

	London Borough of Hammersmith & Fulham (AUDIT, PENSIONS AND STANDARDS COMMITTEE) (30 June 2014)
TITLE OF REPORT	
Outstanding Recommendations for External Audit and Fraud response Plan	
Open Report	
For Information	
Key Decision: No	
Wards Affected: None	
Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance	
Report Author: Geoff Drake – Senior Audit Manager	Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk

1. EXECUTIVE SUMMARY

1.1. This report summarises:

- Progress on implementing recommendations arising from the Audit Commission 2012/13 Annual Governance Report
- Progress on implementing the recommendations in the Fraud Response Plan

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 2013 the Council's External Auditors (KPMG) issued their 'Report to those charged with governance (ISA 260) 2012/13'. The report contained 2 recommendations for implementation by management. Only one of these recommendations remained outstanding to report to this Committee meeting.
- 4.2. Failure to act effectively on the significant control issues 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.
- 4.3. The Fraud Response Plan was largely cleared at the last APSC meeting, there were 3 recommendations outstanding to report on progress to this meeting.

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 recommendations from the KPMG 'Report to those charged with governance (ISA 260) 2012/13'. An update on the one outstanding recommendation has been sought for this report. 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. Fraud Response Plan

- 5.2.1. Attached at Appendix C is the progress report on the implementation of the remaining recommendations.
- 5.2.2. Two of the three remaining recommendations are now considered cleared. The remaining recommendation remain extant as they cannot be cleared yet. Unless otherwise stated, Internal Audit has not verified the current position reported by officers 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**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit report recommendations progress update	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 Fraud Response Plan Recommendations

External Audit Recommendations Update

Report	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) 2012/13</i>				
	<p>R1 - Non-Current Asset Management The Authority should consider implementing an asset management system with the required functionality to improve efficiency of officers throughout the year and increase accuracy in the financial reporting process reducing the risk of error.</p>	<p>We accept the recommendation. The spread sheets have generally served the Authority well but as part of the transition to Managed Services an asset management system will be introduced. This is due to go live in April 2014 and it will form the basis of closing the accounts in 2014/15. In the meantime (year of account 2013/14) the Council will continue to use spread sheets which will be refined and improved where possible.</p>	<p>Bi-Borough Director of Finance</p>	<p>As per the original response, this recommendation is being addressed via the Managed Services project. The specification for the Fixed Asset register has now been agreed with the provider. Integrated Systems Testing (IST) commenced on 11th November 2013 with User Acceptance Testing to follow in January.</p>

Fraud Response Plan Recommendations

APSC requirement	Action Plan	Responsible Officer	Progress to August 2013	Progress to November 2013
<p>1. Look at the potential to share intelligence with others, particularly Govt Depts (HMRC), to consider the potential for prosecution of businesses: 'The Exec Dir of Finance & corp Gov cross checks the list of property owners benefiting from the granting of retrospective NNDR relief with records of operators of premises who have had licenses revoked and/or have been subject to enforcement action by HMRC, as a means of focussing any further investigations'.</p>	<p>We have contacted HMRC and the units within LBHF who dealt with them and collected some information from them. However further evidence has been identified within the investigation which may offer a more effective solution to the potential for prosecution of some businesses. This is currently being looked into. Further details cannot be provided at this time due to the confidentiality of prosecution cases.</p>	<p>Investigations consultant</p>	<p>We will trial a data exchange on large scale local frauds but for the local rate payer prosecutions we are using a more effective risk based approach to identify the most appropriate cases. Once the criminal action is complete a more detailed update will be provided.</p>	<p>As already stated, HMRC has already been contacted along with service units within the council. The information gleaned from this plus additional evidence identified within the investigation has been used to identify cases for prosecution, the final selection will be agreed with Legal Services. Going forward, a trial business intelligence project has commenced to look at better use of council data to identify fraud. The initial trial is focussing on housing/tenancy fraud as this can use more readily available data. If successful this is expected to be extended into other fraud risk areas. This is now considered cleared.</p>

No.	Recommendation	Responsible Officer	Proposed action	target date	Progress to September 2013	Progress to November 2013
KPMG Rec R8	<p>As part of the Council's assessment against the new Public Sector Internal Audit Standards and ensure that: § The annual audit plan is presented to the Audit</p>	Internal Audit	While the risk assessment is already provided in the form of the risk registers which are reported to every Committee	31 March 2014	This will be undertaken for the 2013/14 audit plans due to APSC in February 2014	This was undertaken for the 2013/14 audit plans reported to APSC in February 2014. This is now

	Committee in the context of a wider strategic plan, together with a supporting risk assessment.		meeting, additional information will be provided to the committee to support the audit plans and put them into context			considered cleared.
KPMG Rec R14	Disseminate the lessons learnt from this review widely.	Internal Audit	Once the criminal proceedings are completed, this will be shared with HFBB and the Finance Strategy Board to act on as appropriate.	31 March 2014, but dependent on court cases	It is not possible to action this yet.	It is not possible to action this yet.