



# AUDIT AND PENSIONS COMMITTEE

30 June 2011

**CONTRIBUTORS**

**Subject**

**WARDS**

Internal Audit Manager

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

**All**

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

**RECOMMENDATION:**

**That the Committee notes the report.**

## **Internal Audit**

### **Update on Audit Commission report recommendations**

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

### **Annual Governance Statement Action Plan**

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

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

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

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

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

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

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

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

**Audit Commission Recommendation updates**

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

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

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

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

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

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