to those charged with governance (ISA 260) 2013/14'. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position.

5.2. Update on Annual Governance Statement recommendations

- 5.2.1. The table attached as Appendix B shows the progress reported by the responsible managers in implementing recommendations from the 2013/14 Annual Governance Statement. Action plans and progress updates have been received from Public Health and ASC confirming that all actions have been implemented. Both action plans now appear to be implemented and will not therefore be reported going forward.
- 5.2.2. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit and AGS recommendations progress updates	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A External Audit Recommendations
Appendix B Annual Governance Statement Recommendations

External Audit Recommendations Update


Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
<i>Report to those charged with governance (ISA 260) 2013/14</i>			
<p>R1 - Valuation Methodology Three issues were identified in relation to the Authority's approach to the year end valuation of PPE. There are three points of improvement to be considered:</p> <ol style="list-style-type: none"> 1. The date at which the valuation is performed and need to ensure any subsequent movements are considered. 2. The consistency of the valuation of a class of asset where the valuation methodology is updated. 3. The inclusion of current year capital additions as part of the valuation programme. <p>We recommend that the methodology in the above areas is revisited and changes adopted ahead of the next reporting period.</p>	<p>The recommendation is agreed.</p> <p>The methodology for valuing PPE will be reviewed and changes adopted, as appropriate, ahead of the next reporting period. Any change to the methodology will be developed in concert with the Council's internal and external valuers. The Council will also consult with External Audit concerning any change.</p>	<p>Bi-Borough Director of Finance</p>	<p>As per the original response, The methodology for valuing PPE will be reviewed and changes adopted by December 2014.</p>

2013/14 Annual Governance Statement Action Plan

Entry	Responsible Officer	Action Plan	Progress To date
<p>Public Health, financial accounting and charging. As of the 1st April 2013 local authorities have a key role in improving the health and wellbeing of their local population and working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the financial accounting and charging arrangements set out by the Department of Health (DoH) established a limited assurance on expenditure made in accordance with the DoH grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The current Business Partners, with the assistance of the Business Support Team, have been making significant progress with addressing these issues.</p>	<p>Business Partner - Public Health</p>	<ol style="list-style-type: none"> 1. Continue to review the processes in place to ensure that they are understood and clearly documented. 2. Recharges calculated by the Business Partner subject to review by the Lead Business Partner. 3. All recharge invoices raised and paid in a timely manner. Any disputed costs investigated with a clear audit trail maintained to support this. Where payment remains outstanding this will be escalated to the respective borough's chief executive officer 4. Action plan put in place to ensure that any outstanding invoices can be processed in a timely manner and prior to the end of the financial year. To draw on expertise from other areas of the organisation to support this and to ensure that all staff with responsibility for processing payments are both competent and confident when undertaking their duties. 5. Approval of virements in accordance with the respective Borough's Financial Regulations with a clear audit trail maintained. 6. budget information packs and supporting data for LBHF and RBKC should be saved in a secured shared area on the network with access restricted. 7. Management information reviewed in terms of format and content to ensure that adequate information is being provided. 8. an estimated figure for unspent funding will be established which is not to be exceeded in order to ensure that the grant conditions for carrying forward any underspend are met. 	<ol style="list-style-type: none"> 1. Implemented 2. Implemented 3. Implemented 4. Implemented 5. Implemented 6. Implemented 7. Implemented 8. Implemented

Entry	Responsible Officer	Action Plan	Progress To date
<p>Adult Social Care risk management. Management of risk is intrinsically important to the successful delivery of objectives. The department recognises the importance of a risk management process that are embedded and integrated into business processes. Many elements of operational risk management are considered to be effective however these are not managed within a structure that is consistent with the Tri-borough risk management strategy. These include consideration of a departmental risk register comprising strategic, business as usual and change risks that are measured, allocated, categorised and reviewed. Departmental procedures have been reviewed and an action plan implemented to improve the issues identified.</p>	TBC	<p>Develop new ASC tri borough risk management and policy and guidance which meets the requirements of the:</p> <ul style="list-style-type: none"> i) external audit and ii) Tri borough Risk management Guidelines. <p>Implement the new approach by June 2014.</p> <p>Improve the culture of risk management in ASC tri borough and embed into routine business. Ensure all managers are aware of the new policy and their roles in relation to risk management.</p> <p>Ensure there are clear controls in place, that risks are identified and managed effectively, and that appropriate mitigating actions are identified and evaluated.</p> <p>Implement a common and robust system to enable risk to be rated for impact and likelihood of occurrence.</p> <p>Ensure a dynamic risk register is maintained using a common methodology and that new risks are identified and existing risks reviewed at an appropriate frequency.</p> <p>Ensure that risk register includes detail on independent assurance and controls relied on from third parties and other Council service lines, such as Health and Safety, Fraud, Procurement, and IT functions.</p> <p>Ensure that Management reporting requirements have been clearly identified in the new approach.</p>	<p>ASC tri borough risk management policy developed and agreed by ALTT (February 2014).</p> <p>Training and awareness raising programme delivered including Lunch and Learn sessions for all managers, practical presentations and exercises for all management boards. (Feb to Jun 2014),</p> <p>Policy fully implemented from (30 June 2014).</p> <p>A dedicated section of ASC TriB Net was launched including policy and guidance; copies of presentation; new Triborough Corporate Risk Policy (February 2014)</p> <p>ASC approach to risk management now ensures that from June 2014:</p> <ul style="list-style-type: none"> • ALTT reviews and signs off the risk register on a quarterly basis. • All risks are 'owned' and reviewed by a named ASC management board. • All risks have a responsible ALTT lead and named risk manager. • Named ASC management boards have the responsibility to identify and rate new risks as they emerge. • Each ASC management board is responsible for maintaining and reviewing a dynamic live risk register. Reviews will occur as required but at a minimum on a quarterly basis. • Due to the complexity and inter related nature of the change programme in ASC, the change portfolio risks are reviewed on a c. monthly basis. • The risk manager is responsible for the dynamic update of information about the changing nature of the risk, including impact of mitigations etc

Agenda Item 6

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (11 February 2015)
TITLE OF REPORT	
Internal Audit Quarterly report for the period 1 October to 31 December 2014	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Senior Audit Manager	Contact Details: Tel: 0208 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2014 as well as reporting on the performance of the Internal Audit service.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2014 as well as reporting on the performance of the Internal Audit service for the 2014/15 financial year.
- 4.2. In order to minimise the volume of paperwork being sent to Committee members the full text of limited or nil assurance reports have not been appended to this report. However, this information has been made available to all members separately. A précis of all limited assurance reports is also provided at Appendix C for the information of members.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Coverage

- 5.1.1. 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
- 5.1.2. A total of 22 audit reports were finalised in the third quarter of 2014/2015 from 1 October to 31 December 2014. In addition, 3 management letters and 4 follow up audit reports were also issued.
- 5.1.3. A summary of each of the limited assurance reports is provided at Appendix C. Four limited assurance audit reports were issued in this period: Melcombe Primary School; Home Meal and Frozen Food Delivery Service Contract Management; ICPS Parking System Application, and Cemeteries and Bereavement Service.
 - 5.1.3.1. Melcombe Primary School made 2 high, 7 medium and 8 low priority recommendations. 5 recommendations have been reported and implemented, 1 remains outstanding and 11 are not due at the time of writing.
 - 5.1.3.2. Home Meal and Frozen Food Delivery Service contract management made 2 high, 10 medium and 4 low priority recommendations. A follow up audit is planned shortly to test whether the recommendations have been implemented.

- 5.1.3.3. ICPS Parking System Application made 8 medium priority recommendations. 1 recommendation has been reported as implemented at the time of writing. Management have advised that due to the age of the application a number of the recommendations raised cannot be implemented in the current system. The service is implementing a new Bi-Borough parking management information system which will be operational in 2015/16. Management have agreed that the recommendations raised in this report will be implemented in the new system.
- 5.1.3.4. Cemeteries and Bereavement Service (LBHF) made 2 high, 5 medium and six low priority recommendations. 1 recommendation has been reported as implemented, 2 remain outstanding and 10 are not due at the time of writing.
- 5.1.4. In addition to the Limited assurance reports above, audit work on Adult Social Care Direct Payments was undertaken for which a management letter was issued. A satisfactory assurance opinion was provided for our review of the project management arrangements and a Limited assurance opinion was provided for our sample testing of Direct Payments. With regards to our sample testing of Direct Payments, 2 high and 1 medium priority recommendations were raised for implementation by April 2015.
- 5.1.5. 4 Follow-ups were undertaken in the period: HRD Performance Management, Kenmont Primary School, Parking Pay and Display and Public Health Governance. 22 of the 40 recommendations were found to be implemented with 12 recommendations found to be partly implemented and 6 not implemented. The results of our follow ups can be found in Appendix A.
- 5.1.6. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.7. 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 no reports outstanding at the time of writing.
- 5.1.8. There are now 16 audit recommendations made since 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 8 outstanding as reported at the end of the previous quarter and represents a deterioration in position. We continue to work with departments and HFBP to reduce the number of outstanding issues.

5.1.9. The breakdown of the 16 outstanding recommendations between departments are as follows:

- Children's Services (Non Schools) – 3
- Children's Services (Schools) - 4
- Corporate Services – 7
- Environment Leisure and Resident's Services - 2

5.1.10. Three of the recommendations listed are over 6 months past the 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 relevant departmental managers responsible for all recommendations overdue by more than 3 months as and when this occurs.

5.1.11. The table below shows the number of audit recommendations raised each year that have been reported as implemented. This helps to demonstrate the role of Internal Audit as an agent of change for the council.

2012/13 year audit recommendations past their implementation date that have been implemented.	245 recommendations implemented
2013/14 year audit recommendations past their implementation date that have been implemented.	239 recommendations implemented
2014/15 year audit recommendations past their implementation date that have been implemented.	85 recommendations implemented

5.2. Internal Audit Service

5.2.1. Part of the CIA's function is to monitor the quality of Mazars' work. Formal monthly meetings are held with the Mazars 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 2014/15 financial year.

5.2.2. The delivery of audit plans is behind target as shown from the first two indicators. This is due to the cancellation of audits due to business changes and the introduction of replacement audits as demonstrated by Appendix B which adds 8 new audits for this quarter alone plus the deletion of a further audit. There have also been delays in starting audits at the request of departments which are accepted where there are reasonable grounds for doing so. We are continuing to work to deliver the audit plans this year.

Performance Indicators 2014/15

Ref	Performance Indicator	Target	Pro rata target	At 31 December 2014	Variance	Comments
1	% of deliverables completed	95%	71%	51%	-20%	53 deliverables issued out of a total plan of 103
2	% of planned audit days delivered	95%	71%	60%	-11%	632 days delivered out of a total plan of 1051 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	100%	+5%	26 out of 26 briefs issued more than ten working days before the start of the audit.
4	% of Draft reports issued within 10 working days of exit meeting	95%	95%	91%	-4%	32 out of 35 draft reports issued within 10 working days of exit meeting
5	% of Final reports issued within 5 working days of the management responses	95%	95%	100%	+5%	29 out of 29 final reports issued within 5 working days.

5.3. Audit Planning

5.3.1. Amendments to the 2014/15 year Internal Audit plan agreed by the Committee are shown at Appendix B.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

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	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A	Audit reports issued 1 October to 31 December 2014
Appendix B	Amendments to 2014/15 Internal Audit Plan
Appendix C	Recommendations Not Implemented By Management
Appendix D	Summary of Limited Assurance Reports
Appendix E	Outstanding Recommendations

APPENDIX A

Audit reports Issued 1 October to 31 December 2014

We have finalised a total of 22 audit reports for the period to 1 October to 31 December 2014. In addition, we have issued a further 3 management letters and 4 follow ups were completed in the period.

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	Executive Director	Audit Assurance
1	2014/15	Pinnacle Housing Contract Management	Mel Barrett	Substantial
2	2014/15	CRM Application (MITIE)	Mel Barrett	Satisfactory
3	2014/15	Ellerslie Day Centre	Liz Bruce	Satisfactory
4	2014/15	LBHF Reablement	Liz Bruce	Satisfactory
5	2014/15	RBKC Reablement	Liz Bruce	Satisfactory
6	2014/15	Public Health Procurement	Liz Bruce	Satisfactory
7	2014/15	Home Meal and Frozen Food Delivery Service – Contract Management	Liz Bruce	Limited
8	2014/15	Cemeteries and Bereavement Service	Lyn Carpenter	Limited
9	2014/15	Markets	Lyn Carpenter	Substantial
10	2014/15	Melcombe Primary School	Andrew Christie	Limited
11	2014/15	Flora Gardens School	Andrew Christie	Satisfactory
12	2014/15	St John's School	Andrew Christie	Satisfactory
13	2014/15	The Haven	Andrew Christie	Satisfactory
14	2014/15	Wormholt Park School	Andrew Christie	Satisfactory
15	2014/15	ICPS Application	Nigel Pallace	Limited
16	2014/15	TTS Risk Management	Nigel Pallace	Satisfactory
17	2014/15	Noise and Nuisance Team	Nigel Pallace	Satisfactory
18	2014/15	Tri Borough Mobile Device Security	Jane West	Satisfactory
19	2014/15	Corporate Gas Safety	Jane West	Satisfactory
20	2014/15	Cloud Computing	Jane West	Satisfactory
21	2014/15	IT Asset Inventory	Jane West	Satisfactory
22	2014/15	Hammersmith and Fulham Bridge Partnership	Jane West	Satisfactory

Substantial Assurance

There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.

Satisfactory Assurance

While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance

Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

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
23	2013/14	Direct Payments	Jane West
24	2014/15	ALSS MIS Contract	Mel Barrett
25	2014/15	H&F report It App	Lyn Carpenter

Follow ups

No.	Audit Plan	Audit Title	Implemented	Partly Implemented	Not Implemented	Not Applicable
26	2014/15	HRD Performance Management	2	3	1	0
27	2014/15	Kenmont Primary School	2	3	5	0
28	2014/15	Parking P&D	10	1	0	0
29	2014/15	Public Health Governance	8	5	0	0

Amendments to 2014/15 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate	Corporate Procurement Including E-Procurement	Removed	Deferred to 2015/16
2	Adult Social Care	NHS Pooled Budgets	Added	Added to plan from reserve list
3	Children's Services	School Admissions	Added	Added to plan from reserve list
4	Transport and Technical Services	Planning Applications	Added	Added to plan from reserve list
5	Environment Leisure and Residents Services	Report IT App	Added	Added at request of department
6	Housing and Regeneration	ALSS MIS Contract	Added	Added at request of Audit Committee
7	Housing and Regeneration	Temporary Accommodation	Added	Added to plan from reserve list
8	Housing and Regeneration	Tenancy Management	Added	Added to plan from reserve list
9	Corporate	Software Licensing	Added	Added to plan from reserve list

Summary of Limited Assurance Reports

Ref	Audit and Scope	Details	Assurance Risk /
1	<p>Melcombe Primary School</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Governance and Leadership; • Financial Management; • Procurement; • Staff Expenses and Petty Cash; • Income; • Payroll; • Head Teacher's Pay; • Assets and Inventory; • Leasing; and • Unofficial Funds. 	<p>Hammersmith & Fulham standard schools audits are carried out using an established probity audit programme. Audits are currently undertaken on a three year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice. The purpose of the audit is to help schools establish and maintain robust financial systems.</p> <p>Two High, seven medium and eight low priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> • The school should seek advice from the Council regarding whether expenditure is appropriate and also the potential tax implications of receiving gifts. • The number of quotes obtained for items purchased should be made in accordance with the schools ordering procedures. • The School should develop an expenses policy, defining acceptable expense claims, expense claim limits and the procedure for claiming expenses. • All petty cash claim forms should be checked for accuracy prior to reimbursement from the petty cash float. • Overtime claim forms should be independently checked at the output stage prior to the release of the payroll for payment to confirm that claims have been input accurately. • The Governing Body should formally approve the ISR of the Head Teacher. • The School should allocate ongoing responsibility for maintaining the asset register. The asset register should be updated to ensure that all assets in the school are included and their location accurately recorded. • The School should seek the advice and approval was from the Council's Director of Finance (via Children's Services Finance) prior to entering any leasing arrangements. • The School should ensure segregation of duties is fully observed between individuals administering and reviewing/reconciling the Voluntary Fund. <p>All recommendations were accepted by management for implementation by July 2015.</p>	Limited

Ref	Audit and Scope	Details	Assurance Risk /
2	<p>Home Meal and Frozen Food Delivery Service – Contract Management (Tri-borough)</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Service Objectives; • Contract Formalities; • Service Delivery; • Contract Management • Complaints Management and Customer Feedback; • Payments; • Management Information, and • Budgetary Control. 	<p>The Home Meal and Frozen Food Delivery Service was jointly commissioned by a team of procurement specialists from the Tri-borough councils and the London Boroughs of Hounslow, Haringey and Richmond. Following a tendering exercise and an evaluation process, the Hammersmith and Fulham Cabinet Member for Community Care, awarded a five year Framework Agreement for the provision of the service to Sodexo Ltd. The Framework Agreement commenced in April 2013.</p> <p>All service users contribute to the cost of the meals provided. The contribution is set independently by each Tri-borough Council and currently stands as between £3.05 and £4.50. Sodexo invoice each Tri-borough council monthly for the cost of the meals provided less the service user contribution. A total of 130,000 meals were delivered in 2013/14 at a total net cost to the Councils in the region of £465,000.</p> <p>This audit considered the contract management arrangements in place for this contract.</p> <p>Two High and 10 medium priority recommendations were raised as a result of the audit. The principal recommendations were as follows:</p> <ul style="list-style-type: none"> • Sharpe Pritchard should be asked to confirm that RBKC's inclusion in the Framework's Glossary but not being specifically named in the Framework is sufficient evidence of their entitlement to procure under the Framework; • Management should ensure that Call Off contracts or orders under the Framework have been formally drawn up and sealed for RBKC and WCC; • Due to the sensitivity of the data involved all orders placed with Sodexo should be via the Framework's web portal; • The original 2011 Business Plan associated with the original commissioning of services should be revised to reflect the revised costings as the number of Councils using the Framework has expanded; • Management should ensure that Sodexo has an appropriate Emergency Plan and Disaster Recovery Plan in place which is subject to resilience testing; • An appropriate and timely pro-active contract monitoring regime should be developed for the contract; • The contract management regime should ensure contract conditions are being complied with especially around areas such as confirming DBS status for all Sodexo employees engaged on the contract and their entitlement to work in the UK; • Management should periodically seek evidence that the contractor has the required insurance in place as specified in the Contract; 	Limited

Ref	Audit and Scope	Details	Assurance Risk /
		<ul style="list-style-type: none"> • Management should ensure that the contractor led customer survey is undertaken in line with the contract and that the questions meet the Councils' needs; and • Management should ensure that appropriate reconciliations are made to agree the number of meals ordered to the number invoiced by Sodexo. <p>All recommendations were accepted by management for implementation by December 2014.</p>	

Ref	Audit and Scope	Details	Assurance / Risk
3	<p>ICPS Parking System Application</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Application Management and Governance; • System Security; • Interface Controls and Processing; • Data Input; • Data Output; • Change Control; • System Resilience and Recovery; and • Support Arrangements 	<p>The Bi-Borough service is currently tendering for a new Bi-Borough parking management information system. The outcome of the tender exercise currently being undertaken should result in both services aligning their parking systems once a single parking management information system is procured and operational by 2015/16.</p> <p>Eight medium priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> • Management should work with Mouchel to enhance the application's password controls. • Management should investigate the feasibility of receiving regular notifications of starter's movers and leavers either from Human Resources or other sources. • Management should develop appropriate roles/groups that are comprised of the relevant permissions required for those roles. User accounts can then be made members of the relevant group to allow them to perform their duties, rather than being managed individually. • Management should conduct periodic, documented reviews of all user account permissions and ensure that access is only available on a 'need to have basis'. • Management should implement a process whereby formal confirmation of all data having been synchronised into ICPS is received and acknowledged. • Management should work with Hammersmith and Fulham Bridge Partnership to understand the processes for offsite tape storage and testing tape recoverability where such tapes are used for ICPS data. • Management should work with Hammersmith and Fulham Bridge Partnership to develop and test appropriate Disaster Recovery plans for the ICPS application according to the formally defined Business recovery priorities for the application. • Management should ensure that the Service Area Continuity Plan for Parking Services is updated to incorporate the required recovery time objectives for the ICPS application and other applications that the department uses to provide parking services as defined in the corporate plan dated September 2013. <p>All recommendations were accepted by management for implementation in the new information system by September 2015.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
4	<p>Cemeteries and Bereavement Service</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Service Objectives and Procedures; • Health and Safety Risk Management; • Recording of Burials and Cremations and Security of Records; • Charging and Income Collection; • Debt Recovery; and • Performance Management and Budgetary Control 	<p>Following retirement of the in-house bereavement managers in 2012, Cabinet approved the decision to outsource the Bereavement Service on a temporary basis. The Council had an existing Grounds Maintenance contract with Quadron Service Limited which included maintenance of the borough's cemeteries. This contract was varied to include management and client function of the Cemeteries and this arrangement was made permanent in 2013.</p> <p>Two High, five medium and six low priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> • Procedures detailing operational duties and processes should be in place for each site in order to provide guidance to staff. • Where actions arise from health and safety inspections, these should be monitored to ensure that have been rectified promptly. • Memorial testing should be completed for each site on a three yearly basis, and documentation relating to this test should be retained. • There should be a segregation of duties in the income collection process to ensure that one officer is not responsible for all stages of the income collection process. Checks should be undertaken to confirm that all income received is banked. As a minimum, this should involve comparing income to be banked against receipts/cash collection records. Where practical, this check should also compare income received to services provided to confirm that income has been received, or an invoice raised, in all cases. • Reasons for not achieving budgeted income figures should be documented in income reports. Where necessary, the figures for budgeted income should be re-evaluated and reflect expected figures more closely. • Monthly contract meetings should be minuted to ensure that action points are raised and deadline are assigned. In addition, contract reports should be produced to aid these meetings. • Key Performance Indicators should be set which are in line with departmental aims and objectives and the Cemetery Strategy. Performance against these indicators should be monitored on an ongoing basis. <p>All recommendations were accepted by management for implementation by August 2015. It should be noted that a number of recommendations have already been implemented.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
5	<p>Direct Payments The scope of our audit work on Direct Payments was as follows:</p> <ul style="list-style-type: none"> • Undertake testing of a sample of direct payments in each borough to: <ul style="list-style-type: none"> ○ Confirm payments have been made correctly ○ Assess evidence of whether expenditure appears appropriate and that unusual and potentially inappropriate expenditure was followed up. • Undertake an audit of the project management arrangements for setting up the new system; and • Provide risk and control advice on the new system for managing DPs and pre-paid cards. 	<p>Direct Payments are a key component of wider Government policy with a particular emphasis on the benefits of offering service users greater choice and control. A Direct Payment (DP) is a cash payment to the service user instead of providing services. Payment is made directly into a DP user's dedicated bank account or via a pre-paid card. DPs can be used to meet all support needs or mixed with services provided by community services. The benefits of a DP for a service user are increased independence, control over own support arrangements and more flexibility and choice in how and when support is provided.</p> <p>DPs are managed differently across the three boroughs by separate teams. RBKC and WCC both have pre-paid cards. However, the current product has been deemed not satisfactory and take up is limited as the full benefits of other products on the market are not currently available to the current product. Furthermore, the provider (RBS) confirmed that they will not be developing or improving the product and therefore RBKC and WCC need an alternative to the current product. LBHF does not have a pre-paid card at present. The Government Procurement Service responded by developing a framework agreement for pre-paid cards that all public sector bodies will be able to access. The anticipated date for first wave call-off from the framework was February 2014; however delays in implementation of the framework have led the three boroughs to seek an alternative provider.</p> <p>A satisfactory assurance opinion was provided for our review of the project management arrangements and a Limited assurance opinion was provided for our sample testing of DPs. With regards to our sample testing of DPs, two high and one medium priority recommendations were raised as follows:</p> <ul style="list-style-type: none"> • Staff should be reminded that there should be a clear link between the support plan and the DP made. Where the DP changes, the Support Plan should be updated accordingly or a clear audit trail maintained on Frameworki. Spot checks should be undertaken on an ongoing basis to confirm that this requirement is being followed. • Consideration should be given to reintroducing the process of requesting bank statements from service users in LBHF. Regular checks of expenditure should be undertaken in each borough to confirm that expenditure is appropriate and the results of these checks should be documented. • The functionality of the Frameworki system should be investigated to establish why staff can input orders and authorise them on behalf of another officer. This should be disabled where possible. Where this functionality cannot be disabled, management should investigate whether reports of orders input and authorised by the same person acting on behalf of another user can be generated and reviewed. <p>All recommendations were accepted by management for implementation by April 2015.</p>	Satisfactory / Limited

Summary of Outstanding Recommendations

This is a schedule of all recommendations where the target date for implementation has passed and either the recommendation has not been fully implemented, or the auditee has failed to provide information on whether it has been implemented.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
1	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	All schools should be reminded of the requirement to seek approval from the Governing Body and the Council prior to entering into or renewing leasing agreements. As a result of this approval process, a record should be maintained of any providers that do not appear to provide value for money. Where practical, schools expenditure records should be examined to identify if these providers are being used.	1	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	
2	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	Schools should be reminded to retain copies of lease agreements in a readily accessible location.	2	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	
3	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	Consideration should be given to updating the School Finance Procedures Manual to require that an options appraisal is undertaken prior to entering into leasing arrangements to demonstrate that leasing offers better value for money when compared to outright purchase of goods and services.	2	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
4	2013/14	Children's Services	Phoenix High School	Satisfactory	The Unofficial Fund should be audited by an independent auditor and the results of the audit presented to the Governing Body.	2	01/10/2014	Head Teacher	We have agreed to report details of the unofficial fund to the Finance Committee who are aware of its existence. However we will be reviewing the account before year end and ensure that it is independently audited.
5	2014/15	Children's Services	Flora Gardens Primary School	Satisfactory	The following key documents and policies should be presented to the Governing Body or Finance Committee for review and approval on an annual basis: <ul style="list-style-type: none"> • Finance Policy; • Whistle Blowing Policy; • Pay Policy; • Lettings and Charging Policy; and • School Development Plan (SDP). Approval should be recorded in the minutes of the relevant meeting.	2	31/12/2014	Headteacher / Governing Body	Part Implemented. All policies except the Finance Policy have been approved by the GB. The Finance Policy is set to go to GB in February 2015.
6	2014/15	Children's Services	Melcombe Primary School	Limited	The Governing Body should approve the ISR of the Head Teacher. This information may be incorporated in the School's pay policy.	2	31/10/2014	Head Teacher & Chair of the Governing Body	The Governing Body are currently reviewing the pay policy and the ISR for the Head Teacher will be incorporated.
7	2014/15	Children's Services	St Peter's CE Primary School	Satisfactory	The asset register should be updated to ensure that all assets in the School are included and their location accurately recorded. The results of the asset register check should be presented to the Governing Body and minuted.	2	31/12/2014	Head Teacher and School Business Manager	Delay due to staff absences. Will be conducted in the New Year.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
8	2013/14	Corporate Services	Information Management and Document Sharing	Satisfactory	Management should ensure adequate port controls and harmonise USB port controls and e-mail policies across the Tri-borough IT infrastructure (PC's and servers). In particular, the RBKC e-mail policy should be updated to reflect the definitions in the classification scheme and the use of 'Egress'.	2	31/12/2014	Director for Procurement and IT Strategy Finance and Corporate Services	H&F confirm that port controls are in place RBKC have yet to address this issue WCC are addressing as part of their Windows 7 roll out project which is due to complete in March 15
9	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>Supply chain resilience roles and responsibilities for both Council and HFBP led contracts should be documented. For example those relating to:</p> <ul style="list-style-type: none"> • Requesting and undertaking appropriate financial checks; • Establishing the contract clauses required to protect the Council's interests, • Obtaining supplier business continuity plans; • Understanding where data will be held and accessibility of data; • Gaining on-going assurance that the supply chain as a whole will continue to operate for the foreseeable future. For example attending the supplier's business continuity test and/or preparing supply chain resilience strategies; and • The respective responsibilities of HFBP and Council Officers. <p>Once documented, the roles and responsibilities should be communicated to relevant staff and stakeholders. This may be achieved through incorporating this into existing procurement or contract management guidance.</p>	2	31/10/2014	Deputy Head of Emergency Services	Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.


Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
10	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>A resilience strategy should be developed for each critical supplier, which defines how statutory obligations will be fulfilled in the event that the supplier is unable to deliver the contracted service. This should include defining both how services will be delivered in the event of supplier failure and the transition process in the event of failure.</p> <p>The Business Continuity Team should be involved or consulted in the preparation of the strategies/plans. Strategies, where required, should be developed prior to the contract commencement.</p>	1	31/10/2014	<p>Deputy Head of Emergency Services responsible for process</p> <p>Directors will be responsible for resilience strategies for suppliers</p> <p>Business Continuity Manager will be responsible for audit and reporting strategies in H&F</p>	<p>Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
11	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>Management should send a periodic communication to contract managers reminding them of their roles and responsibilities. This should include (as a minimum):</p> <ul style="list-style-type: none"> • Details of any known supplier issues or developments (in addition to those detailed in Appendix 3); • Updates on TriBorough working relating to business continuity and supply chain resilience; and • Guidance and/or training material that may be useful to contract managers when assessing and monitoring supplier resilience. 	1	31/10/2014	Head of Procurement	Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.
12	2014/15	Corporate Services	Managed Services - System Testing	Limited	<p>It is recommended that timescales to address IST, Service Now and any future issues are appropriately assessed ensuring that they are realistic and achievable.</p> <p>Consideration should also be given to producing a Critical Path Analysis where some critical activities are not delivered and the subsequent impact on Go-Live.</p>	1	30/09/2014	Angela Martin (Tri B UAT TM) & Edward Olugbile (BT IST TM)	
13	2014/15	Corporate Services	Managed Services - System Testing	Limited	<p>It is recommended that timescales for completion of IST sign off are provided so that UAT and other activities can be planned to achievable timelines.</p> <p>Additionally, where delivery of key functionality is delayed, additional regression testing, IST and UAT will need to be planned and performed.</p>	2	30/09/2014	Edward Olugbile (BT IST TM)	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
14	2014/15	Corporate Services	Managed Services Programme High Level Controls	Limited	<p>Cabinet should be updated for their approval of the new total MSP cost position.</p> <p>Accountability and transparency for reporting on the status and clarity of all issues that impact on the MSP financial management position should be improved by separating the responsibility for risk/issue ownership from the responsibility for risk/issue mitigation.</p> <p>The responsible risk or issue owner should assess the mitigation action activity reports to reassess the risk to either accept, reduce, transfer or avoid/close the record to assist in trend analysis reports.</p>	2	31/10/2014	Reporting Financial Position - Anna D'Alessandro and John Ogden Risk Owners - Zak Juma	
15	2014/15	Environment, Leisure & Residents Services	Cemeteries / Bereavement Service	Limited	<p>There should be a segregation of duties in the income collection process to ensure that one officer is not responsible for all stages of the income collection process.</p> <p>Checks should be undertaken to confirm that all income received is banked. As a minimum, this should involve comparing income to be banked against receipts/cash collection records.</p> <p>Where practical, this check should also compare income received to services provided to confirm that income has been received, or an invoice raised, in all cases. Evidence of these checks should be retained to demonstrate who undertook the check and when.</p>	1	31/12/2014	Bi-Borough Parks Manager	Procedure being developed, segregating duties has been difficult due to staff shortages. Service will be fully staffed in new year and this can then be fully implemented.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
16	2014/15	Environment, Leisure & Residents Services	Cemeteries / Bereavement Service	Limited	Reasons for not achieving budgeted income figures should be documented in income reports. Where necessary, the figures for budgeted income should be re-evaluated and reflect expected figures more closely.	2	31/12/2014	Bi-Borough Head of Leisure and Parks	Work being undertaken with Finance colleagues to examine market forces and number trends. Provisional deadline has been set for income report (Mid/End of February) - this will look into detail at general market data, with further comparisons to substitutes activity/income levels (Crematoriums), and will break down cemeteries income data further by looking at types of sale (Advance, at need, interment etc.) in order to reliably estimate future trends and explain shortfalls.

Agenda Item 7

 hammersmith & ful	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (11 February 2015)
TITLE OF REPORT	
Treasury Management Strategy Report 2015/16	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Executive Director of Finance and Corporate Governance Jane West, Bi-Borough Director of Finance, Hitesh Jolapara Responsible Director	
Report Author: Halfield Jackman, Treasury Manager, Tri - borough Treasury and Pensions	Contact Details: Tel: 0207 641 4354/0208 753 2560 E-mail: hjackman@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The report sets out the Council's Treasury Management Strategy for 2015/16. It seeks approval for the Executive Director of Finance and Corporate Governance to arrange the Treasury Management Strategy in 2015/16 as set out in this report.

2. RECOMMENDATIONS

- 2.1 That approval is given to the future borrowing and investment strategies as outlined in this report and that the Executive Director of Finance and Corporate Governance be authorised to arrange the Council's cash flow, borrowing and investments in 2015/16.
- 2.2 In relation to the Council's overall borrowing for the financial year, to note the comments and the Prudential Indicators as set out in this report and the four year capital programme 2015/16 to 2018/19.
- 2.3 That approval is given to pay the Housing Revenue Account (HRA) investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest (approximately 0.5% p.a.) earned on temporary investments with effect from 1 April 2014.

3. BACKGROUND

- 3.1 Treasury Management is defined by the CIPFA¹ Code of Practice as 'The management of the local authority's investments and cash flows, its banking, money market and capital

¹ Chartered Institute of Public Finance and Accountancy

market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’

- 3.2 The Council is required to receive and approve, as a minimum, three main reports each year: a Treasury Strategy Report (this report), Mid-year report and an Outturn report. These reports are required to be adequately scrutinised before being recommended to the Council by the Cabinet. This role is undertaken by the Audit, Pensions and Standards Committee and the Finance and Delivery PAC.
- 3.3 The Treasury Management Strategy is set out in section 6 of this report, and the remainder of the report cover the following list. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and CLG Investment Guidance.
- prospects for interest rates;
 - the current treasury position;
 - the proposed investment strategy;
 - the borrowing strategy;
 - prudential indicators; and,
 - approach to debt rescheduling.
- 3.4 The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes. This will involve both the organisation of the cashflow and, where capital plans require, the organisation of appropriate borrowing facilities. The function covers the relevant treasury and prudential indicators, the current and projected debt positions and the annual investment strategy.
- 3.5 Under regulations set out by the (now called) Department for Communities and Local Government (CLG) in 2003, a Council’s investment policy needs to cover so-called “specified investments” and “non-specified investments”. A specified investment is defined as an investment which is denominated in sterling, is less than one year, is made with a body or scheme of high credit quality, UK Government or UK local authority and does not involve the acquisition of share capital or loan capital in any body corporate. Non-specified investments are those that do not meet these criteria.
- 3.6 Section 6 of this report sets out the investment approach, and takes account of the specified and non-specified approach. The Council is likely only to consider non-specified investments where an investment is made for longer than one year.
- 3.7 The CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes issued as a revised version in 2011 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council. This is set out in Appendix A of this report.

4. PROSPECTS FOR INTEREST RATES

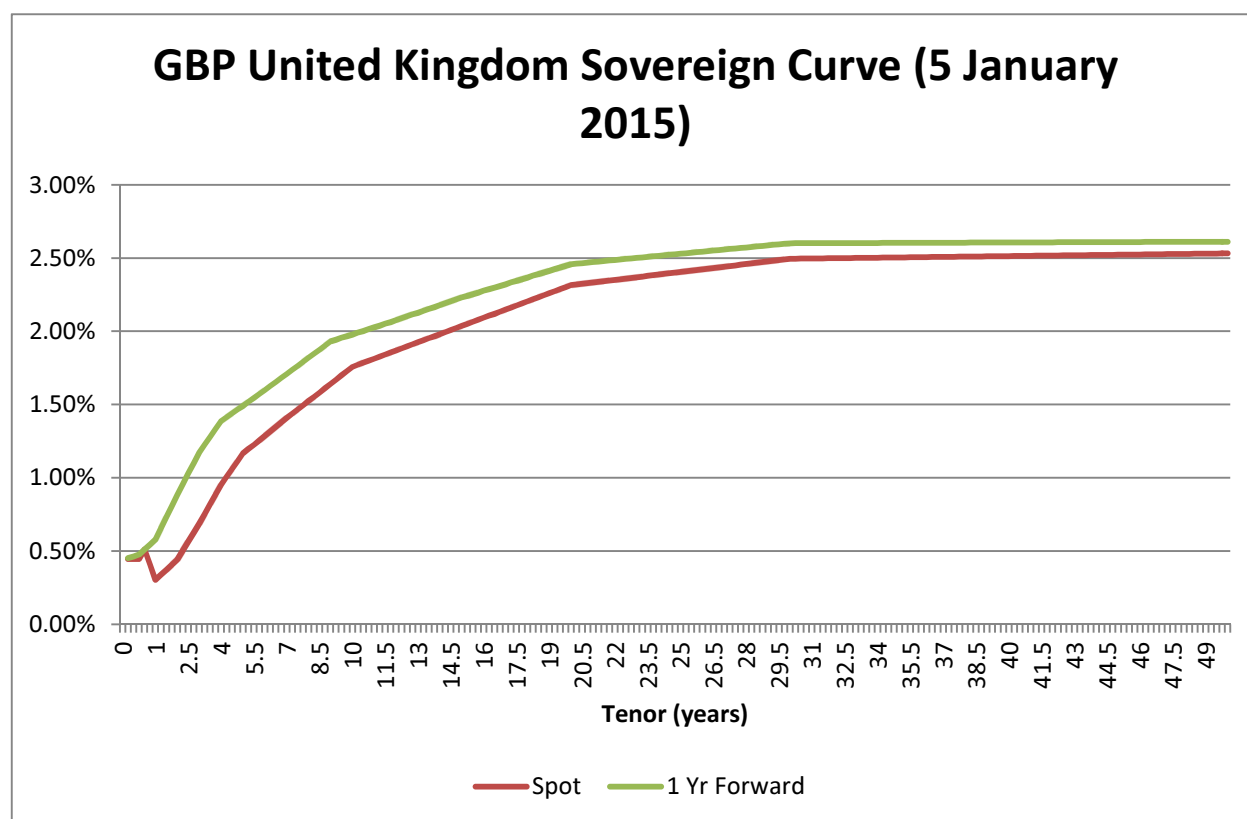
- 4.1 Interest rate projections remain low in the short term, with Bank of England bank rate remaining at 0.5% for up to 12 months. However, market rates remain very volatile and are affected by Quantitative Easing (continuing, unchanging or reducing) and perceived safe haven status of the United Kingdom keeping rates low against risk of macro-economic issues (particularly in Europe) and inflation risk pushing rates higher.
- 4.2 The current economic outlook and structure of market rates and government debt yields have several key treasury management implications:

As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. The downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Greece and Ireland has done). Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

Investment returns are likely to remain relatively low during 2015/16 and beyond;

Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by running down spare cash balances has continued over the last few years.

There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns. The graph below shows the current Gilt rates and those projected (by investors) in a year's time. As is apparent, an increase in interest rates across all maturities is expected – though a limited increase rather than a material change.



5. CURRENT TREASURY POSITION

5.1 As at the 19th December 2014, the Council had £365 million cash investments. The cash is made up of the Council's usable reserves, capital receipts and unspent government grants. Although the level of cash has increased by £45 million to date this financial year it is

anticipated the rate of further increases in cash levels will reduce for the remainder of the year and are forecast to be approximately £380 - £400 million.

- 5.2 The Council has for a number of years maintained a policy of debt reduction in order to deliver savings to the General Fund through reduced debt service payments. No new borrowing has been undertaken since November 2009 and where borrowings have fallen due for repayment, they have not been replaced. This has been the policy for both the General Fund and HRA. Officers periodically review the possibility of the early redemption of external debt.
- 5.3 The forecast closing General Fund debt as measured by the Capital Financing Requirement (CFR) for 2014/15 is £59.5m. This is subject to the application of forecast capital receipt surpluses to debt reduction at the year-end.

Forecast Movement in the GF Capital Financing Requirement (CFR)

£m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Opening Capital Finance Requirement (CFR)	56.65	43.18	43.18	43.18
Revenue Repayment of Debt	(0.54)	0.0	0.0	0.0
Application of Mainstream Programme (Surplus)	(12.93)	0.0	0.0	0.0
Closing CFR	43.18	43.18	43.18	43.18

- 5.4 The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing. It was introduced by the Government in 2004 and replaced the 'credit ceiling' as the Council's measure of debt.
- 5.5 The CFR is the difference between capital expenditure incurred and the resources set aside to pay for this expenditure. Put simply it can be thought of as capital expenditure incurred but not yet financed in-full and serves as a measure of an authority's indebtedness. An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. A council may be 'cash rich' and pay for a new asset in full without entering into new loans. However unless the council simultaneously sets aside reserves (either through recognising a revenue cost or transferring existing reserves from 'usable' to 'unusable') the CFR will increase. In this example the authority has effectively borrowed internally. The CFR should therefore be thought of as the total of internal and external borrowing.
- 5.6 There are 5 Prudential Indicators for 2014/15 relating to capital stated in the Capital Programme 2015/16 to 2018/19 report to Budget Council in February 2015, (to meet CIPFA's Prudential Code requirements).
- 5.7 The Council's borrowing and Capital Financing Requirement (CFR) positions are summarised in the tables below.

Current Portfolio Position

£'000	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing at 1 April	262,067	250,511	247,599	231,897	224,823
Expected change in borrowing during the year	(11,556)	(2,912)	(15,703)	(7,074)	(7,418)
Actual Borrowing at 31 March	250,511	247,599	231,897	224,823	217,405

Total investments at 31 March	(320,200)	(380,000)	(350,000)	(330,000)	(300,000)
Net borrowing/(investment)	(69,689)	(132,401)	(118,103)	(105,177)	(82,595)

**Split between the Housing Revenue A/c (HRA) and General Fund (GF):
External borrowing (PWLB) position at Year End**

£'000 External Borrowing only	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Housing Revenue A/c (HRA)	207,717	205,302	192,283	186,417	180,266
General Fund (GF)	42,794	42,297	39,614	38,406	37,139
Total borrowing at year end	250,511	247,599	231,897	224,823	217,405

Sets out the Capital Financing Requirement analysed between General Fund and HRA

£'000 CFR only	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
General Fund CFR	74,200	56,648	43,179	43,179	43,179
HRA CFR	207,260	205,346	205,918	202,650	205,453
TOTAL CFR	281,460	261,994	249,097	245,830	248,632

6. ANNUAL INVESTMENT STRATEGY

Introduction

- 6.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a rating 'uplift' due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these 'uplifts'. This process may commence during 2014/15 and/or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the current credit methodology are required.
- 6.2 It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into rating through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured the financial institutions are much stronger and less prone to failure in a financial crisis. The results of these changes and consequent rating changes, will be one of the aspects that are kept under review and the implication for LBHF treasury investment may be that funds are moved away from banks and invested elsewhere.

Investment Policy

- 6.3 The Council must have regard to the Guidance on Local Government Investments issued by CLG and the 2011 revised CIPFA's Treasury Management in Public Services of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

- 6.4 In line with the guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.
- 6.5 Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on rating applied to institutions. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.
- 6.6 As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will maintain monitor market pricing such as “credit default swaps”² and overlay that information on top of the credit ratings.
- 6.7 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 6.8 This section sets out the Council’s annual investment strategy for 2015/16 and any proposed changes from the 2014/15 Treasury Management Strategy, the table below summarises the maximum amounts and tenors of investments that the Council can hold. The table also shows the maximum proposed limits that Officers can work within.

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment	Treasury Management Strategy 2014/15
DMO Deposits	UK Government Rating	Unlimited	6 months	No change
UK Government (Gilts / T-Bills / Repos)	UK Government Rating	Unlimited	Unlimited	No change
Supra-national Banks	AA- / Aa3 / AA-	£100m	5 years	£30m / 3 year
European Agencies	AA- / Aa3 / AA-	£100m	5 year	£10m / 1 year
Network Rail	UK Government Rating	Unlimited	Oct 2052	No change
TFL	AA- / Aa3 / AA-	£100m	3 years	£30m
GLA	N/A	£100m	3 years	£30m
UK Local Authorities	N/A	£10m per Local Authority, £50m in aggregate	1 years	No change
Commercial Paper issued by UK and European corporate	A-2 / P-2 / F-2	£20m per name, £80m in aggregate	Six months	£10m per name, £50m in aggregate

² Credit ratings are based on historical information and Credit Default Swaps (CDS) reflect current market sentiment if the CDS values fall significantly over a short period this could be an early warning of possible changes in credit rating and trigger further investigation. (see Appendix C for a definition)

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment	Treasury Management Strategy 2014/15
Covered Bonds issued in sterling	AA+/Aa1/AA+ The bond issue; Investment grade of the underlying issuer	£100m	5 years	New
Money Market Funds MMF	AAA / Aaa / AAA be AAA by at least one of the main credit agencies	£25m per fund manager, £200m in aggregate	Three day notice	£15m per fund manager, £75m in aggregate
Enhanced Money Funds	AAA / Aaa / AAA by at least one of the main credit agencies	£20m per fund manager, £60m in aggregate	Up to seven day notice	£10m per fund manager, £30m in aggregate
UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	AA- / Aa3 / AA- and above (or UK Government ownership of greater than 25%), subject to minimum ST ratings	£70m	5 years	3 years
UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	A- / A3 / A- and above, subject to minimum ST ratings	£50m	3 years	£30m / Six months
Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	AA- / Aa2 / AA- and above, subject to minimum ST ratings	£50m	3 years	£30m / 1 year
Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	A / A2 / A and above, subject to minimum ST ratings	£30m	1 year	£15m / Six months

6.9 The remainder of this section six covers the following in further detail:

- Current investment types
- Changes for the 2015/16 Treasury Management Strategy
 - Commercial paper to cover European Corporates
 - Covered Bonds
 - Certificates of Deposit
- Proposed changes to investment limits and tenors
- Non-specified investments
- Creditworthiness criteria
- Country limits.

Current Investment Types³

6.10 As per the 14/15 Treasury Management Strategy, it is proposed that for 15/16 the Council can continue to invest in financial institutions, external funds and certain capital market instruments as set out below. All investments would be in Sterling. The investment types listed below are as per the current TMS.

- (i) Investment with the Debt Management Office with no financial limit (UK government guaranteed)
- (ii) Investment in financial institutions of a minimum credit rating, with the parent company domiciled only in certain jurisdictions;
- (iii) Investment in UK Treasury Bills (T-Bills) and Gilts (conventional or indexed-linked) with no financial limit (UK government guaranteed)
- (iv) Investments in UK Government repurchase agreements (“Repos” and “Reverse Repos”);
- (v) Lending to certain public authorities (Unitary Authorities, Local Authorities, Borough and District Councils, Met Police, Fire and Police Authorities)
- (vi) Investment in close to maturity AAA-rated corporate bonds and commercial paper backed by UK Government guarantees;
- (vii) Investment in supra-national AAA-rated issuer bonds and commercial paper;
- (viii) Investment in AAA-rated Sterling Money Market Funds and longer term funds;
- (ix) Investment in commercial paper (CP) of UK domiciled entities with minimum short term credit rating of A1/P-1/F-1.

6.11 In determining whether to place deposits with any institution or fund, the Tri-borough Director for Treasury and Pensions will remain within the limits set out above, but take into account the following when deciding how much to invest within the limit set out above:

- (i) the financial position and jurisdiction of the institution;
- (ii) the market pricing of credit default swaps for the institution;
- (iii) any implicit or explicit Government support for the institution;
- (iv) Standard & Poor’s, Moody’s and Fitch’s short and long term credit ratings;
- (v) Core Tier 1 capital ratios; and
- (vi) other external views as necessary.

Changes for the 2015/16 Treasury Management Strategy

6.12 Officers are proposing various changes to the 2015/16 Treasury Strategy, in part to continue to reduce reliance on the Debt Management Office and to provide some flexibility for better investment returns, within the structure of a cautious investment outlook. Continued diversification of investment instrument and counterparty as a way of mitigating risk (while generating some form of return) remains key. There is also uncertainty around the implications of the so-called bank bail-in regulations which are being introduced on a

³ Appendix B provides more detail on the various asset classes.

phased basis in some EU countries (including UK) to prevent a future bail out of a financial institution by the relevant Government. Such implications may include what this will mean for bank credit ratings, the perceived (and possibly actual) increase in bank risk for depositors, the timing of any introduction as well as increased market concerns within and between jurisdictions.

- 6.13 As a result of the developments in the paragraph above, the proposals for 2015/16, while building on the Treasury Management Strategy for 2014/15, make a recommendation for the use of Commercial Paper (CP) for European corporates, Covered Bonds and Certificates of Deposit (CDs) as well as adjusting limits and tenors for existing investment classes. The tenors and minimum credit ratings for the various investment classes are set out in the paragraph 6.8.

Commercial Paper issued by European corporates

- 6.14 While the Council has invested in CP from UK entities (mainly Network Rail and Transport for London), there are significant European companies that issue Sterling CP – such as Volkswagen (VW). Given the investment return, low risk and further diversification (as well as a continued sterling investment), such an investment fits within the investment thesis.

Covered Bonds

- 6.15 Covered bonds are debt instruments issued by a financial institution, but where security has been granted over a pool of underlying assets (e.g. a pool of mortgage loan or public sector debt) to which investors have a preferential claim in the event of default. The covered bond issue would be rated by the rating agencies, and while the issuer would be allowed to 'swap' some of the underlying collateral, it is up to an independent custodian / agent to validate that what is being taken out of the pool is of no worse status than that being switched in. The issuance of covered bonds enables financial institutions to obtain lower funding in order to grant mortgage loans for housing and non-residential property as well as to finance public debt.

Certificates of Deposit

- 6.16 Financial institutions as well as offering loans, also borrow through the issuance of Certificates of Deposit (CD). These are tradable instruments where the issuer borrows at a set rate for an agreed length of time, before repaying the principal at maturity. CD's tend to have a shorter length tenors, unlike bonds, and enable an investor to manage more actively any credit/ counterparty exposure, rather than waiting for a fixed term deposit to mature.

Proposed changes to investment limits and tenors

- 6.17 Given investments to date, the shape of the current yield curve, the likely low level of interest rates for the immediate future and the opportunities for investment, it is proposed that limits and tenors of investment are extended for many investment types – both in tenor and / or investment limit.

- 6.18 Such changes would allow the Council to invest in longer maturities and take advantage in any yield pick-up as well as reducing reliance on the banking institutions – at the moment, there is uncertainty on the timing and impact of any introduction of bail-in regulations. It would be prudent for the Council to be able to remove direct reliance on such an asset class without impacting return too severely.
- 6.19 The graph in paragraph 4 above shows a steep current and one-year forward yield curve, and that higher returns for tenors up to five years (for a core level of cash) would provide greater returns rather than a shorter investment. Given the predicted rise in interest rates however, the Council while wanting to take advantage of higher rates for longer duration investments will also want to benefit from a rise in rates when they occur rather than locked in to then lower yielding investments.
- 6.20 The 2014/15 MMF's limit is £15 million per fund (£75 million aggregate) and it is proposed that it is raised to £25 million per fund £200 million for MMFs and also increase the limit for EMFs from £10 million to £20 million (£60 million aggregate).
- 6.21 The Council places investments / Fixed Deposits/ Certificates of Deposit / Short Dated Bonds with only four UK banks – Barclays, HSBC, Lloyds and Royal Bank of Scotland (RBS and Nat West). For UK banks with Government ownership (and given the increased relative stability over the last 2-3 years), it is proposed that the minimum percentage of UK Government ownership (to qualify within this strategy for such criteria) is maintained at 25%. At present only RBS falls into this category. Given the implied Government support, it is proposed that counterparty limit remains at £70 million and the tenor be increased from three to five years.
- 6.22 For UK banks with a minimum credit rating of AA-/Aa3/AAA and above it is proposed that the maximum individual investment limit is maintained at £70m and the maximum tenor of investment is changed from three to five years.
- 6.23 UK banks with a minimum credit rating of A-/A3/A- and above it is proposed that the maximum individual investment limit is increased from £30m to £50m and the maximum tenor of investment is changed from six months to three years.
- 6.24 Non-UK banks with a minimum credit rating of AA-/Aa2/AA- and above, it is recommended that the maximum individual investment limit is increased from £30m to £50m and that the maximum tenor of investment is changed from one to three years.
- 6.25 Non-UK banks with a minimum credit rating of A/A2/A and above, it is recommended that the maximum individual investment limit is increased from £15m to £30m and that the maximum tenor of investment is changed from six months to one year.
- 6.26 In summary, the bank investment limits are shown in the table below. The extension to investment limits and tenor will increase the Council's level of return but the risk may also increase as funds will be tied up for longer.

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment
UK Bank Fixed Deposits / Certificates of	With UK Government ownership of greater than 25%. AA- / Aa3 / AA- and above subject to minimum ST	70	Five years

Deposit / Short Dated Bonds	ratings		
UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	A- / A3 / A- and above, subject to minimum ST ratings	50	Three years
Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	AA- / Aa2 / AA- and above, subject to minimum ST ratings	50	Three years
Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds	A / A2 / A and above, subject to minimum ST ratings	30	One year

Non-specified investments

6.27 Under section 15(1) of the Local Government Act 2003, restrictions are placed on Local Authorities around the use of so-called specified and non-specified investments. A specified investment is defined as an investment which satisfies all of the conditions below:

- (i) The investment and any associated cash flows are denominated in sterling ;
- (ii) The investment has a maximum maturity of one year;
- (iii) The investment is not defined as capital expenditure; and
- (iv) The investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.

6.28 A non-specified investment is any investment that does not meet all the conditions above. The only likely non-specified investment that the Council may make is for any investment greater than one year. For such an investment, a proposal will be made to the Executive Director of Finance and Corporate Governance on the recommendation from the Tri Borough Director of Treasury and Pensions after taking into account cash flow requirements, the outlook for short to medium term interest rates and the proposed investment counterparty.

6.29 Long term investments (for periods over 364 days) will be limited to no more than £120 million with a tenor of up to five year.

Creditworthiness Criteria

6.30 As has been the case for 2014/15, the Council's investment priorities continue to be the security of capital and the liquidity of its investments. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

- 6.31 In accordance with this, and in order to minimise the risk to investments, the Council has set the minimum acceptable credit quality of counterparties for inclusion on the lending list. As at present, if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately and any existing investment will be matured at the earliest possible convenience.
- 6.32 For the financial institution sector, the Council will invest in entities with a minimum credit as set out above (A-/A3/A- for a UK bank, and A/A2/A for a non-UK bank as appropriate), as long as that entity has a short term rating F2/P-2/A-3 or better. Where a split rating applies the lowest rating will be used. This methodology excludes banks with UK Government ownership. Banks would need to be rated by at least two of the three main credit rating agencies and where there was a split rating the lower rating would be used.
- 6.33 The limits can change if there are rating changes, however the maximum limit would never be more than specified by institution type in paragraph 6.8. Officers are likely to work well within these limits to ensure headroom for short term liquidity.

Country Limits

- 6.34 The current TMS is based on a ratings approach to country of domicile, for 2015/16, it is proposed that deposits / investments are made with financial entities domiciled only in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA.

7. BORROWING STRATEGY

- 7.1 The Council is currently maintaining an under-borrowed (internal borrowing) position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's Reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.
- 7.2 The HRA will fund its requirements from additional internal borrowing. The General Fund has no expectation of borrowing in the near future.
- 7.3 Against this background and the investment risks described in this paper, caution will be adopted with the 2015/16 treasury operations. The treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances and advise the Executive Director of Finance and Corporate Governance accordingly.
- 7.4 If there was a significant risk of a much sharper rise in long and short term rates than the currently forecast. Then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 7.5 The Council has a debt strategy of no new borrowing and where borrowing has fallen due for repayment it has not been replaced. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with borrowing, as cash balances and cash flow has been used as a temporary measure instead. This strategy is prudent as investment returns are low and counterparty risk is high.

7.6 Under the regulatory requirement, there are three borrowing related treasury activity limits. The purpose of these are to monitor and control the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

7.7 The tables below sets out these treasury indicators and limits. The Council is currently compliant with all these indicators. The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%.

Interest Rate Exposure for borrowing

£m / %	2015/16		2016/17		2017/18	
Upper Gross Borrowing Limits on fixed interest rates	345	100%	385	100%	385	100%
Upper Gross Borrowing Limits on variable interest rates	69	20%	77	20%	77	20%

Structure limits for debt maturity

Maturity structure of fixed rate borrowing during 2014/15	Upper Limit	Lower Limit	Actual Limits as at 31 March 2014
Under 12 months	15%	0%	1.2%
12 months and within 24 months	15%	0%	6.3%
24 months and within 5 years	60%	0%	7.6%
5 years and within 10 years	75%	0%	10.1%
10 years and above	100%	0%	74.8%

8. POLICY ON BORROWING IN ADVANCE OF NEED

- 8.1 Under CIPFA's Prudential Code, any decision to borrow in advance of need has to be:
- Within forward approved Capital Financing Requirement (CFR) estimates.
 - Would have to be considered carefully to ensure that value for money can be demonstrated;
 - And that the Council can ensure the security of such funds.

9. PRUDENTIAL INDICATORS FOR TO BORROWING ACTIVITY

- 9.1 The Prudential Code requires that the Council set certain limits on the level and type of borrowing before the start of the financial year together with a number of Prudential indicators, for the next three years ensuring the capital investment plans are affordable, prudent and sustainable.
- 9.2 The Authorised Limit for external borrowing. A control on the maximum level of borrowing and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised Limit

£m	2013/14 Actual	2014/15	2015/16	2016/17	2017/18
Borrowing	325	325	325	325	325
Other long term liabilities	20	20	20	20	20
Total	345	345	345	345	345

- 9.3 The Operational Boundary. Is the focus of day to day treasury management activity within the authority and is set at £55m below authorised limit for borrowing. It is a means by which the Council manages its external debt to ensure that it remains within the self-imposed Authorised Limit. Sustained breaches of the Operational Boundary would give an indication that the Authority may be in danger of stepping beyond the Prudential Indicators it set itself.

Operational Boundary

£m	2013/14 Actual	2014/15	2015/16	2016/17	2017/18
Borrowing	275	275	275	275	275
Other long term liabilities	13	15	15	15	15
Total	288	290	290	290	290

- 9.4 The HRA CFR is required to remain within a 'Debt Cap' as set by the Department for Communities and Local Government as part of the transition to HRA self-financing. The Council's debt cap is currently set at £254.617m. The Housing programme is forecast to remain £34m below this threshold for the period 2015-19.
- 9.5 The Executive Director of Finance and Corporate Governance reports that the Council complied with the prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

10. DEBT RESCHEDULING

- 10.1 Consideration will be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

- 10.2 However, these savings will need to be considered in the light of the current treasury position and premia incurred in prematurely repaying debt. Given the current approach, Officers monitor the situation continually for an opportunity to repay voluntarily any debt. The reasons for any rescheduling to take place will include:
- Generating cash savings.
 - Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11. HOUSING REVENUE ACCOUNT

For the period 2015-19 the Housing programme will be borrowing against internal resources. This is principally achieved through the use of monies received in respect of the Earl's Court project. Use of this money is classed as borrowing as although cash is to be received from the developer on a constant and phased basis, the receipt is only deemed usable for funding purposes as land transfers to the purchaser. This does not prevent the Council from spending the cash it receives, but until such time that land transfers any such use is classed as borrowing. This borrowing unwinds when the receipt becomes usable. The total available to the HRA for the purposes of internal borrowing is shown in the table in paragraph 5.7 above. The current Housing Revenue Account borrowing requirement is therefore very sensitive to anything which might change the pattern of the receipts from the Earls Court Programme (for example as a result of the review of the Earls Court programme currently underway) or in any way further restrict the use of these receipts (for example if a partial stock transfer was the outcome of the Strategic Housing Stock Options Appraisal).

12. TRAINING

- 12.1 The CIPFA Code requires the lead officer to ensure that Members with Treasury Management responsibilities receive adequate training in Treasury Management. This especially applies to Members responsible for scrutiny. Members will be offered training and arrangements will be made as required.
- 12.2 The Council is a member of the CIPFA treasury management network which provides a forum for the exchange of views of treasury management staff independent of the treasury management consultants. Officers attend the CIPFA network and other providers meetings on a regular basis throughout the year to ensure that they are up to date at all times on developments in treasury management and continue to develop their expertise in this area.
- 12.3 The training needs of the Treasury Management team are periodically reviewed.

13. GOVERNANCE

- 13.1 The revised CIPFA Treasury Management Code (2011) requires the Council to outline a scheme of delegation thereby delegating the role of scrutiny of treasury management strategy and policy to a specific named body (Audit, Pensions and Standards Committee). In this way treasury management performance and policy setting will be subject to proper scrutiny. The Code also requires that members are provided adequate skills and training to effectively discharge this function.

- 13.2 The role of the Section 151 officer is delegated to the Executive Director of Finance and Corporate Governance (the S151 Officer), pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.
- 13.3 The S151 Officer may authorise officers to exercise on their behalf, functions delegated to them. Any decisions taken under this authority shall remain the responsibility of the S151 Officer and must be taken within the guidelines of the Treasury Management Strategy.
- 13.4 The S151 Officer has full delegated powers from the Council and is responsible for the following activities:
- Investment management arrangements and strategy;
 - Borrowing and debt strategy;
 - Monitoring investment activity and performance;
 - Overseeing administrative activities;
 - Ensuring compliance with relevant laws and regulations;
 - Provision of guidance to officers and members in exercising delegated powers.

Monitoring and Reporting

- 13.5 The Treasury Management activities during the year will be included in the monitoring reports to the Audit, Pensions and Standards Committee.
- 13.6 The Council’s Treasury Management Strategy will be approved annually by full Council and there will also be a mid-year report. The aim of these reporting arrangements is to ensure that those with the responsibility for treasury management policies and activities and those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. The Council will adopt the following reporting arrangements in accordance with the requirements of the revised code:

Area of Responsibility	Council / Committee / Officer	Frequency
Treasury Management Strategy	Full Council	Annually, at meeting before the start of the financial year.
Scrutiny of Treasury Management Strategy	Audit, Pensions and Standards Committee	Annually
Treasury Management Strategy: Mid-year report	1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC	Annually, after the first half of the financial year
Treasury Management Strategy: Updates / revisions at other times	1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC 3. Full Council	As and when required

Treasury Out-turn Report	1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC 3. Full Council	Annually, after year-end
Treasury Management Monitoring Reports	Executive Director of Finance and Corporate Governance	Monthly

14. FINANCIAL AND RESOURCE IMPLICATIONS

- 14.1 The comments of the Executive Director of Finance and Corporate Governance are contained within this report.
- 14.2 This report is wholly of a financial nature.

15. LEGAL IMPLICATIONS

- 15.1 The statutory requirements are set out in the body of the report.
- 15.2 Implications verified/completed by: David Walker, Bi-Borough Principal Solicitor, 020 7361 2211.

16. COMMENTS OF THE AUDIT, PENSIONS AND STANDARDS COMMITTEE

- 16.1 Any comments from the Committee will be reported verbally at the meeting.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Financial monitoring documents & Capital Programme 2014/18 report	Christopher Harris Tel: 0208 753 6440	Finance Department, 2 nd Floor, HTH Extension
2.	Treasury Management Strategy 2014/15 (Approved by Full Council February 2014)	Halfield Jackman Tel: 0207 641 4354	Tri-Borough Treasury and Pensions, WCC City Hall

APPENDIX A

THE TREASURY MANAGEMENT POLICY STATEMENT

The CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes issued as a revised version in 2009 and 2011 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council.

CIPFA recommends that the Council's treasury management policy statement adopts the following form of words below to define the policies and objectives of its treasury management activities.

This Council defines its Treasury Management activities as:

- The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance.

APPENDIX B

UK T-Bills: UK Government Treasury Bills (T-Bills) are short term promissory notes issued by the UK Government at a discount to par, for tenors of up to one year. T-Bills provide a greater yield than cash deposits with the DMO and can be bought at the primary sale (by market makers), or in the secondary market.

UK Gilts: UK Government Gilts provide a greater yield than cash deposits with the DMO. At present, there are a limited number of gilts that will mature in the next two years, and as the shorter dated gilts were issued in a higher interest rate environment than at present, the coupons on these gilts are higher than current interest rates.

UK Government repurchase agreements (Repos): UK Government repurchase agreements are the purchase of UK Government securities with an agreement to resell them back at a higher price at a specific future date. By their nature, repos are short term secured investments in UK Government bonds which provide a greater return than cash deposits with the DMO. Ownership of the UK Government bond is temporarily transferred to the Council, thereby providing security over the funds invested.

Commercial Paper (CP) is similar to a very short term bond issue (up to one year), issued to investors on a discounted basis, and with the interest rate based on prevailing rates at the time of pricing.

Supra-national institutions are those that sovereign backed or supported institutions that span more than one country, such as the European Investment Bank, the European Bank of Reconstruction and Development, the World Bank, etc.

Network Rail: All Network Rail infrastructure debt is directly and explicitly backed by a financial indemnity from the Secretary of State for Transport acting for and on behalf of the government of the United Kingdom of Great Britain. The financial indemnity is a direct UK sovereign obligation of the crown and cannot be cancelled for any reason (prior to its termination date in October 2052). Propose to change TMS limit to unlimited and set the maximum maturity to Oct 2052.

APPENDIX C

A Credit Default Swap (CDS) is a contract between two counterparties in which the buyer of the contract makes quarterly payments to the seller of the contract in exchange for a payoff if there is a credit event of the reference entity. The reference entity is the third party on whom the contract is based. A credit event depends on the Doc Clause (terms and conditions) of the CDS agreement but this usually includes events such as default on coupon payments, restructuring of debt, bankruptcy etc.

The contract essentially gives protection, or “insurance”, to the buyer of the CDS in the case of a credit event of the reference entity. As the CDS market is currently unregulated, it cannot technically be seen as insurance as the seller of the contract does not have to set aside any reserves for any possible future credit event.

As with all swap contracts, a CDS has 2 legs: a fee leg and a contingent leg. The fee leg of the CDS is the leg in which the buyer of the protection pays quarterly payments to the seller. The contingent leg of the CDS is the leg in which the seller of the CDS pays the buyer if a credit event occurs.

The fee leg payments are based on the spread currently traded in the market. The spread of a CDS indicates the market perception of the likelihood of a credit event occurring.

The higher the spread, the higher the cost of protecting against a credit event, the more likely the market considers a credit event will occur. The spread can be likened to an insurance premium paid on.


APPENDIX D

CREDIT RATING AGENCY NOMENCLATURE

Long term ratings	Fitch	Moody's	S&P
<i>Investment Grade</i> Focuses on liquidity and ability to meet payment obligations on time	AAA	Aaa	AAA
	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
	A+	A1	A+
	A	A2	A
	A-	A3	A-
	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
BBB-	Baa3	BBB-	
<i>Non-investment grade (junk)</i> Focus on recovery percentage in the event of partial or total default	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
	B+	B1	B+
	B	B2	B
	B-	B3	B-
	CCC	Caa	CCC
	CC	Ca	CC
	C	C	C
D		D	

Short term ratings	Fitch	Moody's	S&P
Investment Grade	F1+	Prime-1	A-1+
	F1	Prime-2	A-1
	F2	Prime-3	A-2
	F3		A-3
Non-investment grade	B	Not Prime	B
	C		C
	D		D

Agenda Item 8

 hammersmith & fulham	London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 11th February 2015
GRANTS REPORT 2013/14	
Report of the Executive Director of Finance and Corporate Governance	
Open Report	
Classification - For Information	
Key Decision: - No	
Wards Affected: All	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance	
Report Author: Christopher Harris, Head of Corporate Accountancy and Capital	Contact Details: Tel: 020 (8753 6440) E-mail: (christopher.harris@lbhf.gov.uk)

1. EXECUTIVE SUMMARY

- 1.1. The external auditor, KPMG, has finalised the work to certify the Council's grant claims in respect of the 2013/14 financial year.
- 1.2. KPMG's findings are detailed in the letter appended to this report (appendix 1). There are no recommendations arising.

2. RECOMMENDATIONS

- 2.1. To note the KPMG letter.

3. REASONS FOR DECISION

- 3.1. Not applicable.

4. INTRODUCTION AND BACKGROUND

- 4.1 Not applicable.

5. EQUALITY IMPLICATIONS

5.1. Not applicable.

6. LEGAL IMPLICATIONS

6.1. Not applicable.

7. FINANCIAL AND RESOURCES IMPLICATIONS

7.1. Not applicable.

8. RISK MANAGEMENT

8.1. Not applicable

9. PROCUREMENT AND IT STRATEGY IMPLICATIONS

9.1. Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Grant Certification papers	Christopher Harris, 020 8753 6440	Corporate Accountancy and Capital, 2 nd Floor, Hammersmith Town Hall Extension

LIST OF APPENDICES:

Appendix 1 – KPMG Certification of Grants and Returns 2013/14 letter to the Executive Director of Finance and Corporate Governance



KPMG LLP
Public Sector Audit
8th Floor
15 Canada Square
London E14 5GL
United Kingdom

Tel: +44 (0) 207 694 8981
Mobile: +44 (0)7802 975171
Email: andrew.sayers@kpmg.co.uk

Jane West
Executive Director of Finance and Corporate
Governance
Town Hall
King Street
London W6 9JU

Our ref LBH&F Grants/2013-14

28 January 2015

Dear Jane

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit subsidy claim	147,362,641
CFB06 – Pooling of Housing Capital Receipts	10,099,806
Total	157,462,447

Matters arising

We certified the pooling of housing capital receipts return unqualified with no amendments. We qualified the housing benefit subsidy claim following amendment by the Council which reduced the subsidy claim by £4,383.

Housing benefit subsidy claim

Following our review of the Housing benefits claim we identified one error in our initial testing relating to cell 011 where the tax credit entitlement was incorrectly applied. Following our additional 40+ testing we identified a further four errors. All the errors resulted in an underclaim of subsidy and there was no amendment made for these errors.

Two amendments to the subsidy claim form were made by the Council. The first related to an incorrect report originally being run to identify the Council's modified schemes. This resulted in the amount of subsidy claimed being reduced by £4,383.

The second amendment was made in order to address an isolated issue regarding a specific type of applicable amount (lone parent protected rate) being incorrectly applied. This had no effect on the amount of subsidy being claimed.

There was one recommendation included in our 2012/13 Certification Annual Report for the Council to review the controls over the accuracy of the information used to calculate housing benefit. Whilst we certified the 2013/14 Housing benefit subsidy claim with a qualification letter, following amendment, the types of errors found were not out of line with other authorities of this size and complexity and therefore we have not raised any further recommendations this year.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £22,564. Our actual fee for 2013/14 is £34,486 which is higher than the indicative fee but is in line with the 2012/13 fee for these claims of £38,350, as the Housing Benefit Subsidy claim no longer includes the council tax element of the claim. It is our view that the indicative fee for certification of the Housing Benefit subsidy claim did not reflect the amount of work required to certify the claim, the indicative fee is low compared to the amount of work required and the fees charged at comparable authorities of a similar size and complexity.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Estimated Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	19,752	31,674	36,050
CFB06 – Pooling of Housing Capital Receipts	2,812	2,812	2,300
Total	22,564	34,486	38,350

The 2013/14 final fee is still subject to confirmation by the Audit Commission, and consequently our fee information is presented as 'estimated' rather than final.

Yours sincerely


Andrew Sayers
Partner

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, who is the engagement leader to the Authority (telephone 0207 694 8981, e-mail andrew.sayers@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

Agenda Item 9

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) 11 February 2015
TITLE OF REPORT	
Internal Audit Annual Plans 2015/16year	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Senior Audit Manager	Contact Details: Tel: 0208 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit approach used to develop the Internal Audit plans for the 2015/16 year as well as providing the audit plans.

2. RECOMMENDATIONS

- 2.1. To note the 2015/16 year Internal Audit plans

3. REASONS FOR DECISION

- 3.1. To enable the delivery of the audit plans to start from 1 April 2015.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report explains the process for developing internal audit annual plans and provides the 2015/16 year Internal Audit plans for the Committee to note and approve.
- 4.2. The key document for consideration by the Committee is the Internal Audit plans provided at Appendix B.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Planning Process

- 5.1.1. The Initial stage of the planning process for the 2015/16 year was to develop and update the audit universe, which lists all the potential auditable areas within the organisation. An extract from this document is provided as an example at Appendix A for information.
- 5.1.2. At the same time a list of all the entries in the corporate and departmental risk registers that have a medium or high inherent risk rating were listed for consideration for the audit plans. As the risk registers are already reported to Committee separately a copy of this schedule has not been provided here.
- 5.1.3. These two documents were evaluated to consider which areas should go forward into an initial draft plan, taking into account risk, materiality and whether the area has been audited in the last three years. Some of the selected items are standing entries in audit plans because they are inherently always high risk to the council. These include gas safety, financial management, and schools. Other standing entries are for the areas of procurement/contracts and project management, to ensure that contracts and projects are always selected to audit.
- 5.1.4. The initial H&F draft audit plan was produced, incorporated into this was the draft audit plans for the tri-borough and bi-borough audits proposed to be undertaken. This extended plan was discussed with departments to get their feedback and the plan was updated taking into account the feedback from departments to produce a final draft which is the basis for the plan at Appendix B. A similar document will be taken to each of the Internal Audit Committees of the three councils.

5.2. Internal Audit Plan 2015/16 year

5.2.1. As already stated, the draft Internal Audit plan for the 2015/16 year is provided at Appendix B. The plans take into account the evaluation undertaken by Internal Audit, the coordination of audit coverage on a bi- and tri-borough basis, and feedback from departments in relation to the originally planned audit coverage. This is presented to the Committee for their approval.

5.2.2. The plan will continue to be developed as further evaluation of some areas is still under way. Any major update on the current plan will be reported to the next Committee meeting. Changes to the plan will be reported to the Committee as the year progresses, in line with already existing reporting arrangements.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Full supporting documents for Internal Audit reports planning	Geoff Drake Ext. 2529	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A Extract from the Internal Audit Universe

Appendix B Draft Internal Audit Plan 2015/16

Appendix A

Extract from the Internal Audit Universe

Department	System	2010/11	11/12	12/13	13/14	14/15
CORPORATE SERVICES	Annual Governance Statement	R	R	R W	R W	
	Business Intelligence					
	Capital Programme and Monitoring	W		W		
	Corporate Governance	R	R H	R H	H	
TTS						
	Budgetary Control and Financial Management					
	Trading Accounts					
	Borough research					
	Regeneration: King Street and Civic Offices					S
	Grant: Development Control Return (annual return)				H	
	Improvement Grants, loans and other assistance					
	Grant Claims		W		W	
	Grant Funding - Management			W		
	S106 Gain	W		W	W	
	Section 106				H	
	Asset management planning/ civic buildings/estate					
	Corporate health & safety					Bi
	Legionella	R				
	Commercial Property Management		R			

Key

R – RBKC audit; W - WCC audit; H – H&F audit; Bi – Bi-borough audit (LBHF and RBKC)

APPENDIX B

Draft Internal Audit Plan 2015/16

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
ASC			
	Departmental Governance	Tri-borough	Possible audit coverage may include: - Structures and delegations - information sharing protocols, - risk management and assurance - Scrutiny by senior management and Members of each council
	Community Independence Service	Tri-borough	Possible audit coverage may include both the audit of the new procedures and controls plus, auditing outcomes and success against established criteria.
	Transitions	Tri-borough	Possible audit coverage may include: - service funding - production of plans - decision-making.
	Continuing Healthcare Funding	Tri-borough	This should consider coverage of governance issues such as managing the NHS to get the outcomes wanted.
	Joint commissioning	Tri-borough	
	Programme management: Customer Journey	Tri-borough	Possible audit coverage may include: - Programme governance - monitoring - change control - benefits management - risk/issues management - demand management
	Homecare	Tri-borough	Audit coverage to include procurement and/or contract management arrangements of key contracts.
	Homecare electronic monitoring	Tri-borough	Audit coverage to include procurement and/or contract management arrangements of key contracts.
	Care Act	Tri-borough	Implementation from 1/4/2015, plus preparation for second phase due 1/4/2016. Mitigations include mapping interdependencies between programmes and projects, follow national prog office tools and guidance, Care Bill Board, charging workstream. Possible scope to include service delivery of those elements due in place from 1/4/15, review of key programmes and projects and gap analysis against aspects of Care Act requirements

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Mental Health Team Partnerships	Tri-borough	<ul style="list-style-type: none"> - Governance Arrangements - Service objectives and planning - Performance Management and Monitoring - Financial Management
Public Health			
	Departmental Governance	Tri-borough	Governance arrangements, information sharing protocols, role of Members scrutiny of partners risk management undertaken by Scrutiny Committees of each council
	Business planning	Tri-borough	<p>Director and Senior Project Manager to develop a savings plan detailing assumptions with factual information. Strategic business plan.</p> <p>Scope to include:</p> <ul style="list-style-type: none"> - Development and approval of plans - Supporting Information - Links to Corporate objectives and savings targets - Monitoring and Review - Risk Management
	Joint strategic needs assessments	Tri-borough	Collation of evidence, consultation, options assessment, production of reports, delivery of strategies
	Commissioning and contracts: obesity contract	Tri-borough	Identification of procurement needs, development of procurement plans, Audit coverage to include procurement and/or contract management arrangements of key contracts.
	Commissioning and contracts: Cardiovascular contract.	Tri-borough	Identification of procurement needs, development of procurement plans, Audit coverage to include procurement and/or contract management arrangements of key contracts.
	Service delivery audit: Sexual health	Tri-borough	Identification of procurement needs, development of procurement plans, Audit coverage to include procurement and/or contract management arrangements of key contracts.
	Service delivery audit: Drugs and alcohol abuse	Tri-borough	Identification of procurement needs, development of procurement plans, Audit coverage to include procurement and/or contract management arrangements of key contracts.
CHS			
	Departmental governance	Tri-borough	Governance arrangements, information sharing protocols, role of Members scrutiny of partners risk management undertaken by Scrutiny Committees of each council
	Children's and Families Act implementation	Tri-borough	Review key programmes and projects and gap analysis against aspects of the Children & Families Act requirements.

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Fostering	Tri- borough	Areas to consider: <ul style="list-style-type: none"> - Service objectives; - Governance; - Statutory compliance; - Stakeholder engagement/ multi-agency working; - Marketing/ awareness; - Casework; - Data protection; - Assessments; - Financial assessments and controls over payments; - Budgetary control; Cost apportionment & management.
	Adoption	Tri- borough	Areas to consider: <ul style="list-style-type: none"> - Service objectives; - Governance; - Statutory compliance; - Stakeholder engagement/ multi-agency working; - Marketing/ awareness; - Casework; - Data protection; - Assessments; - Financial assessments and controls over payments; - Budgetary control; Cost apportionment & management.
	Leaving care	Tri- borough	Areas to consider: <ul style="list-style-type: none"> - Funding; - Planning & decision making.
	Safeguarding	Tri- borough	Review changes in operational processes (Early Years, Single Front Door, Multi-Agency Safeguarding Hub).
	Troubled families	Tri- borough	Areas to consider: <ul style="list-style-type: none"> - Identifying and recording families for inclusion; - Qualitative and quantitative Reporting against objectives - Budget management - Management of risk - Retention of records Verification of collected and reported data.
	Schools health and safety compliance	Tri- borough	To consider: <ul style="list-style-type: none"> Service objectives; Compliance with legislation and local regulation; Performance management (inspections, data analysis, support offered etc); Management Information; Budgetary control
	Procurement: School meals contract	Tri- borough	To consider: <ul style="list-style-type: none"> - Vertical review of one procurement contract; - Contract management.

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Procurement: Summer works	RBKC only	To consider: - Vertical review of one procurement contract; - Contract management.
	Schools performance	Tri- borough	Likely audit scope to include: Service objectives; Compliance with legislation and local regulation; Performance management (inspections, data analysis, support offered etc); Stakeholder engagement; Management Information; Budgetary control
	Departmental performance management	Tri- borough	Possible coverage to include compliance with corporate policies and procedures in relation to staff performance management
	Avonmore Primary School	LBHF only	- Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Brackenbury Primary School	LBHF only	- Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Fulham Primary School	LBHF only	- Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Greenside Primary School	LBHF only	- Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Kenmont Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	New Kings Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Sullivan Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	All Saints C of E Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Pope John RC Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	St Mary's RC Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	St.Stephen's C of E Primary School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Cambridge School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Wood Lane High School	LBHF only	<ul style="list-style-type: none"> - Governance and Leadership - Financial Management - Procurement - Staff Expenses & Petty Cash - Income - Payroll - Head Teachers Pay - Assets and Inventory - Leasing - Unofficial Funds
	Family Centre, 1 Ashkam Road	LBHF only	<ul style="list-style-type: none"> - Policies, Procedures & Legislation - Referrals - Risk Assessments - Staffing (including DBS Checks) - Procurement and Petty Cash - Client Monies - Inventory and Stocks - Performance Management
IT			-
	Information Governance / Data Risk and Loss Prevention	Tri- borough	Review measure taken to limit data loss and use of third party tools / external emails to receive / send secure docs

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Mobile Device Management Solution	Tri- borough	Implementation of Airwatch and other similar solutions across TriB for mobile devices
	Security Incident Management	Tri- borough	Triborough arrangements for incident management sharing of knowledge and lessons learned
	Cyber Security	Tri- borough	Approach to cyber security, utilise checklist provided to assess level of compliance with best practice
	IT Governance and Strategy	Tri- borough	Revisit of governance and strategy review undertaken in 2013
	Cloud Services and Solutions	Tri- borough	Development / use of Cloud Service Solutions following on from 2014/15 audit
	Managed Services IT audits various	Tri- borough	Various IT audits related to MSP programme
	Network Security	Tri- borough	TBC
	Server Infrastructure	Tri- borough	TBC
	Shared Apps Programme	Bi- borough	Review of shared apps implementation for bi borough services incl Parking Environment Services
	Parking System Implementation	Bi- borough	Application review of newly procured system
	IT Project Management	RBKC only	System and process review of IT projects
	Third Party Remote Access to Council Systems	RBKC only	Review of controls over access to council information and data by external third parties
	Software Licensing	RBKC only	Compliance review with software licencing requirements
	Disaster Recovery Arrangements	RBKC only	DR and BC arrangements for council network and business critical applications
	Print Service	RBKC only	Printing cost management including recharges
	IBS Housing System (Temp Accom)	RBKC only	Housing system IT application
	Accolaid System	RBKC only	Planning Environmental Services IT application

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	IT Asset Deployment incl recharges	RBKC only	Management of IT assets incl recharges across Bi and TriB
	IDOX system hosted	LBHF only	Review of locally hosted document management system confirm scope with J Hudson
	Third Party Remote Access to Council Systems	LBHF only	Review of controls over access to council information and data by external third parties
	Software Licensing	LBHF only	Compliance review with software licencing requirements
	Housing applications	LBHF only	Various systems including rents
	Internet monitoring	Tri-borough	TBC
TTS			
	Highways maintenance and footpaths	Bi-borough	To cover planned and reactive road repairs and maintenance Potential audit scope to include: - identifying requirements (eg condition survey, public reporting) - maintenance plans, linked to funding - monitoring delivery and quality identification of potential repairs - prioritisation and timing - delivery and quality
	EH: Commercial Services Health & Safety and Food safety	Bi-borough	Audit scope may include: - identification of premises - training and education - programme of visits and reporting - follow up of failed visits - complaints handling and investigation

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Building Control	LBHF only	<p>Internal Audit of the procedures and controls in place in Building Control to ensure that new buildings and refurbishment projects notified to the Council are constructed in accordance with Building Regulations, and to provide management with assurance of Compliance with statutory requirements and Departmental policies and procedures, and Completeness and accuracy of records.</p> <p>Audit scope may include: Policies and Procedures Public Awareness Dangerous Structures Compliance with Building Regulations Building Control charges</p> <p>To possibly include comparison of charges with other adjoining authorities</p>
	Building Control	RBKC only	<p>Internal Audit of the procedures and controls in place in Building Control to ensure that new buildings and refurbishment projects notified to the Council are constructed in accordance with Building Regulations, and to provide management with assurance of Compliance with statutory requirements and Departmental policies and procedures, and Completeness and accuracy of records.</p> <p>Audit scope may include: Policies and Procedures Public Awareness Dangerous Structures Compliance with Building Regulations Building Control charges</p> <p>To possibly include comparison of charges with other adjoining authorities</p>
	Pothole Fund Grant	LBHF only	Audit certification of grant fund return
	Licensing: Premises	Bi-borough	<ul style="list-style-type: none"> - Policies and Procedures - Application Processing - Income Collection and Debt Recovery - Enforcement - Performance Management - Budgetary Control
	Total Facilities Management	Tri-borough	Possible audit coverage may include the management of LINK, and contract management of the Amey contract
ELRS			

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Recycling and waste reduction	Bi-borough	Mitigations include set up of waste innovation group, regular sampling of waste, vigorous enforcement, accessible smart banks, small electrical items recycling and other recycling facilities. Close monitoring of contamination levels, regular use of clear sacks and education campaign, investigate incidents, Waste Innovation Group set up.
	Trade Waste	Bi-borough	Audit scope may include: Fee setting Income and charging Service delivery Anti-fraud arrangements
	Grounds maintenance contracts	Bi-borough	<ul style="list-style-type: none"> - Contract Formalities - Schedule of Works - Ad Hoc Works - Payments - Performance Monitoring - Budgetary Control
	Registrars	LBHF only	Audit scope may include: Income and expenditure Controlled stationery Handling applications Booking weddings Issuing certificates
	Coroners and Mortuary	LBHF only	Possible audit coverage may include: Policies and procedures Secure storage Personal property Income Case management Payments Financial management
	Service review: to be agreed	Bi-borough	Possible audit coverage may include: <ul style="list-style-type: none"> - Implementation plans - Prioritisation of actions - Tracking of delivery of benefits - Effective implementation of recommendations
	Service review: to be agreed	Bi-borough	Possible audit coverage may include: <ul style="list-style-type: none"> - Implementation plans - Prioritisation of actions - Tracking of delivery of benefits - Effective implementation of recommendations
	Service review: to be agreed	Bi-borough	Possible audit coverage may include: <ul style="list-style-type: none"> - Implementation plans - Prioritisation of actions - Tracking of delivery of benefits - Effective implementation of recommendations
	Arts	RBKC only	Governance, budgetary control

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
Corporate Services			
Corporate			
	Tri-Borough governance and decision-making	Tri-borough	Possible audit coverage may include: <ul style="list-style-type: none"> - Structure and organisation of boards - Boards' terms of reference and decision making - Reporting to boards
	Grants income	Tri-borough	Coverage may include policy and procedures, identification of opportunities and raising of bids where appropriate, receipt and allocation of funds, setting objective/benefits related to the funding, monitoring and reporting on spend, delivery and performance.
	Business Rates retention Scheme	LBHF only	Strategy, policies and Procedures Processes in place for identifying and calculating retention / liability.
	Corporate and Partnership Governance	LBHF only	Coverage to be selected from the three year rolling scope
	Corporate and Partnership Governance	RBKC only	Annual coverage of the governance arrangements to include corporate structures, committee structures, policies and procedures, formal delegation of powers, etc.
	Corporate and Partnership Governance	WCC only	Annual coverage of the governance arrangements to include corporate structures, committee structures, policies and procedures, formal delegation of powers, etc.
	Risk management	Bi-borough	To be selected from the scope under comments
	Election expenses: General election	LBHF only	<ul style="list-style-type: none"> - Setting the Election Budget - Budget Monitoring and Reporting - Payments to Contractors and Suppliers - Payments to Staff - Preparation and Submission of Claim Form
	PREVENT	LBHF only	<ul style="list-style-type: none"> - Governance - Expenditure - Financial Management - Performance / Outcome Monitoring
	Staff taxi service	Bi-borough	Possible audit coverage may include: <ul style="list-style-type: none"> - Procurement and contract management of service - availability and awareness of service - value and use of service
	Departmental performance management	Tri-borough	Possible coverage to include compliance with corporate policies and procedures in relation to staff performance management
Finance	Accounts receivable (Debtors)	Tri-borough	Key financial system audit (new Managed Services system)

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Accounts payable (Creditors)	Tri-borough	Key financial system audit (new Managed Services system)
	General Ledger	Tri-borough	Key financial system audit (new Managed Services system)
	Budgetary control and financial management	Tri-borough	Key financial system audit (new Managed Services system)
	Managed Services: Intelligent Client Function	Tri-borough	Audit of the governance and oversight structures in place within the intelligent client function.
	NNDR	LBHF only	Key financial system
	CTax	LBHF only	Key financial system
	Housing Benefit	LBHF only	Key financial system
	NNDR	RBKC only	Key financial system
	CTax	RBKC only	Key financial system
	Housing Benefit	RBKC only	Key financial system
	NNDR	WCC only	Key financial system
	CTax	WCC only	Key financial system
	Housing Benefit	WCC only	Key financial system
HR	Payroll	Tri-borough	Payroll Transactions and Records Starters Leavers Amendments Payments
	Recruitment and selection	Tri-borough	Policies and Procedures Authority to Recruit Shortlisting and Selection Pre-employment checks
	Sickness absence management	Tri-borough	Policies and Procedures Recording, Certification Short Term Sickness Long Term Sickness Sickness Monitoring and Reporting
	DBS	LBHF only	Audit of the processes for the identification of officers needing DBS clearance, applying for coverage, receipt and confirmation of results, dealing with failures, renewals.

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	DBS	RBKC only	Audit of the processes for the identification of officers needing DBS clearance, applying for coverage, receipt and confirmation of results, dealing with failures, renewals.
	Performance related pay	Tri-borough	Review of the processes to approve schemes, their in-year management, assessment and calculation of rewards.
Procurement	Vertical audits	LBHF only	<ul style="list-style-type: none"> - Strategic Assessment and Business Justification; - Contract Strategy; - Market Building; - Delivery/Procurement Strategy; - Selection of Contractors / Service Providers; - Procurement and Award of Contract; - Form of Contract and Contract Conditions
	Contracts register	Tri-borough	<ul style="list-style-type: none"> - Policies and Procedures - Identifying Contracts to be included on the Register - Quality of Information and Completeness of the Contracts Register - Management Reporting
	Spot purchasing	Tri-borough	Needs analysis, contracting, purchasing, payment, monitoring of benefits
H&F Direct (LBHF only)	Call centre administration	LBHF only	<p>Where this outsourced scope would cover contract management.</p> <p>Contract Formalities Contract Monitoring and Performance Management Payments Budget Management Value for Money</p>
	Concessionary fares, taxicards, blue badges	LBHF only	Possible audit coverage may include: Policy and procedures: applications, assessments, approvals/rejections, issue of tickets, terminations, monitoring use, anti-fraud
HRD			
	Regeneration and Economic development	LBHF only	Possible audit coverage could include: Projects progress; control and management of projects; capacity to deliver
	MITIE	LBHF only	Possible audit coverage could include: Contractor performance management; residents feedback, delivery of expected benefits; achievements of additional benefits expected from the contract; accurate reporting of KPIs by contractor
	Garages	LBHF only	<ul style="list-style-type: none"> - Policies, Procedures and Guidance - Applications and Maintenance of Waiting List - Allocation of Garages - Income Collection and Deb Recovery - Monitoring

Dept	Subject	Tri- bi- or Single Borough Audit	Potential scope
	Right to Buy	LBHF only	Receipt of applications, assessment of validity, anti-fraud checking, decision-making and notification, enacting decisions
	Terminations, transfers and exchanges	LBHF only	Policy and procedures, Receipt of applications, assessment, decision-making, notification, enacting decisions
	Housing rents	LBHF only	Annual uprating, billing, automated payments and payment options, collection and allocation, debt management
	Housing Revenue Account management	LBHF only	To cover compliance with policies and procedures and monitoring arrangements.
	Strategic Housing Stock Options Appraisal	LBHF only	2 audits - One of the options appraisal/ consultation process including complaints management. Then if stock is to be transferred an audit of that process.
	Gas safety: temporary accommodation	LBHF only	<ul style="list-style-type: none"> - Identification of Required Visits - Completion of Inspections - Variations - Work Requests - Performance Management and Quality Assurance
	Section 20 Agreements	LBHF only	<ul style="list-style-type: none"> - Identification of S20 Requirement - Processing of S20 Agreements