

	<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">14 February 2013</p>
<p>External Audit recommendations updates & Annual Governance Statement Action Plan</p>	
<p>Open Report</p>	
<p>For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</p>	
<p>Report Author: Geoff Drake – Chief Internal Auditor</p>	<p>Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report summarises:
- Progress on implementing recommendations arising from the Audit Commission 2011/12 Annual Governance Report
 - The action plans relating to the control weaknesses identified in the 2011/12 Annual Governance Statement and progress in implementing these action plans.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report.

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. In September 2012 the Council's External Auditors (The Audit Commission) issued their 2011/12 Annual Governance Report. The report contained 4 recommendations for implementation by management.
- 4.2. The Council's Annual Governance Statement (AGS) also contained issues that required action by management. Action plans are a necessary result of the AGS and should provide sufficient evidence that the individual significant control weaknesses taken from the AGS will be resolved as soon as possible, preferably in-year before the next statement is due.
- 4.3. Failure to act effectively on the significant control issues would increase the exposure of the council to risk. As these issues are considered to be significant, the action plans and the progress made in implementation will be periodically reported to the Audit, Pensions and Standards Committee to agree and then to monitor progress.

5. PROPOSAL AND ISSUES

5.1. Update on External Audit recommendations

- 5.1.1. The table attached as Appendix 1 shows the progress reported by the responsible managers in implementing recommendations from the Audit Commission 2011/12 Annual Governance Report. Updates on 4 recommendations have been sought for this report and all recommendations have been reported as in progress. We will continue to report progress on all outstanding recommendations from this and any newly received reports at future meetings.

5.2. Annual Governance Statement Action Plan

- 5.2.1. Attached as Appendix 2 are the action plans relating to the control weaknesses identified in the 2011/12 Annual Governance Statement and reports on progress.
- 5.2.2. The action plans for all 4 AGS entries have been reported as in progress. We will continue to report progress on all outstanding actions at future meetings.
- 5.2.3. 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.
- 5.2.4. The Audit and Pensions Committee is invited to note the updates provided by operational management.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

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

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit 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

LIST OF APPENDICES:

Appendix A	External Audit Recommendations
Appendix B	2011/12 Annual Governance Statement Action Plan

External Audit Recommendation updates

Report	Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
<i>2011/12 Annual Governance Report</i>				
<i>National Non Domestic Rates (NNDR)</i>				
	<p>R1 - Ensure management responses to the Internal Audit recommendations on National Non Domestic Rates are obtained and the recommendations implemented in a timely manner.</p>	<p>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.</p> <p><i>Implementation of recommendations will be ongoing in accordance with the action plan set out in the Internal Audit report</i></p>	<p>Director, H&F Direct</p>	<p>See AGS entry for 'Local Taxation' in Appendix B for detailed action plan and progress update.</p>
	<p>R2 Strengthen arrangements concerning the capitalisation of expenditure as follows:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p><i>Guidance to be issued September 2012; review mechanism will be ongoing (quarterly)</i></p>	<p>Bi-Borough Director of Finance</p>	<p>Capital Accounting Guidance has been updated and disseminated to staff on 27 September 2012</p> <p>In addition, to further manage the risk identified by the audit, the Corporate Finance Team will be undertaking a detailed capitalisation review as part of the Quarter 3 close process.</p>

Report	Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
	<p>R3 - Review debtor listings and ensure all irrecoverable debt is written off.</p>	<p>Guidance on reviewing aged debtors will be reviewed by Corporate Finance and reissued to service departments as a priority.</p> <p><i>Guidance to be reviewed and reissued in October 2012; review process – ongoing</i></p>	<p>Bi-Borough Director of Finance</p>	<p>A review of debtors will be undertaken as part of the Period 9 closedown exercise where debt assessed as irrecoverable will be written off.</p> <p>This will take place in February 2013.</p>
	<p>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.</p>	<p>A formal programme has been developed to move towards a tri borough internal audit and risk management function.</p> <p>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.</p> <p><i>Process ongoing</i></p>	<p>Bi-Borough Director of Finance</p>	<p>There is a tri-borough project currently under way to develop long term solutions and in the interim there are regular meetings between the lead officers for audit and risk management to ensure that this continues to work effectively to meet the needs of the sovereign organisations while coordinating activity across the boroughs to achieve value for money.</p> <p>The Enterprise Wide Risk & Assurance register has been retabulated to recognise specific aspects of Tri/Bi and mono risks. This has now been in place for 2 meetings of the H&F Business Board and Audit, Pensions and Standards Committee.</p>

2011/12 Annual Governance Statement Action Plan

Entry	Responsible Officer	Action Plan	Progress To date
<p>Health and Safety There is some evidence that health & safety action plans are not being implemented and that implementation is not effectively monitored. While proposals to improve the controls have been agreed and will be monitored by Hammersmith and Fulham Business Board, these arrangements are not fully established at this time.</p>	<p>Bi-Borough Director for Environmental Health</p>	<ol style="list-style-type: none"> 1. Corporate Safety Team Action plan 2012 2104 to be developed and agreed by H&F Business Board 2. Departmental 'Statements of Intent' to be developed and agreed 3. Quarterly Health and Safety update report to be provided to H&F Business Board. 4. Corporate Safety Team business plan to be developed to set out the team's objectives to identify the core risks across the organisation 5. Rolling programme of audits of Departmental Health & Safety management Arrangements to be put in place. 6. A Health & Safety Risk Management Profile is being drafted for organisation that is envisaged will feed into the Corporate Risk Register 7. A further audit of Health and Safety and Risk Management and Assurance 	<ol style="list-style-type: none"> 1. Action plan developed and agreed 2. <ul style="list-style-type: none"> • Children's Services – H&S Statement of intent for tri-borough agreed • Adult Social Care – H&S Statement of intent for tri-borough agreed • ELRS and TTS – H&S bi-borough statement of intent agreed • FCS - H&S policy and plan in place • HRD – H&S Divisional plans in Place 3. Quarterly report provided to H&F Business Board provides a monitoring tool of the overall position in terms of organisational health and safety by Department: Reporting on core Activity and Building Related KPIs, accident statistics, training and the status of audit findings and recommendations - detailing responsible Director. 4. In progress 5. Rolling programme of Audits now in place. 6. In progress 7. Internal Audit of Health and Safety Risk Management and Assurance is in progress will report to a future meeting of the Committee.

Entry	Responsible Officer	Action Plan	Progress To date
<p>Theft of Materials Metal theft increases when worldwide prices for scrap metal rise. Metal items are stolen for their value as raw materials and are ultimately scrapped, or recycled, to provide material for making new products. The recent instances of theft of metals in the White City Estate area affected 24 properties. The council is currently exploring the idea of using technology to mark valuable metals which would allow them to be identified as Council property. An Internal Audit report concludes that there is only a limited assurance in this area and that a number of control improvement recommendations need to be made.</p>	<p>Director Building and Property Management & Director of Property Service and Asset Management</p>	<ol style="list-style-type: none"> 1. It is proposed to carry out a stock condition survey as part of the development of an Asset Management Strategy. This information will be placed on Codeman and will include data on metal building elements. 2. Where replacement of metal parts are needed those historically at risk of theft, are being replaced with non-desirable components and this is being undertaken as part of our on-going maintenance programme. 3. Discussions are continuing with colleagues in insurance to ensure that where Council is not covered in the event of metal theft, consideration should be given to updating security arrangements or amending the policy to ensure adequate insurance cover is in place. 4. Communication will be increase with TRAs and resident Groups to increase the awareness of the issues and damage caused by Metal thefts. 5. The department is now sharing information regarding thefts and/or attempted thefts with other Council departments and neighbouring Local Authorities at the corporate Asset Delivery Team (CADT) meetings and is included as an agenda item. We have included the theft of metal on the Corporate Asset Delivery Team (CADT) risk log and the Director of Property Service and Asset Management will provide a monitoring report to CADT 6. All incidents of metal theft from Council premises' will be promptly reported to the BMRA. 	<ol style="list-style-type: none"> 1. Stock condition survey currently being tendered 2. This is currently the process and is continuing 3. Discussions have taken place with colleagues in insurance regarding insurance arrangements for metal theft. 4. This is underway, with regular updates in 'Your Home' magazine planned. 5. This is underway 6. This will happen as it occurs.

Entry	Responsible Officer	Action Plan	Progress To date
<p>Housing Repairs and Maintenance Following recent investigations undertaken by Internal Audit, it has been established that there are some historic control weaknesses relating to the financial administration of the repairs and maintenance function. Work in this area is being conducted to gauge the extent to which charges have been correctly validated, and to refresh management procedures to ensure risks are appropriately mitigated.</p>	<p>Director of Finance and Resources (Housing and Regeneration)</p>	<ol style="list-style-type: none"> 1. Review definition of 'What is an RR repair' and train all involved with order raising. 2. Review potential RR to PR conversions at weekly Operational Meetings. 3. High Value Repair Panel to meet weekly to review jobs exceeding the PR financial limit. 4. Introduce a 'Commitment Accounting' regime for budget monitoring in 12/13 5. Establish regular monthly finance meetings with Repairs contractors 6. External Audit review to be carried out 	<ol style="list-style-type: none"> 1. Definition clarified and joint training with Partner contractors carried out in 11/12 and training delivered. 2. RR to PR weekly review process introduced, and is proving beneficial and work is on-going. Current situation is that there is a backlog on WDP but Kier up to date. 3. HVRP is proving to be effective work is continuing in this area. 4. Commitment accounting introduced and is proving beneficial On going reviews of invoiced costs of PR work against order value are continuing and have revealed a number of variations in excess of the original quote. Following discussions on these areas, WDP have agreed to move to an Agreed Maximum Price from October with Kier negotiations on-going. Forecast to year end is currently suggesting a possible budget overspend. However additional measures have been introduced on revenue PR orders. The wet summer has increased the number of responsive repair orders above the volumes forecast. 5. Monthly meetings established. Further in-house operational forecasting meeting established to meet in the first week of each month. 6. Ernst & Young appointed and audit completed on Kier. Findings are subject to on-going negotiation with Kier.

Entry	Responsible Officer	Action Plan	Progress To date
<p>Local taxation A significant internal control issue has been identified in the council's system for business rates collection. A subsequent internal audit of the system concluded that there is only a limited assurance in this area currently. A number of control improvement recommendations have been made that are in the process of being implemented. Once these recommendations are addressed, the significant control issue will have been resolved.</p>	<p>Director H&F Direct</p>	<p>Phase 1 – implementation by 1 November 2012</p> <ol style="list-style-type: none"> 1. Review access rights to the Academy system 2. Second review / certification of reconciliations 3. Review of top 250 outstanding debtors every month, and an action plan produced 4. Review of all suppressed accounts <p>Phase 2 – implementation by 31 December 2012</p> <ol style="list-style-type: none"> 5. Completion of Inspections and quality of inspections monitored regularly 6. Definition of level of evidence required to support granting of relief (where a physical inspection is not possible) 7. All retrospective reliefs reviewed and approved by a senior officer <p>Phase 3– implementation by 1 March 2012</p> <ol style="list-style-type: none"> 8. Evidenced check of NNDR bills prior to main billing <p>Phase 4– implementation by 1 April 2013</p> <ol style="list-style-type: none"> 9. Develop comprehensive procedure manual 10. Review amendments to accounts by staff to ensure procedures are being complied with 11. Refunds authorised in line with scheme of delegation and Monthly reconciliation to ensure all refunds have a corresponding authorised form 12. All withdrawn summonses independently reviewed/authorised 13. Monthly reconciliation to ensure all write-offs have a corresponding authorised form 	<p>Phase 1 Actions 1-4 all implemented.</p> <ol style="list-style-type: none"> 1. A review of rights has been completed. 2. Secondary review / certification of reconciliations regarding direct debits and cash posting files is complete and in place. The recommendation regarding debits/main billing will be February 2013. 3. List of top 250 debtors being reviewed by Database Manager on monthly basis. Actions planned on any late payments – in place. 4. List of suppressed accounts produced and reviewed by database manager on monthly basis in place. <p>Phase 2 Actions 5-7 implemented as resources allow.</p> <ol style="list-style-type: none"> 5. Reports being actioned. 6. Agreed approach with Internal Audit 7. Random Spot checks of 25 of each officer being done. <p>Phase 3 The existing process for checking NNDR bills will be enhanced to include evidencing by the officer undertaking the checks & subsequent review & evidencing by the Head of Revs & Bens</p> <p>Phase 4 Reorganisation completed in December (ahead of schedule) NNDR Manager post under recruitment. Once in place this will allow this action to be undertaken. The procedural manual will include all of the actions from the internal audit report</p>

