

Audit, Pensions and Standards Committee

Agenda

Tuesday 12 March 2019 at 7.00 pm
Committee Room 1 - Hammersmith Town Hall

MEMBERSHIP

Administration	Opposition
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rebecca Harvey Councillor Asif Siddique	Councillor Alex Karmel Councillor Matt Thorley

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Date Issued: 04 March 2019

Audit, Pensions and Standards Committee Agenda

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To approve the minutes of the previous meeting and to note the outstanding actions.	
2. APOLOGIES FOR ABSENCE	
3. DECLARATIONS OF INTEREST	
If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the 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 disclosable pecuniary interest or other significant 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.	
Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.	
Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.	
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Agenda Item 1

London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee Minutes



Wednesday 12 December 2018

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Rebecca Harvey, Asif Siddique and Alex Karmel

Officers:

Andrew Hyatt (Head of Fraud)
Mike Sloniowski (Risk Manager)
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Hitesh Jolapara (Strategic Director of Finance and Governance)
Phil Triggs (Director of Treasury and Pensions)
Steph Robson (Finance)
Peter Smith (Head of Policy and Strategy)
Emily Hill (Assistant Director of Corporate Finance)
Jo Rowlands (Strategic Director of Growth and Place)
Lisa Redfern (Director of Social Care and Public Services Reform)
Mark Grimley (Director of Corporate Services)
Steve Miley (Director of Children's Services)
Kim Dero (Chief Executive)
David Abbott (Scrutiny Manager)

1. MINUTES OF THE PREVIOUS MEETING

Councillor Alex Karmel asked for updates on the pending actions from the action tracker.

Actions 4 and 5 (September 2018) - David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that the company was incorporated in June then the Directors were appointed after Cabinet approval. A briefing note on this would be sent to the Committee. Councillor Karmel raised concerns that the company was incorporated before Cabinet approval. David Hughes said there would be a full report on LBHF Ventures at the next meeting.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Matt Thorley.

3. DECLARATIONS OF INTEREST

Councillor Alex Karmel declared a general non-pecuniary interest in pensions matters as a deferred member of the Local Government Pension Scheme.

4. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2018-19

Phil Triggs (Director of Treasury and Pensions) presented the report that updated members on the delivery of the 2018/19 Treasury Management Strategy. A six-month review was recommended as best practice by CIPFA.

Phil Triggs noted that as at 30 September 2018, net cash invested was £94m, a decrease of £28m on the position at 31 March 2018. He then provided a breakdown of investments – shown in table 4.4 of the report. He noted that since the report was written officers had decided to cash in the enhanced cash funds as they were not performing to the required level.

Councillor Alex Karmel asked for clarity over the note in the table on page 17 that said £255m had been removed in October 2018. Hitesh Jolapara (Strategic Director of Finance and Governance) said that referred to the HRA debt cap which had recently been removed by the Government.

The Chair asked officers what their key concerns were going forward. Phil Triggs responded that his key concern was the general uncertainty in the markets. Markets didn't like uncertainty. Hitesh Jolapara agreed – his key concern was the US economy and the potential there for a recession.

RESOLVED

That the Committee noted the Annual Treasury Management Strategy 2018/19 mid-year review.

5. BREXIT IMPACT REPORT

Peter Smith (Head of Policy and Strategy) presented the briefing note that updated members on the potential impacts of Britain leaving the EU on the borough and the mitigating actions being planned.

Peter Smith noted the recent assurances from the Government that in the event of 'no deal' EU citizens in the UK would retain their settled status. The deadline to apply is June 30, 2021.

Regarding the impact on the workforce officers had concerns around social care and had requested contingency plans from suppliers in the event of 'no deal'. The Council had also set up a cross-departmental resilience group looking at supply chain issues.

Councillor Alex Karmel asked about the deadline for applying for settled status and whether it was just for the initial application or for the whole process. Peter Smith said it was just for the online application process.

Councillor Jonathan Caleb-Landy noted there was already a nursing crisis and a lack of NHS staff in many hospitals and care facilities. He asked if officers were worried about local hospitals suffering from lack of staff. Peter Smith said that was the biggest concern for health and social care commissioners. The Kings Fund have lobbied the Government to enable provisions to bring in social care staff from outside the EU. The Association of Directors of Adult Social Care had also been lobbying on the impact on the social care workforce.

The Chair said he had a number of concerns about the application process for settled status. Was the Council offering HR advice to staff to support them through the process? Mark Grimley said they had developed online tools for staff to help them and officers were looking at supporting staff members applications.

The Chair noted that there were lots of young EU citizens in the borough but also a number of older residents. What support could we offer these residents? Peter Smith said the Government had instructed the Home Office to be generous – they were not looking to exclude people. Officers expected a public campaign to be launched very soon.

The Chair asked if there had been contact with the third sector on these issues. Peter Smith said the Council had not briefed them yet. Officers were waiting until the process was clearer. He said they could brief them after the Government's most recent statements.

RESOLVED

The Committee noted the briefing paper.

6. ANTI-FRAUD MID-YEAR REPORT

Andrew Hyatt (Head of Fraud) presented the report that provided an overview of fraud related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2017 to 30 September 2018. He noted that there had been a major improvement on tenancy fraud following integrated working with the housing team.

The Chair, referring to 1.4 of the report, noted there had been a big change in high and medium risk fraud. Andrew Hyatt said a small number of cases could skew these figures – e.g. NNDR fraud over a number of years.

Councillor Jonathan Caleb-Landy said it would be useful for the Committee to know the total number of cases the Council was pursuing. Officers said they would add this to the next report.

Councillor Alex Karmel felt the number for Right-to-Buy fraud seemed low – only 12 instances and £16k. Andrew Hyatt said the calculation was based on cashable - rather than notional values.

Councillor Alex Karmel noted that there seemed to be a lack of coherence across the Council as to how each department used the Proceeds of Crime Act. Andrew Hyatt said that had been identified – currently there was one officer responsible for that and therefore had a huge caseload. The fraud team were training the legal department so they better understood the trigger points. The team had also set up an enforcement forum to bring people together from across departments to share knowledge and good practice on these issues.

Councillor Karmel suggested that, given this was an area that could generate income, the Committee should recommend increasing the number of officers in this area. Andrew Hyatt said there was a potential invest-to-save case to be made but officers would have to build a business case. The Chair asked officers to look into this.

RESOLVED

The Committee noted the fraud work undertaken during the half year period from 1 April 2018 to 30 September 2018.

7. REVIEW OF ANTI-FRAUD POLICIES

Andrew Hyatt (Head of Fraud) presented the report containing three revised anti-fraud policies:

- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Fraud Response Plan

David Hughes also noted that a new online reporting tool had been launched for staff. He added that the team had been working with Learning and Development and a new learning programme would be going live in the new year. The programme included information on bribery and corruption, whistleblowing, and procurement fraud.

Councillor Rebecca Harvey asked if this training would be mandatory for staff. David Hughes said not at first – but some elements will eventually be mandatory.

Councillor Jonathan Caleb-Landy asked if there had been any external challenge and had learning from other Councils been incorporated. Andrew Hyatt said much of the policies and training materials were based on best practice from around the Country. Whistleblowing was a key area – it was important to make it very clear and simple for staff.

Councillor Jonathan Caleb-Landy said it would be helpful for some context in future reports - what's changed since the last policy. Any associated updates to national legislation etc.

RESOLVED

The Committee noted the updated anti-fraud policies.

8. INTERNAL AUDIT QUARTERLY UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report that summarised internal audit activity during the period 1 July to 31 October 2018 and the outcomes of follow up work undertaken for the 12-month period up to 31 October 2018. He noted there were no limited assurance reports – and that was indicative of the emphasis SLT has placed on assurance and risk.

David Hughes noted there was further work to do though – and to that end a report on LBHF Ventures would be coming to the next meeting.

The Chair asked if the issues with pension fund membership data had been resolved. Mark Grimley noted that the vast majority of data (over 99 percent) had been successfully transferred between the old and new providers. There were still a number of issues on pensions to be resolved due to transfers between funds (affecting people who had worked for a number of councils over their career for example). There were also some issues with teachers pensions as we had to rely on third-party providers for information.

Hitesh Jolapara reported that the new Finance, HR and Payroll system went live from 1 December. There had been no major issues and all indications were good.

The Chair noted the significant progress made by officers and thanked them for their hard work.

RESOLVED

That the Committee noted the contents of the report.

9. RISK MANAGEMENT HIGHLIGHT REPORT

Mike Sloniowski (Risk Manager) presented the report that provided members with an update on risk management and presented the Corporate Risk Register for consideration.

The Chair asked about risk work undertaken relating to the decant from the Town Hall. Mike Sloniowski said he was working closely with the information management team and the decant logistics teams. He said there were positive assurances there.

Councillor Jonathan Caleb-Landy noted that on recruitment of staff two 'reds' had been moved to 'yellow'. He asked if Brexit was factored in to this assessment. Mike Sloniowski noted that the organisation had done a lot of work on its new people strategy which was why the risks had been downgraded – but Brexit did have an impact on concerns.

Mark Grimley said the risks reflected workforce planning and future need – the Council currently had a high use of agency staff and high staff turnover. HR officers were prioritising areas that were the highest risk – i.e. social care and some specialists. The risk will go down as some of this work comes through.

Councillor Alex Karmel noted that in paragraph 4.4 the Brexit risk was incorrectly labelled as risk 25 (not 26).

Councillor Karmel asked if, given the week's events, officers keeping this area under review? Mike Sloniowski said he was in regular contact with the contingency planning team. David Hughes said there had been a thorough review of the business continuity plan and a service resilience group had been set up.

Councillor Rebecca Harvey asked if staff were being properly supported throughout the decant process. Mark Grimley said officers had set up a corporate programme management office and they had carried out dependency mapping every few weeks. A new corporate programme, 'Hello Future', was defining what it will be like working in this organisation over the next few years. The decant will help the Council learn how to work more effectively in a new environment. Staff have been incredibly resilient. Staff want these changes – i.e. better technology and more appropriate buildings and facilities.

Kim Dero noted that Adult Social Care and Children's Services were primarily based in 145 King Street and wouldn't be affected. The initial decant wouldn't impact the whole workforce but the new mobile ways of working would be rolled out to everyone.

The Chair noted the increase in Children's Services placements (risk 22) of 50. Steve Miley confirmed that numbers had increased from 185 to 244 over a three-year period. The Chair asked what was driving this increase. Steve Miley said it was a mixture of increasing social problems, particularly with adolescents – County Lines, sexual exploitation, social media fuelled violence. Austerity and poverty had a major impact. Steve Miley said there was a national increase in recent years.

The Chair asked officers if the recent increase in youth violence worried them. Steve Miley said it was a worry - some traditional social work ways of intervening didn't work with this group. Officers were considering new ways of working, including setting up an adolescent unit that could work with young people to draw them away from these behaviours.

Councillor Alex Karmel, also on risk 22, noted there were significant financial implications for the Council when a child was taken into care. He asked if the Council had the resources to deal with the increase. Steve Miley said it would create a budget pressure but this was being dealt with internally.

Councillor Alex Karmel noted a link between risks 4 (Public Health funding reductions) and 10 (complexity of working with health partners). Mike Sloniowski said these were separate issues – but officers shared members concerns about the NHS and the impact on the social care system.

RESOLVED

That the Committee noted the contents of the report – and reviewed and considered the contents of the Corporate Risk Register.

10. DATES OF FUTURE MEETINGS

The next meeting was scheduled for 12 March 2019.

Meeting started: 7.00 pm
Meeting ended: 8.22 pm

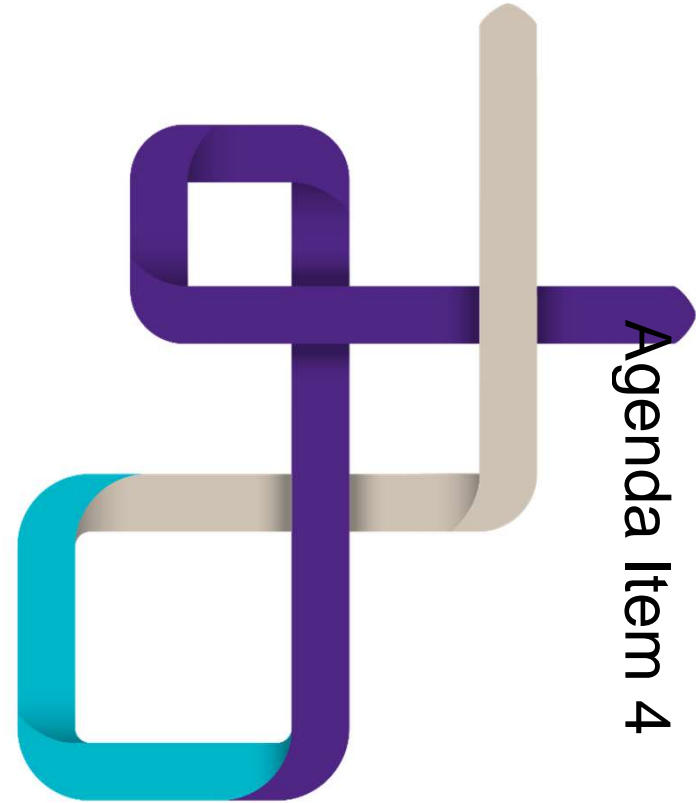
Chair

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External Audit Plan

Year ending 31 March 2019

London Borough of Hammersmith and Fulham
London Borough of Hammersmith and Fulham Pension Fund
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February 2019



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to the Council as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to the Council for reporting all of the risks which may affect the Council and Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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Purpose

This document provides an overview of the planned scope and timing of the statutory audits of the London Borough of Hammersmith and Fulham ('Council') and London Borough of Hammersmith and Fulham Pension Fund ("the Fund") for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council and the Fund. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on:

- the Council and the Fund's financial statements which have been prepared by management with the oversight of those charged with governance (the Audit, Pensions and Standards Committee); and
- the Council's Value for Money arrangements are in place for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Pensions and Standards Committee of your responsibilities. Our audit approach is based on a thorough understanding of the your business and is risk based.

Headlines

Significant risks identified for the Council

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as follows:

- management override of controls;
- valuation of property, plant and equipment;
- valuation of pension fund net liability; and
- the implementation of the new general ledger resulting in material misstatements across the accounts.

Significant risks identified for the Fund

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as follows:

- management override of controls;
- the valuation of Level 3 investments; and
- the implementation of the new general ledger resulting in material misstatements across the accounts.

We will communicate significant findings in these areas as well as any other significant matters arising from the audit in our Audit Findings (ISA 260) Report.

Materiality for the Council

We have determined planning materiality to be £13 million (PY: £12 million), which equates to 1.8% of the Council's prior year gross expenditure for the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £650,000 (PY: £600,000).

Materiality for the Fund

We have determined materiality at the planning stage of our audit to be £18 million (PY: £17 million) for the Fund, which equates to 1.8% of the Fund's net assets for the prior year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £850,000 (PY: £850,000).

Value for Money arrangements (Council Only)

Our risk assessment regarding the Council's arrangements to secure value for money have identified the following VFM significant risks. We will consider:

- the Council's arrangements for delivering financial sustainability; and
- whether the Council has adequate arrangements in place to address the risks of departing from the European Union.

Audit logistics

Our interim visits took place in January and February 2019 and our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £126,242 (PY: £163,950) for the Council audit and £16,170 (PY: £21,000) for the Fund, subject to you delivering a good set of financial statements and comprehensive and accurate supporting working papers, and responding to audit queries promptly.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit of the Council

Key business risks

The wider economy and the Council's financial position

The challenging financial climate resulting from year on year funding reductions, increased demands for services has continued to adversely impact Local Government. You have identified that gross savings of £15 million for 2018/19 are required to ensure a balanced budget. The proposed savings are focussed on measures which aim to avoid service reductions e.g. additional income generation, efficiencies and other transformation work streams.

At month 6, you are reporting a projected overspend against budget of £6.1 million, a small decrease from the month 6 projected overspend, with particular pressure in the areas of children's services, public services reform and other services to residents. Action plans of £1.5 million are proposed as partial mitigation. If delivered they will reduce the forecast overspend to £4.6 million. Any overspend in the year will need to be met from reserves. In setting the 2018/19 budget, you have frozen council tax and have not levied the social care precept, in addition, charges for parking, social care, housing, markets and libraries have not been increased.

In 2020/21, funding for local government will transform as part of the next stage of Business Rates Retention as well as reflect the outcomes of the Government's Fair Funding review. This review will update the formulae which calculates the level of relative needs, assesses deprivation levels and takes into account population and other demographics for each local authority. You will need to re-model your future finances following the outcome of this review.

In common with other local authority areas, you are experiencing significant pressures in the High Needs Block and Early Years Block, funded through Dedicated Schools Grant this is forecast to be overspent by a cumulative £13.5 million by the end of 2018/19.

Focusing on the future, your Medium Term Financial Plan reports a cumulative budget funding gap of around £36 million by the end of 2022 and significant savings plans will need to be implemented in order to maintain financial balance.

Implementation of new Ledger

During the year, you migrated the financial ledger from Agresso hosted by BT to SAP hosted by Hampshire County Council. The balances in the existing ledger transferred to the new ledger, with the individual transaction data copied to an archive facility. The move to the new financial ledger creates several risks including ensuring the quality of existing data on Agresso is verified and then transferred accurately and completely to new codes within SAP. You will also need to ensure that staff are properly trained on the new system and that you continue to pay suppliers and staff in accordance with agreed terms and conditions.

Brexit

With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on the Council.

You are considering the implications and challenges and report in a Brexit Briefing periodically to members.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will review management's assessment of the key changes to the financial reporting requirements for 2018/19.

As part of our financial statements opinion, we will consider whether the Council's financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

We will invite members of the finance team to our local government final accounts workshops, to discuss financial reporting issues at an early stage and facilitate cross-council discussion in respect of key issues impacting the financial statements.

We identified a significant audit risk relating to the data migration to the new ledger. We will follow up on the work of our IT specialists and continue to work closely with you and the audit teams for your partners to ensure the audit process is delivered

Key matters impacting our audit of the Fund

External Factors		Internal Factors
<p>SI 493/2018 – LGPS (Amendment) Regulations 2018 Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated Funding Strategy Statements.</p> <p>Guaranteed Minimum Pension (GMP) Pension funds are continuing to work through the GMP reconciliation process.</p> <p>In January 2018, the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.</p>	<p>Changes to the CIPFA 2018/19 Accounting Code The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.</p> <p>The Pensions Regulator (tPR) The tPR Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and tPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.</p>	<p>Implementation of SAP As explained on page 5, the move to SAP represents a significant audit risk and this risk will equally apply to the Fund.</p> <p>Pooling The Fund remains committed to pooling its assets with the London Collective Investment Vehicle (LCIV) where suitable mandates become available. The Council has been active in the transfer of assets under management to the London Collective Investment Vehicle (CIV) to gain efficiencies and fee reductions.</p> <p>The Fund has a pensions strategy, which is approved by the Pensions sub committee.</p>
Our response		
<p>We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.</p>	<p>We will keep the fund informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.</p> <p>As part of our opinion on the financial statements, we will consider whether the Council’s financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.</p> <p>We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.</p>	<p>We identified a significant audit risk relating to the data migration to the new ledger. We will review the process over the data migration and ensure the data transfer is complete and accurate.</p> <p>Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions.</p>

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to the Council and Fund in our Audit Findings Report in July 2019.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The risk that revenue includes fraudulent transactions	Council and Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the Council's and the Fund's revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk.</p>
Management over-ride of controls	Council and Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council and Fund face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for the Council and the Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council only	<p>The Council revalues its land and buildings on a rolling five-yearly basis. Council houses are revalued annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.7 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register and financial statements; • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • evaluate management's assessment of property values in the light of Britain leaving the European Union on 29th March 2019.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council only	<p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£649 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • assess the related impact of Britain leaving the European Union on 29 March 2019.
Incomplete or inaccurate financial information transferred to the new general ledger	Council and Fund	<p>In December 2018, the Council implemented a new general ledger system. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system.</p> <p>We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the Council's arrangements and controls over the transfer of data from the old system to the new system, and the controls over the completeness and accuracy of data transferred; • map the closing balances from the redundant general ledger (Agresso) to the opening balance position in the new ledger (SAP) to assess accuracy and completeness of the financial information, undertaking sample testing as appropriate; and • complete an information technology (IT) environment review to document, evaluate and test the IT controls operating within the new general ledger system.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	Fund only	<p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£55 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2019.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • assess the related impact of Britain leaving the European Union on 29 March 2019.
Valuation of Level 2 Investments	Fund only	<p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as an other risk</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • assess the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • agree the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; • request year-end confirmations from investment managers and custodian; • where necessary, test a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. We may consider the use of our specialist valuation team; • for direct property investments agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert; and • assess the related impact of Britain leaving the European Union on 29 March 2019.

Other matters

Other work

The Fund is administered by the Council, and the Fund's financial statements form part of the Council's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Council and the Fund, as follows:

- We read the Narrative Report and Annual Governance Statement and any other information published alongside the financial statements to check that they are consistent with the Council's financial statements and the Fund on which we give an opinion, and consistent with our knowledge
- We carry out work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on the Council's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about the Council or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Council or Fund under section 24 of the Act, copied to the Secretary of State;
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - issuing an advisory notice under Section 29 of the Act.
- We certify completion of the audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's or the Fund's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

PSAA Contract Monitoring

London Borough of Hammersmith and Fulham opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the attached presentation. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Our consideration

Planned audit response

1

Calculation and determination

We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Council and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.

We determine planning materiality in order to:

- estimate the tolerable level of misstatement in the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- calculate sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements

- We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the previous financial year. Materiality at the planning stage of our audit is £13 million (PY: £12 million), which equates to 1.8% of the Council's prior year gross expenditure on cost of services.
- For the Fund, we have determined financial statement materiality based on a proportion of the Fund's net assets. Our materiality at the planning stage is £18 million (PY: £17 million) which equates to 1.8% of the Fund's actual net assets for the year ended 31 March 2018.

2

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.

- We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £28,000.

3

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

- We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality

4

Matters we will report to the Audit, Pensions and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Pensions and Standards Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

- In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £650,000 (PY: £600,000).
- In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £850,000 (PY: £850,000).
- If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Pensions and Standards Committee to assist it in fulfilling its governance responsibilities.

Value for Money arrangements

Background to our VFM approach

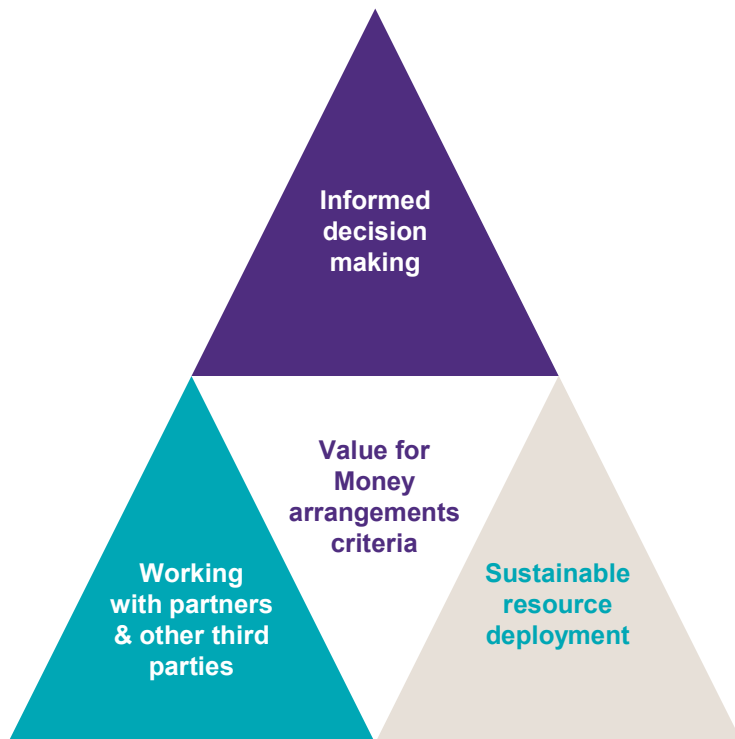
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Council have proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risk

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial Sustainability

You face a number of financial challenges over the both the short and medium term, including managing the impact of reductions in government funding totalling £70 million since 2010/11, increasing demand for services in part through increasing development within the Borough, the impact of changes to business rates retention and the outcome of the Government's fair funding review. You are currently forecasting a budget shortfall of £6.1 million and although you are developing mitigating actions any shortfall will need to be met from reserves.

Overspends predicted in the high needs school and early years block totalling £13.5 million will also be funded through reserves. You are maintaining a healthy level of usable reserves, which increased by £12 million in 2017/18.

In response to this risk, we will:

- review the arrangements in place to monitor and report performance against budget and savings plans.
- consider the arrangements for medium term financial planning including the assumptions made in this forecast.



Brexit

With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on the Council, which you will need to plan for.

You currently produce a Brexit Briefing, which updates the Audit, Pensions and Standards Committee on the potential impacts of Brexit on the Council and the mitigating actions being planned or developed.

In response to this risk we will:

- Review the Council's arrangements and plans to mitigate any risks on Brexit. Our review will focus on areas such as workforce planning, supply chain analysis and impacts on finances including investment and borrowing as well as any potential impact on the valuation of the Council's and Pension Fund assets.

Audit logistics & fees



Audit fees

The planned audit fees are £126,242 (PY: £163,950) for the financial statements audit of the Council, and £16,170 (PY: £21,000) for the financial statements audit of the Fund, completed under the Code, which are in line with the scale fees published by PSAA. In setting the fee, we have assumed that the scope of the audits, do not significantly change.

Where additional audit work is required to address risks relating to the application of changes to International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers and the Council’s recognition and accounting treatment of income from contracts and IFRS 9- Financial Instruments, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, the Council and Fund must ensure that:

- All audit queries in our interim and final work are responded to in a timely manner and all required samples provided to enable completion of the interim audits within the agreed timetable.
- The draft accounts provided to us are accurate with minimal errors. Supporting schedules to all figures in the accounts and other working papers are provided to us in accordance with the agreed upon information request list. This must include all notes, the narrative report and AGS.
- The agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples. All supporting schedules are clearly presented and agree to figures in the accounts.
- Key management and accounting staff identified in our information request list are available throughout the duration of our audit visits to help us locate information and to provide explanations.
- All audit queries are resolved promptly and fully and within agreed timescales.

If any of the above requirements are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give the Council timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage the Council to contact us to discuss these or any other independence issues with us. We will also discuss with the Council if we make additional significant judgements surrounding independence matters. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to the Council's attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and the Fund. The following other services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefits claim	13,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work for 2018/19 will be £13,000 in comparison to the total fee for the audit of £126,242 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Pensions and Standards Committee.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

In addition Grant Thornton LLP is the auditor of HSF LLP and HSF 2 Developments Ltd, joint venture entities of the Council. Fees of £3,700 for tax compliance services and accounts formatting £1,750 were undertaken during the year.

Appendix A: Audit approach

Use of audit, data interrogation and analytics software

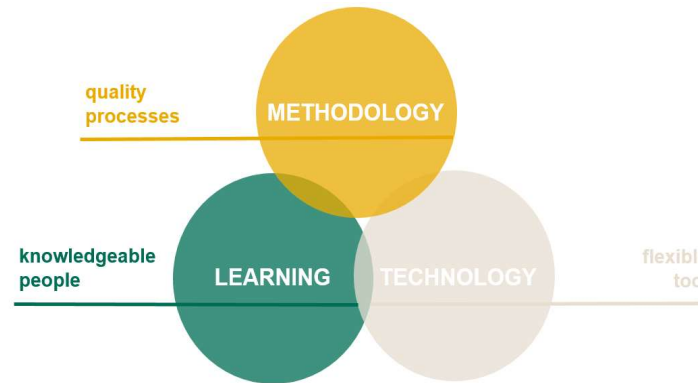
LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses

A cloud-based industry-leading audit tool developed in partnership with Microsoft



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IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

APPIAN

Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on



INFLO



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

Request & share

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring

Assess & scope

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment

Verify & review

- Automate sampling requests
- Download automated work papers

Interrogate & evaluate

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs

Focus & assure

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance

Insights

- Detailed visualisations to add value to meetings and reports
- Demonstrate own performance and benchmark comparisons

Appendix B : Grant Thornton and Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach



"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council



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22 February 2019

Dear Hitesh

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £ 126,242.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit

Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2018. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund is £16,170, which also reflects a 23 per cent reduction on last year.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	31,560
December 2018	31,561
March 2019	31,560
June 2019	31,561
Total	126,242
Pension Fund audit	
March 2019	16,170

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June/July 2019 and work on the whole of government accounts return in July.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January - March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June/July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June/July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Andrew Smith	0161 953 6472	andrew.j.smith@uk.gt.com
Senior Manager	Sam Harding	0117 305 7874	sam.g.harding@uk.gt.com
Engagement Manager	Keyasha Pillay	0207 728 2494	keyasha.pillay@uk.gt.com
Pensions Audit Manager	Onyi Aguma	020 7728 2728	onyi.aguma@uk.gt.com
In Charge Auditor	Onyi Aguma	020 7728 2728	onyi.aguma@uk.gt.com

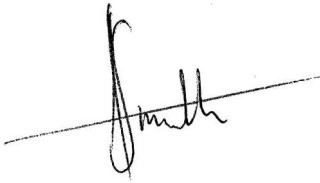
Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Darren J Wells, our Public Sector Assurance regional lead partner, via darren.j.wells@uk.gt.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "Smith", is written over a horizontal line that extends across the page.

Andrew Smith

Engagement Lead

For Grant Thornton UK LLP

London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 12 March 2019		 h&f hammersmith & fulham
APPOINTMENT OF ADDITIONAL INDEPENDENT PERSON		
Report of the Monitoring Officer – Rhian Davies		
Open Report		
Classification: For Information		
Key Decision: No		
Wards Affected: None		
Accountable Director: Hitesh Jolapara, Strategic Director, Finance and Governance		
Report Author: Kayode Adewumi - Head of Governance and Scrutiny		Contact Details: Tel: 020 8753 2499 E-mail: kayode.adewumi@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report requests that the Council undertake a recruitment exercise to appoint an additional Independent Person. At present the Council only has one Independent Person.
- 1.2. The report also updates the Committee on the number of complaints received by the Monitoring Officer within the last 12 months and advises the Committee that the Committee on Standards in Public Life published its report on local government ethical standards on 21 January 2019.

2. RECOMMENDATIONS

- 2.1. To note the outcome of the complaints received.
- 2.2. To approve the recruitment of an additional Independent Person.

3. REASONS FOR DECISION

- 3.1. For the Council to comply with its obligations under the Localism Act 2011 in respect of ethical standards and The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 in respect of dismissal arrangements for statutory officers.

4. PROPOSAL AND ISSUES

Appointment of Independent Person

- 4.1. Under the Localism Act 2011, the arrangements adopted by the Council to deal with the consideration of Councillor Code of Conduct complaints must include provision of one or more Independent Persons. Under the Act the functions of an Independent Person are as follows:
- They must be consulted by the Council before it makes a finding as to whether a Councillor has failed to comply with the Code of Conduct or decides on action to be taken in respect of that Councillor (this means on a decision to take no action where the investigation finds no evidence of breach or, where the investigation finds evidence that there has been a breach, on any local resolution of the complaint, or on any finding of breach and on any decision on action as a result of that finding);
 - They may be consulted by the Council in respect of a standards complaint at any stage of the process; and
 - They may be consulted by a Councillor or co-opted member of the Council against whom a complaint has been made.
- 4.2. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015, introduced an additional formal statutory role for the Independent Persons to work together as a Panel in advising the Council prior to any vote on whether to dismiss the Council's Head of Paid Service, Monitoring Officer and Chief Finance Officer, ('Protected Officers'). Under these Regulations, the advisory Panel must contain at least two Independent Persons.
- 4.3. The Council currently only has one Independent Person, who was appointed in 2012, and could not therefore comply with the 2015 Regulations if necessary. Additionally, as there is currently only one Independent Person if a member defending a complaint wished to speak to the Independent Person that Independent Person would already have been consulted on the matter by the Monitoring Officer.
- 4.4. The recruitment process is outlined in the pack attached as Appendix 1.

Complaints within the last 12 months

- 4.5. The Monitoring Officer has received complaints about elected members since her report to this Committee in March 2018. One complaint was dealt with informally and having consulted with the Independent Person on the other two complaints, the Monitoring Officer decided not to refer either of the complaints for investigation.

Report of the Committee on Standard in Public Life

- 4.6. The Committee on Standards in Public Life undertook a consultation last spring, the terms of reference for the review were to examine the structures, processes and practices in local government in England for:
- maintaining codes of conduct for local councillors

- investigating alleged breaches fairly and with due process
- enforcing codes and imposing sanctions for misconduct
- declaring interests and managing conflicts of interest; and
- Whistleblowing

4.7. The Committee has now published its report which can be found at [Local Government Ethical Standards report](#). The recommendations of the report can be found attached as Appendix 2 to this report.

5. CONSULTATION

5.1. The Leader, Leader of the Opposition and the Chief executive have been notified of this requirement.

6. EQUALITY IMPLICATIONS

6.1. It is not anticipated that there will be any negative impacts on any groups with protected characteristics, under the terms of the Equality Act 2010, from the appointment of an additional independent person.

6.2 Implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206

7. LEGAL IMPLICATIONS

7.1. In order to satisfy the prescriptive requirements of the Localism Act, the vacancy for an Independent Person must be advertised in such a manner as the Council considers is likely to bring it to the public's attention and those interested must submit an application.

7.2. In addition, the appointment of an Independent Person must be approved by a majority of the members of the authority. This means that any appointment must be approved by at least 24 councillors, not merely a simple majority of councillors present and voting. It is anticipated that the recommendation to appoint an Independent Person will be taken to the Annual Council meeting in May 2019.

Implications drafted by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 07827 663794

8. FINANCIAL IMPLICATIONS

8.1. The process for the appointment of Independent Persons and the drafting of the recruitment pack will be met from within existing revenue budgets.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729.

LIST OF APPENDICES:

- A.** Application pack for Independent Person

Information Pack for Independent Person

This pack provides information for candidates on the appointment of Independent Person(s) for the London Borough of Hammersmith and Fulham including information on how to apply

Please note that applications need to be received no later than **5pm on 11th April 2019**

Interviews to take place in week commencing **15th April 2019**

Contents

- **Information, Job description and Person Specification**
- **Application form**

High Standards of Conduct

The London Borough of Hammersmith and Fulham must promote and maintain high standards of conduct by members and co-opted members of the authority.

To do so the Council must adopt a Member Code of Conduct, have in place arrangements under which allegations can be investigated, and under which decisions on allegations can be made. The Council must also appoint an independent person or persons to advise on breaches of the Member Code of Conduct.

The Independent person will be consulted before a decision is made on an investigated complaint. The Independent Person may be consulted on other standards matters, including by the member who is subject to an allegation. Should the complaint progress to a local hearing, the Independent Person will be fully involved with the deliberations of the committee designated for this purpose.

The Independent Person will participate in the work of the Standards Committee. This Committee is responsible for promoting high standards of conduct by Members, advises on the provisions of the Code of Conduct and arranges for the consideration of alleged breaches of that Code.

It is a requirement that at least two Independent Persons participate in a Panel convened to advise the Council on matters relating to the dismissal of relevant officers (ie Head of Paid, Section 151 Officer and Monitoring Officer).

Key Officer support for the work is provided by

Rhian Davies, Monitoring Officer / Assistant Director Legal & Democratic Services Tel: 07827 663794 E-mail: Rhian.davies@lbhf.gov.uk

The Officer can provide further advice and information on the roles and will provide appropriate briefing and training for Independent Persons and elected Members.

The Independent Person is not a salaried position but an allowance of £504 per annum is offered to those who wish to claim.

Person specification

Qualifications:

- No specific qualifications or background are required

Knowledge and Skills:

- A good communicator with questioning skills
- Assertive
- Inquisitive, open-minded and non-judgemental
- Understanding of the arrangements for dealing with Councillor complaints, the Councillors Code of Conduct and the ethical governance provisions of the Localism Act 2011

Experience:

- A demonstrable interest in local matters
- An interest in public sector governance issues
- Understanding of the pressures and constraints of serving as an elected or co-opted member of a democratically accountable public body
- Experience of working in a committee setting
- Experience of assessing information and arriving at evidence based conclusions
- Experience of mediation or dispute resolution
- Experience of managing or advising on misconduct issues (possibly in the context of employment, a professional body or the voluntary sector)
- Live and/or work in the Hammersmith and Fulham area

Competencies:

- A person in whose impartiality and integrity the public can have confidence
- A commitment to the promotion of high standards in public life
- Understand and comply with confidentiality requirements

Other requirements:

- Must not be disqualified from standing for election as a Councillor, ie been adjudged bankrupt or been sentenced to a term of imprisonment for a period of not less than three months in the past five years
- Must not currently have and must not enter into any contractual relations with the Council under which he/she will gain personally

Cannot be:-

- a current or former (within the last 5 years) councillor, co-opted member or officer of the authority or
- a relative, or close friend of either of the above

INDEPENDENT PERSON

Required information

Individuals who wish to be considered for appointment as an Independent Person at the Council are requested to provide the following information in a covering letter to support their application. All information provided will be treated in the strictest confidence and will only be used for the purposes of selection. You are also welcome to submit a CV with your covering letter.

Please supply the following information:

1. Personal Details, to include:
 - Title
 - Name
 - Address
 - Contact Details
2. Name, Address and contact details (including email Address) of 2 references
3. Any qualifications which you think are relevant to the position of Independent Person
4. Your experience including career, public and voluntary work together with the nature of your current or most recent occupation
5. Please outline briefly any knowledge or expertise which you believe would be particularly relevant to your role as an Independent Person.
6. Please advise if you have participated in any political activity or campaigning, particularly at local level which may affect public perceptions of independence. Please indicate the nature of such activity and whether such activity is ongoing.
7. Any additional information you may wish to give in support of your application.

DECLARATION:

I am willing to serve as an Independent Person for the London Borough of Hammersmith and Fulham and I undertake to carry out the duties in a professional, competent and impartial manner.


I am willing to undergo periodic training in matters relevant to the appointment.

- a) I have not been a Councillor, Co-opted Member or Officer of the London Borough of Hammersmith and Fulham in the last five years.
- b) I am not a relative or close friend of a Councillor or Officer of the London Borough Hammersmith and Fulham.
- c) I have no criminal convictions which are not spent and I have never been sentenced to a term of imprisonment of three months or more (suspended or not).
- d) I have not been adjudged bankrupt in the last five years.
- e) I do not have, and will not enter into, any contractual relations with the council under which I would gain personally.
- f) I know of nothing in my private and professional life that could cause an embarrassment or problem for the Council if it were disclosed.
- g) I undertake to notify the Monitoring Officer of the London Borough of Hammersmith and Fulham, Town Hall, King Street, Hammersmith, London W6 9JU at once if any of the above statements ceases to apply to me.

Signed: Dated:.....

Please identify any dates during mid to late April 2019 when you would not be available for interview. (Interviews are normally held in the evening, although we are prepared to be flexible).

Please return by email to arrive no later than 5pm on 11th April 2019 to rhian.davies@lbhf.gov.uk

<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT PENSIONS AND STANDARDS COMMITTEE</p> <p>12 March 2019</p>	
<p>RISK MANAGEMENT</p>	
<p>Report of the Director for Audit, Risk, Fraud and Insurance – David Hughes</p>	
<p>Open Report</p>	
<p>Classification: For review and comment</p> <p>Key Decision: No</p>	
<p>Consultation: <i>All service departments were consulted as part of the quarterly review.</i></p>	
<p>Wards Affected: None</p>	
<p>Accountable Director: David Hughes, Director for Audit, Risk, Fraud and Insurance</p>	
<p>Report Author: Michael Sloniowski, Risk Manager</p>	<p>Contact Details: Tel: 020 8753 2587 Michael.sloniowski@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to provide members of the Audit, Pensions and Standards Committee with an update on risk management within the Authority, and present them with the Corporate Risk Register for consideration.

2. RECOMMENDATIONS

- 2.1. The Members of the Audit, Pensions and Standards Committee are requested to: -
- a) note the contents of this report;
 - b) review and consider the contents of the Corporate Risk Register.

3. REASONS FOR DECISION

- 3.1. The Accounts and Audit Regulations 2015 states that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be entirely eliminated but proportionate and targeted action can be taken to reduce risks to an acceptable level. It is essential that managers and their teams manage risks to:

- achieve council priorities to put Residents first – Doing things with residents not to them;
- ensure robust financial management – Being Ruthlessly Financially Efficient;
- protect staff and residents – Creating a compassionate council;
- protect valuable assets – Taking pride in Hammersmith and Fulham; and,
- maintain and promote the council's reputation – Building shared prosperity.

4. PROPOSAL AND ISSUES

- 4.1. The Council's approach to risk management requires Directors, managers and staff, through their Senior Management Teams, to:
- identify risks;
 - assess the risk;
 - agree and take action to manage the risk; and, monitor, review and escalate risks.
- 4.2. This report provides the Committee with an update on the Council's 24 live corporate risks following their review by the Council's Strategic Leadership Team in February. The full suite of Corporate Risks is listed in **Appendix 1**.
- 4.3. Risks are represented in the following Heat Maps, Chart 1 illustrates the previous position for Quarter 2 for 2018/2019 and Chart 2 illustrates the Quarter 3 position for 2018/2019.

OVERVIEW RISK HEAT MAPS

Chart 1:

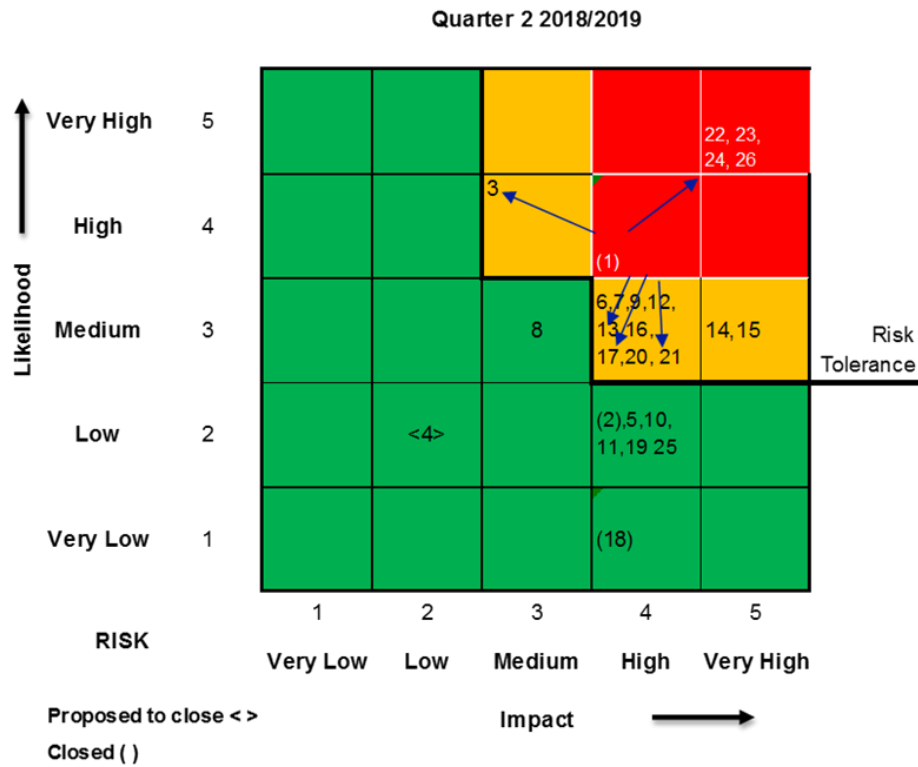
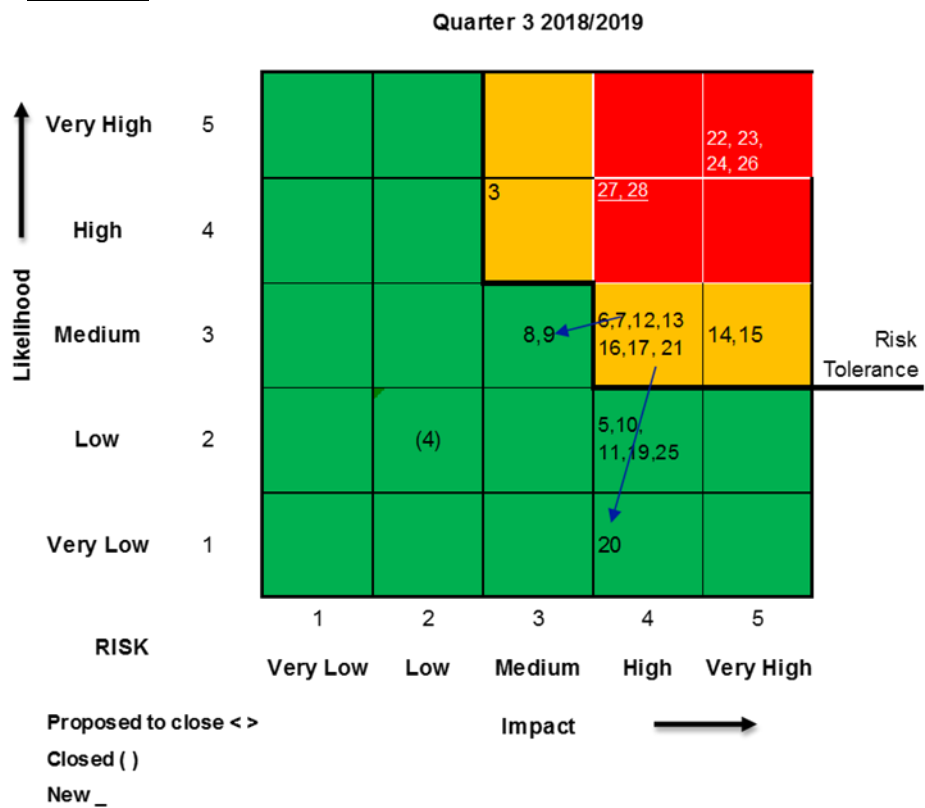


Chart 2:



Summary

- 4.4. There are currently 24 live corporate risks, including two new high risks Digital Accessibility, meeting minimum accessibility standards on-line (Risk 27) and Management Information – Children’s Services from Mosaic/Business Objects (Risk 28)
- 4.5. Movement from Quarter 2 to Quarter 3 is as summarised as follows:
- 4 High Risks present at Q2 up to 6 in Q3 (2 new risks added)
 - 12 Medium Risks present at Q2 down to 10 in Q2
 - 7 Low Risks present at Q2 up to 8 from Q1 - Q2

Risk Narrative

- 4.6. Heat Maps, (see Charts 1 and 2) show the direction of travel for all corporate risks, which are expected, over time and through the implementation of appropriate mitigating actions, to come within risk appetite (or tolerance).
- 4.7. It is also proposed to close (Risk 20) Procurement of replacement HR, Payroll and Finance Services – as this programme has essentially been delivered and the system is bedding down.
- 4.8. All Corporate risks continue to be reviewed and in this period, were subject to more stringent internal Officer challenge in accordance with the Being Ruthlessly Financially Efficient Priority, the supporting Action Plan, and updated where appropriate. Hence some further downward movement (trend) from Q2 to Q3. This, along with a range of management actions implemented, has resulted in an improved outlook from Q2 to Q3 for 2 Risks (Risks 9 and 20).
- 4.9. Additional mitigations are also expected to influence positive movement in the next period for:
- 4.10. **Risk 3: Commercial & Procurement.** Work is concluding on the review and update the Council’s Corporate Procurement Strategy, the Forward Plan of Procurement and cross-service contracts and commercial training. Additional activity undertaken includes, continuing to improve the content on the Council’s Contracts Register including recording of declarations of interests on the CapitalEsourcing system and Supply Chain Resilience in preparation of a ‘No Deal Brexit’. Improvements in the Council’s contract register will enable the Council to have a forward programme of commissioning and procurement activity (which the Board and SLT can ensure happens on a timely basis) so that commissioning and procurement resource is in place to deliver these activities rather than having contracts being extended or rolled on with no opportunity taken to reshape requirements and drive out savings. Training for the Council’s Contract Managers will take place during March in accordance with the Council’s Being Ruthlessly Financially Efficient Action Plan.
- 4.11. **Risk 6: Information Management, digital continuity and regulations, legislation and compliance.** The Statutory Officers Group considered a paper in late 2018 setting out performance and inappropriate disclosures in respect of handling personal data for LBHF residents and agreed to a proposal that a joint programme be trialled in Children’s Services which would involve the Children’s Services staff,

management, Information Strategy and Internal Audit/Risk Management. The activities and timescales for the programme of work, would then be used as a base for carrying out similar programmes in other Council directorates.

An additional communication was sent to all staff by the Council's Senior Information Management Officer reminding them of the simple rules to help protect our residents, visitors, businesses and staff data.

- 4.12. **Risk 11: Decision making and Corporate Governance.** Three briefing sessions for report writers across the Council on decision-making have been delivered by the Governance Team. Additional work to review the Council's procurement regulations (Contract Standing Orders) is nearing completion, with input from the Council's Legal Services Team, to ensure they remain fit for purpose. The Council has also drafted a Local Code of Corporate Governance and is reviewing this and the Code of Conduct for Officers with Corporate, Human Resources and Internal Audit colleagues.
- 4.13. **Risk 26: The likelihood of a 'No-deal Brexit' Risk remains the same.** Weekly reporting on key areas of concern has been initiated on request of the London Resilience Group. These include indicators (trends) on the following areas;
- Vacancy rates of Social Care and Children's Social Workers;
 - Vacancy rates within the Waste Management sector;
 - Rough Sleepers;
 - Homelessness; and,
 - Extraordinary costs that arise from Brexit including costs arising from the Supply Chain.

Additional to the above each Service has been requested to monitor and note council activity that may increase leading into the Brexit period. All services have been asked to enter into conversations with their critical suppliers to ascertain their preparedness. The Council's Service Resilience Group has completed reviews of exiting Service Continuity Plans and completed Brexit Plan appendices to the main plan. Liaison with the Metropolitan Police has commenced on a fortnightly basis with the Public Disorder Division. The Business Continuity Manager continues to actively monitor the situation.

- 4.14. Essentially movement continues to be in a positive (risk is reducing) direction and, as confirmed at the last Audit, Pensions and Standards Committee meeting, a risk narrative of the principal movements on risks is noted for assistance below:

Increase in risk scores in Chart 2:

- 4.15. There is some increase to risk where further mitigations are being applied.
- 4.16. **Risk 27: Digital Accessibility.** The EU Web Accessibility Directive is a radical overhaul of the structure and content of public bodies websites and mobile apps that will transform the way 13 million disabled people in Britain access the Internet. It requires 'that public sector bodies take the necessary measures to make their websites and mobile applications more accessible by making them perceivable, operable, understandable and robust.'

- 4.17. Public sector websites and applications will have to meet minimum accessibility standards. Just as all government buildings must legally be accessible to all who wish to access them, so too must their digital gateways.
- 4.18. **Risk 28: Mosaic/Business Objects.** The risk to which the Council is exposed to is the failure of the Management Information reporting systems for Children's Services Social Care. The management reporting system is a part of a management control system that provides business information. This information can be in the form of reports and/or statements. The system is designed to assist members of the management team and staff by providing timely pertinent information.
- Reduced Risks in Quarter 3:**
- 4.19. This, along with a range of management actions implemented, has resulted in an improved outlook from Q2 to Q3 for 2 Risks (Risks 9 and 20).
- 4.20. **Risk 9: Partnerships and major contracts.** The Council has agreed to terminate contracts for outsourced Facilities Management and Housing Repairs and Maintenance Services. Alternate service provision is in place, ensuring that continuity and quality of service to residents is maintained, whilst proposals are being developed to develop some direct in-house services.
- 4.21. **Risk 20: Procurement of replacement HR, Payroll and Finance Services.** The programme to procure a replacement is complete and the new Hampshire Managed Service is bedding down.

5. CONSULTATION

- 5.1. Consultation has taken place with the Strategic Leadership Team, Service Department Risk Representatives and Subject Matter Experts in Business Continuity, Insurances, Health and Safety, Commercial and Procurement, Internal Audit and Information Management.

6. EQUALITY IMPLICATIONS

- 6.1. There are no direct Equality implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 6.2. Equality implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

7. LEGAL IMPLICATIONS

- 7.1. There are no direct Legal implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 7.2. Legal implications verified by: Rhian Davies, Assistant Director, Legal and Democratic Services, telephone 07827 663794

8. FINANCIAL IMPLICATIONS

- 8.1. There are no direct Finance implications associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 8.2. Financial implications verified by: Emily Hill, Assistant Director, Corporate Finance, telephone 020 8753 3145.

9. IMPLICATIONS FOR BUSINESS

- 9.1. There are no direct implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 9.2. Business implications verified by: Albena Karameros, Growth and Place, telephone 07739 316 957

10. COMMERCIAL IMPLICATIONS

- 10.1. There are no direct procurement implications for business associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 10.2. Commercial & Procurement will work closely with departments to stabilise the risks associated with procurement exercises. Moreover, the team will develop and monitor a Risk Register and Issue Log for each high-profile procurement exercises such as Repairs & Maintenance and Facilities Management.
- 10.3. Additional activity includes the review of the Council's Contracts Standing Orders and Contracts Register, Business Resilience training for Commissioners and work to ensure that the Council's Contractors are compliant with the General Data Protection Regulations.
- 10.4. Commercial implications verified by: Andra Ulianov, Procurement Consultant, telephone 07776672876

11. IT IMPLICATIONS

- 11.1. There are no direct implications for Information Technology associated with the presentation of Risk Registers to the Strategic Leadership Team and Audit, Pensions and Standards Committee.
- 11.2. IT implications verified by:

12. OTHER IMPLICATION PARAGRAPHS

- 12.1. A list of Corporate Risks is required in the narrative of the Council's Statement of Accounts. Risk Management is a statutory responsibility under the Accounts and Audit Regulations 2015. A relevant authority, the Council, must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.

12.2. *Implications completed by Michael Sloniowski, Risk Manager, telephone 020 8753 2587.*

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name and contact details of responsible officer	Department/ Location
	Risk registers	Michael Sloniowski, Risk Manager, telephone 020 8753 2587	Internal Audit, Risk, Fraud and Insurance

LIST OF APPENDICES


Appendix 1, List of Corporate risks

Appendix 1, List of Corporate risks at Q3 2018/19

Priority	Risk	No.	Likelihood	Impact	Likelihood	Impact	Movement	Exposure	Officer
			Q2 18/19	Q2 18/19	Q3 18/19	Q3 18/19			
Being ruthlessly financially efficient	Commercial Contract Management and Procurement risks, rules, outcomes social value, management.	3	3	4	3	4	Stable. There are a significant number of procurement exercises which will be required in order to deliver both the replacement Repairs and Maintenance contractors.	M	LR
Being ruthlessly financially efficient	Public Health funding reduction limiting investment in other departments and priorities.	4					Closed	L	LR
Being ruthlessly financially efficient	Business resilience risks, systems, processes, resources, IT and accommodation moves.	5	2	4	2*	4	Stable (All Council Plans Refreshed in Aug 18 have been reviewed in light of Brexit) * at risk of increasing if a bad Brexit or No deal is reached in Q4	L	SL
Being ruthlessly financially efficient	Information management and digital continuity, regulations, legislation and compliance.	6	3	4	3	4	Stable (Additional mitigations include the GDPR review of Contracts and ensuring PSN compliance following accreditation)	M	VB
Creating a compassionate council	Managing statutory duties, health and safety, equalities, human rights, duty of care regulations, highways.	7	3*	4	3*	4	Stable * at risk of increasing if a bad Brexit or No deal is reached in Q3	M	SL
Creating a compassionate council	Standards and delivery of care, protection of children and adults.	8	3	3	3	3	Stable	L	LR/SM
Creating a compassionate council	Failure of partnerships and major contracts (The Link, 3BM, Shared Service, Commercial Providers, Family Support Service)	9	3	4	3	3	Improved with managed ending of FM and Housing Repairs and Maintenance Contracts.	L	LR
Creating a compassionate council	Increase in complexity of working with Health partners.	10	2	4	2	4	Stable	L	LR
All Council Priorities	Decision making and maintaining reputation and service standards. Good Governance, conduct, external inspections.	11	2	4	2	4	Stable. Decision Making Training completed, Positive Ofsted Outcomes - quality of support for care leavers, Complaints and Ombudsman's Review, Programme Management, Review of Contract Standing Orders and Code of Conduct	L	HJ/RD
Being ruthlessly financially efficient	Failure to identify and address internal and external fraud.	12	3	4	3	4	Stable, Policies reviewed and approved at Audit Pension and Standards Committee.	M	HJ/DH
Being ruthlessly financially efficient	Managed Services (Existing Human Resources and Financial Transactional Service)	13	3	4	3	4	Stable as contract ends and the new IBC Managed Service is introduced.	M	MG
Doing things with, not to residents	Compliance with the statutory duties to undertake inspection regimes covering Management of Asbestos, Electrical Testing, Fire Risk, Plant and Equipment, Water/Legionella.	14	3	5	3	5	Stable	M	SL/JR/HJ
Doing things with, not to residents	Co-ordination and response to calls on the Council for Mutual Aid in a crisis	15	3	5	3	5	Stable	M	SL
All Council Priorities	Change Readiness e.g. Agile Working, TechTonic, New systems.	16	3	4	3	4	Stable	M	MG
All Council Priorities	Challenges in Recruitment and retention.	17	3	4	3	4	Stable - People Strategy to cover longer-term approach to the recruitment and retention of staff, including creating attractive workplaces, Agile Working, and developing our own. Agency Reduction programme and improvement of recruitment process, employee experience within the People Strategy	M	MG
Doing things with, not to residents	Coroner's Office (The Council Acts as a Lead for Services to other Local Authorities, West London Coroner's Service).	19	2	4	2	4	Stable (Additional mitigating measures being applied)	L	RD

Appendix 1, List of Corporate risks

Priority	Risk	No.	Likelihood	Impact	Likelihood	Impact	Movement	Exposure	Officer
			Q2 18/19	Q2 18/19	Q3 18/19	Q3 18/19			
Being ruthlessly financially efficient	Procurement of replacement HR, Payroll and Finance Services	20	3	4	1	4	Propose to Close, delivered.	L	MG
Doing things with, not to residents	King Street Regeneration Programme	21	3	4	3	4	Stable - A Number of Cabinet Reports have provided approvals at various stages the project development - Business case approval - Planning application for scheme submitted Apr 2018 - WKSR programme board	M	JR
Creating a compassionate council	Children's services placements. 50 child increase in the number of looked after children in the last 3 years creates budget pressures as the budget is not based on head count.	22	5	4	5	4	Stable risk assessed in Corporate Revenue Monitoring 6 report. As with other London Boroughs, we are seeing a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines). Work continues to ensure that the forecast is robust and that young people are placed in the most appropriate placement for their need.	H	SM
Creating a compassionate council	High needs budget pressure in the Direct school block.	23	5	4	5	4	As above (R22) Stable risk assessed in Corporate Revenue Monitoring 6 report. A full system review has been undertaken to reconcile activity, funding, and expenditure. A project team and governance was put in place to identify opportunities and work streams to recover the financial position on the High Needs Block for the Local Authority and to support Special Schools with their financial planning and efficiency.	H	SM
Being ruthlessly financially efficient	Financial Management in year budget 2018/2019 and Medium-Term Planning.	24	5	4	5	4	Action Plans have been produced by Departments to mitigate the overspends. The Being Ruthlessly Financially Efficient Officer Working Group is established and the Action Plan Objectives updated.	H	HJ
Being ruthlessly financially efficient	Adult Social Care balanced budget pressure in 2018/2019 and over the medium term.	25	2	4	2	4	Stable, pressures are mainly as a result of the full year implications of increases in care packages due to the greater acuity of need in the service from 2017/18.	L	LR
All Council Priorities	Impact of a 'no-deal' Brexit (Workforce, Housing, Contracts, Residents, Finances)	26	5	4	5	4	Stable risk. The potential for Parliament to reject the deal remains allied to limited contingency planning guidance from DexEU.	H	SLT
Doing things with not to residents	Digital Accessibility, public sector websites and apps will have to meet minimum accessibility standards. Just as all government buildings must legally be accessible to all who wish to access them, so too must their digital gateways.	27			4	4	New Risk Proposed by the AD Communications	H	MG
All Council Priorities	Failure of the Management Information reporting systems for CHS	28			4	4	New Risk Proposed by the AD Public Services Reform	H	LR/ SM

London Borough of Hammersmith & Fulham AUDIT, PENSIONS AND STANDARDS COMMITTEE 12 March 2019	 hammersmith & fulham
INTERNAL AUDIT UPDATE REPORT FOR THE PERIOD 1 Nov 2018 – 1 Feb 2019 Report of the Strategic Director of Finance and Governance	
Open Report	
Classification: For Information	
Key Decision: No	
Wards Affected: None	
Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance	
Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance	Contact Details: Tel: 0207 361 2389 E-mail: David.HughesAudit@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued and follow up for undertaken during the period 1 November to 1 February 2019. This change in reporting, and the improved assurances provided in this report on audit work undertaken, reflect the positive impact of the increased focus on assurance and risk management, led by the Chief Executive.

2. RECOMMENDATION

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. PROPOSAL AND ISSUES

- 4.1. This report summarises internal audit activity in respect of audit reports issued and follow up work undertaken on agreed actions during the period 1 November 2018 to 1 February 2019.

Internal Audit Coverage

- 4.2. 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.
- 4.3. A total of 7 audit reports were finalised in the period from 1 November 2018 to 1 February 2019, including 1 Substantial Assurance, 2 Satisfactory Assurance reports, 2 Limited Assurance reports and 2 for which no assurance opinion was provided.
- 4.4. The 2 Limited Assurance reports issued in the period were:
 - Members Enquiries and MP Enquiries, Freedom of Information, Subject Access Requests and Complaints; and,
 - LBHF Joint Ventures Ltd.
- 4.5. For the Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints audit, 2 high priority, 6 medium priority and 1 low priority recommendations were raised. All recommendations are due to be implemented by May 2019, with two medium priority recommendations already implemented.
- 4.6. For LBHF Joint Ventures Ltd audit, 2 high priority, 8 medium priority and 2 low priority recommendations were raised. All recommendations are due to be implemented by the end of June 2019, with one low priority recommendation already implemented.
- 4.7. A summary of the Limited Assurance reports is set out in Appendix 2. The full reports, including all the agreed actions are also published on the agenda for the Committee's consideration and to ask questions of relevant directors at the meeting.
- 4.8. 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 overdue draft reports awaiting management responses at the time of writing.

Follow up of Recommendations

- 4.9. From December 2018, Internal Audit are reporting in more detail to Committee on the outcome of our follow up of recommendations raised and actions agreed with management. This follows on from improvements in performance over the past 18 months, where the Committee received reports on instances where management had not updated progress against agreed actions or reported completion of actions by their due date.
- 4.10. In period from 1 November 2018 to 1 February 2019, 21 recommendations which were due to have been implemented have been followed up by Internal Audit (4 High and 17 Medium priority), of which all have been confirmed as fully implemented.
- 4.11. A full follow up of the Limited Assurance Supplier Resilience and Legal Services Budget Management audits were undertaken. Of the 4 High and 6 Medium priority recommendations raised, all were confirmed as implemented. The results of these follow ups can be seen in Appendix 1.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. To enable this, an annual Internal Audit Plan covering the Council's key risks is devised in consultation with the Strategic Leadership.

6. CONSULTATION

- 6.1. The report has been subject to consultation with the Strategic Leadership Team.

7. EQUALITY IMPLICATIONS

- 7.1. There are no equality implications arising from this report.
- 7.2. Implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
 - a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,
 - c. includes effective arrangements for the management of risk.
- 8.2. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 8.3. Implications verified by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 07827 663794.

9. FINANCIAL IMPLICATIONS

- 9.1 The Internal Audit Plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.
- 9.2 The proposals contained in this paper have no additional resource implications for the audit service.
- 9.3 Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Assistant Director, Corporate Finance, 0208 753 3145.

10. IMPLICATIONS FOR BUSINESS

- 10.1 There are no implications for business arising from this report.
- 10.2 Implications verified by Albena Karameros, Programme Manager, Economic Development, 07739 316 957.

11. COMMERCIAL IMPLICATIONS

- 11.1 There are no commercial implications arising from this report.
- 11.2 Implications verified by Andra Ulianov, Head of Contracts and Procurement, 0777 667 2876.

12. IT IMPLICATIONS

- 12.1 There are no ICT implications arising from this report.
- 12.2 Implications verified by: Veronica Barella, Chief Information Officer, Tel 020 8753 2927.

13. RISK MANAGEMENT

- 13.1 The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.
- 13.2 *Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587*

LOCAL GOVERNMENT ACT 2000 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 covered in this report	David Hughes 0207 361 2389	Corporate Services, Internal Audit Town Hall, King Street Hammersmith W6 9JU

LIST OF APPENDICES:

1. Audit reports issued 1 November 2018 to 1 February 2019
2. Summary of Limited Assurance Reports

Audit reports Issued 1 November 2018 to 1 February 2019

APPENDIX 1

We have finalised a total of 5 audit reports for the period of 1 November 2019 to 1 February 2019 to be reported to this Committee. We categorise our opinions according to our assessment of the controls in place and the level of compliance with these controls.

No.	Audit Plan	Audit Title	Director / Sponsor	Audit Assurance
1	2017/18	Safeguarding Adults	Lisa Redfern	Management Letter
2	2017/18	Public Health Investment Fund	Lisa Redfern	Management Letter
3	2018/19	LBHF Joint Ventures Ltd	Lisa Redfern	Limited
4	2018/19	HFBP Dissolution	Veronica Barella	Satisfactory
5	2018/19	Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints	Sharon Lea	Limited
6	2018/19	Community Safety	Sharon Lea	Substantial
7	2018/19	Parking Income	Sharon Lea	Satisfactory

** These audits were started prior to the disaggregation of the shared Adult Social Care service but concluded after disaggregation. As such an assurance opinion has not been provided.*

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 Year	Audit Title	Director / Sponsor
8	2018/19	Programme Assurance Summary Report	Mark Grimley

Full audit follow up

No.	Audit Year	Audit Title	Total Recs	Recs Implemented	Partly Implemented	Not Implemented
9	2017/18	Supplier Resilience	8	8	0	0
10	2018/18	Legal Services Budget Management	6	6	0	0

Ref	Audit and Scope	Details	Assurance/Risk
1	<p>Members & MP Enquiries, Freedom of Information, Subject Access Requests and Complaints</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"> • Policies, Procedures & Legislation • Receipt, Recording and Allocation of Enquiries, Requests and Complaints • Review and Issue of Responses • Exemptions under the Freedom of information Act • Publication Scheme • Appeals • Performance Monitoring and Reporting 	<p>Elected Members are often approached by residents to advocate on their behalf. When this happens, the elected Member may contact a Council department and ask for information about policies and individual cases. This is known as a Councillor or Member of Parliament enquiry.</p> <p>The Freedom of Information (FOI) Act 2000 came into effect on 1st January 2005. It applies to all information held by public authorities, regardless of when the information was recorded. LBHF has two main responsibilities under the act to have a publication scheme in place, and to respond to individual requests for information</p> <p>Personal information held by the Council can be requested by making a 'subject access request' (SAR) under the Data Protection Act (DPA).</p> <p>The Council will aim to resolve the complaint at the first opportunity, but whenever this is not possible there is a two-stage complaints process, as set out in the Corporate Complaints policy.</p> <p>Two high, six medium and one low priority recommendations were raised. The high and medium priority recommendations were as follows:</p> <ol style="list-style-type: none"> 1) Policies and procedures should be regularly reviewed and updated to ensure that they remain relevant. 2) Responses to enquiries, requests and complaints should be sent within the prescribed timescales. Where there are likely to be delays in responding, the requestor/ complainant should be notified and updated on the progress of their request/complaint. All Directors and officers should be reminded of the need to ensure that responses are sent within the prescribed timescales. The process should: <ol style="list-style-type: none"> a. Identify at an earlier stage where prescribed timescales will not be met and either prioritise the case or send an update. b. Implement a mechanism to identify outstanding cases where updates have not been issued. c. Report performance in these areas to DMTs and SLT, including reporting open cases approaching their deadline for completion. 3) The Complaints Manager should remind all relevant officers of the need to ensure that all documentation, including responses letters, are retained and uploaded onto iCasework. A periodic spot check of cases should be undertaken to gain assurance that responses are being retained. 4) Procedures should be put in place for Stage 2 responses to complaints to be reviewed and signed off by a senior officer prior to them being sent out. Consideration should be given to whether all responses should be reviewed and signed off either an officer in the corporate complaints team or by a senior officer in the responding directorate to assure their quality and accuracy. 5) The Information Management Team should ensure that appeals are responded to within the prescribed timescales. Open appeals approaching their deadline for response should be reported to DMTs and SLT. 6) The Head of Contacts and the Complaints Manager should ensure that responses to the Ombudsman are sent promptly and that the responses are uploaded onto iCasework. Consideration should be given to drafting a brief timetable, where practical, to allow the process of preparing the response to be tracked. 7) The Complaints Manager should remind officers of the need to ensure that the actual dates are recorded on iCasework. Periodic checks should be undertaken on a sample basis to ensure that dates have been correctly recorded. 8) Where performance is below target, the Head of Contacts and Complaints Manager should provide explanations for the targets not being met, together with action to be taken to address underperformance. <p>All recommendations were agreed to be implemented by the end of July 2019.</p>	<p>Limited</p>

Ref	Audit and Scope	Details	Assurance/Risk
2	<p>LBHF Joint Ventures Ltd</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"> • Formation • Governance Arrangements • Staffing and Resourcing • Assessment of Commercial Activities • Income and Expenditure • Performance Monitoring and Management Information • Risk Management • Financial Management 	<p>In common with other councils in the UK, Hammersmith and Fulham charge for a range of services across most departments. Current legislation allows the Council to make charges either in line with statutory fees or on a cost recovery basis. In order to trade commercially, other than with another public body, the Council must do so through a Trading Company. Establishing a local authority Trading Company assists the Council in delivering its corporate aims and priorities through the generation of profitable income.</p> <p>Cabinet approved the procurement strategy for debt management on 17th January 2017. After running a full OJEU competition and the evaluation of bids by a tender approval panel, 1st Credit Limited (now known as Intrum) were awarded the contract. The joint venture Company went live in July 2017 and the framework contract allows any public body, including H&F, to call off contracts to provide any service in scope of the original procurement. The Joint Venture has already started taking over collections in the borough, for Housing Benefit Over-Payment (started January 18), Council Tax (April 2018), Parking (September 2017) and Former Tenant Arrears (July 2017) The Council has a 51% shareholding in the Joint Venture with Intrum holding the remaining 49%</p> <p>Two high, eight medium and two low priority recommendations were raised. The high and medium priority recommendations were as follows:</p> <ol style="list-style-type: none"> 1) A formal business plan should be drafted for the Board's approval. 2) When the Joint Venture's business plan is produced, this should include full details of how the Company proposes to identify and evaluate commercial opportunities, and how these will be pursued in order to maximise potential income streams. 3) Annual budgets should be produced for the Joint Venture, clearly detailing expected income and expenditure along with any additional financial performance targets. This should be reviewed and approved by the Board. 4) Board meetings should be reinstated. Decisions should then be submitted to the board or shareholders for approval as required. 5) The capacity and capability of board members and other officers involved in management of the joint venture should be assessed. This should be compared to an assessment of the capacity and skills required to manage the company effectively. 6) Signed declarations of interest should be requested from all Board members and senior Joint Venture employees at the time of their joining the Company, becoming aware of any new conflict, and upon periodic renewal. A register of any declared interests should be maintained highlighting any actions necessary to manage a conflict or perceived conflict of interest. 7) Declarations of interest should be added to the agenda of all board meetings, prior to any discussion or decision-making, and recorded in the minutes. Should any declaration of interest be made, the actions taken at the meeting to mitigate it should also be recorded. 8) The Council and Intrum should agree a means of recording and agreeing the expenditure committed related to the Joint Venture that they intend to recharge to the company (at such time as this becomes feasible). 9) The Joint Venture Company should agree policies and procedures for the procurement of goods & services, making payments to suppliers, invoicing customers and managing debts. Until expenditure is processed through the Joint Venture, consideration should be given to how the Council monitors and controls expenditure incurred by Intrum and vice versa. The Council and Intrum should agree a means by which the recovery costs can be calculated in order to facilitate regular billing by the Joint Venture, identifying total amounts recovered, recovery costs, and percentages owed to the Joint Venture as commission. 10) A risk register should be produced for the Joint Venture, and risk management strategies adopted. This should be periodically reviewed and updated. <p>All recommendations were agreed to be implemented by the end of May 2019.</p>	<p>Limited</p>

***London Borough of Hammersmith &
Fulham***

Final Internal Audit Report

LBHF Joint Ventures Limited

February 2019

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1 Introduction

As part of the internal audit plan for 2018/19, agreed by the Audit Pensions and Standards Committee, we have undertaken an internal audit of LBHF Joint Ventures Limited at the London Borough of Hammersmith & Fulham.

In common with other councils in the UK, Hammersmith and Fulham charge for a range of services across most departments. Current legislation allows the Council to make charges either in line with statutory fees or on a cost recovery basis. The only exception to this is when dealing with other public bodies where there is no restriction on making a profit where the provision is for administrative, professional or technical services.

In order to trade commercially, other than with another public body, the Council must do so through a Trading Company. Establishing a local authority Trading Company assists the Council in delivering its corporate aims and priorities through the generation of profitable income.


The Local Government (Best Value Authorities) (Power to trade) (England) Order 2009 requires that before exercising the power to trade through a Trading Company, the Council is required to approve a business case in support of each venture when the power is exercised. The Council must approve the business case before trading through the Company starts.

Cabinet approved the procurement strategy for debt management on 17th January 2017 and delegated the award of a subsequent joint venture framework contract to the Commercial Director. After running a full OJEU competition and the evaluation of bids by a tender approval panel, 1st Credit Limited (now known as Intrum) were awarded the contract. The joint venture Company went live in July 2017 and the framework contract allows any public body, including H&F, to call off contracts to provide any service in scope of the original procurement.

The Joint Venture has already started taking over collections in the borough, for Housing Benefit Over-Payment (started January 18), Council Tax (April 2018), Parking (September 2017) and Former Tenant Arrears (July 2017) The Council has a 51% shareholding in the Joint Venture with Intrum holding the remaining 49%.

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made. The Action Plan at Appendix 1 details the specific recommendations made, as well as the agreed management actions to implement them.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Formation			0	0	0
Governance Arrangements			0	5	0
Staffing and Resourcing			1	0	1
Assessment of Commercial Activities			0	1	0
Income and Expenditure			1	0	1
Performance Monitoring and Management Information			0	0	0
Risk Management			0	1	0
Financial Management			0	1	0
Total			2	8	2

Please refer to the Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

In Internal Audit's opinion, Limited Assurance can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application. The Company is still in relatively early stages of development; however, should the Company grow and becomes more established, the recommendations raised will become increasingly important to ensure the Company is governed effectively.

The business case for the Joint Venture was under review at the time of audit. The Council's Ethical Debt Board, Ethical Debt working group, and Commercial Revenue Board are considering the future direction of the Company. Consequently, some elements covered in the of the audit fieldwork are subject to uncertainty.

Design of and compliance with controls to address the key risks identified

- LBHF Joint Ventures Limited (hereafter referred to as 'the Company' or 'the Joint Venture') was incorporated on 9 June 2017 to trade commercially.
- The Council's Commercial Director presented a key decision report to responsible Cabinet members on 16 January 2017 outlining the business case for setting up the Joint Venture as a means of managing the borough's debt collections in line with ethical commitments, and generating income from external parties. The proposals were approved on the same date.
- A tendering process was carried out to identify suitable private sector partners to establish the Joint Venture. The Joint Venture's objectives were set out in the Invitation to Tender and the framework contract awarded to 1st Credit Limited, now trading as Intrum.
- The Company's Managing Director was, prior to his departure in April 2018, in the process of drafting a business plan for the company. The key points of this plan are set out in the Managing Director's update reports, however, a fully developed business plan had not been formally produced or approved by the Board and / or Commercial Revenue Committee as required on an annual basis by the Shareholders Agreement (Clause 9). We were informed that this was a work in progress at the time the previous Managing Director left, and would be produced pending the outcome of the working group's review.
- The Company's governance arrangements are set out in the Articles of Association and a signed Shareholders' Agreement. A Board of Directors is in place and is required to meet a minimum of four times a year. At the time of writing (August 2018), the last Board meeting was held in March 2018.
- Board membership requires a minimum of three Directors from both the Council and Intrum. A minimum of two from each is required for the meetings to be quorate. All meeting minutes reviewed recorded that the quorum was met.
- New Directors were being appointed at the time of the audit and the Council's Assistant Director, Corporate Finance was the only Council appointed board member. We unable to establish if an assessment of capacity and capability had been undertaken in order to appoint officers to the board or to more general management of the Joint Venture.
- The Articles of Association state that meetings must take place at least four times per year, with a maximum interval of sixteen weeks between meetings. We noted that no meeting was scheduled at time of audit. Due to the review of the Joint Venture, and the pending appointment of new directors, we were informed that this may not take place until late 2018. This could constitute an exception to the maximum (sixteen week) limit between board meetings set out in the Company's Articles of Association. The last board meeting took place 28 March 2018. Since March 2018 the Joint Venture has continued to operate without any board or shareholder decisions taking place.

- Clause 9 of the Company's Articles of Agreement, sets out the need for the Board to collectively impose terms to manage any conflict of an "interested" director, and for said director to abide by these terms. Clauses 9.9 & 9.10 emphasise the responsibility of directors to declare any interest in a transaction or agreement (proposed or existing). No signed declarations of interest are received, we were informed that instead conflicts of interest are discussed as part of Board meetings. From our examination of Board minutes we found no evidence of this. Following completion of our audit fieldwork Legal Advice has been sought and provided on conflicts of interest.
- The Company did not, at time of the audit, employ any staff. Staffing, and other resourcing has been arranged and funded by the Council or Intrum in order to maintain a good credit rating for the Joint Venture until it generates sufficient income to cover its costs. The Council and Intrum intend to recharge these costs to the Company when it becomes feasible for these to be repaid.
- No loans have been made to act as working capital.
- The Company's Managing Director left in April 2018 and was the Joint Venture's only full-time member of staff, having been primarily responsible for setting up and operating the Company. There is no staffing structure in place identifying the personnel that will be needed to meet the Joint Venture's objectives, nor assigning management and operational responsibilities. The Head of Commercial Operations informed us that this would form part of planning following the results of the Ethical Debt working group's review of the project. No recommendation has been raised as this forms part of the current review of the Joint Venture.
- Some Council staff, such as the Head of Commercial Operations, spend time working on Joint Venture tasks. We were advised that, due to the low time-demands of these, the costs of this are not recharged to the Joint Venture.
- The Company does not have a fully-developed and approved commercial strategy. It was noted from the Managing Director's reports and the Board meetings that work had been carried out to identify suitable commercial opportunities and produce a sales pipeline.
- A bank account has been set-up for the Joint Venture. At the time of the audit this held a balance of £4,840.98. The majority of this was a payment of £4,844.02 made by the Council to cover VAT. A signatory list is in place dividing users into "A" & "B" authorisations. It was noted that the current signatory list includes departed members of staff and requires updating.
- The Company did not, at time of the audit, generate income. Costs are currently covered by the Council and Intrum, though are to be re-charged in the future. No policies or procedures are in place for the Company to manage its financial processes once income begins to be generated.
- It was noted that a Payment Authority Instruction document was drafted in September 2017. This document sets out payment authorisation limits, although in some areas are incomplete. As expenditure is currently being processed by either H&F or Intrum this Payment Authority Instruction was not being followed. Each organisation was applying their own local procedures.
- The Joint Venture charges customers (at time of audit LBHF only) for direct costs of recovery. A further 7.5% profit element is charged against the "Net Benefit", the total amount recovered less the direct costs of its recovery.
- The Joint Venture's only operation at the time of the audit was debt recovery for H&F. Funds recovered have been returned to the Council, but, as at the time of our audit fieldwork, the Joint Venture had yet to invoice the Council to cover the associated costs and commission for this work. Following the conclusion of our fieldwork the Council have received invoices for the different debt recovery work undertaken. These have been checked by Heads of

Service and are being processed. Purchase Orders have been issued so that future invoices can be paid promptly.

- The Council receives monthly reports of key performance indicators from the Joint Venture. At present, these detail only performance for LBHF collections, rather than any overall Joint Venture performance. As the Joint Venture only performs work for H&F at present, no recommendation has been raised in respect of this finding. The Head of Commercial Operations informed us that a full suite of KPIs would be developed when the Joint Venture took on wider commercial activities in order to fully reflect the Company's performance.
- The Council has implemented a new in-house governance structure for ethical debt and commercial revenue. The meetings of the Ethical Debt Working Group & Board serve to provide updates on Joint Venture actions and performance. Both bodies were newly established at the time of audit.
- An Ethical Debt Risk Register was in development at time of audit and covers Joint Venture risks facing the Council as well as corresponding owners and management actions. At time of the audit, this listed seventeen key risks, though most are yet to be assigned to officers or have mitigating actions recorded.
- No formal operating budget was in place for the Joint Venture. Income targets and cost projections were made by the Managing Director for discussion at Board meetings.
- Financial reports were provided to the Board and the Council setting out performance against expectations.
- At present, the Company's risk management is undertaken as part of the Local Authority's risk management arrangements. As the Joint Venture develops, we would expect the Company to have its own risk management arrangements, maintaining a risk register that is subject to periodic review.

4 Acknowledgements

We would like to thank the following members of staff for their time and assistance during the audit:

- Jem Kale – Head of Commercial Operations

Appendix 1: Management Action Plan

1. Governance Arrangements – Business Plan

Priority	Issue	Risk	Recommendation
Medium	<p>The Shareholders' Agreement states that the Company must prepare an annual business plan covering: a cashflow statement, projected profit & loss, operating budget and balance sheet forecast, a management report on business objectives, and a financial report on the previous year's performance. The Head of Operations informed us that work had gone into drafting a business plan. This was interrupted by the departure of the Company's managing director. While much will likely remain relevant, it was noted that this would need to be completed, and revised in response to the ongoing project review. The board meetings make reference to the draft business plan and business plan, however no standalone document separate to the Managing Director's proposals was found. We were subsequently informed that there was no standalone business plan produced, however the financial updates set out future plans and targets.</p>	<p>Where no business plan is in place, or plans are not formally defined and approved, there is a risk that ambiguity of objectives and proposed actions could undermine the Company's effectiveness.</p>	<p>A formal business plan should be drafted for the Board's approval.</p>

Management Response

Noted that a Business Plan is required. The Business Plan will be based on the work undertaken in 2018/19.

The first half of 2018/19 focussed on establishing pilot ethical debt solutions with LBHF and learning from these pilots. This work was required as products for the LBHF JV Ltd were not tested prior to the establishment of the JV. This involved regular review meetings between debt owners and Intrum where performance of the pilots was monitored. This meant for the first half of the year LBHF was the sole customer of the JV. These pilots are currently being evaluated and are due to conclude at the end of this financial year. This work also fed into the development of a draft Ethical Debt Strategy and the creation of an Ethical Debt Strategic Group.

Once the pilots were established and underway focus turned to putting in place a framework which would support the marketing and delivery of these new products to other local authorities. This phase of work began in September. Review meetings were held between senior officers in PSR and Intrum regarding the development of a product portfolio for the JV that could then be marketed to other Local Authorities. Alongside these review meetings work was undertaken with LBHF solicitors to put in place a robust legal framework to allow LBHF JV Ltd to trade with other local authorities and therefore generate income for LBHF. This resulted in 3 local authorities requesting pilots with LBHF JV Ltd from late January 2019.

A review meeting of LBHF JV Ltd was held on January 21st 2019. This meeting was chaired by Hitesh Jolapara, Strategic Director of Finance, and was attended by senior officers from LBHF, the Managing Director of Intrum and his senior team. This meeting went through the audit recommendations and agreed actions to address them. The following actions were agreed in order to develop and agree a Business Plan:

- A task and finish group led by LBHF will agree the resources required for LBHF JV Ltd in 19/20 and 20/21. This will be based on the learning from 2018/19, the current and pipeline sales and the aspirations each JV partner has for the venture. This group will report to the next review meeting which is scheduled for March 4th;
- The resources for the JV will be agreed, in principle, at the March review meeting and a Business Plan will then be developed.
- A Business Plan will be submitted to the first Board meeting of 2019/20 for sign off which will include all of the elements identified by audit (cashflow statement, projected profit & loss etc). This meeting will be held before the end of June 2019. This meeting will also review a financial report for 2018/19.
- The Board will review the progress against the Business Plan at all Board meetings.

Responsible Officer

Deadline

Clare O'Connor, Strategic Lead, Public Services Reform

31 May 2019

2. Assessment of Commercial Activities – Commercial Strategy

Priority	Issue	Risk	Recommendation
Medium	<p>The Head of Commercial Operations informed us that, at time of audit, only LBHF debts are being collected under the framework contract awarded to the Joint Venture. Nonetheless, other business opportunities have been identified and the ultimate intention of the venture is to bring in outside business. This will focus on debt collection services in the public sector.</p> <p>Elements of commercial planning are present in the (departed) Managing Director's fortnightly financial reports. This shows a sales pipeline and records early expressions of interest shown by potential clients. However, there is no detailed strategy for commercial expansion in place. This issue is in part due to the fact that a full business plan has not been drafted and approved.</p>	<p>Where a developed strategy for identifying commercial opportunities, evaluating the potential of each option, and acting upon these opportunities is not recorded, there is a risk that the Company may fail to bring in appropriate business, or may accept unsuitable opportunities.</p>	<p>When the Joint Venture's business plan is produced, this should include full details of how the Company proposes to identify and evaluate commercial opportunities, and how these will be pursued in order to maximise potential income streams.</p>
Management Response			
<p>Noted that the Business Plan should include full details of how LBHF JV Ltd proposes to identify and evaluate and pursue commercial opportunities and convert pilots to commercial contracts. This was agreed with Intrum at the meeting of January 21st 2019.</p> <p>An initial plan for developing commercial opportunities for LBHF JV Ltd was developed by Intrum. Since the audit fieldwork was completed this commercial plan has resulted in LBHF signing three Access Agreements with public authorities who are now piloting ethical debt solutions with LBHF JV Ltd. A further 2 local authorities have formally requested Participating Authority Packs as they are also keen to pilot ethical debt solutions with LBHF JV Ltd. A Local Authority Ethical Debt conference was organised by Intrum in order to raise the profile of LBHF JV Ltd and build a strong pipeline of business into 19/20. This event was held on 7th February 2019 and had 120 attendees signed up to attend as compared to a target of 80. Keynote speakers included Cllr Schmid and Rushanara Ali MP, member of the Treasury Select Committee. Once feedback from this event has been collated, consideration will be given to a similar event being organised in the North of England.</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			31 May 2019

3. Financial Management – Operating Budget

Priority	Issue	Risk	Recommendation
Medium	The Joint Venture Shareholders' Agreement (Section 9.1.3) requires the Company to produce an operating budget as part of its annual business plan including all capital expenditure requirements and balance sheet forecast. While cost projections and sales targets were produced by the Company's Managing Director (now departed), these were not agreed as part of a full annual budget to be agreed by the Board.	Where an operating budget is not produced in clear detail and subject to approval from the Board, there is a risk that expectations regarding income and expenditure may be misjudged. Where estimates are not agreed as part of a formal budget, there is a risk that monitoring activities will be unable to promptly identify variances against expected performance, and consequently unable to undertake corrective action.	Annual budgets should be produced for the Joint Venture, clearly detailing expected income and expenditure along with any additional financial performance targets. This should be reviewed and approved by the Board. As is set out in Section Nine of the Shareholders' Agreement this may form part of the annual business plan.
Management Response			
<p>Noted that an annual operating budget is required. This will be based on the work that will be undertaken to agree the resources required for LBHF JV Ltd in 19/20 and 20/21 (see management response to Recommendation 1)</p> <p>Analysis of expenditure incurred by LBHF and Intrum in 2018/19 has been undertaken as part of the preparatory work for a 2019/2020 operating budget. This includes the costing of LBHF Officer time referred to in Recommendation 8.</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			31 May 2019

4. Governance Arrangements – Board and Shareholder Decisions

Priority	Issue	Risk	Recommendation
Medium	<p>The Articles of Association state that meetings must take place at least four times per year, with a maximum interval of sixteen weeks between meetings. We noted that no meeting was scheduled at time of audit. Due to the review of the Joint Venture, and the pending appointment of new directors, we were informed that this may not take place until September 2018 (which has since passed). This could constitute an exception to the maximum sixteen week limit between board meetings set out in the Company's Articles of Association. The last board meeting took place 28 March 2018.</p> <p>Since March 2018 the Joint Venture has continued to operate without any board or shareholder decisions taking place.</p>	<p>Where board meetings do not take place on a regular basis and decisions regarding the business are not ratified by the board and shareholders there is a risk that decisions may be made, and activity undertaken, that is not in the interests of all board members and shareholders.</p>	<p>Board meetings should be reinstated. Decisions should then be submitted to the board or shareholders for approval as required.</p> <p>Consideration should be given to giving retrospective consideration and approval to decisions made since 28 March 2018.</p>
Management Response			
<p>Noted that Board meetings should be reinstated. This was agreed with Intrum on January 21st. A Board meeting has been scheduled for April 1st. The annual programme of Board meeting dates will be agreed at this meeting. Throughout 2018/19 there has been regular , informal contact between Intrum and LBHF Officers regarding the business of LBHF JV Ltd, including work on the external sales pipeline. The focus of 2018/19 has been on the LBHF pilots. Alongside regular Board meetings regular review meetings were re-instated in January and will now continue on a bi-monthly basis which will more than satisfy the requirement for four meetings per annum going forward.</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			1 April 2019.

5. Governance Arrangements – Capacity and Capability Assessment

Priority	Issue	Risk	Recommendation
Medium	New Directors were being appointed at the time of the audit and the Council’s Assistant Director, Corporate Finance was the only Council appointed board member. We were unable to establish if an assessment of capacity and capability had been undertaken for the board or for other officers involved in the management of the Joint Venture.	Where a capacity and capability assessment has not been undertaken there is a risk that the board members and other officers involved in management of the Joint Venture may not have sufficient time to dedicate running the company or may have skills gaps that need to be addressed in order to discharge their duties effectively.	The capacity and capability of board members and other officers involved in management of the joint venture should be assessed. This should be compared to an assessment of the capacity and skills required to manage the company effectively. Any gaps in either capacity to discharge responsibilities or required skills should be addressed.
Management Response			
<p>Noted that new LBHF Directors need to be appointed to the Board. Two new Board Directors have been identified and will attend the Board meeting on April 1st. These are Sharon Lea, Director for Resident Services, and Matthew Sales, Programme Manager for the Chief Executive.</p> <p>Since the audit fieldwork was completed, work has been undertaken by Public Service Reform and the Head of Legal Services to identify options for an over-arching governance structure for LBHF companies. This will ensure that LBHF nominated Director on Boards are supported and have the skills and capacity to manage companies effectively. Initial proposals were discussed by the Senior Leadership Team and agreement was given to explore further the implications and advantages of putting in place a group structure for LBHF companies. Alongside this work a recruitment exercise is underway to build up a pool of officers who can sit as Board Directors on LBHF companies. This will ensure that in the future any vacancies are appointed to quickly and that officers on Board are supported .</p>			
Responsible Officer			Deadline
Clare O’Connor, Strategic Lead, Public Services Reform			30 June 2019

6. Governance Arrangements – Register of Interests

Priority	Issue	Risk	Recommendation
Medium	<p>Clause 9 of the Company's Articles of Association, sets out the need for the Board to collectively impose terms to manage any conflict of an "interested" director, and for said director to abide by these terms. Clauses 9.9 & 9.10 emphasise the responsibility of directors to declare any interest in a transaction or agreement (proposed or existing).</p> <p>The Head of Commercial Operations informed us that Board members do not make a signed declaration of interests upon joining, but instead declare interests at each board meeting.</p> <p>We were informed that, as existing staff had been Council employees, they were covered under the Council's declaration of interests policy. However, it is not clear if the relevant interests of the individual could be considered the same in both roles.</p> <p>The Head of Commercial Operations informed us that declarations of interest would be required when the Joint Venture began hiring and employing its own staff.</p>	<p>Where signed declarations of interest are not required at the time of joining (and for periodic renewal), there is a risk that the wider implications of any conflict of interest outside of meetings may not be managed appropriately.</p>	<p>Signed declarations of interest should be requested from all Board members and senior Joint Venture employees at the time of their joining the Company, becoming aware of any new conflict, and upon periodic renewal. A register of any declared interests should be maintained highlighting any actions necessary to manage a conflict or perceived conflict of interest.</p>
Management Response			
<p>Curently there are no direct employees of LBHF JV Ltd. When senior staff are appointed a declaration of interest will be required. This has been agreed with Intrum.</p> <p>At the April Board Members will be asked to sign declarations of interest. In addition at every Board meeting Board Members will be asked to declare any conflict of interest. This will be formally minuted. Signed declarations of interest will be requested from all new Board Members going forwards.This has been agreed with Intrum.</p> <p>Following completion of the audit fieldwork legal advice on conflicts of interest was sought. This advice will be taken into account when selecting LBHF officers to sit on the board of LBHF JV Ltd and other LBHF companies.</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			01 April 2019

7. Governance Arrangements – Conflicts of Interest at Board Meetings

Priority	Issue	Risk	Recommendation
Medium	<p>The Head of Commercial Operations informed us that conflicts of interest are discussed at every board meeting.</p> <p>We reviewed the board minutes to determine how declarations of interest are declared and managed. None of the three board meetings examined showed declarations of interest as a standing item in the agenda.</p>	<p>Where there is no minuted record of conflicts of interest being discussed, there is a risk that directors may act against the interests of the Company due to said conflict.</p> <p>Even where no conflict is present, perceived conflicts or lack of transparency could undermine board decisions.</p>	<p>Declarations of interest should be added to the agenda of all board meetings, prior to any discussion or decision-making, and recorded in the minutes. Should any declaration of interest be made, the actions taken at the meeting to mitigate it should also be recorded.</p> <p>Any declaration of interest made at a board meeting should also be recorded in the Company's register of interests as set out in recommendation 2.</p>
Management Response			
<p>As set out above conflict of interests will be a standing agenda item on all future Board meetings and this item will always be formally minuted. This has been agreed with Intrum</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			01 April 2019

8. Staffing and Resourcing – Council & Intrum Spending

Priority	Issue	Risk	Recommendation
High	<p>At the time of audit, the Joint Venture did not have cash assets of its own. The Council and Intrum were managing income and expenditure in order to prevent the Company from building a poor credit record. We were informed that the Council and Intrum have both recorded their expenditure. It was noted that re-charging of operating expenditure to the Joint Venture would only take place when the Company became profitable.</p> <p>The Council did not have a clear record of costs accrued by Intrum awaiting recharge to the Joint Venture. Furthermore, it had not been formally agreed which costs by each party would be considered set up costs (and therefore not recharged) and which costs should be recharged once the company becomes profitable.</p> <p>As such the financial position of the Joint Venture, and when the Council will be able to recharge expenditure, was unknown.</p>	<p>Where there is not a clear understanding between the Council and Intrum of costs incurred by each party in supporting the Joint Venture, there is a risk that these costs could be miscalculated or misrepresented when re-charged to the Joint Venture.</p>	<p>The Council and Intrum should agree a means of recording and agreeing the expenditure committed related to the Joint Venture that they intend to recharge to the company (at such time as this becomes feasible).</p>
Management Response			
<p>As part of the work set out in the management response to Recommendation 1, the costs incurred by Intrum in relation to LBHF JV Ltd will be recorded. The Council’s costs (including staff time) have already been quantified. The task and finish group will use this baseline information to establish the on-going resources required to run LBHF JV Ltd effectively and will agree how these costs will be apportioned. The March review meeting will go through these proposals in detail and will take forward those agreed thorough the appropriate governance processes. This will ensure that for 2019/20 and onwards there are agreed methods of recording and agreeing expenditure. The June deadline reflects the need to ensure that any agreements regarding resources allocated to LBHF JV Ltd are subject to scrutiny and follow the appropriate governance procedures.</p>			
Responsible Officer			Deadline
Clare O’Connor, Strategic Lead, Public Services Reform			31 May 2019

9. Staffing and Resourcing – Council Officers Work on Joint Venture Tasks

Priority	Issue	Risk	Recommendation
Low	<p>The Company's Managing Director was seconded to the Company from the Council and their cost is to be recharged to the Joint Venture (total salary & expenses). Costs incurred in the 2018/19 financial year have yet to be calculated and agreed with Intrum, but will also be recharged.</p> <p>We were informed that other staff time, such as the Board Members and the Head of Commercial Operations was low-level, and therefore is not logged and recharged.</p>	<p>Where Council employees carry out responsibilities relating to the Joint Venture alongside their standard duties, there is a risk that the Council will subsidise the Joint Venture by absorbing the costs of this work. There is also a risk that other tasks could suffer due to any increased focus on Joint Venture work.</p>	<p>The Council should consider recording the time employees spend working on behalf of the Joint Venture, for example through timesheets, and re-charging this to the Company. If demands on Council staff to contribute to the Joint Venture increase in future, this should be taken into account.</p>
Management Response			
<p>All time allocated to the JV by LBHF resources is now being recorded. Between September and December 2018 Public Service Reform resources were allocated to supporting the Joint Venture in terms of reviewing the contract documentation and setting up a legal Framework and process for public bodies to join the Framework and procure services from the JV. Going forward LBHF staff time on the JV will be re-charged</p>			
Responsible Officer			Deadline
Sarah Bright, Assistant Director, Public Services Reform			Implemented

10. Income and Expenditure – Joint Venture Policies & Procedures

Priority	Issue	Risk	Recommendation
High	<p>There are no policies or procedures in place for LBHF Joint Ventures Ltd. As payments are currently being processed by either the Council or Intrum in order to maintain a satisfactory credit rating, no costs were therefore being approved by the Company independent of Council or Intrum oversight.</p> <p>A Payment Authority Instruction document was drafted in September 2017, but remains incomplete. Furthermore, the authorisation limits refer only to responsibility delegated by the Joint Venture Board to employees of either LBHF or First Credit (now Intrum) rather than to any employees of the Joint Venture itself. As expenditure is currently being processed by each organisation and not through the Joint Venture this Payment Authority Instruction is not being followed.</p> <p>Although ethical debt recovery is referred to in the tender and planning documents, the Joint Venture does not have its own debt recovery policy. It is our understanding that Intrum follow their own debt recovery procedures when recovering debt for the Joint Venture.</p> <p>This will become of importance when the Joint Venture beings to provide services to other organisations. At time of audit, no work has been carried out for clients other than LBHF.</p>	<p>Where written policies and procedures are not in place, there is a risk that, when the Company becomes responsible for transactions, these will be made without appropriate oversight and approval.</p> <p>Where expenditure is being processed by each organisation and not through the Joint Venture there is a risk that the joint authorisation process is being bypassed and each organisation does not have control over spend incurred by the other.</p> <p>Where the costs of recovery actions are not understood by the Joint Venture, this could result in the Company losing income through inaccurate billing.</p>	<p>The Joint Venture Company should agree policies and procedures for the procurement of goods & services, making payments to suppliers, invoicing customers and managing debts.</p> <p>Until expenditure is processed through the Joint Venture, consideration should be given to how the Council monitors and controls expenditure incurred by Intrum and vice versa.</p> <p>A debt recovery policy should also be developed for the Joint Venture to define the Company’s approach to debt recovery. Where the JV adopts Intrums approach to debt recovery this should be formally ratified.</p> <p>The Council and Intrum should agree a means by which the recovery costs can be calculated in order to facilitate regular billing by the Joint Venture, identifying total amounts recovered, recovery costs, and percentages owed to the Joint Venture as commission.</p>
Management Response			
<p>Noted that policies and procedures for the procurement of goods & services, making payments to suppliers, and the invoicing customers and managing debts are required. This was discussed at the meeting of January 21st and it was agreed that these would be developed and signed off by the JV Board as a priority. Until now LBHF has been the sole client of the JV and therefore all invoicing etc has been agreed between the JV partners.</p>			
Responsible Officer			Deadline
Clare O’Connor, Strategic Lead, Public Services Reform			31 May 2019

11. Income and Expenditure – Bank Signatories




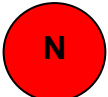
Priority	Issue	Risk	Recommendation
Low	<p>A bank account was set up for the Joint Venture's use.</p> <p>The bank account was set up with authorised signatories. This sets up separate signatory lists (A & B) as well as setting out the circumstances under which combinations of signatories may approve bank transfers.</p> <p>Some of the persons listed have since departed from their role on the Joint Venture, including the Managing Director.</p>	<p>Where bank signatory lists are out-of-date, there is a risk that improper financial transactions may be processed.</p> <p>There is also a risk that legitimate Company officers may not be eligible to authorise payments.</p>	<p>The bank signatory list should be updated to reflect current Board members and officers. The list should be periodically reviewed and updated.</p>
Management Response			
<p>Noted that the bank signatory list should be updated to reflect current Board members and officers. This was discussed and agreed at the meeting of January 21st and will be actinned at the April Board meeting and regularly reviewed throughout 2019/20.</p>			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			01 April 2019.

12. Risk Management – Company Risk Register

Priority	Issue	Risk	Recommendation
Medium	The Joint Venture has no risk register in place to identify risks, assign responsibilities, or implement mitigating controls.	Where there is no structure for the identification and management of risk, there is an increased likelihood that the Company will not achieve its objectives.	A risk register should be produced for the Joint Venture, and risk management strategies adopted. This should be periodically reviewed and updated.
Management Response			
Noted that a risk register is required. This was discussed and agreed at the review meeting of January 21 st . The risk register will be reviewed at the April Board meeting and thereafter regularly reviewed.			
Responsible Officer			Deadline
Clare O'Connor, Strategic Lead, Public Services Reform			01 April 2019.

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

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

Rating	Description
 Su	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 Sa	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.
 L	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.
 N	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.

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

Appendix 3: Audit Scope, Limitations, and Inherent Risks

This audit was a full risk based review of the arrangements for LBHF Joint Ventures Limited and included the following areas:

Ref	Audit Area Description	Comments on Coverage / Area Objectives
01	Formation	The Company was formed based on a valid and viable business case for doing so with alternative options first being explored. New Trading Company's operations are line with the Council's aims, objectives, and risk appetite.
02	Governance Arrangements	<p>There is a clear strategic vision for the Company which is aligned with the Council's aims, objectives, values and risk appetite. This is translated into a business plan.</p> <p>Effective governance arrangements are in place to oversee the activities of the Company. There is a Board in place which has appropriate membership and organisational oversight.</p> <p>Governance arrangements provide reassurance over the propriety of the business, and that the agreed strategic direction is being followed.</p> <p>An agreed decision making structure is in place detailing how the Company will take forward its activities in order to pursue its objectives. Arrangements ensure that the Company does not bypass relevant Council policies and rules e.g. financial delegations and procurement. Conflicts of interest are either avoided or managed effectively.</p> <p>Roles and responsibilities of key officers are defined and documented.</p> <p>The arrangements/mechanisms for paying dividends to the Council are clearly documented.</p>
03	Staffing and Resourcing	<p>Staffing and resourcing arrangements and ownership of assets of the Trading Company are clearly defined, documented and agreed.</p> <p>Any applicable Council staff or resource costs are re-charged completely, accurately and promptly, with clear records held to support time charged / resources input, to avoid the Council subsidising the Company.</p>
04	Assessment of Commercial Activities	<p>A process is in place to identify and assess new commercial opportunities. This involves gathering supporting data to support a business case and meeting a set criteria that is aligned with the Company's aims, objectives and risk appetite.</p> <p>The Joint Venture's capacity to undertake proposed ventures is also included as part of the assessment process, with staff having the required availability, skill set and commercial knowledge to ensure compliance with Council and legislative requirements.</p>
05	Income and Expenditure	<p>Only valid payments are made to contractors and suppliers and that these are made correctly, in a timely manner.</p> <p>Income due to the Company is completely, accurately, validly and promptly identified, levied, collected and banked. Prompt and proportionate action is taken to recover overdue income.</p> <p>Cash and bank accounts are properly administered, safeguarded and monitored to timely detect and correct any errors and omissions.</p> <p>Any Council financing for the set up or support of the Trading Company in the form of one off payments or loans is subject sufficient scrutiny and approval. Conditions of any financing are agreed in advance and monitored against to ensure compliance.</p>

Ref	Audit Area - Description	Comments on Coverage / Area Objectives
06	Performance Monitoring and Management Information	Expected benefits (and/or agreed outcomes) and levels of expected performance have been defined and link to Council plans and targets. Measures and timescales to monitor performance and delivery of benefits have been agreed and are monitored against. Performance of the Joint Venture is reported back to the Council.
07	Risk Management	Risks to the achievement of objectives are identified, assessed, monitored and reported to input into decision making.
08	Financial Management	Services are delivered within agreed financial constraints. Variances are identified promptly through robust budget monitoring. The impact of any variances is assessed fully and that corrective action is identified, agreed and implemented.

Limitations to the Scope of the Audit

The following limitations to the scope of the audit were agreed when planning the audit:

- The work will be undertaken using a risk based approach and testing will be on a sample basis to verify compliance;
- The records maintained by third parties to the Council (other than those of the Trading Company) will not be reviewed and are outside of the scope of this audit; and
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist. The audit review does not provide absolute assurance that material error, loss or fraud does not exist.

The internal audit approach was developed through an assessment of risks and management controls operating within the agreed scope. The following procedures were adopted:

- Identification of the role and objectives of each area;
- Identification of risks within each area which threaten the achievement of objectives;
- Identification of controls in existence within each area to manage the risks identified;
- Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
- Testing of the effectiveness of key controls in existence within each area.

Inherent Risks

The risks listed below are potential inherent risks which are common for any system/organisation of this type:

- Governance is ineffective and lacking a clear direction which could result in ineffective working and an inability to achieve the Company's agreed strategic aims.
- Staffing and other resourcing arrangements are not clearly defined which may result in the Council subsidising the activities of the business, and providing an inaccurate assessment of Company resources and financial position.
- Inappropriate ventures are entered into resulting in commercial activities that are unprofitable or not in line with the Council's aims and values.
- Safeguards are not in place to protect the Council from excessive risk taking or poor performance which may result in financial and reputational loss to the Council.

Appendix 4: Timetable and Distribution List

Stage	Date
End of Fieldwork	19/09/2018
Draft Report Issued	11/10/2018
Responses Received	30/01/2019
Final Report Issued	01/02/2019

Audit Team
Client Engagement Manager: James Graham
Auditor: Sam Lowe
Auditees
Jem Kale - Head of Commercial Operations
Client Sponsor
Lisa Redfern – Startegic Director for Social Care and Public Services Reform

Report Distribution List
Lisa Redfern – Startegic Director for Social Care and Public Services Reform
Jem Kale – Head of Commercial Operations
Sarah Bright – Assistant Director, Public Services Reform

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

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

London Borough of Hammersmith and Fulham

Final Internal Audit Report

Members & MP Enquiries, Freedom of Information,
Subject Access Requests and Complaints

January 2019



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1 Introduction

As part of the internal audit plan for 2018/19, agreed by the Audit Committee, we have undertaken an internal audit of Members & MP Enquiries, Freedom of Information (FOI) Requests, Subject Access Requests (SARs) and Complaints at the London Borough of Hammersmith & Fulham.

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Policies, Procedures & Legislation			0	1	0
Receipt, Recording and Allocation of Enquiries, Requests and Complaints			0	1*	0
Review and Issue of Responses			1	2*	0
Exemptions under the Freedom of information Act			0	0	0
Publication Scheme			0	0	0
Appeals			0	2	0
Performance Monitoring and Reporting			1	0	0
Total			2	6	0

*This recommendation is applicable to both areas.

Please refer to the Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

In Internal Audit's opinion, **Limited Assurance** can be given to Members, the Chief Executive and other officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application.

The key findings and an assessment of controls are summarised below:

Application of and compliance with controls to address the key risks identified

- Policies and procedures are in place with regards to Members and MP enquiries, Freedom of Information requests (FOIs), Subject Access Requests (SARs) and complaints and are available on the Council's intranet site for all relevant officers to access. The policies and procedures are also available on the Council's internet site for the public to access. It was, however, noted that the policies and procedures are not reviewed on a regular basis with many of the procedures being dated between 2012 and 2014 or some not dated at all.
- Training and guidance has been provided to officers dealing with the different types of enquiries and requests, including on-the-job training, individual/group training and as part of induction for new employees.
- The H&F In-touch Team are responsible for logging all enquiries, requests and complaints received by the Council on the iCasework system, where a unique reference number is automatically assigned. This was confirmed for a sample of ten Members and MP enquiries, ten FOI requests, ten SARs and ten complaints received between June 2017 and July 2018.
- SARs are required to be made in writing, including name, address and any previous name or addresses, if relevant, to the H&F In-touch Team. When making a request, two original proofs of identity are required to confirm the name and address. List of acceptable documents are detailed on the Council's website. FOIs are required to be made in writing detailing what is required and the preferred format for receiving the information, e.g. email or as paper copy. For a sample of ten SARs and ten FOIs received, no exceptions were noted.
- Enquiries, requests and complaints are required to be acknowledged. Complaints are required to be acknowledged within three days of receipt. Whilst there is no prescribed timeframe within which Members and MP enquiries, FOIs and SARs are to be acknowledged once received, the Head of Contacts stated that they should be acknowledged as soon as they are logged. For a sample of ten Members and MP enquiries, ten FOIs and ten SARs received, we confirmed that they were all acknowledged in a timely manner (within four days, three days and five days respectively). For a sample of ten complaints received, we confirmed that they were all acknowledged within three days of receipt.
- Enquiries, requests and complaints should be promptly assigned by the H&F In-touch Team to the relevant officer for processing. The iCasework system will automatically generate an email which notifies the officer that an enquiry, request or complaint has been assigned to them. Where more than one directorate needs to contribute to the response, a lead officer within H&F In-touch Team will coordinate the response. No exceptions were noted in the sample tested.
- Enquiries, requests and complaints are required to be responded to within the prescribed timescales as detailed below:
 - Member and MP enquiries – Cabinet members (three working days); MP and Councillor (eight working days)
 - FOIs – 20 working days
 - SARs – 40 calendar days
 - Complaints – Stage 1 (15 working days); Stage 2 (20 working days)

Where there are likely to be delays in responding, the requestor/complainant should be notified and updated on the progress of their request/complaint and provided with reasons for the delay in responding.

- For the sample tested, the following exceptions were noted:
 - Members and MP enquiries – in four of the ten cases the response was not sent within the prescribed timescales. In two of these four cases, a holding letter had been sent to the member explaining the reasons for the delay. However, in the remaining two cases, there was no evidence of the member being notified of the potential delay.
 - FOIs* – in six of the ten cases, the response was not sent within 20 working days (response was sent after 22-113 days). In another one case, the response had yet to be sent at the time of the audit (after 113 days of receipt of request). There was no evidence of the requestor being notified of the delay in any of these cases.
 - SARs* – in six of the ten cases, the response was not sent within 40 calendar days (response was sent after 41-112 days). In two of these six cases, the delay was due to the large volume of information that needed to be retrieved and the requestor had been notified of the delay. In the remaining four of the six cases, there was no evidence of the requestor being notified of the delay. In another one case, the response had yet to be sent at the time of the audit (after 77 days of receipt).
 - Complaints – in one of the ten cases the Stage 1 response had not been sent within 15 working days (response was sent after 21 days) and there was no evidence of the complainant being notified of the delay. Four of the ten complaints had been escalated to Stage 2 for which, two were not responded to within 20 working days of receipt of Stage 2 (response was sent after 57 and 58 days).

** Good practice is noted in respect of Adult Social Care (Fol and SAR) and Children's Services (Fol) are consistently at single figures for outstanding and 0-1 for overdue requests and have maintained this level of performance for over 12 months, as reported by the Assistant Director Residents' Services.*

- An audit was undertaken by the Information Commissioner's Office (ICO) in February 2017 with regards to compliance with Data Protection Act (DPA) and one of the areas reviewed was in relation to SARs. The audit identified that SARs were not responded to within statutory timescales and a recommendation was made to allocate a permanent dedicated resource within the H&F In-Touch Team to deal with SARs. The Head of Contacts stated that this recommendation is yet to be implemented and, in the meantime, SARs are responded to as and when alongside other requests.
- Copies of responses are required to be retained on iCasework for future reference. For the sample tested, whilst iCasework indicated that a response had been sent, a copy of the response was not found for one member's enquiry, one FOI and one SAR. The Head of Contacts stated that the response may have been sent outside of iCasework and not uploaded onto the system.
- There is currently no requirement for responses to be reviewed and signed off by a senior officer to ensure that they are complete, accurate and appropriate. The Head of Contacts stated that responses to Member's enquiries, FOIs and SARs are sent by officers with the relevant knowledge and experience. However, with regards to responses to Stage 2 complaints, the Assistant Director of Resident Services will be making a recommendation to Senior Leadership Team (SLT) for these responses to be reviewed and signed off by the relevant Service Directors prior to being sent.
- There is currently no process in place for monitoring compliance with policies, procedures and legislation to help ensure that enquiries, requests and complaints are dealt with in accordance with Council policies and legislation. The Head of Contacts stated that they are currently developing a process by which a sample of enquiries, requests and complaints will be checked on a monthly basis or quarterly basis to ensure that they have been correctly recorded,

allocated, responded to and that all relevant documentation has been uploaded onto iCasework. This will also include a sample of exemptions (detailed below) to ensure that they have been appropriately applied. The results of this exercise will help to identify improvement points which will be addressed via appropriate training to relevant officers. This new process is likely to be implemented by October 2018. Given that management are in the process of implementing this procedure, a recommendation is not being made.

- There are 23 exempt categories of information listed in the Freedom of Information Act. We confirmed that these are clearly listed on the Council's internet site for officers and members of the public to be aware of.
- Where information requested is within an "exempt" category, the requestor is required to be notified of the exemption together with details of the exemption category. The application of exemptions is restricted to two members of the H&F In-touch Team. For a sample of ten FOI requests where the information requested was within an "exempt" category, no exceptions were noted. However, in one case the copy of the response was not found on iCasework.
- The Freedom of Information Act requires each public authority to produce and make available a publication scheme in the interests of openness and accountability. The Information Commissioner's office (ICO) has stated that websites may serve as a Council's guide to information. We reviewed the Council's website, which is updated on a regular basis, and confirmed that a range of information was available and contained links or directs the customer to the location of information.
- Where the customer is unhappy with their response to a FOI request or SAR, either in the information sent or the way the request was handled, the customer can write to the Council's Information Management Team for an internal review outlining their concerns or requirements. The customer also has the right to appeal to the ICO. We confirmed that the customer is made aware of this process via the internet site and the response letter.
- Where a complainant is not satisfied with the Stage 1 response, they have the right to escalate their complaint to Stage 2 by writing to the H&F In-touch Team explaining the reason for their dissatisfaction. Where the complainant is dissatisfied with the Stage 2 response, they have the right to refer the complaint to the Local Government Ombudsman (LGO) and the Housing Ombudsman (HO). We confirmed that complainants are made aware of the options available to them via the internet site and the Stage 1 and Stage 2 response letters.
- Responses to appeals for both FOI and SARs are required to be made within 20 working days of receipt. For a sample of six appeals received (four for FOI and two for SARs), the following was noted:
 - One of the four FOI appeals was not responded to within the prescribed timescales. The response was sent after six months of receipt, although there was evidence of the requestor being kept updated on the delay. In another case the response was yet to be sent at the time of our audit on 14 August 2018, with the due date being 13 August 2018.
 - Neither of the two SAR appeals were responded to at the time of our audit in August 2018 despite them being received in December 2017 and March 2018, although there was evidence of the requestor being kept updated on the delay.
- Where complaints have been referred to the LGO and HO, the Ombudsman will investigate the complaint and rule whether there was "maladministration" on the Council's part. The Head of Contacts oversees all matters relating to the Ombudsman, including responding to the Ombudsman's requests for information. For a sample of ten complaints referred to the Ombudsman, the following was noted:
 - In four cases, the outcome was no "maladministration".
 - In two cases, the outcome was "maladministration" and the Council was required to pay compensation to the complainants.
 - One case was closed after initial enquiry as not in jurisdiction.

- In three cases, the Ombudsman decided not to initiate an investigation.
- Of the six cases which were investigated, in two cases the response to the requests for information was sent after 22 and 48 working days. This is considered to be untimely. In another two cases, we were unable to confirm whether the response was sent in a timely basis as copies of the responses were not found.
- During audit testing, it was noted that on some occasions there were discrepancies between the actual date the request was received or response sent and the date recorded on iCasework. The Head of Contacts stated that officers should be recording the actual receipt dates/response dates instead of the date they input onto iCasework. The specific exceptions were as follows:
 - Three Member's enquiries (Ref: 1107458, 1207323 and 1235206) – received on 30/08/2017, 13/02/2018 and 27/03/2018 but recorded on iCasework as 05/09/2017, 19/03/2018 and 03/04/2018 respectively.
 - Two FOIs (Ref: 1089177 and 1131933) – received on 19/07/2017 and 10/11/2017 and recorded on iCasework as 09/08/2017 and 16/11/2017 respectively.
 - One SAR (Ref: 1126307) – response sent on 29/11/2017 but recorded on iCasework as 20/12/2017.
- We confirmed that weekly reports are generated by the H&F In-Touch Manager and sent to relevant officers within the Council detailing the enquiries/requests/complaints, which are due and overdue. The reports are colour coded, with green being due and red being overdue. We also confirmed that the Assistant Director of Resident Services also sends these weekly reports to all departments within the Council and highlights cases that are unassigned. The relevant officers are required to review these reports and ensure that enquiries/requests/complaints are being responded to within the prescribed timescales.
- The Assistant Director of Resident Services sends a weekly report to the Chief Executive detailing the number of complaints and member enquiries received, closed, outstanding and overdue. This was confirmed for three consecutive weeks in July/August 2018.
- A corporate dashboard has recently been introduced for 2018/19 where data for member enquiries, requests and complaints is to be provided to SLT on a quarterly basis. We confirmed that data had been provided to SLT for quarter one for 2018/19.
- The H&F In-Touch Manager is required to send performance data to the Corporate Information Management Board on a quarterly basis on the number of FOIs and SARs received and handled within the prescribed timescales. We confirmed that this was sent for quarter one for 2018/19.
- The Corporate Complaints Policy requires an annual assurance report to be publicised on the website detailing the number of complaints handled by the Council at each stage; where within the organisation the complaints were handled; and what can be learnt from the complaints. We confirmed that an assurance report for 2016/17 was produced and was available on the Council's internet site. The 2017/18 annual report is in the process of being drafted.
- At the end of quarter one, the performance was as follows:

	Target for responses to be sent within prescribed timescales	Quarter One
Member & MP Enquiries	80%	70%
FOIs	90% (set by ICO)	94%
SARs	80%	23%
Complaints	80%	69%

-
- The above indicators show that apart from FOIs, none of the performance targets were achieved for quarter one. There was no evidence of explanations for targets not being met or action plans to be taken to address the underperformance.

4 Acknowledgement

We would like to thank the following members of staff for their time and assistance during the audit:

- James Filus – Former Head of Contacts
- Karen Sullivan – Assistant Director Resident Services

Appendix 1: Management Action Plan

1. Policies and Procedures

Priority	Issue	Risk	Recommendation
Medium	Whilst policies and procedures are in place with regards to Members and MP enquiries, Freedom of Information requests (FOIs), Subject Access Requests (SARs) and complaints, it was noted that they are not reviewed on a regular basis with many of the procedures being dated between 2012 and 2014 and some not dated at all.	Where policies and procedures are not reviewed and updated on a regular basis, there is a risk of inconsistencies in the way enquiries, requests and complaints are managed and confusion in the handling process.	The Head of Contacts and the Complaints Manager should ensure that policies and procedures are regularly reviewed and updated to ensure that they remain relevant.
Management Response			
It is recognised and accepted that policies and procedures have not been reviewed on a regular basis. Work is currently underway and all policies and procedures will be reviewed by the start of April 2019. Additional governance will be undertaken around version control and an annual review of all policies is committed to. These will be easy to read and interpret, with drop in sessions offered to all staff at the point of review and the necessary induction material updated			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			1 April 2019

2. Timeliness of Responses

Priority	Issue	Risk	Recommendation
High	<p>Enquiries, requests and complaints are required to be responded to within the prescribed timescales.</p> <p>For the sample tested, the following exceptions were noted:</p> <ul style="list-style-type: none"> Member & MP enquiries – in four of the ten cases the response was not sent within the prescribed timescales. In two of these four cases, a holding letter had been sent to the member explaining the reasons for the delay. However, in the remaining two cases, there was no evidence of the member being notified of the potential delay; and, FOIs – in six of the ten cases, the response was not sent within 20 working days (response was sent between 22-113 days after the request was received). In another case, the response had yet to be sent at the time of the audit (113 days after receipt of request). There was no evidence of the requestor being notified of the delay in any of these cases. SARs – in six of the ten cases tested, the response was not sent within 40 calendar days (responses were sent between 41-112 days after receipt of request). In two of these six cases, the delay was due to the large volume of information that needed to be retrieved and the requestor had been notified of the delay. In the remaining four of the six cases, there was no evidence of the requestor being notified of the delay. In another case the response had yet to be sent at the time of the audit (77 days after receipt). 	<p>Where responses to enquiries, requests and complaints are not sent within the prescribed timescales and/or requestors/complainants are not notified of potential delays in responding, there is a risk of requests/complaints being escalated and of them being ultimately referred to the Information Commissioner's Office, Local Government Ombudsman or Housing Ombudsman.</p>	<p>Responses to enquiries, requests and complaints should be sent within the prescribed timescales in accordance with policies and procedures. Where there are likely to be delays in responding, the requestor/ complainant should be notified and updated on the progress of their request/complaint and provided with reasons for the delay in responding.</p> <p>All Directors and officers should be reminded of the need to ensure that responses are sent within the prescribed timescales.</p> <p>The process should:</p> <ul style="list-style-type: none"> Identify at an earlier stage where prescribed timescales will not be met and either prioritise the case or send an update. Implement a mechanism to identify outstanding cases where updates have not been issued. Report performance in these areas to DMTs and SLT, including reporting open cases approaching their deadline for completion.
<h3>Management Response</h3> <p>It was recognised that daily management of the caseload was insufficient. Additional steps were put in place to ensure more accurate and consistent management of all work streams.</p> <p>A significant amount of work had been undertaken to bring the service up to date, reducing the backlogs and improving overall performance.</p> <p>There is a shift in culture from reactive to proactive – which will continue to improve engagement with the customer and the timeliness of responses.</p>			

Reports are under review to ensure we monitor upcoming work and plan resource accordingly.

Weekly status reports are now sent to departments on outstanding Member enquiries, stage 1 and FOI/SARS, with director escalation when needed.

Regular meetings with the Housing Department now take place to review outstanding cases and seek speedy resolution. This has resulted in a significant reduction in overdue cases for example overdue Member Enquiries reducing from 98 in October 2018 to 46 in December 2018 and stage 2 from 37 in October 2018 to 8 in December 2018.

Performance is monitored by the Assistant Director of Residents' Service at the weekly operational meetings.

Areas of consistently good practice and high standards have been noted as ASC and Children's services and lessons have been learnt from their approach.

Responsible Officer	Deadline
Head of Contacts / Resident Experience Manager	1 April 2019

3. Retention of Responses

Priority	Issue	Risk	Recommendation
Medium	<p>Copies of responses are required to be retained on iCasework for future reference. For the sample tested (ten requests of each type), whilst iCasework indicated that a response has been sent, a copy of the response was not found for the following:</p> <ul style="list-style-type: none"> • one Member's enquiry; • one FOI; • one SAR; and • one FOI exempt response. <p>The Head of Contacts stated that the responses for these cases may have been sent outside of iCasework and not uploaded onto the system.</p>	<p>Where copies of responses are not retained and uploaded onto iCasework, there is a risk that in the event of a query or request/complaint being escalated, the investigating officer will have no point of reference.</p>	<p>The Complaints Manager should remind all relevant officers of the need to ensure that all documentation, including responses letters, are retained and uploaded onto iCasework.</p> <p>A periodic spot check of cases should be undertaken to gain assurance that responses are being retained.</p>
Management Response			
<p>As part of a system wide review, we have undertaken a review of Icasework. In the short term we are rewriting our guidance policies on all work streams. This will be relaunched as a wider focus around complaints processes and responses, ensuring consistency, transparency and compliance. Quality assurance tools have been built and quality monitoring takes place on cases.</p> <p>In the medium term we will look to replace iCasework with a more user-friendly system and will look at our workflows and processes for efficiency, quality, accuracy and transparency</p>			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			1 April 2019

4. Review of Responses

Priority	Issue	Risk	Recommendation
Medium	There is currently no requirement for responses to be reviewed and signed off by a senior officer. The Head of Contacts stated that responses to Member's enquiries, FOIs and SARs are sent by officers with the relevant knowledge and experience. However, with regards to responses to Stage 2 complaints, these should be reviewed by a senior officer.	Where Stage 2 responses to complaints are not reviewed and signed off by a senior officer, there is a risk that the responses may not be appropriate and that this will be not be identified and addressed prior to them being sent to the complainant.	Procedures should be put in place for Stage 2 responses to complaints to be reviewed and signed off by a senior officer prior to them being sent out. Consideration should also be given to whether all responses should be reviewed and signed off either an officer in the corporate complaints team or by a senior officer in the responding directorate to assure their quality and accuracy.
Management Response			
<p>The service has introduced a sign-off process for senior officers – Directors or their delegated officers, ensuring transparency and service improvement</p> <p>As part of the Quality Assurance process developed, we quality checking a percentage of all responses and provide feedback when needed.</p> <p>We are developing further training and guidance and ensuring tools, such as Better Letters are being implemented.</p>			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			Completed

5. Responses to Appeals

Priority	Issue	Risk	Recommendation
Medium	<p>Responses to appeals for both FOI and SARs are required to be made within 20 working days of receipt. For a sample of six appeals received (four for FOI and two for SARs), the following was noted:</p> <ul style="list-style-type: none"> • One of the four FOI appeals was not responded to within the prescribed timescales. The response was sent six months after the appeal had been received. In another case the response had yet to be sent at the time of fieldwork (14 August 2018), with the due date being 13th August 2018; and • Neither of the two SAR appeals were responded to at the time of our audit in August 2018 despite them being received in December 2017 and March 2018 respectively. 	<p>Where responses to appeals are not sent within the prescribed timescales, there is risk of the requestor continuing to be dissatisfied which may lead to them to escalate their appeal to the ICO. Persistent or significant failure to respond within timescales could see the Council placed under monitoring arrangements by the ICO.</p>	<p>The Information Management Team should ensure that appeals are responded to within the prescribed timescales.</p> <p>The two cases should be reviewed to establish why a response has not yet been provided.</p> <p>Open appeals approaching their deadline for response should be reported to DMTs and SLT.</p>
Management Response			
<p>The Information Management Team endeavour as far as possible to respond within timelines prescribed externally and in accordance with Council policy. Additional information sent to Internal Audit relating to the specific cases highlighted.</p> <p>A review has taken place on both cases and information sent to Internal audit.</p> <p>Monitoring of compliance with the max. 40 working day timeframe is carried out quarterly and shared with council representatives at the Corporate Information Management Board as well as made available to the Strategic Leadership Team.</p>			
Responsible Officer			Deadline
E Crow (Interim Head of Information and Data Protection Officer)			Completed

6. Responses to the Ombudsman

Priority	Issue	Risk	Recommendation
Medium	<p>The Head of Contacts oversees all matters relating to the Ombudsman, including responding to the Ombudsman's requests for information.</p> <p>For a sample of ten complaints referred to the Ombudsman, in two cases the response to the requests for information was sent between 22 and 48 working days after receipt. This is considered to be untimely. In another two cases, we were unable to confirm whether the responses were sent on a timely basis as copies of the responses were not found in either iCasework or in the shared mailbox.</p>	<p>Where responses to the Ombudsman are not sent in timely manner, there is a risk of the Ombudsman having to follow-up on a non-response leading to reputational damage for the Council.</p> <p>Where copies of responses are not found, there is a risk of the H&F In-touch Team being unable to demonstrate that a response was sent. There is also a risk of there being no point of reference in the event of follow-up or query.</p>	<p>The Head of Contacts and the Complaints Manager should ensure that responses to the Ombudsman are sent promptly and that the responses are uploaded onto iCasework.</p> <p>Consideration should be given to drafting a brief timetable, where practical, to allow the process of preparing the response to be tracked.</p>
Management Response			
<p>The Resident Experience Manager has reviewed how Ombudsman requests are dealt with and established a process for logging and tracking requests and target dates to ensure deadlines are met. All Ombudsman enquiries are now sent to one inbox which is monitored daily and all requests for information, requests to departments, responses from department and final responses to the Ombudsman are all sent and received here and organised into case files.</p> <p>A meeting with the Local Government and Social Care Ombudsman (LGSCO) in November 2018 reported no major concerns.</p> <p>The Resident Experience Manager has spoken with the LGSCO and the HO and now receives quarterly reports on Decisions and cases in progress so that she can monitor cases that are being investigated and responses from LBHF to those investigations.</p> <p>An annual report is built into our reporting timeline to ensure learning and service improvement from ombudsman cases.</p>			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			1 February 2019

7. Details on iCasework




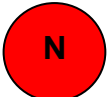
Priority	Issue	Risk	Recommendation
Medium	<p>When testing a sample of cases, it was identified that, in some instances, there were discrepancies between the actual date the request was received or response sent and the date recorded on iCasework. The specific exceptions were as follows:</p> <ul style="list-style-type: none"> • Three Member's enquiries (Ref: 1107458, 1207323 and 1235206) – received on 30/08/2017, 13/02/2018 and 27/03/2018 but recorded on iCasework as 05/09/2017, 19/03/2018 and 03/04/2018 respectively; • Two FOIs (Ref: 1089177 and 1131933) – received on 19/07/2017 and 10/11/2017 and recorded on iCasework as 09/08/2017 and 16/11/2017 respectively; and • One SAR (Ref: 1126307) – response sent on 29/11/2017 but recorded on iCasework as 20/12/2017. • In one of the above cases, (Member's enquiry Ref: 1107458), the error would report this case as having been responded to within the prescribed timescales when in fact it was not. 	<p>Where the dates recorded on iCasework are not the actual date of receipt of request or response sent, there is a risk of confusion with regards to when the action was taken. There is also risk of incorrect management information being generated as a result, which could lead to inappropriate decisions being made.</p>	<p>The Complaints Manager should remind officers of the need to ensure that the actual dates are recorded on iCasework. Periodic checks should be undertaken on a sample basis to ensure that dates have been correctly recorded.</p>
Management Response			
<p>Additionally, training has been undertaken with the internal complaints team, who log cases. Report and tracking of cases on a weekly basis ensures accuracy of record. Periodic checks are undertaken by the InTouch Manager as part of the Quality Assurance process.</p>			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			1 February 2019

8. Performance Indicators

Priority	Issue	Risk	Recommendation
High	<p>Performance figures in respect of responding to Member's enquiries, SARs and complaints within the prescribed timescales was below target for quarter one. There was no evidence of explanations for targets not being met or action plans to address the underperformance. The performance for quarter one was as follows:</p> <ul style="list-style-type: none"> • Member's enquiries – 70% (Target 80%) • SARs – 23% (Target 80%) • Complaints – 69% Target (80%) 	<p>Where explanations are not recorded or action taken to address the underperformance, there is a risk that poor performance will persist leading to the requests and complaints being escalated. There is also a risk of the Council being placed in special measures by the ICO with regards to SARs and FOIs.</p>	<p>Where performance is below target, the Head of Contacts and Complaints Manager should provide explanations for the targets not being met, together with action to be taken to address underperformance.</p>
Management Response			
<p>Performance is monitored by the Assistant Director at weekly operational meetings and with weekly reports escalated to all departments. Regular updates to SLT take place on all performance measures and a corporate mechanism is in place for transparency.</p> <p>Regular meetings take place with IMT to look at outstanding SARs and review requests.</p> <p>We have created a Council wide policy and guidance slides for staff to be able to process and complete SARs and that is now with IMT for implementation and training across the services.</p> <p>Regular meetings with the Housing department now take place to review outstanding cases and seek speedy resolution.</p> <p>Wider reporting will be explored to include services delivering regular improvement narrative and action.</p>			
Responsible Officer			Deadline
Head of Contacts / Resident Experience Manager			01 May 2019

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

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

Rating	Description
	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
	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.
	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.
	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.

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

Appendix 3: Audit Scope, Limitations & Inherent Risks

This audit was a full risk based review of the arrangements for Members & MP Enquiries, Subject Access Requests, Freedom of Information requests and Complaints and included the following areas:

Ref	Audit Area – Description	Comments on Coverage / Area Objectives
1	Policies, Procedures & Legislation	<p>Policies and procedures are in place and regularly reviewed to ensure that staff administer all requests (Members and MPs enquiries, Subject Access Requests, Freedom of Information requests) and complaints in accordance with Council policy and legislative requirements.</p> <p>Policies and procedures are readily available to all staff and members of the public.</p> <p>Training is provided to staff to enable them to carry out assigned roles and responsibilities effectively.</p>
2	Receipt, Recording and Allocation of Enquiries, Requests and Complaints	<p>All Enquiries, Requests and Complaints are logged and an acknowledgement provided to the applicant within the specified timescales.</p> <p>All Enquiries, Requests and Complaints are promptly allocated to the correct officer for processing. Where more than one directorate needs to contribute to the response, a lead officer is identified to coordinate the response.</p>
3	Review and Issue of Responses	<p>Enquiries, requests and complaints are responded to within specified deadlines. Responses are reviewed and signed off by a senior officer (where appropriate) before issue to ensure they are complete, accurate and appropriate. Responses are retained for future reference.</p> <p>Procedures are in place for monitoring compliance with policies, procedures and legislation.</p>
4	Exemptions under the Freedom of Information Act	<p>Exemption categories are clearly listed and the requestor notified where information has been requested that is within an “exempt” category.</p> <p>Responses which cite exemptions are reviewed to ensure that exemptions have been appropriately applied.</p>
5	Publication Scheme	<p>The information the Council is required to publish is available on the Council’s website and updated in a timely manner.</p>
6	Appeals	<p>Adequate processes are in place to respond to appeals and in a timely manner. Responses to appeals are completed and appropriately approved prior to issue.</p>

Ref	Audit Area – Description	Comments on Coverage / Area Objectives
7	Performance Monitoring and Reporting	<p>There is active monitoring of departments progress in complying with timescales for responding to requests and complaints.</p> <p>There is an escalation process in place for requests and complaints not responded to in order to ensure that they do not become overdue.</p> <p>Performance regarding the processing of all types of requests and complaints is monitored and reported. Areas of poor performance are promptly identified and appropriate action taken to address and improve performance.</p> <p>Timely and accurate performance management information is provided to management for review.</p>

Limitations to the Scope of the Audit

The following limitations to the scope of the audit were agreed when planning the audit:

- The work will be undertaken using a risk based approach and testing will be on a sample basis to verify compliance;
- The records maintained by third parties to the Council will not be reviewed and are outside of the scope of this audit;
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist; and
- The audit will not cover statutory complaints in relation to adults social care services and children’s services.

Management should be aware that our internal audit work was performed in accordance with the Public Sector Internal; Audit Standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Our internal audit testing was performed on a judgemental sample basis and focussed on the key controls mitigating risks. Internal audit testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that, in relation to the agreed scope, whilst our internal audit will assess the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Inherent Risks

The risks listed below are **potential** inherent risks which are common for any organisation of this type:

- Breach of the legislation.
- Data breaches leading to reputational damage
- Requests not responded to within statutory timeframes.
- Poor performance persists with no corrective action taken.

Appendix 4: Timetable and Distribution List

Stage	Date
End of Fieldwork	10/09/2018
Draft Report Issued	10/12/2018
Responses Received	14/01/2019
Final Report Issued	16/01/2019

Audit Team
James Graham - Client Engagement Manager
Kanta Patel - Auditor
Auditee
James Filus – Head of Contact Centre
Client Sponsor
Sharon Lea – Director of Resident Services

Report Distribution List
Sharon Lea – Director of Resident Services
Karen Sullivan – Assistant Director Resident Services
James Filus – Head of Contact Centre

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

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

Residents' Service

Customer Care for Residents and
Audit report response

12 March 2019

Resource

- A resident experience manager has been employed to promote cross department learning and collaboration as well as raising the standard of the customer care of residents
- Use of 2 volunteers to help with scanning and documentation and to give 13 weeks work experience to the volunteers, whilst shadowing the team
- Additional resource built into the new repairs model to understand demand and service improvement

Service Improvement

hammersmith & fulham

- A new quality tool in development, in line with the better letters standards, and will be launched in the new financial year
- All stage 2 responses are signed off by the strategic director, or their departmental complaints officer (DCO) ensuring they have sight of escalated issues and resolution
- Joint working is taking place with Information Management (IM) colleagues, ensuring a joined up approach to the ICO and better compliance around timelines.
- A new process was developed to ensure ombudsman responses are tracked and target deadlines made; this was particularly an issue where the ombudsman had issued a remedy and we weren't compliant in a timely manner.
- All InTouch staff have attended training to ensure consistent logging of cases. Periodic quality checks are now in place to ensure consistency and accuracy.

Service Improvement

- A number of policies have been reviewed, including the SAR Policy, which is in circulation for training
- Better letter training is under eLearning development to ensure it is better embedded and sets the tone for standards at induction
- Complaints training is planned for the new repairs model and will also be offered to all staff under the *Moving on 2* project
- A resident commitment is in development setting the standard of customer care for residents across the organisation

Reputation

- The LGSCO ombudsman has been in on 2 occasions and noted no concerns on his second visit in November 2018. Another visit is scheduled for April 2019 and an annual ombudsman report is planned for May 2019.
- A engagement meeting with the ICO is planned for March 2019 on SAR performance
- The resident experience manager has engaged with the housing ombudsman and LGSCO to build a firmer relationship, stabilising reporting and promoting proactive engagement.
- Weekly, fortnightly and monthly service meetings with named officers to promote learning and ensure customer care remains a focus for our residents
- Flexible ways of engaging with residents has been introduced, especially in complex cases, visiting their homes or promoting face to face meetings to enable resolution
- Attending resident repairs group to hear feedback directly from residents
- A full analysis from Public sector reform team to underpin our actions and critically analyse the service offer
- Better accountability and governance with several reports taken to SLT assurance to show improvement and progress

Future Planning

- Upskilling plan underway to teach the team another area of skill, thereby increasing their capacity. Flexibility in terms of moving resource
- Additional redaction tool licences requested to improve our response to SAR requests especially around complex cases e.g. children's
- Reviewing iCasework ability and engaging with users, including members, to map needs. A new solution will be sought in the medium term
- Some comparison work has taken place to baseline us against local authorities and this will continue in the medium term to enable us to establish best practice

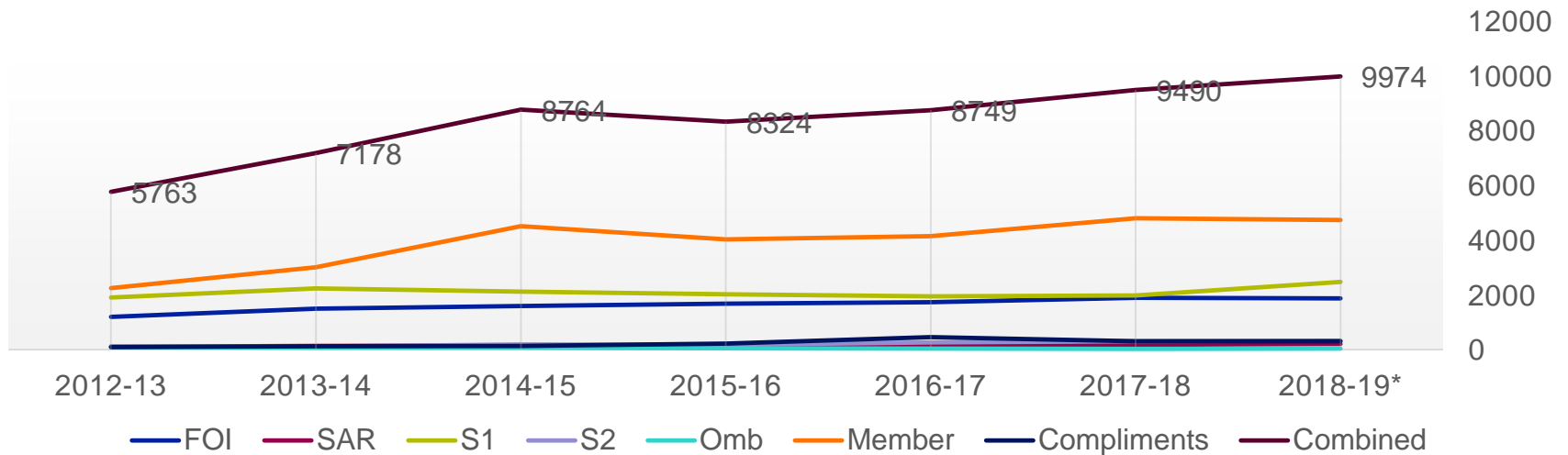
Reporting

- A new members report has been developed to indicate volumes outstanding and the type of queries being received. This enables members to be aware of issues at ward and borough level.
- Quarterly report was developed at the end of quarter 3, to detail progress in relation to previous quarters and to highlight root cause of complaints and service improvements. This will be followed by an annual report and quarterly reporting thereafter
- Weekly reports are escalated to heads of services and AD's to highlight any bottlenecks in work, leading to a reduction in overall outstanding issues
- Escalations to directors and strategic directors take place, where there is a continued underperformance
- An action plan exists with Rag ratings and risks and is reviewed fortnightly by the AD of residents' service

Increasing contact

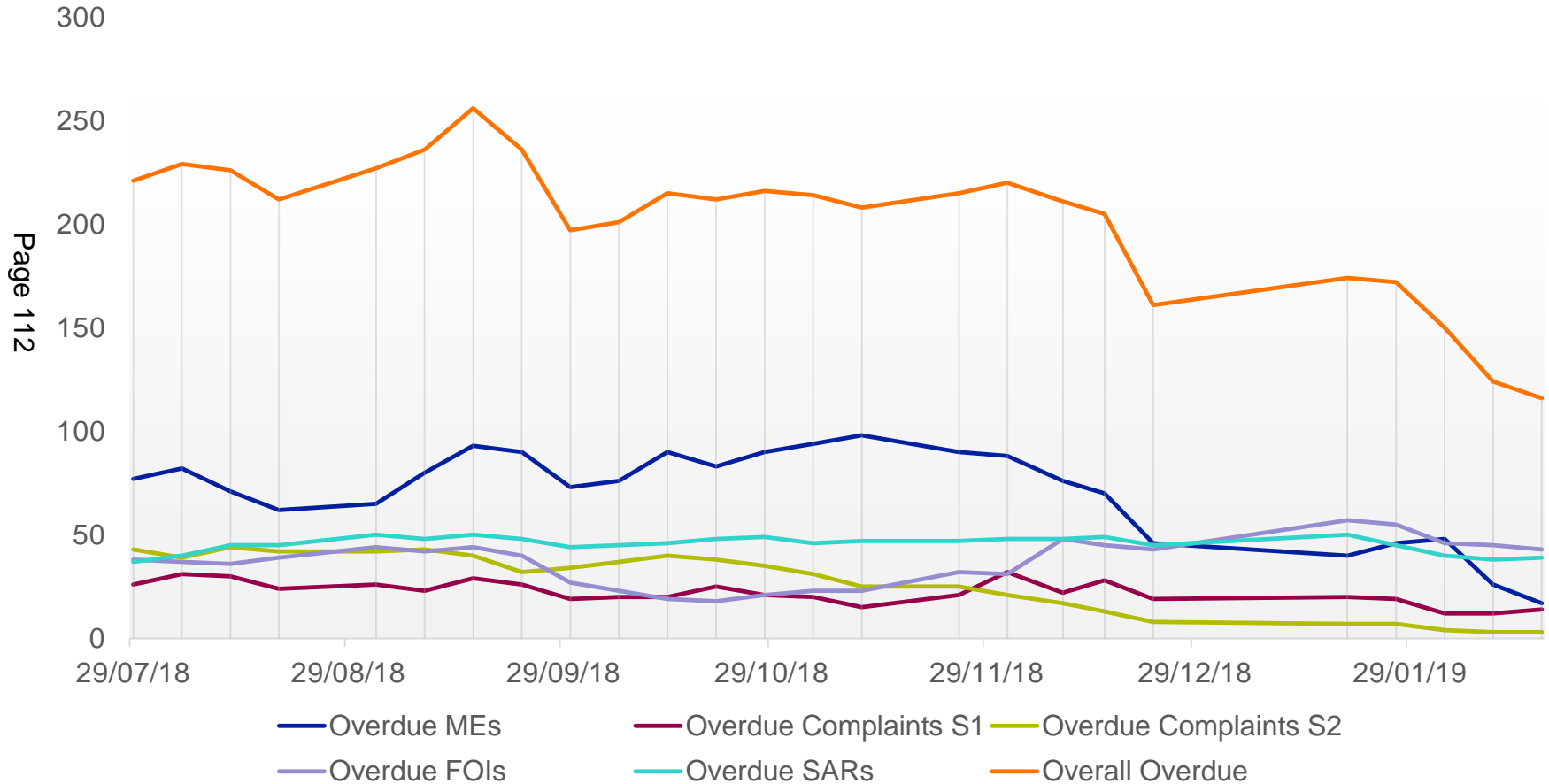
Column1	2018-19*	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
FOI	1875	1899	1736	1678	1590	1493	1199
SAR	215	176	153	135	147	132	106
S1	2473	1976	1949	2027	2122	2241	1902
S2	329	303	268	177	188	113	128
Omb	41	34	40	56	67	69	91
Member	4738	4796	4147	4032	4510	3007	2247
Compliments	304	306	456	219	140	123	90
Combined	9974	9490	8749	8324	8764	7178	5763

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Overdue Trends Reducing

Overdue Trends



<p>London Borough of Hammersmith & Fulham</p> <p>AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p>12 March 2019</p>	
INTERNAL AUDIT PLAN 2019/20	
Report of the Strategic Director of Finance and Governance	
Open Report	
Classification: For Information	
Key Decision: No	
Wards Affected: None	
Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance	
<p>Report Author: David Hughes, Director of Audit, Fraud, Risk and Insurance</p>	<p>Contact Details: Tel: 0207 361 2389 E-mail: David.HughesAudit@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The Internal Audit Plan has been reviewed to ensure that our audit work addresses key risks during a period of change and general financial constraints. The Audit Plan will include sufficient audit coverage to enable us to provide an overall opinion on the Council's control framework and is sufficiently flexible to allow for additional reviews to be added in areas where support and/or advice may be required. The draft Audit Plan for 2019/20 is contained in Appendix 1 to this report.

2. RECOMMENDATION

- 2.1 That the Committee review the proposed internal audit plan for 2019/20 as set out in Appendix 1 and consider:
- Does the plan cover the organisation's key risks as they are recognised by the members of the Committee?
 - Does the plan reflect the areas that the Committee believe should be covered as priority?

- Are the Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual plan?

3. REASONS FOR DECISION

3.1. Not applicable. No decision required.

4. PROPOSAL AND ISSUES

- 4.1. The Council's internal audit function is provided by the Shared Services Internal Audit Service. Internal Audit is required to provide the S151 Officer, the Strategic Leadership Team and the Audit, Pensions and Standards Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year.
- 4.2. The Audit, Pensions and Standards Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.
- 4.3. A description of each level of assurance is shown below:

Assurance Level	Details
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 no significant 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.

- 4.4. The draft Internal Audit Plan for 2019/20 is attached as Appendix 1 to this report and identifies the key areas within the Council where we expect to utilise our resources during 2019/20. The content of the draft Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers (as set out in the appendix) as well as changes made to

Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).

- 4.5. Further discussions with management will take place to scope out individual audits identified for completion during the year. The Plan is flexible to allow for change where areas of higher priority are identified whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 4.6. In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The Director of Audit, Fraud, Risk and Insurance is required to develop and implement an internal audit programme of work which will enable him to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. The annual Internal Audit Plan, covering the Council's key risks, is devised in consultation with the Strategic Leadership Team.

6. CONSULTATION

- 6.1. The report has been subject to consultation with the Strategic Leadership Team.

7. EQUALITY IMPLICATIONS

- 7.1. The Committee is asked to review the Audit Plan and is not asked to make any decision. As such there is no negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010, from this report.
- 7.2. Implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:

- a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,
 - c. includes effective arrangements for the management of risk.
- 8.2. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 8.3. Implications verified by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 07827 663794

9. FINANCIAL IMPLICATIONS

- 9.1 The Internal Audit Plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.
- 9.2 The proposals contained in this paper have no additional resource implications for the audit service.
- 9.3 Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Assistant Director, Corporate Finance, 0208 753 3145.

10. IMPLICATIONS FOR BUSINESS

- 10.1 There are no implications for business arising from this report.
- 10.2 Implications verified by Albena Karameros, Programme Manager, Economic Development, 07739 316 957.

11. COMMERCIAL IMPLICATIONS

- 11.1 There are no commercial implications arising from this report.
- 11.2 Implications verified by Andra Ulianov, Procurement Consultant, 0777 667 2876.

12. IT IMPLICATIONS

- 12.1. There are no direct ICT implications arising from this report.
- 12.2. Implications verified/completed by: Veronica Barella, Chief Information Officer, Tel 020 8753 2927.

13. RISK MANAGEMENT

13.1 The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

13.2 *Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587*

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

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Internal Audit Strategy and Charter	David Hughes 0207 361 2389	Corporate Services, Internal Audit Town Hall, King Street Hammersmith W6 9JU

LIST OF APPENDICES:

1. Draft Internal Audit Plan 2019/20

London Borough of Hammersmith & Fulham

Draft Internal Audit Plan

2019/20

Audit, Pensions and Standards Committee

March 2019



Draft Internal Audit Plan 2019/20

The draft Internal Audit Plan for each of the Council's Service Areas is shown below. Where possible, the auditable area is aligned with risk(s) identified from reviewing the Council's Priorities and Risk Registers (see final page of this report).

Social Care:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Following the disaggregation of services, review the system and controls in place in areas such as: Client Affairs; Direct Payments; Financial Assessments; Mental Health.	2	High	1, 2, 5
Information Management & Continuity of Systems	Review of compliance with statutory requirements on the use of control over sensitive data (Adults, Children's & Public Health).	3	High	1, 2, 5
Cyclical Compliance and/or establishment reviews	A programme of compliance reviews across all services covering areas, including: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR (see also Information Management review); • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to cover will be discussed and agreed with the Service.</p>	2 to 4	High	2, 4, 5

Children's Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Service Change	Review systems and controls following review of service provision. Areas to be considered for review include: Early Help; Early Years; Youth Service.	2 to 3	High	1, 2, 5
Information Management & Continuity of Systems	See Social Care Plan	See Social Care Plan	High	1, 2, 5
Family Services, Safeguarding, Social Work	Potential areas to include: <ul style="list-style-type: none"> • Ongoing review of Supporting People claims; • Safeguarding (work of the Safeguarding Board and sovereign based Committees). 	1 to 4	High	1, 5
Cyclical Compliance and/or establishment reviews	To consider a programme of compliance reviews covering areas such as: <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • GDPR (see also Information management review), • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to be covered to be discussed with the Service.</p>	2 to 4	High	2, 4, 5

Schools:

Auditable Area	Potential Scope	Quarter	Priority	Risk
Targeted Reviews: (To be agreed with Schools Finance)	All schools previously receiving limited assurance or identified with issues from Ofsted reviews or projected budget deficit. Schools to be included not yet confirmed.	1-4	Medium	1, 2
Thematic Reviews:	Thematic reviews across the school population to review compliance. Potential areas to include: Health & Safety Compliance; Recruitment; IR35 Compliance; GDPR & IT Security.	1-4	High	1, 2, 5

Draft Internal Audit Plan 2019/20

Growth & Place:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Housing Management	Areas to consider include: property Health and Safety checks; income (rents, service charges, lessee charges); estate services; major works projects; repairs service.	2 to 4	High	1, 2, 3, 4, 5
Housing Solutions	Areas to consider: <ul style="list-style-type: none"> • Procurement of temporary accommodation, including health & safety assurance; • Housing allocations. 	1	High	1, 2
Capital Programme	Review of the management of the Council's capital programme. Will require input from departments and Finance.	3	High	2, 3, 4, 5
Programme/Project Assurance	Review of programme/project assurance arrangements for a sample of key programmes projects being monitored by SLT.	3	High	4, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5
Cyclical Compliance and/ or establishment reviews	<p>Compliance: To consider a programme of compliance reviews across all services covering areas such as:</p> <ul style="list-style-type: none"> • budgetary control and implementation of new finance, hr and payroll systems; • Follow on from 2017/18 review on GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. <p>Areas to be covered to be discussed with the service.</p>			2, 4, 5

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Finance & Governance:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Financial Management System	Assurances on the adequacy of security and controls within the new HR, Payroll and Finance systems will be discussed with the provider and will form part of the audit work undertaken in these areas.	2	High	1, 2, 4
Budgetary Control, Accounts Payable, Accounts Receivable & Income Management	Review of effectiveness of controls within the Services and the Council's Finance Teams following implementation of the new financial management system.	2 to 4	High	1, 2, 4
Information Management & Continuity of Systems	Areas that may be reviewed: <ul style="list-style-type: none"> • IT Governance - Risk management, investment appraisal, culture and training; • Cyber Security; • IT Resilience and service continuity; • Access Management; • Asset Management (hardware and software) and ownership or applications. 	2 to 4	High	2, 4, 5

Draft Internal Audit Plan 2019/20

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Property Services	To review the processes in place following the transfer of responsibility for TFM from Amey to the Council, including a review of contracts, property records, health and safety responsibilities.	1 to 2	High	2, 4
Governance (Legal and Governance)	Review the processes for ensuring that the Council's governance arrangements are robust and are reviewed and reported on at the appropriate level and frequency.	3	High	5
Risk Management	Review of the processes in place for the effective identification and reporting of risks and how these risks are being managed – sample review of departmental risk management processes.	3	High	5

Public Services Reform:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Transformation	Effective management of a significant transformation programme or project – to be discussed with the service (Advisory).	2	High	2, 5
Commercial Management	To be discussed with the service, following implementation of the Commercial Management Initiative.	3	High	1, 2, 4, 5
Business Intelligence	Data analytics: review of data governance and data quality.	2 to 4	High	2, 4, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5

Corporate Services

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
HR: Pensions Admin	Consideration of new managed service provider and integration with the service provided by Surrey CC (including production of pension returns)	1 to 2	High	2, 4, 5
HR: Payroll	Scope of audit to be determined following discussion with new service provider (focus will be on Council compliance with system controls and may involve some form of continuous auditing).	1 to 3	High	2, 4, 5
HR Learning & Development	Review of new system, controls and compliance.	1 to 2	High	2, 4, 5
Programmes & Projects	To review the effective management of a key programme or project – to be discussed with the service.	2 to 3	High	2, 5

Draft Internal Audit Plan 2019/20

Residents' Services:

Auditable Area:	Potential Scope:	Quarter	Priority	Risk Ref
Revenues & Benefits	Cyclical programme of audits to be agreed with the Director of Residents' Services. To supplement not duplicate work undertaken by external audit covering: Council Tax; Housing Benefit; Business Rates.	3 to 4	Medium	2, 4
Library Service	To be discussed with the service. Change in operations and management following disaggregation of the shared service. (See also cyclical compliance reviews, below).	3	Medium	2, 5
Commissioning: Procurement and market management	Review a sample of current procurements for compliance with processes including, governance, strategy, integrity, ethical governance. Beneficial reviews at key stages of the procurement process rather than after the procurement has been completed.	1 to 3	High	2, 5
Commissioning: Contract Management	Review a sample of contracts for compliance with processes to manage/monitor service delivery including: contract formalities; variations; service improvements; performance management; budget monitoring; value for money.	1 to 3	High	1, 2, 3, 4, 5
Cyclical Compliance and/or establishment reviews	<p>Compliance: A programme of compliance reviews covering areas such as:</p> <ul style="list-style-type: none"> • budgetary control and implementation of new finance, HR/payroll systems; • GDPR; • Ethical governance including conflict of interest reporting, receipt of gifts & hospitality. 	2 to 4	High	2, 4, 5

Draft Internal Audit Plan 2019/20
(reviewed by the Audit & Transparency Committee – 11 February 2019)

Risks identified from the Council’s Risk Registers

The Council’s priorities and the associated risks as identified in the Council’s Risk Registers are summarised below. Where possible, audits in the plan will be linked to identified risk(s).

Risk Ref	Council Priority and Description of Identified Risks
1.	<p>Creating a compassionate Council:</p> <ul style="list-style-type: none"> • Managing statutory duties, health and safety, equalities, human rights, duty of care regulations, highways etc.; • Standards and delivery of care, protection of children and adults; • Failure of partnerships and major contracts; • Increase in complexity of working with Health partners; • Budget pressures resulting from an increase in the number of looked after children; • Schools - High needs block and Schools Grant budget pressure. Effective operating models and financial standards need to be maintained in readiness for the introduction of the National Funding Formula, to minimise the risk of budget deficits; • A change in the Early Years National Funding Formula; • The provision for vulnerable children subject to a child in need and child protection assessment and how this can continue to funded from Early Years DSG in line with government regulations; • Increase in costs due to the implementation of the Homeless Reduction Bill; • Impact of the Government’s programme of Welfare Reform on suitable tenancies in the private sector, increased homelessness and the greater use of expensive temporary accommodation such as Bed & Breakfast (B&B).
2.	<p>Being ruthlessly financially efficient:</p> <ul style="list-style-type: none"> • Commercial Contract Management and Procurement risks, rules, outcomes social value, management; • Business resilience risks, systems, processes, resources, IT and accommodation moves; • Information management and digital continuity, regulations, legislation and compliance (including GDPR, information governance structures, systems failure and/or cyber-attack, weak security hygiene policies, user awareness, IT health checks and compliance with industry standards; • Financial Management and Medium-Term Planning; • Adult Social Care balanced budget pressure in year and over the medium term; • Budgets not balanced, services overspent, delays to projects, under-achieving income targets and reduced revenue collection resulting in an increase in debt provision; • Failure to identify and address internal and external fraud; • Managed Services – effectiveness of replacement HR, Payroll and Finance Services solution; • Achievement of savings and service delivery following re-organisation and transformation projects; • Impact on Registrars' income due to HTH refurbishment and decant; • Achieving the commercial and SmartOpen savings in the Libraries & Archives service; • Insufficient funding to deliver the key elements of the Council’s Economic Growth priorities; • Reduction in the Adult Education Budget (AEB) funding following devolution to the London Mayor in 2019/20 and no other sources of income generation identified; • Potential cost of repairs and maintenance at the Lyric Theatre;

Draft Internal Audit Plan 2019/20
(reviewed by the Audit & Transparency Committee – 11 February 2019)

Risk Ref	Council Priority and Description of Identified Risks
	<ul style="list-style-type: none"> • Delays in progressing the Corporate Property Capital Programme; • Market uncertainty due to prolonged negotiations surrounding Brexit affect availability of resources; changes in legislation or additional "red-tape", and/or available funding; • Changes to building regulations half way through a project affects scope of works and designs and changes have to be incorporated (e.g., Hackitt review).
3.	<p>Doing things with not to residents:</p> <ul style="list-style-type: none"> • Compliance with the statutory duties to undertake inspection regimes covering Management of Asbestos, Electrical Testing, Fire Risk, Plant and Equipment, Water/Legionella; • Co-ordination and response to calls on the Council for Mutual Aid in a crisis; • Coroner's Office (The Council Acts as a Lead for Services to other Local Authorities, West London Coroner's Service); • King Street Regeneration Programme.
4.	<p>Taking pride in Hammersmith & Fulham:</p> <ul style="list-style-type: none"> • Unachievable savings from existing contracts which are not yet due for re-tendering; • Facilities Management – Termination of the FM contract. Compliance tasks may not be completed resulting in the estate not being statutorily compliance; • Health & Safety breaches - Injury to members of staff or the public, liability as employers and managers, site safety and working with our contractors in Highways & Parks and heightened awareness of Fire safety, including Corporate buildings; • The effectiveness and accuracy of information following the implementation of the new Enterprise Resource Planning system and Managed Services model (relating to HR, Payroll and Finance); • Effective management of office moves and the redevelopment of the Town Hall and Extension; • Proper management and upgrades to ensure IT applications work efficiently and deliver service improvements; • Impact of savings and changes in service delivery on statutory duties, customer service, staff wellbeing and staff morale; • Harm to the public/environment/organisation; • Impact on staff from uncertainties and fatigue with change.
5.	<p>All Council Priorities</p> <ul style="list-style-type: none"> • Decision making and maintaining reputation and service standards. Governance, conduct, external inspections, information management; • Change Readiness e.g. Smartworking, New systems. • Challenges in Recruitment and retention; • Impact of a 'no-deal' Brexit on workforce, housing, contracts, residents, finances and ineffective guidance on contingency planning.

Draft Internal Audit Plan 2019/20
(reviewed by the Audit & Transparency Committee – 11 February 2019)

4. Corporate Anti-Fraud Service

The work undertaken by the Corporate Anti-Fraud Service (CAFS) complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned during 2019/20 by CAFS in the following areas:

