

Annual governance report

London Borough of Hammersmith & Fulham

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 28 September 2012 I expect to issue an unqualified audit opinion.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- approve the letter of representation (appendix 2), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 4).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

All audit work on the financial statements has been completed. I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

The financial statements have been adjusted for all errors identified in the audit. Therefore I have no uncorrected errors to bring to your attention.

Corrected errors

No material errors were identified during the audit. A number of adjustments were made that were non-material or disclosure issues only.

Significant risks and my findings

I reported to you in my Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks and the key risks identified after the issue of the audit plan.

Table 1: **Risks and findings**

Risk	Finding
<p>Accruals</p> <p>International Standards on Auditing (ISA 240 UK&I) presume an inherent risk in relation to revenue recognition for all audits. Given the pressures placed on council finances by the local government finance settlement, the risk of misstatement exceeds that of prior years particularly with regard to management accruals of expenditure.</p>	<p>I have specifically tested manual accruals and have no matters to report.</p>
<p>Housing Revenue Account (HRA) reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will change the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>I have reviewed the accounting for the HRA financing settlement and confirmed it is in accordance with the guidance issued by CIPFA.</p>
<p>Accounts payable and receivable audit reports</p> <p>Internal Audit reports on the accounts payable and accounts receivable systems provide only limited assurance over system controls. The work found weaknesses relating to the authorisation of transactions and changes to suppliers and customer standing data. Due to the importance of these controls in the system, there is a risk that income and expenditure in the financial statements could be misstated.</p>	<p>I have sample tested the accounts payable and accounts receivable transactions included in the financial statements and have no matters to report.</p>
<p>Heritage assets</p> <p>The 2011/12 IFRS Code adopts the requirements of FRS 30 Heritage Assets for the first time. These are assets held with the intention of preserving them for future generations because of their cultural,</p>	<p>I have reviewed the arrangements for identifying and accounting for heritage assets and have no matters to report.</p>

Risk

environmental or historical associations. Typical examples in local government include mayoral regalia and paintings. The standard requires that where information on cost or value is available, heritage assets must be reported on the Authority's balance sheet and accounted for in accordance with the Code and its disclosure requirements. There is a risk that due to the difficulty in identifying and valuing heritage assets, this change in accounting policy may not be implemented correctly.

Prior period adjustments to property, plant and equipment

Subsequent to the issue of the audit plan, officers informed me of a prior period adjustment that would be required to property, plant and equipment as the result of work that was carried out to reconcile the asset register to records held elsewhere in the Authority.

National non-domestic rates

Subsequent to the issue of the audit plan, officers informed me of an irregularity in relation to the collection of National Non Domestic Rates (NNDR).

Finding

I have reviewed the accounting for the prior period adjustment and have no matters to report.

I have reviewed the Authority's response to the matter. An internal audit report has been commissioned and this has identified control weaknesses and made recommendations. Work has been completed to confirm the maximum potential amount of under-billed NNDR and I am satisfied that the amount is not material to the accounts. I am not minded to challenge the Authority's assertion that there is unlikely to be a significant financial impact, as any unpaid NNDR accounts will result in lower payments to the national pool.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

I have no weaknesses in internal control to report other than those concerning NNDR as mentioned above.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

Capital expenditure

My sample testing of capital expenditure identified instances of expenditure that did not meet the definition of capital as defined by *International Accounting Standard 16: Property, Plant and Equipment*. The total amount of expenditure capitalised in 2011/12 is £58 million. Of this amount I tested transactions with gross value of £71,000. For four transactions totalling £9,803, the expenditure did not meet the definition of capital and therefore should have been treated as revenue expenditure. Three of the transactions that did not test satisfactorily related to schools which suggest arrangements at schools need to be reviewed in particular. Although I am satisfied the accounts are not materially misstated, controls should be strengthened to ensure that all spend that is capitalised meets the definition of the International Accounting Standards.

I also found that the Authority could strengthen instructions to valuers in respect of the valuation of Council Dwellings. CLG guidance "Stock Valuation for Resource Accounting: Guidance for valuers 2010" suggests authorities inform valuers of capital schemes scheduled for completion within twelve months so that they are incorporated within the valuation. The valuer was not informed of such capital schemes and therefore the valuation was updated by the finance team. This resulted in some complex adjustments, some of which required amending during the audit. The Authority should ensure that future instructions to the valuers contain more detail of the capital plan to allow them to be incorporated into the valuation, thereby simplifying the production of the accounts.

Short term debtors

My sample testing of short term debtors identified instances where supporting documentation could not be provided to evidence that the amount was recoverable. The total debtors on the balance sheet are £66 million. Of this amount I tested 20 transactions with a value of £17 million. For two transactions totalling £110,000, evidence could not be provided. The majority of this is unlikely to be recoverable as officers have stated it relates to

2003/04 and earlier. Although I am satisfied the accounts are not materially misstated, controls should be strengthened to ensure that all old debts that are no longer recoverable are written off.

Recommendation

R1 Ensure management responses to the Internal Audit recommendations on National Non Domestic Rates are obtained and the recommendations implemented in a timely manner.

R2 Strengthen arrangements concerning the capitalisation of expenditure as follows:

- Establish controls to ensure all expenditure capitalised meets the definition of IAS16 Property, Plant & Equipment.
- Expand instructions to valuers to ensure the valuation of Council Dwellings takes into account capital schemes to be completed during the year.

R3 Review debtor listings and ensure all irrecoverable debt is written off.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. At the time of writing my audit work on this is in progress. I anticipate finishing this work by the time I issue my opinion on the Authority's financial statements.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan I reported to you two significant risks that were relevant to my conclusion:

- the Local Government Finance Settlement and the level of savings this requires the Authority to identify; and
- plans to combine certain services as part of the tri-borough programme

I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 2: **Value for money conclusion criteria and my findings**

Criteria	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience.	Financial planning is robust and demonstrates that the Authority has adequate arrangements in place to manage the tough Local Government Finance Settlement. Savings have been identified in the short term, with the scale of savings required in the medium term clearly reported.
2. Securing economy efficiency and effectiveness The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	I have reviewed the Authority's developing arrangements that underpin its joint working with the City of Westminster Council and the Royal Borough of Kensington & Chelsea. The main focus of my work was on the arrangements for: <ul style="list-style-type: none">• short and medium-term financial planning (including savings projections) and the supporting budgetary processes;• establishing the methodology for the attribution of costs and savings; and

Criteria

Findings

- maintaining sound governance (including risk management) to support the joint management of services.

The three councils have made good progress in establishing proper arrangements. Plans for sharing services, premises and management capacity have been developed, and have begun to be implemented, during 2011/12. Further integration is planned for 2012/13 and the future.

The Authority and its partners will need to continue to prioritise the delivery of good governance and value for money in the developing arrangements. This needs to include the enhanced integration of tri-borough risks into the individual councils' risk management arrangements and, to support internal control, the establishment of effective arrangements for ongoing internal audit.

Overall, I am satisfied the Authority has proper arrangements in place for securing economy, efficiency and effectiveness.

Recommendation

R4 Enhance the integration of tri-borough risks into the Authority's risk management arrangements and, to support internal control, establish effective arrangements for ongoing internal audit.

Fees

I reported my planned audit fee in the Audit Plan.

I will complete the audit within the planned fee.

Table 3: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit*	360,000	360,000
Claims and returns	70,000	55,000
Non-audit work	0	0
Total	430,000	415,000

* The fee above does not include the 8% rebate that the Audit Commission has paid to reflect attaining internal efficiency savings.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAMMERSMITH & FULHAM

Opinion on the Authority financial statements

I have audited the financial statements of London Borough of Hammersmith & Fulham for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Hammersmith & Fulham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Finance and Corporate Governance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Executive Director of Finance and Corporate Governance, the Executive Director of Finance and Corporate Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Corporate Governance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Hammersmith & Fulham as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Hammersmith & Fulham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Finance and Corporate Governance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Finance and Corporate Governance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Corporate Governance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of Hammersmith & Fulham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of London Borough of Hammersmith & Fulham in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jon Hayes
District Auditor

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

28 September 2012

Appendix 2 – Draft letter of management representation

London Borough of Hammersmith & Fulham - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors of London Borough of Hammersmith & Fulham, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;

- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of London Borough of Hammersmith & Fulham

I confirm that this letter has been discussed and agreed by the Audit, Pensions and Standards Committee on 27 September 2012.

Signed:

Name: Jane West

Position: Executive Director of Finance and Corporate Governance

Appendix 3 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 4 – Action plan

Recommendations

Recommendation 1

Ensure management responses to the Internal Audit recommendations on National Non Domestic Rates are obtained and the recommendations implemented in a timely manner.

Responsibility	John Collins, Director H&F Direct
Priority	High
Date	Management responses to Internal Audit have been provided (September 2012); implementation of recommendations will be ongoing in accordance with the action plan set out in the Internal Audit report.
Comments	The Internal Audit report has been finalised (inclusive of management responses) and will be presented to the Audit Committee in September 2012. This report contains a detailed action plan which will be implemented with high priority.

Recommendation 2

Strengthen arrangements concerning the capitalisation of expenditure as follows:

- Establish controls to ensure all expenditure capitalised meets the definition of IAS16 Property, Plant & Equipment.
- Expand instructions to valuers to ensure the valuation of Council Dwellings takes into account capital schemes to be completed during the year.

Responsibility	Hitesh Jolapara, Bi-Borough Director of Finance
Priority	Medium
Date	Guidance to be issued September 2012; review mechanism will be ongoing (quarterly)
Comments	The Council's capitalisation guidance will be reviewed as a priority and refined as necessary – in particular it will include more worked examples which the Services have identified as a means to help clarify their understanding of what can be a complex issue. Corporate Finance will work with Children's Services to ensure that this guidance is issued to, and

understood by, the Council's schools. The Council will also review its guidance to valuers.

Recommendation 3

Review debtor listings and ensure all irrecoverable debt is written off.

Responsibility Hitesh Jolapara, Bi-Borough Director of Finance

Priority Medium

Date Guidance to be reviewed and reissued – October 2012; review process – ongoing

Comments Guidance on reviewing aged debtors will be reviewed by Corporate Finance and reissued to service departments as a priority.

Recommendation 4

Enhance the integration of tri-borough risks into the Authority's risk management arrangements and, to support internal control, establish effective arrangements for ongoing internal audit.

Responsibility Hitesh Jolapara, Bi-Borough Director of Finance

Priority Medium

Date Ongoing

Comments A formal programme has been developed to move towards a tri borough internal audit and risk management function. The outcome of the current proposals will further enhance current arrangements to facilitate a robust risk management framework to support both the integration of tri, bi and sovereign borough risks and will improve on existing effective internal audit arrangements.

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0844 798 7070

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

