



AUDIT AND PENSIONS COMMITTEE

29 June 2010

CONTRIBUTORS	Subject	WARDS
Internal Audit Manager	Audit Commission recommendations updates	All

RECOMMENDATION:

That the Audit Committee notes the report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit report recommendations progress update	John Kanés Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU

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 24 recommendations have been provided including those contained in the 2008/09 Grants audit report which have not previously been reported. Of these 24 recommendations, 20 have been reported as being fully implemented, no longer applicable or ongoing action whilst further action is still required on the remaining 4. We will continue to report progress on the 4 outstanding recommendations at future meetings together with recommendations contained in any newly received reports.

As before, Internal Audit has not verified the current position 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.

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided April 2010
Data Quality 2008/09					
<i>HIP HSSA</i>					
	<p>R10 Develop a robust mechanism for calculating total private sector homes in the borough.</p>	<p>While Council Tax inspections are generally a reliable source of data, we will be looking to supplement this with other documentary information in circumstance where gaining access proves difficult. It should be noted that there is no financial (council tax) risk in not inspecting such properties as the level of council tax due is the same when empty for over six months. The use of alternative documentary evidence will help avoid repeated and unsuccessful inspections (and costs). As Private Sector Housing will be part of EnvD from April 2009, CSD will ensure this issue is appropriately dealt with and inform EnvD of outcome.</p> <p><i>(Target Date Spring 2009)</i></p>	<p>CSD (Housing) and FCS Revenue and Benefits.</p> <p>Service will transfer to EnvD April 2009.</p>	<p>The recommendation was not implemented prior to Private Sector Housing moving to EnvD (as per initial response in the report) and both of the CSD employees believed to have been involved with this area have now left the Council (and have not been replaced). Consequently, the recommendation remains outstanding and will be considered for inclusion in the action plan for the 2010/11 Public Protection & Safety Business Plan</p> <p><i>No update provided for previous meeting.</i></p>	<p>A new strategy for private sector housing has been agreed via Scrutiny and the relevant Cabinet Member whereby our focus is now on identifying high risk houses in multiple occupation (HMOs). This recommendation is therefore now irrelevant</p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>

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08-09 Annual Governance Report					
	R3 Establish a policy for the write off of penalty charge notices.	To be established by parking officers in conjunction with their finance team.	Director of Environment and Assistant Director of Finance and Resources – Environment	<i>No update provided for previous meeting</i>	Draft completed and to be submitted to cabinet member by end of July <i>Further update to be provided to next meeting</i>
	R4 Ensure reporting on the penalty charge notice system is robust and provides an adequate audit trail for the yearend accrual.	To be established by the department finance team in conjunction with IT support for the parking system.	Assistant Director of Finance and Resources – Environment	<i>No update provided for previous meeting</i>	The Council has worked with the supplier to develop a way of consistently reporting outstanding PCNs. This has been used in the calculation of debt for the 2009/10 accounts. <i>This recommendation is now closed and no further updates will be reported.</i>

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	<p>R5 Review the methodology for calculating the bad debt provision in relation to housing rents and temporary accommodation.</p>	<p>To be reviewed by H&F Homes with input from the Audit Commission and Corporate Finance.</p>	<p>Assistant Director of Finance and Resources – Community Services and Director of Finance and Resources – H&F Homes</p>	<p>A meeting between auditors from the Audit Commission, Corporate Finance officers and H&F Homes has been held. The current approach to write-offs was explained by H&F Homes and agreed with in principle by the Audit Commission auditor subject to being evidenced by a case-by-case breakdown of arrears cases reconciling to the bad debt provision. This is currently being compiled by H&F Homes finance officers.</p> <p>The information has been provided by H&F Homes to the Audit Commission and feedback is awaited.</p>	<p>The reports requested by the audit commission to allow the aged debt analysis and resulting bad debt provision to be reconciled to individual accounts have been run at the end of week 52 on the 4th of April 2010, which will provide the necessary detail to calculate the bad debt provision in line with the agreed Audit Commission approach.</p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>

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Pension Fund					
	R2 Establish specific pension bank reconciliation within the overall Council bank reconciliation in order to improve the audit trail for the cash balances on the net asset statement.	Incorporate into existing bank Reconciliation project.	Deputy Director of Finance	<p>This recommendation has been incorporated as an action in the overall implementation project of a fully automated bank reconciliation.</p> <p>The need for a separate bank account has been identified by statutory guidelines for the year 2011/12. The bank reconciliation project is ongoing.</p>	<p>A new automated bank reconciliation was implemented in April 2010 and this will ensure a fully reconciled position for the council's bank accounts for the year ending 31st March 2011. As the pension fund cash transactions will remain in the council's main bank account until March 2011 when a new separate account for the pension fund will be set up it will not be possible to implement this recommendation fully until that time. This has been discussed with the Audit Commission who accept that this is the case and will not expect anything further until the 2011/12 accounts are produced.</p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>
Interim Audit Report 2008-09					
<i>Accounts Receivable</i>					
	R1 Ensure all invoice requests are appropriately authorised and this evidence is retained.	Procedure to be written and agreed by FSB for immediate implementation {Target November 2009}	Deputy Director of Finance / Corporate Accountancy Services Manager	Procedure to be agreed at next FSB meeting	<p>This recommendation has been incorporated into guidance for departments. A reminder will be sent periodically by Corporate Finance to ensure compliance. This approach has been agreed with the Audit Commission. .</p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>

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	R2 Establish a method for evidencing the check performed by the Senior Recovery Officer over the accuracy of invoices prior to issue.	<i>Already discussed with Recovery section - procedure to be finalised and documented. {Target November 2009}</i>	Deputy Director of Finance / Corporate Accountancy Services Manager	Procedure finalised and currently being documented	It has been agreed with the Audit Commission that the actions described above will be sufficient to satisfy this recommendation. . <i>This recommendation is now closed and no further updates will be reported.</i>
<i>Council Tax & NNDR</i>					
	R7 Evidence the reconciliation of receipts between Radius and Academy with appropriate management sign off by preparer and reviewer.	Format to be finalised - responsibility of Systems and Control manager. {Target November 2009}	Deputy Director of Finance / Corporate Accountancy Services Manager	Recommendation still being worked on as reconciliation procedure is tightened.	Due to the implementation of a new income allocation system from April 2010 this recommendation is no longer relevant. The wider issue of reconciliations for all council systems has been discussed with the Audit Commission and a way forward agreed. . <i>This recommendation is now closed and no further updates will be reported.</i>
<i>Housing Benefits</i>					
	R8 Ensure that reconciliations between the housing benefit system and the general ledger are completed on a regular basis and kept up to date.	This is being done on a more regular basis with queries being referred back to the Housing Benefits section. {Target October 2009}	Deputy Director of Finance / Corporate Accountancy Services Manager	Development work being undertaken – to be tested during in year close on period 9 figures	This will be included in the reconciliations as discussed above in R8. . <i>This recommendation is now closed and no further updates will be reported.</i>
	R9 Ensure that reconciliations between the general ledger and iWorld are completed on a regular basis and kept up to date.	This is being done more regularly and responsibility will be given to a principal accountant to ensure it is kept up to date. {Target November 2009}	Deputy Director of Finance / Corporate Accountancy Services Manager	Development work being undertaken – to be tested during in year close on period 9 figures	This will be included in the reconciliations as discussed above in R8. . <i>This recommendation is now closed and no further updates will be reported.</i>

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<i>Payroll</i>					
	R10 Consider introduction of a second check to ensure information entered into the payroll system based on starter forms is accurate.	Feasibility to be discussed further with payroll section. {Target November 2009}	Assistant Director Human Resources	Feasibility still being discussed with payroll section	This will be considered as part of a review of payroll procedures – timescale to be agreed with AD (HR). Further update to be provided to next meeting
	R12 Ensure all reconciliations and clearance of suspense accounts are conducted at regular intervals throughout the year.	This responsibility has been given to the systems and control accountant who was appointed in July. She has been concentrating on these accounts with a view to having a complete and ongoing reconciliation of all the payroll accounts by March 2010. {Target March 2010}	Deputy Director of Finance / Corporate Accountancy Services Manager	All interface suspense accounts are cleared twice weekly. Work is under way to ensure proper and efficient reconciliations for all interface systems (payroll complete) for 2009/10.	This will be included in the reconciliations as discussed above in R8. . This recommendation is now closed and no further updates will be reported.
<i>On-street Parking</i>					
	R13 Ensure all on-street parking reconciliations are performed at sufficient frequency and that reconciliations are signed off by a senior officer as reviewed.	Reconciliations are now prepared monthly and reviewed appropriately. {Target October 2009}	Assistant Director of Finance & Resources (Environment)	No update provided for previous meeting	Monthly reconciliations are now in place and are being signed off by a senior officer. This recommendation is now closed and no further updates will be reported.

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<i>HIP HSSA</i>					
	R16 Ensure the reconciliation between LPFA records and Hammersmith records in respect of pension claimants is completed on a monthly basis.	Preliminary discussions have taken place with the pensions section as to the best way to proceed. The final details will be agreed and implemented as soon as possible. {Target March 2010}	Assistant Director (Business Support)	It has been agreed with the Audit Commission that the Council will focus on reconciling the Council's records with detailed remittance information collected from admitted bodies on a monthly basis. The data to be collected has been agreed with the Audit Commission. Data for the year to date has been requested from admitted bodies. A reconciliation process is currently being set up.	The data has now been collected and the reconciliation is in progress. . <i>This recommendation is now closed and no further updates will be reported.</i>
Grants 2008-09					
<i>Strengthening the Control Environment</i>					
	R1 Notify all grant claim compilers of their submission deadlines and monitor performance against this	This is ongoing – all relevant staff will continue to be informed and corporate finance will monitor. FSB also monitors this on a monthly basis. (Target February 2010)	Head of Corporate Accountancy and Departmental ADs	<i>Not previously reported to Audit Committee</i>	Recommendation implemented. . <i>This recommendation is now closed and no further updates will be reported.</i>
	R2 Strengthen quality assurance arrangements in respect of claims.	Grant claims protocol will be re issued to departments emphasising quality assurance requirements. . (Target February 2010)	Head of Corporate Accountancy and Departmental Ads	<i>Not previously reported to Audit Committee</i>	Recommendation implemented. <i>This recommendation is now closed and no further updates will be reported.</i>

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<i>Housing & Council Tax Benefits</i>					
	R3 Review arrangements for classification of housing benefit claims as either 'changes in circumstances' or 'new claims'.	Classification arrangements are currently being reviewed. . (Target February 2010)	Head of Assessments	<i>Not previously reported to Audit Committee</i>	Classification is no longer dealt with by H&F. It is determined by the DWP from the monthly SHBE's we send them. <i>This recommendation is now closed and no further updates will be reported.</i>
	R4 Develop an action plan to address the qualification issues raised in the 2008/09 housing benefits qualification letter, deliver against the plan, and include this in the 2009/10 working papers.	We will develop and include a plan as requested. . (Target February/ March 2010)	Head of Assessments	<i>Not previously reported to Audit Committee</i>	Plan was passed to AC by Head of Corporate Accountancy in March. <i>This recommendation is now closed and no further updates will be reported.</i>
<i>Teachers' Pensions</i>					
	R5 Quality check the Teachers' Pensions Return by ensuring it agrees to supporting system reports and working papers prior to submission to audit.	CA is working with the payroll section to agree the format of working papers to be submitted and the underlying systems documentation. (Target June 2010)	Head of Corporate Accountancy and AD (HR)	<i>Not previously reported to Audit Committee</i>	Recommendations R5 to R8 below have been discussed fully with the Audit Commission and assurances have been given that the issues raised will be addressed during the completion of the 2009-10 claim. The Audit Commission is happy with this and will reserve judgement until they have audited the claim. No further update required as this will be reported as part of the 2009-10 grants report issued by the Audit Commission on completion of their audit. . <i>This recommendation is now closed and no further updates will be reported.</i>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided April 2010
	R6 Put in place regular monitoring of contribution calculations, deductions, remittances and pensionable pay for the Teachers' Pensions Return to ensure that contributions are correctly calculated and pensionable pay correctly recorded.	A plan is currently being drawn up to address this recommendation. Further details will be submitted in due course. (Target April 2010)	Head of Corporate Accountancy and AD (HR)	<i>Not previously reported to Audit Committee</i>	As above. <i>This recommendation is now closed and no further updates will be reported.</i>
	R7 Ensure that all relevant paper work with respect to teachers opting in or out of the Teachers' Pensions scheme is robust and available for the audit.	CA is working with the payroll section to agree the format of working papers to be submitted and the underlying systems documentation. (Target June 2010)	Head of Corporate Accountancy and AD (HR)	<i>Not previously reported to Audit Committee</i>	As above. <i>This recommendation is now closed and no further updates will be reported.</i>
	R8 Ensure that officers answer audit queries in a timely fashion, including ensuring there is coverage for staff absences.	CA will be the first point of contact for audit queries and will work with the payroll section to provide responses in a timely manner. (Target June – August 2010)	Head of Corporate Accountancy and AD (HR)	<i>Not previously reported to Audit Committee</i>	As above. <i>This recommendation is now closed and no further updates will be reported.</i>

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<i>New Deals for Communities</i>					
	<p>R9 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. (Target March 2010)</p>	<p>Housing Finance Manager</p>	<p><i>Not previously reported to Audit Committee</i></p>	<p>It has been agreed with the NDC that the areas of improvement will be implemented. The timeline for achieving this has been pushed back to end of June 2010 as a result of the closing of accounts process.</p> <p>Further update to be provided to next meeting</p>
	<p>R10 Quality-check working papers to support eligible expenditure prior to submission to auditors.</p>	<p>Working papers supporting eligible partner expenditure will be subject to a more robust review prior to submission to the auditors. Submissions will also include providing clear reconciliations, and an explanation demonstrating eligibility. Any such working papers not meeting the standard will be corrected before submission. Guidance will be issued and agreed with the relevant finance officers (Council and NDC). (Target March 2010)</p>	<p>Housing Finance Manager</p>	<p><i>Not previously reported to Audit Committee</i></p>	<p>The NDC have made arrangements with all partner organisations to ensure that working papers of a satisfactory quality are submitted for all projects. Sample checks will be carried out by Council finance officers by the end of May on partners' working paper submissions to ensure that the improvements are being delivered prior to the AC deadline for submission of the 9/10 SGE at the end of September.</p> <p>Further update to be provided to next meeting</p>