

Final Internal Audit Report 2011/12

London Borough of Hammersmith and Fulham


Theft of Valuable Metals

October 2012

This report has been prepared on the basis of the limitations set out on page 9.

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Introduction	<p>As part of the 2011/12 Internal Audit Plan, agreed by the Audit and Pensions Committee on 17 February 2011, we have undertaken an internal audit of Theft of Valuable Metals.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out in the Audit Brief issued on 28 September 2011.</p>
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Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Identification of Valuable Metals			1	0	0
Prevention of Theft			1	0	0
Detection of Theft			0	1	0
Communication			1	1	0

* Management have advised that, although they agree with this recommendation in principle, this cannot be fully implemented due to financial resource constraints. This leaves the Council exposed to risks as detailed in recommendation 2.

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Key Statistics
<ul style="list-style-type: none"> • The Council does not currently have a policy on what they consider to be ‘Valuable Metals’ or a record of the valuable metals used in Council housing detailing type, quantity and location; • Risk assessments are not currently carried out at Council sites to analyse their exposure to theft of metals; • Some Council housing has CCTV facilities on their premises; however, this only surveys entrances to Council properties and estates; • Access to roofs and other non-residential areas is mainly restricted by fire brigade locks; • We were informed that void properties are promptly secured, reducing the risk of theft from such properties; • We were informed by the Head of Repairs that they are currently exploring the idea of using Smartwater/Smartgrease to mark valuable metals which would allow metals to be identified as Council property. This would be accompanied with prominent signage to act as a deterrent to theft; • Discussions with the Programme & Residents’ Liaison Officer established that where damages occur due to theft of metals, alternative materials are used where possible. For example, lead thefts are repaired using felt. Although this is not as hard wearing, it eliminates the risk of further theft; • No joint working between the Council and TRAs to promote awareness of metal theft amongst tenants could be identified; • The Council do not currently share or receive information regarding metal thefts with other neighbouring authorities. Evidence was also not available to suggest communication between different Council 	<ul style="list-style-type: none"> • Metal theft normally increases when worldwide prices for scrap metal rise. Metal items are normally stolen for their value as raw materials and are ultimately scrapped, or recycled, to provide material for making new products; • The metals commonly stolen include copper, aluminium, brass, and bronze. Roofing materials, manhole covers and statues have all been targeted recently due to the rising cost of metal; • The recent instances of theft in the White City Estate affected 24 properties, with up to 90% of lead missing from those properties;

departments regarding metal theft. Furthermore, evidence of liaison with organisations, such as the British Metals Recycling Association (BMRA), could not be ascertained; and

- The Council have insurance covering property damage from Zurich Municipal. Discussions with the Area Technical Manager established that there have been problems with recouping insurance payments for repairs from their insurers (Zurich Municipal) due to the Council's security arrangements not being in line with the policy.

Acknowledgement

We would like to thank all the staff within the Housing and Regeneration Department for their time and co-operation during the course of the internal audit.

1. Identifying Valuable Metals

Priority	Issue	Risk	Recommendation	
1	<p>The Housing & Regeneration Department (HRD) do not have an inventory of the types of valuable metal present at each of their premises, their quantities or locations.</p> <p>It was established through discussions with the Programme & Residents Liaison Officer that the Council currently do not have a policy defining what metals they consider to be 'valuable'.</p>	<p>Where the Council do not maintain an inventory of the type and quantity of valuable metals present at their premises, there is the risk that the Council may not be aware of situations where theft has occurred. This may also impact on the Council's ability to adequately assess the risk of metal theft occurring at any particular premises.</p> <p>Where a policy does not exist detailing what metals are considered 'valuable', there is the risk of staff within the Housing & Regeneration Department not being aware of what metals are considered valuable, impairing the identification process.</p>	<p>A policy detailing what are considered to be valuable metals should be developed. This should be made available to all relevant staff.</p> <p>Quantities and location of valuable metals present at Housing premises should be identified and recorded within an inventory such as on the Codeman system.</p>	
Management Response			Responsible Officer	Deadline
<p>Agreed. 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</p>			Head of Repairs	30/12/2012

2. Assessing the Risk of Theft

Priority	Issue	Risk	Recommendation	
1	Risk assessments are not currently undertaken assessing the likelihood and impact of theft occurring on Housing premises.	<p>Where the department do not carry out risk assessments on the likelihood and impact of metal theft at each of their premises, the measures put in place to prevent and detect metal theft may not be proportionate to the risk.</p> <p>Investment may not be made in anti-theft measures or investment may be excessive where there is little or no threat (such as premises where all valuable metals are located internally or where there are few metals present).</p>	<p>Assessments should be carried out on the risk of metal theft at each Housing property. This may be based on the types of metals present at the location, security of the premises and ease of access to metals.</p> <p>The measures already in place to detect and prevent metal theft at each property should then be assessed against this risk assessment and action taken when the current response is not proportionate to the risk.</p>	
Management Response			Responsible Officer	Deadline
<p>Management Response</p> <p>Agreed in principle; however, there is currently no budget for a risk assessment of this nature to be undertaken and would need financial resources reallocated from other budgets and therefore this recommendation cannot be fully implemented. However, replacement of metal parts at risk of theft, with non-desirable components will be undertaken as part of our maintenance programme.</p> <p>Audit Comment</p> <p>Where this recommendation cannot be implemented the Housing and Regeneration department will remain exposed the risks detailed above.</p> <p>Where this recommendation cannot be implemented we would advise that, as a minimum, some form of risk assessment is undertaken focussing on high risk properties and 'cloning' risk assessments across similar properties to reduce the resources required.</p>			<p>Head of Repairs Programme & Residents' Liaison Officer</p>	30/12/2012

3. Insurance Arrangements

Priority	Issue	Risk	Recommendation	
2	<p>Discussions with the Area Technical Manager established that there have been problems with recouping insurance payments from their insurers (Zurich Municipal) for repairs of the White City estate following metal thefts.</p> <p>Furthermore, we were informed that using fire brigade locks on Council premises is currently not deemed as adequate by Zurich Municipal, as universal keys are readily available. Measures are being drawn up to switch to more secure locks in the near future.</p>	<p>Where the Council's security arrangements are not in line with the requirements of the insurance agreement with Zurich Municipal, there is the risk of the Council not being fully insured against incidents of metal theft. This may lead to financial loss to the Council.</p>	<p>Confirmation should be obtained from the Council's insurance function that the Council has adequate insurance cover for incidents of metal theft.</p> <p>Where the 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.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			<p>Head of Repairs Insurance Manager</p>	31/10/2012

4. Cooperation with TRAs to Raise Awareness

Priority	Issue	Risk	Recommendation	
2	<p>The Housing department do not currently engage with the borough's Tenants and Residents Associations (TRAs) to raise awareness of the issue of metal theft amongst housing tenants.</p> <p>This is made more significant as the main mechanism for detecting metal theft is through reports from tenants (either of the theft itself or of secondary damage caused by the theft).</p>	<p>Where awareness of metal theft is not raised amongst tenants, there is the risk that tenants will not look out for instances of metal theft. This could potentially lead to metal theft going undetected for longer periods, further increasing repair costs.</p>	<p>The department should liaise with the borough's TRAs to devise ways to raise awareness of metal theft amongst tenants.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			<p>Head of Repairs Communications Officer</p>	31/10/2012

5. Communicating With Other Local Authorities, Organisations and Departments

Priority	Issue	Risk	Recommendation	
1	<p>The Housing and Regeneration department do not currently liaise with other Council departments or neighbouring Local Authorities regarding occurrences of metal theft.</p> <p>Furthermore, the department do not currently report instances of theft to the British Metals Recycling Association (BMRA).</p>	<p>Where the department do not engage in information sharing with other Council Departments and neighbouring Local Authorities, there is the risk that patterns of theft are not identified impacting Local Authorities' ability to take action. Furthermore, the Council may not benefit from sharing best practice.</p> <p>Where the department do not report incidences of metal theft to the BMRA, stolen metals may not be identified or traced back to the Council.</p>	<p>The department should begin sharing information regarding thefts and/or attempted thefts with other Council departments and neighbouring Local Authorities. Patterns of such incidences should be documented and updated where necessary.</p> <p>All incidents of metal theft from Council premises' should be promptly reported to the BMRA.</p> <p>A form of coordination should be established between departments to address the issue of metal theft. A central lead should be appointed to ensure that measures taken to control metal theft in all Council departments are coordinated.</p>	
Management Response			Responsible Officer	Deadline
<p>Agreed. Corporate Asset Delivery Team (CADT) will be the mechanism for reporting, sharing information on measures to mitigate against metal theft. This will be put on the agenda for the next meeting to discuss Internal Audit's findings, also an item is placed on the corporate risk register for monitoring.</p>			<p>Assistant Director of Building and Property Management</p>	<p>Implemented</p>

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you 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. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

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