



# AUDIT AND PENSIONS COMMITTEE

9 December 2010

<b>CONTRIBUTORS</b>	<b>Audit Commission recommendations updates &amp; Annual Governance Statement 2010 Action Plan</b>	<b>WARDS</b>
Internal Audit Manager		All

This report updates the Committee on the implementation of Audit Committee recommendations, and updates the Committee on progress towards meeting Audit Commission recommendations.

**RECOMMENDATION:**

That the Committee notes the report.

## **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 7 recommendations have been sought for this report provided including those contained in the 2009/10 Annual Governance and Market Testing Programme reports which have not previously been reported. Four recommendations have been reported as fully implemented whilst the remaining three will require further updates at future meetings. We will continue to report progress on all outstanding recommendations at future meetings together with recommendations contained in any newly received reports.

In addition to the reports being reported in detail, the 2009/10 final accounts memorandum has also been issued. This reports items that “were not deemed significant enough to report to the Audit Committee” and we have not reported each item in detail. However we have provided at Appendix 2 a summary of the actions taken in response to this report.

### **Annual Governance Statement Action Plan**

The 2010 Annual Governance Statement (AGS) was first considered by the Audit and Pensions Committee at its June 2010 meeting.

Attached as Appendix 1 is the latest update to the action plan relating to the control weaknesses identified in the statement and report on its progress.

The action plan is a necessary result of producing the AGS. Because these issues are considered to be significant the action plan and the progress made in its implementation should be periodically reported to the Audit and Pensions Committee to agree and then to monitor progress. The action plan should provide sufficient evidence to show 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.

Failure to act effectively on the significant control issues would increase the exposure of the council to risk.

The schedule at Appendix 3 shows the current stated position as reported by the identified responsible officers.

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.

The Audit and Pensions Committee is invited to note the updates provided by operational management.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

<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 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

**Audit Commission Recommendation updates**

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
<b>08-09 Annual Governance Report</b>					
	<b>R3</b> 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	A draft policy is to be submitted for consideration by the Financial Strategy Board and then to the appropriate cabinet member.	<i>Policy now agreed by cabinet member</i> <i>This recommendation is now closed and no further updates will be reported.</i>
<b>Grants 2008-09</b>					
<i>New Deals for Communities</i>					
	<b>R9</b> 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.	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)	Housing Finance Manager	The NDC asset register has been reviewed and updated in line with the recommendation. This will now be passed to corporate finance colleagues and the Audit Commission for review before implementation.	<i>The NDC asset register has been reviewed and updated in line with the recommendation. This will now be passed to corporate finance colleagues and the Audit Commission for review before implementation.</i> <b>{Target Date: December 2010}</b> <i>Further update to be provided to next meeting</i>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
<b>2009/10 Annual Governance Report</b>					
	<p><b>R1</b> Ensure a full set of working papers is available for the agreed date of the commencement of the audit.</p>	<p><i>To achieve an even quicker conclusion to the audit process, the Council will ensure all working papers are produced for the agreed start date of the audit</i>  <b>{Target Date: June 2011}</b></p>	<p>Deputy Director of Finance</p>	<p><i>Not previously reported</i></p>	<p><i>All working papers are being reviewed and improvements implemented where appropriate. Corporate Finance is co-ordinating quarterly in year closing to ensure all balance sheet, revenue and capital entries are properly scrutinised before the year end. This will reduce the amount of time required to close the accounts post 31<sup>st</sup> March 2011 and give more time for working papers to be produced and quality checked before the commencement of the audit.</i></p> <p><b>{Target Date: June 2011}</b></p> <p><i>Further update to be provided to next meeting</i></p>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
	<p><b>R2</b> Review the £2.3 million of unallocated receipts in the sales ledger.</p>	<p><i>This has been accounted for correctly, however, as part of the WCFM programme, unallocated cash in AR will be dealt with under a series of agreed options {Target Date: December 2010}</i></p>	<p>Deputy Director of Finance</p>	<p><i>Not previously reported</i></p>	<p><i>These unallocated receipts are currently being analysed by department and ledger and preliminary discussions have taken place with IT to formulate possible options. It is intended that possible options will be produced by the end of December and agreed early in January 2011 for immediate implementation.</i></p> <p><b>{Target Date: January 2011}</b></p> <p><i>Further update to be provided to next meeting</i></p>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
<b>Market Testing Programme</b>					
	<p><b>R1</b> Monitor the implementation of findings from post implementation reviews and lessons learnt exercises.</p>	<p><i>Corporate Procurement Team will undertake sample checks to ensure findings are being implemented.</i></p> <p><b>{Target Date: September 2010}</b></p>	<p>Corporate Procurement Team</p>	<p><i>Not previously reported</i></p>	<p><i>The 2007-10 Market Testing Programme has largely been delivered with 19 Market Testing Projects successfully completed. A new 2010-14 Market Testing Programme is in preparation and will be submitted to members shortly for approval. Sample checks by the Corporate Procurement Team will be undertaken and reported to the Council's Competition Board as part of its normal quarterly report on progress.</i></p> <p><b>This recommendation is now closed and no further updates will be reported.</b></p>

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
	<p><b>R2</b> Assess the success of the contract managers' forum using measurable targets and indicators.</p>	<p><i>Corporate Procurement Team has already implemented a delegate satisfaction KPI (see below) and will look to extend this to cover other KPIs (Savings secured through the Contract Review and Negotiation Programme, no of contract audits receiving a limited or worse assurance).</i></p> <p><i>KPI – 80% of attendee evaluations rate the Forum as “good” or “excellent”.</i></p> <p><i>March 2010 90%</i></p> <p><i>June 2010 83%.</i></p> <p><b>{Target Date: September 2010}</b></p>	<p>Corporate Procurement Team</p>	<p><i>Not previously reported</i></p>	<p><i>The success of the Contract Managers Forum is being monitored through a number of indicators namely:</i></p> <ul style="list-style-type: none"> <li><i>• Delegate satisfaction KPI</i></li> <li><i>• Savings achieved through the Contract Review &amp; Negotiation Programme</i></li> <li><i>• No of adverse contract audits</i></li> <li><i>• The % of the top 50 contracts (by value) rated as “green” against the Council’s Contract Monitoring Performance Framework</i></li> </ul> <p><i>These will be reported to the Council’s Competition Board on a quarterly basis. It is worth noting that delegate rating for the Contract Managers Forum has jumped to 100% in October and there have been no adverse contract audit reports in the last quarter (July-Sept 2010). The other 2 KPIs will be reported to the Council’s Competition Board in Jan 2011.</i></p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>



Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
	<p><b>R3</b> Ensure that proportionate contract management arrangements are in place before letting the contract.</p>	<p><i>Will be considered as part of the overall approach in the Market Testing Programme and discussed at the recent Contract Managers Forum (23rd June 2010). .</i></p> <p><b>{Target Date: April 2011}</b></p>	<p>Corporate Procurement Team</p>	<p><i>Not previously reported</i></p>	<p><i>The 2007-10 Market Testing Programme has largely been delivered with 19 Market Testing Projects successfully completed. A new 2010-14 Market Testing Programme is in preparation and will be submitted to members shortly for approval. This will cover the arrangements for ensuring that proportionate contract management arrangements are in place before letting a contract.</i></p> <p><i>This recommendation is now closed and no further updates will be reported.</i></p>

## **Final Accounts Memo 2009/10**

### **Audit and Pensions Committee December 2010**

The 2009/10 accounts audit was completed by the statutory deadline of 30 September, and an unqualified opinion was issued on both the Council and Pension Fund accounts, as detailed in the Annual Governance reports tabled at the September 2010 Audit and Pensions Committee.

The Audit Commission also produce a Final Accounts Memorandum which details all of the findings from the audit that were not deemed significant enough to report to the Audit and Pensions Committee, but which warrant further attention by the Council.

The 2009/10 Final Accounts Memorandum described some areas of attention in the following groups which Council Officers have now implemented:

- Strengthening disciplines concerning significant system and other financial reconciliations by evidencing review by a senior manager and how variances are followed up.

Specific areas have been addressed and reviewed and each reconciliation will be provided for review during the Council's In Year closing programme. From these submissions, any further areas of weakness will be identified and addressed before the Final Accounts 2010/11 closing and audit processes.

- Overall discipline surrounding the clearance of suspense accounts with particular reference to monitoring and purging old items that are unlikely to be cleared

2010/11 has already seen improvements in this area through the particular attention being paid to financial systems areas. Again the Council's In Year closing programme will highlight any areas of continued weakness and these areas will be addressed before the Final Accounts 2010/11 closing and audit processes.

- review of council policies in relation to debt - particularly write off and calculation of bad debt provisions related to the age of the debt outstanding

This is being dealt with by a World Class Financial Management (WCFM) work stream and is scheduled to produce a new policy for agreement by January 2011.

**2009/10 Annual Governance Statement****Action Plan**

AGS Finding re Significant Control Weakness	Responsible Officer	September Update	Update for December Audit and Pensions Committee meeting
<p><b>Budget Estimation</b></p> <p>Corporate Capital and Revenue monitoring identified variances to budgets during the 2009/10 year. These were brought to the attention of the council's Financial Strategy Board as part of the standard monitoring process. Consequently departmental procedures have been strengthened through more explicit standard setting by Corporate Finance complimented with written guidance. Financial Regulations were updated and republished in 2009. An internal Audit review of the process will be undertaken during the 2010/11 year to gain an assurance on the effectiveness of the process improvements.</p>		<p>Further assurance and recommendations as appropriate to be reported following the completion of further work by Internal Audit.</p>	
<p><b>Reconciliation of Financial Systems</b></p> <p>The Council has progressed well in redeveloping financial systems and processes over the past few years and acknowledges the project to move towards World Class Financial Management. However there are outstanding recommendations from External Audit relating to reconciliations that remain to be fully resolved.</p>	<p>Head of Corporate Accountancy</p>		<p>The financial systems stream of the WCFM project has identified improvements to the reconciliation of financial systems which are being implemented now.</p>

AGS Finding re Significant Control Weakness	Responsible Officer	September Update	Update for December Audit and Pensions Committee meeting
<p><b>Business Continuity IT</b></p> <p>A paper has been submitted to Cabinet, and approved, recommending the implementation of a Business Continuity project to increase IT resilience. This will take some time to complete however it is anticipated that once in place arrangements should prove robust in the event of an IT service interruption.</p>	<p>Head of IT Strategy</p>	<p>The ICT Business Continuity paper was approved in February 2010. Since then H&amp;F Bridge Partnership have been negotiating with suppliers on data storage. Levels of usage are high and rising so a key aim is to contain the cost of storage and this has an impact on the BC proposal. Now these are reaching a conclusion, the project is starting with procurement taking place in August and implementation of the new BC service due to complete in December 2010.</p> <p><b>{Target Date 31/12/2010}</b></p>	<p>The Business Continuity paper was approved in February 2010. H&amp;F Bridge Partnership have negotiated with suppliers on data storage, made proposals for cost containment and determined a suitable supplier for the future Storage Area Network, which is a key part of the BC proposals. Procurement has taken place. Though the plan was originally to have a the new BC service ready in December 2010, an unexpected issue causing a delay arose in relation to the installation of upgraded air conditioning in the Hammersmith Town Hall computer room. This work cannot now complete until the end of November which means that user acceptance testing for the whole service has had to be put back to complete in February, at which point the whole service can go live.</p> <p><b>{Target Date 28/2/11}</b></p>
<p><b>Contract Management of Consultants</b></p> <p>The Audit Committee has received a report that identifies a number of weaknesses in managing these contracts that need to be addressed. The corporate Procurement team are leading a piece of work across departments to strengthen the management of consultants and the area will be re-audited in the 2010/11 audit programme.</p>	<p>Principal Consultant (Strategic Procurement)</p>	<p>Further assurance and recommendations as appropriate to be reported following the completion of further work by Internal Audit.</p>	