

**Independent Review Recommendations - Improvement Plan**

**Appendix A**

	Independent Review Recommendations with TH additions in italics		Actions	Responsible Officer	Target Date - RAG (blue complete)	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.	A1 i	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.	S151	Complete	
		A1 ii	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.	S151	05/01/2021	
		A1 iii	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.	S151	12/02/2021	
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>	A2 i	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. It should be noted that these reports were mainly verbal and become less frequent after directorate involvement has become less significant. Reports are now made on an as and when needed basis.	CEO	Timetable 26/01/2021 and fortnightly from 26/2/21	
		A2 ii	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. DLTs to include Accounts related content in newsletters and staff cascades. These reports are now made on an as and when basis as directorate involvement has largely been finished.	CDs/SHOFs	26/02/2021	

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		A2 iii	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.	DDs	12/02/2021	
		A2 iv	PDRs (now My Annual Review MARs) to contain an objective on finance to cover budget development, monitoring and the accounts for all relevant staff. This will be carried into Phase 2.	CEOs/CDs	Apr-21	
		A2 v	A Council wide coms plan to be developed in conjunction with Coms so that awareness is heightened and colleagues across the Council understand progress.	DS151	29/01/2021	
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.	A3 i	A 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.	DS151	Between 1/02/2021 - 28/02/2021	
		A3 ii	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. This will be carried into Phase 2	DS151	31/5/21	
		A3 iii	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.	DS151	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.	A4 i	Review allocation of tasks as part of the timetable review.	CA	29/1/21	
		A4 ii	Templates for detailed working papers to be drawn up eg for accruals	CA	05/02/2021	
		A4 iii	PDRs to be clear about individual training needs so staff have the opportunities to be upskilled where individual needs are identified.	DD HR	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.	A5a i	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.	DS151	15/1/21	
		A5a ii	A review of strategic priorities and resourcing for Finance to be held to allow more focus on the Accounts. CLT agreed that Finance staff could post a virtual 2 week "out of office" to focus on the Audit.	S151	29/1/21	
		A5a iii	Closing timetable and plan being reviewed for early cut off opportunities where they will add value, where more estimates can be used.	CA	29/1/21	
		A5a iv	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	CA	29/1/21	
		A5a v	The Council's current Asset Register is on a spreadsheet. This needs to be put on a system for control purposes and avoid bottlenecks.	CA	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.	A5b	The closedown plan for 19/20 had these columns built in.	CA	Complete	
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.	A6	The Timetable will be reviewed to ensure that as many tasks as possible will be completed prior to 31/3/21, including seeking further opportunities to use estimates.	CA	Ongoing to 31/03/21	
A7	The Prepared By Client ( PBC, 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.	A7 i	Earliest sight of PBC requested to discuss with Deloitte and a workshop to be set up to review requirements with them.	CA	05/02/2021	
		A7 ii	Detailed briefing sessions on the PBC to be set up with all responsible officers (as in 19/20)	CA	26/02/2021	

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		A7 iii	Checklists, templates and proformas to be reviewed as part of the Accounts suite of documentation.	CA	05/02/2021	
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.	A8	To be included as part of the Accounts Timetable (this was in place for 19/20)	CA	29/1/2021	
<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.	B1a i	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 "Rollovers" carried out for the Council, capital budgets loaded to Agresso with new capital reports.	DS151	Costed plan completed	
		B1a ii	Planned improvements delivered. Items not complete and being carried into Phase 2 are new standard revenue reports.	Chair Agresso Board	31/5/21	
		B1a iii	A strategic review of corporate systems was 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. This has been deferred to a later Phase of the IP, due to capacity.	S151	Later Phase	
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.	B1b	This has been completed for the 19/20 set of accounts and is in place.	DS151	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.	B1c	This forms part of the Agresso Development Plan and has been completed for the Council's Accounts (NB a similar approach will be taken for THH, Client Affairs and the Pensions Fund)	CA	21/02/2021	
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.	B1d	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.	DS151	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.	B1e	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.	DS151	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.	B2a i	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	DS151	31/03/2021	
		B2a ii	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	DS151/CA	Phase 2	
		B2a iii	The accounting processes for the Collection Fund will be reviewed and documented by an external resource, LGF and training delivered for relevant staff. This will be carried forward into Phase 2	DS151	31/03/2021	
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.	B2b	The first monthly dashboard has been produced in July.	CA	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.	B3a	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> 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.	CA/Place DD	26/01/2021	

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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	B3b	Tower Hamlets will confirm all the required assumptions with WHE before the valuation is carried out and document this process and ensure that the valuation reports are reviewed, challenged and that process will be documented. The valuation will be reviewed by the Capital Accountant and nominated member of Asset Management prior to being signed off by The Chief Accountant and Head of Asset Management or Divisional Director of Place.	CA/Place DD	28/02/2021	
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 will be included in the Closedown timetable	DS151	Ongoing to 31/3/21	
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 will be included in the Closedown timetable; this is amber as the reports have only just been delivered - this has been taken into Phase 2	DS151	Ongoing to 31/3/21	
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	DS151	Ongoing to 31/3/21	
B5a	Discussions should be held with the external audit team early in the New Year to identify and agree the basis for: • exercising and disclosing key management judgements and material estimation techniques • implementing new Code requirements and other significant changes to the Statement of Accounts • dealing with any other complex or contentious accounting issues.		A meeting to be set up for this purpose with all key parties.	CA	05/02/2021	
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.	CA	31/11/2021	

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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 drafted for CLT review, Deloitte and the Audit Committee.	CA	CLT 26/1/21, Deloitte 5/2/21 and Audit Committee 7/4/21	
<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	CA	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.	CA	16/1/2021	
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 has taken place and any uncertainties addressed with an action plan. This will be taken into Phase 2 as the action plans need to be developed as it is high level and needs to be taken to a granular level.	Ds151/CA	ongoing to 31/03/21	
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.	CA/Place	ongoing to 31/03/21	
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.	C2a	All income sources need to be documented and reconciliation processes reviewed and documented. Particular focus for Phase 1 is on CIL, S106 and Leaseholders. Action Plans were agreed and largely delivered and processes have been documented and are now with Internal Audit for Review.	DS151	31/3/2021	
		C2b	All other income sources to be documented and reconciliation processes reviewed and documented on a prioritised basis.	DS151	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	CA/Childrens HOSF	12/02/2021	

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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. There is a plan in place to record the bank balance more transparently on the ledger to ensure the bank account reconciliation is possible for the council in a simple form.	HOSF - children's	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; the grants register for 2021/22 has been taken into Phase 2	CA	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.	CA	12/02/2021	
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. This is work in progress and will be taken through to Phase 2	CA	12/02/2021	
D	<b>External Audit</b>					



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D1	Detailed meetings between the Council and their auditors at the planning stage should have covered not just the logistical arrangements for the audit but also current Code and FRC requirements, the overall approach to the audit and working paper requirements.		A separate meeting will be set up for this purpose with Deloitte.	DS151/CA	12/02/2021	
D2a	Processes recently put in place to manage the audit process and to treat completion of the 2018/19 audit as a corporate priority need to be maintained and developed.		The daily updates on timetables and outstanding queries will be continued, as will the weekly minuted meetings with Deloitte. The corporate nature of the Accounts will be further emphasised by the actions identified elsewhere in the I.P.	S151	Completed	
D2b	Discussions with Deloitte should clarify how best to prioritise outstanding queries and complete the audit of the revised 2018/19 Statement of Accounts by an agreed date which is both realistic and achievable.		Joint Deloitte / CEO meeting took place in January and a joint plan has been agreed.	CEO/Deloitte	Completed	
D2c	The s151 officer should reinforce this process by regularly attending progress meetings with the external audit team, providing visible encouragement and leadership and closely <u>monitoring progress against plan.</u>		The S151 meets Deloitte every 2 weeks and in between as required. TH CEO is meeting with Deloitte formally on a quarterly basis.	S151/CEO	29/01/2021	
D2d	Reports to Those Charged with Governance should be more detailed and cover audit processes as well as proposed changes to the Statement of Accounts.		More detailed reports will be made to the Audit Committee at each cycle.	DS151	28/1/21 and ongoing	
E	<b>Other workstreams</b>					
E	<b>Pensions</b>					
E1	Implement proposed staffing structure		Fill vacant positions.	DS151	Ongoing to 31/7/2021	
E2	Ensure 90% of member records are accurate		Improvement in tPR score and Aquila Heywood Annual Data Quality Report in line with guidance notes set out by tPR Audit results - separate detailed action plan. This is ongoing. Missing records receive from council payroll and other employers have been created. This work stream will be completed once zellis amendments to HR/Payroll system is completed. This will ensure receipt of correct and complete records.	DS151	ongoing to 30/06/22	

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E3	To ensure 98% of member records are accurate		Improvement in tPR score and Aquila Heywood Annual Data Quality Report in line with guidance notes set out by tPR Audit results - separate detailed action plan. This is ongoing. Missing records receive from council payroll and other employers have been created. This work stream will be completed once zellis amendments to HR/Payroll system is completed. This will ensure receipt of correct and complete records.	DS151	ongoing to 30/06/23	
E4	Complete all existing backlog tasks		Performance reports - separate detailed action plan. Clearing of backlog for active members and pensioners has been the initial priority to avoid further breach of regulation or Ombudsman complaint. Average age of backlog in this group has improved from over 24 months to under 6 months. Work is ongoing to continue to clear outstanding backlog. Delay in clearing back log has been mainly due to resource constraints within the team and difficulty in recruiting experienced agency staffs in the interim.	DS151	31/12/2020	
E5a	Developing technology to improve data quality		100% of employers submitting data via i-Connect and taking full ownership of process - separate detailed action plan. Employers forum was held in October 2020 during employers where informed of the need to adhere to the LGPS and TPR regulations. Since then All employers apart from Tower Hamlets council, Tower Hamlets Homes, Mulberry Academy, St Pauls Way Trust School and East End Homes now submit data via i-Connect.	DS151	31/3/2021 and ongoing	
E5b	Developing technology to streamline process & reduce errors		Implement workflow - searate action plan.	DS151	Completed	
Eb6	Developing technology to streamline process & reduce errors		Implement system generated letters	DS151	Completed	