

**Independent Review Recommendations - Improvement Plan**

	Independent Review Recommendations with TH additions in italics	Actions and comments		IP Programme	Target Date - RAG (blue complete)	Completion Date	Comments
<b>A</b>	<b>Leadership, resourcing, planning and closedown delivery</b>						
A1	Regular and visible input from the Council's s151 officer is necessary to reinforce the fact that closedown is a corporate priority, enable key judgements to be documented and ensure any problems or slippage are promptly identified and resolved.	Weekly Accounts meetings to be led by S151 to show a visible presence, allow speedier decision making, oversee documentation and support informed feedback to CLT.	A1 i	LCP	Complete	14/12/2020	
		S151 to hold an Accounts launch session in week beg 1st Feb; this will launch the I.P., feedback on lessons learned and focus on the timetable for 20/21, as well as update on technical changes.	A1 ii	LCP	05/02/2021	04/02/2021	
		Fortnightly e mail from the S151 to all key staff, including 3rd parties such as THH and identified departmental staff at all levels to brief on progress, celebrate success and identify where more actions are required to remedy delays or address problems.	A1 iii	LCP	12/02/2021	12/02/2021 for Finance staff	
A2	Culturally the Council should recognise that year-end close and audit is a corporate priority, and all Corporate Directors should support the Corporate Finance team by: <ul style="list-style-type: none"> <li>making staff time available as necessary to assist with closedown work</li> <li>ensuring that in-year financial information is accurate and up to date</li> <li>adhering to corporate timetables and guidance on year-end close, especially in key areas such as accruals, cut-off, reconciliation work and the use of reserves</li> <li>responding promptly to audit queries and internal requests for further information</li> </ul>	Finance to take regular reports to CLT, starting with the Accounts timetable and fortnightly from week ending Feb 26th so that the CEO and CLT are aware of progress and specifically, what is needed to ensure that the timetable is on track.	A2 i	LCP	Timetable 26/01/2021 and fortnightly from 26/02/21	Timetable sent 26/01/21, 1st formal CLT report will be in April	Amber due to timing
		Heads of Strategic Finance (HoSFs) to attend DLTs with a regular report to highlight progress and what is needed and from whom both in terms of their own data and specific actions required for the Accounts such as valuations. This will include specific Departmental responsibilities such as Valuations. DLTs to include Accounts related content in newsletters and staff cascades.	A2 ii	LCP	26/02/2021	Ongoing	

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		Readiness report for each Division to be prepared including a review of what is required for the Accounts and remedial action identified for financial information being accurate and up to date; this to be discussed at DD DLTS reported to Directorates DLTS. Generic template to be provided by Finance.	A2 iii	LCP	12/02/2021	12/02/2021	
		PDRs to contain an objective on finance to cover budget development, monitoring and the accounts for all relevant staff.	A2 iv	LCP			
		A Council wide coms plan to be developed in conjunction with Coms so that awareness is heightened and colleagues across the Council understand progress.	A2 v	LCP	29/01/2021	05/03/2021	
A3	All Finance staff should expect to be involved in year-end work and should be provided with adequate and up-to-date training in this regard. Local authorities who do this most successfully have a programme of short, but regular, training events throughout the year.	An series of mandatory briefings and training sessions to be drawn up and diarised in all Finance Calendars. All staff to attend, including S151, except for those detailed briefing sessions centering on one specific subject such as schools accounting.	A3 i	LCP	Between 01/02/2021 - 28/02/2021	Completed 12th March	
		A wider training needs analysis will be carried out for Finance staff as well as budget holders and administrators to identify gaps and develop a suite of training sessions and on line content	A3 ii	LCP	31/05/2021		
		A wider training plan to be developed including one off and ongoing training for BH, along with a BH webpage with training content and link to relevant documentation such as the BH Handbook. The training should be mandatory.	A3 iii	LCP	Phase 2		
A4	Closedown planning should clarify accountability for all tasks identified and ensure that detailed working papers are prepared to support all core statement and disclosure notes.	Review allocation of tasks as part of the timetable review.	A4 i	LCP	29/01/2021	26/01/2021	
		Templates for detailed working papers to be drawn up eg for accruals	A4 ii	LCP	05/02/2021	08/02/2021	
		PDRs to be clear about individual training needs so staff have the opportunities to be upskilled where individual needs are identified.	A4 iii	LCP	PDR Deadline		

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A5a	Closedown work should be scheduled to avoid bottlenecks and to ensure that all disclosure notes are completed and reviewed before core statements are prepared.	Lessons learned sessions to be held with all staff including an assessment of where bottlenecks occurred and why this was the case. The key bottlenecks experienced for 2019/20 accounts such as schools, the Collection Fund, Leaseholders, payroll reconciliations, bank accounts, energy holding account, suspense and other key reconciliations such as Housing Rents all to have specific plans to avoid a reoccurrence.	A5a i	Bottle-necks	15/01/2021	15/01/2021	
		A review of strategic priorities and resourcing for Finance to be held to allow more focus on the Accounts.	A5a ii	LCP	29/01/2021	March 2021	First 2 weeks "out of office for Finance staff to focus on the accounts
		Closing timetable and plan being reviewed for early cut off opportunities where they will add value, where more estimates can be used.	A5a iii	LCP	29/01/2021	16/01/2021	
		A review of who uploads accrual bulk journals and manual journals (service finance team or business support team) to be carried out to avoid bottlenecks	A5a iv	LCP	29/01/2021	29/01/2021	
		The Council's current Asset Register is on a spreadsheet. This needs to be put on a system for control purposes and avoid bottlenecks.	A5a v	LCP	Phase 2		
A5b	The closedown plan includes columns for actual completion dates and a "traffic light" risk assessment system, which should be used to monitor progress and highlight delays.	The closedown plan for 19/20 had these columns built in.	A5b	LCP	Complete	Feb 2020	
A6	The Council should aim to complete as much closedown work as possible prior to 1 April each year, using budget and Quarter 3 information where possible to draft disclosure notes.	The Timetable will be reviewed to ensure that as many tasks as possible will be completed prior to 31/03/21, including seeking further opportunities to use estimates.	A6	LCP	Ongoing to 31/03/21		Payroll and suspense not fully reconciled and cleared.
A7	The Prepared By Client (information requirements) is one of the key drivers for the audit and the contents of this list should be discussed and agreed well in advance with a view to ensuring that all working papers requested are available at the start of the audit. Checklists, templates and proformas should also be introduced to ensure that working papers are prepared to a consistent standard which meets external audit needs.	Earliest sight of PBC requested to discuss with Deloitte and a workshop to be set up to review requirements with them.	A7 i	LCP	05/02/2021	28/01/2021	
		Detailed briefing sessions on the PBC to be set up with all responsible officers (as in 19/20)	A7 ii	LCP	26/02/2021	Through the training sessions	

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		Checklists, templates and proformas to be reviewed as part of the Accounts suite of documentation.	A7 iii	LCP	05/02/2021	02/08/2021	
A8	Closedown work should include detailed checks on the draft financial statements, and a full review of year-end working papers, at the pre-audit stage.	To be included as part of the Accounts Timetable (this was in place for 19/20)	A8	LCP	29/01/2021	16/01/2021	

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<b>B</b>	<b>Systems and processes</b>						
B1a	The Council should, as a priority, address the shortcomings in the current ledger system highlighted by CIPFA in 2017. A project plan should be established to deliver the required improvements within achievable timescales, and subject to regular monitoring by the Audit Committee.	A Development Plan is being devised in conjunction with IT that has identified development priorities that will take place before and after a planned upgrade to Agresso before June 21. Benefits include Capital budgets loaded to Agresso, an improved chart of accounts with standardised reporting and a training strategy. The draft plan which has not yet been costed and agreed by CLT but an early draft can be seen in Appendix E. The Plan will be governed through the Agresso Board and reported through to the FI Board.	B1a i	Agresso	Costed plan completed and to be agreed by CLT 26/01/2021	26/01/2021	
		Planned improvements delivered	B1b ii	Agresso	31/05/2021		Date of the upgrade to be confirmed
		A strategic review of corporate systems to be carried out to decide what financial system should be used. An external analysis of opportunities will be commissioned externally as part of the Review	B1b iii	BM	Phase 2		
B1b	The Council should simplify the current coding structure so that it reflects, with minimal re-analysis, the required layout and format of the Statement of Accounts.	This was completed for the 19/20 set of accounts and is in place.	B1b	N/A	Complete		
B1c	Arrangements should also be put in place to manage the appropriate roll-forward, reversal or re-start of specified ledger codes each year end.	This forms part of the Agresso Development Plan	B1c	Agresso	21/02/2021		Estimated delivery early April, but proceeding successfully
B1d	The Council should also simplify the presentation of the CIES and underlying processes for the accounting and management of overheads, governance and corporate service costs.	An initial review of Corporate recharges was completed and budgets centralised. A review of accounting for and the management of overheads, governance and corporate service costs to be commissioned, with the objective of making these fit for purpose whilst being as simple to execute as possible. The Accounts impact will be year 21/22.	B1d	Phase 2	Phase 2		
B1e	Action should be taken to minimise journal mispostings and coding adjustments, through a combination of staff training and by restricting who can initiate and authorise such transactions.	A review of the 100,000 plus journals a year will be commissioned to reduce the volumes and secondly, make recommendations on staff that can post journals; currently, departmental staff can post journals as well as Finance staff.	B1e	Phase 2	Phase 2		

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B2a	The Council should confirm that all Agresso ledger codes and disclosure notes are supported by ongoing financial systems and/or year-end work. Arrangements should be put in place to carry out and evidence regular reconciliation work which confirms the accuracy of these balances on a monthly basis rather than relying on year-end work.	A review of all ledger codes and disclosure notes to take place to establish that each balance/disclosure note has an owner and that a reconciliation is taking place. Where they are key, those to form part of the Technical Plan - Phase 1, so arrangements for those will be put in place to ensure that regular reconciliations processes are documented, carried out and reviewed	B2a i	Misc	31/03/2021		
		All other codes and disclosure notes; arrangements for those will be put in place to ensure that regular reconciliations processes are documented, carried out and reviewed	B2a ii	Misc	Phase 2		
		The accounting processes for the Collection Fund will be reviewed and documented by an external resource, LGF and training delivered for relevant staff.	B2a iii	Errors	31/03/2021		Additional resource now in place
B2b	Good practice is to operate a "dashboard" approach with regular (i.e. monthly) reports to the s.151 officer to provide assurance to him/her that all reconciliations are occurring on time and to identify where they are not so that corrective action can be undertaken in a timely manner.	Once all reconciliations have been identified, a monthly dashboard will produced. This forms part of the Technical Plan.	B2b	Misc	31/03/2021		
B3a	Given the significance of asset valuations to the audit process, tenders and contracts for external valuers should emphasise that all work is carried out to a standard that meets Code and RICS Red Book requirements in full. Contracts should only be awarded to valuers who can demonstrate a proven track record in meeting external audit requirements.	TH already mandates that all companies used have surveyors that are RICS registered valuers as a condition of the contract, as per RICS requirements <a href="https://www.rics.org/uk/upholding-professional-standards/regulation/valuer-registration/">https://www.rics.org/uk/upholding-professional-standards/regulation/valuer-registration/</a> Tower Hamlets' current valuer is RICS registered <a href="https://www.wilks-head.co.uk/the-firm/meet-the-team/guy-harbord/">https://www.wilks-head.co.uk/the-firm/meet-the-team/guy-harbord/</a>	B3a	Errors	26/01/2021		
B3b	Valuation processes, including all key estimates and assumptions, should be fully documented with officers undertaking, and evidencing, adequate review and challenge of all valuation reports received	The track record of surveyors is a key factor in contract award; our current contractor is one of the most widely used companies in this field and provides a similar service to over 100 local authorities. NB The Council is in the final year of this contract (The Contract is for 5 years from 1st September 2017 and expires on 31st August 2022, although it can be extended for one or more further periods). A meeting has been diarised for early 2022 to commission a new tender process ensuring that the surveyors have RICS Registered Valuers.	B3b	Errors	28/02/2021		On reflection, the date should have been the end of March to end of March as we will need to adjust for late changes in classifications - this is why it's not green.

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B4a	The Council should liaise with its actuaries each year end to ensure that officers understand and agree with all key assumptions underpinning IAS 19 valuations and reports, and that evidence can be provided, if necessary, to support the judgements, estimates and assumptions arrived at.	This has been included in the Closedown timetable		Misc	Ongoing to 31/03/21		Amber as a new report for THH required, the data for which is still being gathered.
B4b	Actuaries' reports and correspondence should confirm how they have taken account of recent legal cases and other current developments when assessing year end pension liabilities.	This has been included in the Closedown timetable		Misc	Ongoing to 31/03/21		
B4c	Working papers provided for audit should demonstrate how the accounting implications of any prepayments or deficit funding arrangements have been considered and applied	The working papers to be reviewed and the accounting implications clearly set out		Misc	Ongoing to 31/03/21		
B5a	Discussions should be held with the external audit team early in the New Year to identify and agree the basis for: <ul style="list-style-type: none"> <li>exercising and disclosing key management judgements and material estimation techniques</li> <li>implementing new Code requirements and other significant changes to the Statement of Accounts</li> <li>dealing with any other complex or contentious accounting issues.</li> </ul>	A meeting to be set up for this purpose with all key parties.		LCP	05/02/2021	28/02/2021	
B5b	Particular attention should be given to the implementation of IFRS 16 for 2020/21, and project plans for successful implementation put in place as soon as possible. Arrangements should then be made to obtain any additional information from external experts, (e.g. valuation reports, legal advice or formal accounting views) and for officers to prepare briefing papers or Council reports on material items as required.	This implementation has now been deferred nationally to 21/22 - the work on this will be carried out during calendar year 2021.		Phase 2	31/11/2021		
B5c	The template Statement of Accounts should be re-drafted to include updated disclosure notes and revised accounting policies by 31 January, then be presented to auditors and Those Charged with Governance in advance of 31 March each year.	The template will be drafted for CLT review, Deloitte and the Audit Committee.		LCP	CLT 26/01/2021, Deloitte 05/02/2021 and Audit Committee 07/04/2021		This was a timing issue, will be blue at the Audit Committee
<b>C</b>	<b>Errors identified to date</b>						
C1a	The Council should: <ul style="list-style-type: none"> <li>update its approach to revenue recognition in the light of IFRS 15</li> </ul>	The approach has been updated and a working paper shared with Deloitte		N/A	31/12/2020	31/12/2020	
C1b	<ul style="list-style-type: none"> <li>improve processes for controlling year end cut-off</li> </ul>	To be reviewed as part of the closedown timetable.		LCP	16/01/2021	16/01/2021	

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C1c	<ul style="list-style-type: none"> <li>ensure that items are not carried forward on the Balance Sheet without a detailed review to confirm accuracy and completeness of audit trail</li> </ul>	Documented line by line review of the Balance Sheet to take place and any uncertainties addressed with an action Plan.		Misc	ongoing to 31/03/2021		
C1d	<ul style="list-style-type: none"> <li>ensure that land and buildings valuations meet Code and RICS requirements</li> <li>improve liaison with spending departments to ensure that the Fixed Asset Register is accurate and up to date.</li> </ul>	All land and buildings are valued using Code and RICS requirements. A monthly Assets Group meeting was established in the Autumn of 2020 to jointly review the list of potential surplus assets and assets that are being disposed by a range of stakeholders from Finance and Place. A list of all the assets that will come into operational use and the anticipated year that they will become operational will be drawn up using the Capital Programme and reviewed in detail quarterly by the Assets Group and then reported to the Capital Delivery Board which governs the Capital programme, to further ensure that the fixed asset register can be kept up to date.		Errors	ongoing to 31/03/2021		New ways of working are in place, amber as the deadline may be missed by a week
C2	Feeder systems and regular reconciliation processes should be established to ensure that all income due to the Council is accurately and promptly invoiced, collected and recorded.	All income sources need to be documented and reconciliation processes reviewed and documented. Particular focus for March is on CIL, S106 and Leaseholders. There has been a lessons learned session held on leaseholders which has its own action plan and the CIL /S106 accounting process is being reviewed end to end.	C2a	Errors & Bottle-necks	31/03/2021		Amber purely as still to formally agree Leaseholders Plan, but the plan has been drafted and a considerable amount of work has been completed. CIL/S106 on track
		All other income sources to be documented and reconciliation processes reviewed and documented on a prioritised basis.	C2b	Phase 2	Phase 2		
C3	A consistent approach to accounting for DSG funding deficits should be decided upon, taking account of current DfE and CIPFA guidance, and disclosed as a key management judgement in the Statement of Accounts.	This will be reviewed and the DSG funding deficits accounting treatment disclosed in the Statement of Accounts		LCP	12/02/2021	Feb-21	



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C4	The Council should aim to set up a monthly monitoring process whereby all schools provide copies of bank reconciliations and budget monitoring statements within 10 days of each month-end, and this information is used to confirm each schools' cash balances, reserves balances and spend to date against DSG allocation. Journal postings can then be made on a regular basis throughout the year to eliminate internal transactions and recharges and post accurate figures for schools' cash balances and reserves to the Balance Sheet.	The decision for the need to move to monthly monitoring for schools will be taken at the end of October 2021. A more robust quarterly monitoring process has been implemented as well as further improvements planned in for 2020/21. These include ensuring that DSG budget allocations are made through a monthly BACs payment set up at the beginning of the school year, internal payroll is posted directly, rather than as a year end process which can then be checked and monitored regularly. There is also a consideration to make service level agreement charges an annual in advance invoiced amount and for other school income payments to be made on a quarterly rather than monthly basis.	Phase 2	Phase 2		
C5	Grant income is one of the most significant items in the Statement of Accounts therefore a comprehensive grant claims register should be put in place as soon as possible, and reconciled to ledger records on a monthly basis to better inform budget management and year-end financial reporting	A comprehensive grants register for both capital and revenue to be put in place	Misc	31/03/2021		
C6a	More detailed guidance and training on year-end cut off should be provided to spending departments. In order to minimize the number of year-end postings the Council should implement a de-minimis policy for accruals, say £20-25,000, and suspend payroll and creditor payment runs for 7-10 days over the year end date	More detailed guidance will be sent out to Directorates as per the Closedown plan and it will include the policy on accruals, which is a revenue de minimus of £10,000, unless grants related and a de minimus for capital of £50,000. The closedown timetable does not contain a suspension of payroll and creditor payments. Decision has been made that there is no cut off for 2020/21 closure as there were issues with the use of estimates in 19/20.	LCP	12/02/2021	26/01/2021	
C6b	An "accruals team" should be established to check all accruals over an agreed threshold (say £250,000) and 10% - 15% of accruals below this threshold on a sample basis to confirm the accuracy of the entries in the Statement of Accounts. Alternatively, additional testing of year-end accruals could be provided by Internal Audit.	A review of the resources has taken place, bearing in mind that the Chief Accountant and his team are now permanently staffed. It is proposed that 3 short term interims are secured with a start date of February. Part of the role will be to review all accruals; the team will also provide additional capacity, troubleshoot and support the audit process. Once the 20/21 Accounts have been audited, a review will take place to see what if any short term resource needs to be secured annually.	LCP	12/02/2021		Additional resource partly retained. Approval to get further resource in place and now being recruited.  Amber because we may not be able to recruit.



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Key for IP Programme

BM - Budget Management

LCP - Leadership, Culture and Planning

PA - Pensions Administration

PF - Pensions Finance