

	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>(AUDIT, PENSIONS AND STANDARDS COMMITTEE)</b>  <b>(2 December 2014)</b>
<b>TITLE OF REPORT</b>	
<b>Annual Governance Statement Action Plan and Outstanding Recommendations for External Audit.</b>	
<b>Open Report</b>	
<b>For Information</b>  <b>Key Decision: No</b>	
<b>Wards Affected: None</b>	
<b>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</b>	
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## 1. EXECUTIVE SUMMARY

- 1.1. This report summarises Progress on implementing recommendations arising from the KPMG 'Report to those charged with governance (ISA 260) 2013/14' and the Annual Governance Statement.

## 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 2014 the Council's External Auditors (KPMG) issued their 'Report to those charged with governance (ISA 260) 2013/14'. The report contained one recommendation for implementation by management.
- 4.2. The Council's 2013/14 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 issue 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 A shows the progress reported by the responsible managers in implementing the recommendation from the KPMG 'Report to those charged with governance (ISA 260) 2013/14'. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position.

### **5.2. Update on Annual Governance Statement recommendations**

- 5.2.1. The table attached as Appendix B shows the progress reported by the responsible managers in implementing recommendations from the 2013/14 Annual Governance Statement. An action plan and progress update has been received from Public Health and reports that 7 out of 8 actions have been implemented and 1 is in progress. An action plan and progress update has been provided for ASC Risk Management and confirms that all 8 actions have been implemented.
- 5.2.2. Unless otherwise stated, Internal Audit has not verified the information provided and can therefore not give any independent assurance in respect of the reported position.

## **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**

<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 and AGS recommendations progress updates	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	Annual Governance Statement Recommendations

**External Audit Recommendations Update**

Recommendation/Areas of Improvement	Initial response and timescale	Responsible Officer	Update to Audit, Pensions and Standards Committee
<i>Report to those charged with governance (ISA 260) 2013/14</i>			
<p><b>R1 - Valuation Methodology</b>            Three issues were identified in relation to the Authority's approach to the year end valuation of PPE. There are three points of improvement to be considered:</p> <ol style="list-style-type: none"> <li>1. The date at which the valuation is performed and need to ensure any subsequent movements are considered.</li> <li>2. The consistency of the valuation of a class of asset where the valuation methodology is updated.</li> <li>3. The inclusion of current year capital additions as part of the valuation programme.</li> </ol> <p>We recommend that the methodology in the above areas is revisited and changes adopted ahead of the next reporting period.</p>	<p>The recommendation is agreed.</p> <p>The methodology for valuing PPE will be reviewed and changes adopted, as appropriate, ahead of the next reporting period. Any change to the methodology will be developed in concert with the Council's internal and external valuers. The Council will also consult with External Audit concerning any change.</p>	<p>Bi-Borough Director of Finance</p>	<p>As per the original response, The methodology for valuing PPE will be reviewed and changes adopted by December 2014.</p>

**2013/14 Annual Governance Statement Action Plan**

Entry	Responsible Officer	Action Plan	Progress To date
<p><b>Public Health, financial accounting and charging.</b>            As of the 1st April 2013 local authorities have a key role in improving the health and wellbeing of their local population and working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the financial accounting and charging arrangements set out by the Department of Health (DoH) established a limited assurance on expenditure made in accordance with the DoH grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The current Business Partners, with the assistance of the Business Support Team, have been making significant progress with addressing these issues.</p>	<p>Business Partner - Public Health</p>	<ol style="list-style-type: none"> <li>1. Continue to review the processes in place to ensure that they are understood and clearly documented.</li> <li>2. Recharges calculated by the Business Partner subject to review by the Lead Business Partner.</li> <li>3. All recharge invoices raised and paid in a timely manner. Any disputed costs investigated with a clear audit trail maintained to support this. Where payment remains outstanding this will be escalated to the respective borough's chief executive officer</li> <li>4. Action plan put in place to ensure that any outstanding invoices can be processed in a timely manner and prior to the end of the financial year. To draw on expertise from other areas of the organisation to support this and to ensure that all staff with responsibility for processing payments are both competent and confident when undertaking their duties.</li> <li>5. Approval of virements in accordance with the respective Borough's Financial Regulations with a clear audit trail maintained.</li> <li>6. budget information packs and supporting data for LBHF and RBKC should be saved in a secured shared area on the network with access restricted.</li> <li>7. Management information reviewed in terms of format and content to ensure that adequate information is being provided.</li> <li>8. an estimated figure for unspent funding will be established which is not to be exceeded in order to ensure that the grant conditions for carrying forward any underspend are met.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implemented</li> <li>2. Implemented</li> <li>3. Implemented</li> <li>4. In Progress. The total outstanding of outstanding invoices has reduced significantly.</li> <li>5. Implemented</li> <li>6. Implemented</li> <li>7. Implemented</li> <li>8. Implemented</li> </ol>

Entry	Responsible Officer	Action Plan	Progress To date
<p><b>Adult Social Care risk management.</b>  Management of risk is intrinsically important to the successful delivery of objectives. The department recognises the importance of a risk management process that are embedded and integrated into business processes. Many elements of operational risk management are considered to be effective however these are not managed within a structure that is consistent with the Tri-borough risk management strategy. These include consideration of a departmental risk register comprising strategic, business as usual and change risks that are measured, allocated, categorised and reviewed. Departmental procedures have been reviewed and an action plan implemented to improve the issues identified.</p>	<p>TBC</p>	<p>Develop new ASC tri borough risk management and policy and guidance which meets the requirements of the:</p> <ul style="list-style-type: none"> <li>i) external audit and</li> <li>ii) Tri borough Risk management Guidelines.</li> </ul> <p>Implement the new approach by June 2014.</p> <p>Improve the culture of risk management in ASC tri borough and embed into routine business. Ensure all managers are aware of the new policy and their roles in relation to risk management.</p> <p>Ensure there are clear controls in place, that risks are identified and managed effectively, and that appropriate mitigating actions are identified and evaluated.</p> <p>Implement a common and robust system to enable risk to be rated for impact and likelihood of occurrence.</p> <p>Ensure a dynamic risk register is maintained using a common methodology and that new risks are identified and existing risks reviewed at an appropriate frequency.</p> <p>Ensure that risk register includes detail on independent assurance and controls relied on from third parties and other Council service lines, such as Health and Safety, Fraud, Procurement, and IT functions.</p> <p>Ensure that Management reporting requirements have been clearly identified in the new approach.</p>	<p>ASC tri borough risk management policy developed and agreed by ALTT (February 2014).</p> <p>Training and awareness raising programme delivered including Lunch and Learn sessions for all managers, practical presentations and exercises for all management boards. (Feb to Jun 2014),</p> <p>Policy fully implemented from (30 June 2014).</p> <p>A dedicated section of ASC TriB Net was launched including policy and guidance; copies of presentation; new Triborough Corporate Risk Policy (February 2014)</p> <p>ASC approach to risk management now ensures that from June 2014:</p> <ul style="list-style-type: none"> <li>• ALTT reviews and signs off the risk register on a quarterly basis.</li> <li>• All risks are 'owned' and reviewed by a named ASC management board.</li> <li>• All risks have a responsible ALTT lead and named risk manager.</li> <li>• Named ASC management boards have the responsibility to identify and rate new risks as they emerge.</li> <li>• Each ASC management board is responsible for maintaining and reviewing a dynamic live risk register. Reviews will occur as required but at a minimum on a quarterly basis.</li> <li>• Due to the complexity and inter related nature of the change programme in ASC, the change portfolio risks are reviewed on a c. monthly basis.</li> <li>• The risk manager is responsible for the dynamic update of information about the changing nature of the risk, including impact of mitigations etc</li> </ul>