



AGENDA AUDIT PANEL

Date: WEDNESDAY, 20 NOVEMBER 2013 at 7.00 pm

Committee Room 3
Civic Suite
Lewisham Town Hall
London SE6 4RU

Enquiries to: Olga Cole
Telephone: 0208 314 8577 (direct line)

COUNCILLORS

Councillor Michael Harris (Chair)
Councillor Philip Peake (Vice-Chair)
Councillor Ami Ibitson
Councillor Mark Ingleby
Councillor Dan Whittle
Councillor Jim Mallory

Independent Members

Paul Dale
Richard King
Mike Robinson
David Webb

Members are summoned to attend this meeting

Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 12 November 2013



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

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Agenda Item 1

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 20 November 2013

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 12 September 2013 be confirmed and signed.

LONDON BOROUGH OF LEWISHAM

Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on THURSDAY 12 SEPTEMBER 2013 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

Present

Councillor Harris (Chair), Councillors Peake, Ibitson, Ingleby and Mallory.

Independent Members

Paul Dale
Mike Robinson
Richard King

External Audit

Jamie Bewick
Darren Wells

Manager Public Sector Assurance, Grant Thornton
Director for Assurance, Grant Thornton

Internal Audit

Chris Harris
Andrew Hamilton

Partner, RSM Tenon
Manager, RSM Tenon

Officers

David Austin
Conrad Hall
Richard Lambeth

Interim Head of Audit & Risk.
Head of Business Management and Service Support
Group Finance Manager- Accounting and Capital

Apologies were received from David Webb.

Minute No.		Action
1.	<u>MINUTES</u>	
	RESOLVED that the Minutes of the meeting of the Panel held on 18 June 2013, which was open to the press and public, be confirmed and signed as a true record of the proceedings.	
2.	<u>DECLARATIONS OF INTERESTS</u>	
2.1	None Received.	
3.	<u>GRANT THORNTON'S EXTERNAL AUDIT REPORTS FOR 2012/13 ACCOUNTS</u>	
3.1	Darren Wells, Director for Assurance, Grant Thornton introduced the report. He highlighted that after the reports went out there	

was one amendment identified, and a couple of areas of work was still in progress. He informed members that overall the quality of the statement presented was very good and the information had been supported by documentation. Darren Wells said there had been very good co-operation from both sides.

- 3.2 Mike Robinson said that the amber assessments were confusing, as by definition these issues were trivial and of low consequence, yet they have been highlighted. He said they could have been coded differently, especially as there were quite a few of them. The Chair commented that he had identified only one red assessment and asked why it was significant. Darren Wells stated that the process for the valuation of non current assets would need to be put right before the next audit. It was noted that if the Council do not have sufficient internal valuation expertise to meet the requirements of the code, then an external provision should be made.
- 3.3 Paul Dale asked why this was an internal control issue. Darren Wells said this would be in the wider sense of the systems. Mike Robinson added that he would expect this issue to be included in judgement and estimates. Darren Wells said that it was not included as such because they did not consider the resulting estimate to be unreasonable.
- 3.4 Councillor Peake said that at previous meetings there had been issues with the asset register, and asked whether this has been resolved. The Group Finance Manager, Accounting and Capital said that it has improved and officers were happy with the outcome. Darren Wells stated that this information was included in the statement. He added that they were aware that this issue had been raised in previous years and progress was being made and they believed that it was in its final stage of completion. The Chair asked whether there was a connection between the asset register and the valuation. The Group Finance Manager said that if the valuations were done on time then there would be sufficient time to update the register.
- 3.5 The Chair said he had noticed that the Annual Governance Statement was long and asked if Grant Thornton knew which London Borough does it well. Examples of best practices were discussed and noted.
- 3.6 The Chair stated that it was important that the public is able to access the Governance Statements so that they are satisfied that the Council's accountability systems were in place and effective. Councillor Mallory said that Panel members would be interested to see examples of best practices. The Chair said

Minute No.		Action
	Panel members would like to know how best they could communicate the Council's performance to the public. Councillor Ingleby stated that it was important to ensure that this information was prominent on the Council's website.	ED. Res. & Regen.
3.7	The Chair asked whether Grant Thornton thought it would be useful for the Council to sought external opinion as to whether it was delivering value for money. Darren Wells said that Grant Thornton has provided the Council with a snap shot of whether it was using its reserves in an effective way, plus how the Council compares to like authorities, as detailed in the financial resilience report. Darren Wells added that the authority would need to decide whether it would be prudent to spend money to employ and engage external assistance to give a fresh outlook.	
3.8	Councillor Mallory said that it does not seem as if there was any significant issue they need to worry about in the way the Council had matched its priorities against its resources. Darren Wells said that the approach the authority had taken was balanced.	
	<u>Pension Fund</u>	
3.9	Darren Wells introduced the Pension Fund report and stated that there were few areas still outstanding at the time the report was sent out, but most of them have now been completed. He added that on the whole the quality of the financial statements was good and there were no issues that would pose significant risk.	
3.10	Panel members noted that the issue of a separate Bank Account for Pension Fund was yet to be resolved in keeping with the 2009 Regulations. Paul Dale raised his concerns, and said this was unlawful, and the issue had dragged on for over two years. Panel members said that this issue could not be ignored. The Head of Business Management and Service Support said that officers were aware of their responsibilities and they would seek to address the issue in a way that would not result in significant cost to the Council. This would be done during the upgrading of the general accounting systems which would go live in the next 2-3 months.	
3.11	The Chair asked if this meant that in 2-3 months time a separate Bank Account would be opened for the Pensions Fund. The Head of Business Management and Service Support stated that the Council already had a separate Pension Fund Bank Account, and all financial transactions of the Pensions Fund would be in that account by the end of the current financial year.	
3.12	The Chair requested an explanation of the working capital ratio in relation to the Council's performance, this was provided and it	

was noted that there was no reason for concern. The Chair then thanked Darren Wells and Jamie Bewick for the presentation, and stated that it was a good Audit report.

RESOLVED that the External Auditors reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts 2012/13 be noted.

4. EXTERNAL AUDITOR'S REPORT 2012/13 ACCOUNTS

4.1 The Group Finance Manager, Accounting and Capital introduced the officers report. The Panel considered and noted the report which included the proposed Letters of Representation.

RESOLVED that the report be noted and the Letters of Representation be approved,

5. INTERNAL AUDIT UPDATE

5.1 Chris Harris, RSM Tenon informed the Panel that RSM Tenon went into Administration in early August, and have been bought by Baker Tilly. He assured Panel members that services would continue as before but from the next meeting they would be part of Baker Tilly LLP.

5.2 The Interim Head of Audit & Risk introduced the report. Councillor Ingleby asked whether the work on Adult Social Care has been finalised as promised at the last meeting, and was told that this work has been completed. Councillor Ingleby commented that the Street Lighting Contract was discussed at the Sustainable Development Select Committee meeting. He asked if there was a penalty process in place, and whether communications between both boroughs was effective. It was noted that information was shared between boroughs, and that penalties were being acted upon.

5.3 The Chair asked whether the key findings listed on page 129 would be acted upon, and was told by the Interim Head of Audit & Risk that all key findings would have recommendations, and these have to be implemented within a timeframe. The Chair asked when the feedback was expected, and was told that there were deadlines to be adhered to, and by March 2014 follow up action would be taken.

5.4 Richard King asked how the recommendations for Adult Social Care were going to be implemented if staff were being reduced. The Interim Head of Audit & Risk said that the cuts were Council wide, and the Council was committed to deliver services

efficiently. The feasibility of the recommendation would have been considered when it was agreed with management. The Head of Business Management and Service Support stated that there was a benchmark on cost reduction which the Council could not possibly go below.

- 5.5 The Chair said there had been a lot of changes in the provision of Adult Social Care and members need to be keep abreast of developments. It was noted that there has been a change in the culture of local government and the expectation now was 'more for less'. The Chair asked whether this issue has been highlighted in the Healthier Communities Select Committee, and asked if the audit reports should be raised at that Select Committee during consideration of Policy issues and implementation. Councillor Ingleby stated that Council members would need to have a clear perspective during the savings drive.

- 5.6 Councillor Mallory stated that he was pleased to see a lot of improvements in the school audits. Panel members were informed that Schools Board of Governors were always informed of audit recommendations for their schools. The Chair asked whether the Council offer its Audit Services to non community schools, and was told that services were offered for a fee.

RESOLVED that the report be noted.

6. ANTI FRAUD & CORRUPTION TEAM UPDATE

- 6.1 The Interim Head of Audit & Risk introduced the report.
- 6.2 Councillor Mallory commented that he was happy that the Council was successfully prosecuting offenders. The Chair stated that it was important how the information was utilised to identify new sub-lettings. He commented that to offset the bedroom tax people would be tempted to sublet, this could put vulnerable children at risk. He added that it was important the Council act quickly and effectively.

RESOLVED that the report be noted.

The meeting ended at 8.30p.m.

Chair

Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 20 November 2013

Members are asked to declare any personal interest they have in any item on the agenda.

1 Personal interests

There are three types of personal interest referred to in the Council's Member Code of Conduct :-

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests

2 Disclosable pecuniary interests are defined by regulation as:-

- (a) Employment, trade, profession or vocation of a relevant person* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a

partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.

- (g) Beneficial interest in securities of a body where:-
- (a) that body to the member's knowledge has a place of business or land in the borough; and
 - (b) either
 - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

(3) Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

(4) Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

(5) Declaration and Impact of interest on member's participation

- (a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any

event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take no part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**

- (b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph (c) below applies.
- (c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- (d) If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- (e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

(6) Sensitive information

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

(7) Exempt categories

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)



The Annual Audit Letter for the London Borough of Lewisham

Year ended 31 March 2013

October 2013

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Section 1: Executive summary

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money
- 04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter summarises the key findings arising from the following work that we have carried out at the London Borough of Lewisham (‘the Council’) for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing your arrangements for securing economy, efficiency and effectiveness in your use of resources (Section three)
- certification of grant claims and returns (Section four).

This Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to the Audit Panel in our Audit Findings Report on 12 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2013 and was conducted in accordance with the Audit Commission’s Code of Audit Practice (‘the Code’), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of your financial position as at 31 March 2013 and your income and expenditure for the year;
- an unqualified conclusion in respect of your arrangements for securing economy, efficiency and effectiveness in the use of resources; and
- an unqualified opinion on the council’s Whole of Government Accounts submission.

We have certified two grant claims and returns without amendment. Our work is on-going on the Teachers’ pension return and the Housing and Council Tax Benefit claim.

Executive summary

Key areas for your attention

We summarise here the key messages arising from our audit for you to consider as well as highlighting key issues facing the Council in the future.

The economic environment remains challenging for local government. In December 2012 the Secretary of State announced further reductions to Revenue Support Grant, which require you to make additional savings of £53.5 million between 2013 and 2015.

At the same time the demand for your services is increasing. The population of London grew by approximately one million between 2001 and 2011. London is the fastest growing part of the UK, with a younger age profile than elsewhere in the UK. This presents a particular set of challenges around the demand for education, housing and welfare services. Lewisham schools have a rapidly rising pupil population, requiring new reception classes to be provided each year.

Recent changes to legislation have created additional pressures in relation to central Government funding. Because of the Welfare Reform Act you are now responsible for the cost of council tax benefits, with significantly reduced funding. You are preparing for the full implementation of the universal credit and in doing so you are working with your most vulnerable clients to mitigate the impact of the changes. You are also making preparations for the additional challenge of greater integration of health and social care budgets from March 2014.

Despite these pressures you underspent against your revenue budget by £3.5 million in 2012/13. You have continued your good track record of making savings and realising efficiencies but you recognise that more radical transformational changes may be needed if you are to continue that good track record in future.

Such changes happen over a longer time scale and are inherently more risky than efficiency savings. We will continue to monitor your arrangements to secure long term financial resilience as part of our 2013/14 audit.

Your financial statements were prepared to a good standard and we issued unqualified opinions on your accounts and on the pension fund on 27 September 2013. Although our audit identified a number of misstatements, none of these affected the overall income and expenditure position or council tax. In December 2013 you plan to upgrade your financial ledger as part of the six Boroughs project. We have been discussing the arrangements for the ledger upgrade with management.

Acknowledgements

This Letter has been agreed with the Executive Director of Resources and Regeneration and shared with members of the Audit Panel.

This has been Grant Thornton's first year as your external auditors. The Audit Commission appointed us for a period of five years, with a 40 per cent reduction in scale fee compared with 2011/12. The fee reduction has required us to work closely with management to deliver the audit in an efficient way. Thanks to the cooperation we received we have carried out our audit within the agreed timescales. We will be meeting with management to discuss how further improvements can be made for next year.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by your staff.

Section 2: Audit of the accounts

01. Executive summary
02. Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

You presented us with draft accounts on 28 June 2013, in accordance with the statutory deadline. Working papers were made available from the start of the audit fieldwork, which commenced on 1st July.

Overall the accounts and supporting working papers were prepared to a good standard. In some cases our information requirements were different to those of your previous auditors, which caused some difficulties and delays. We will be discussing with management how further improvements could be made to the audit process for next year, to make it more streamlined and efficient.

Issues arising from the audit of the accounts

Your accounts were prepared to a good standard. Although our audit identified some errors, none of these affected the overall income and expenditure position.

Several of our findings related to your arrangements for obtaining fixed asset valuations and to your accounting treatment of such valuations. You did not have adequate in-house valuations expertise during 2012/13 and you had to recruit a temporary valuer at a late stage of the process. There were a number of errors in the way the valuations were accounted for. You agreed to revisit your arrangements for 2013/14.

Annual governance statement

Your Annual Governance Statement complies with the best practice guidance by CIPFA. We did not identify any omissions or any information which was inconsistent with our knowledge. However we did note that at 17 pages it is one of the longest Annual Governance Statements we have seen. You agreed to look at making this document more accessible to a reader, by communicating your governance arrangements in a more succinct way.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Panel at this Council). We presented our report to the Audit Panel on 12 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on your 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of your financial position and of your income and expenditure.

On the same day we issued an unqualified opinion on your Pension fund accounts.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money**
- 04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes your responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in your use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a value for money conclusion based on the following two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial

resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures

economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We reviewed your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission. We also considered your financial resilience as measured by key indicators of financial performance;

- key indicators of financial performance – green;
- financial governance – green;
- financial planning – amber;
- financial control – amber.

Our work highlighted that you achieved 97 per cent of your planned savings in 2012/13 and you made a budget surplus of £3.5 million. Further reductions to your Revenue Support funding require you to make an additional £53.5 million savings between 2013/14 and 2014/15. The majority of these savings are already built into baseline budgets, however around £14 million of required savings are still unidentified. You are aware of the risk that efficiencies from staffing reductions could leave the Council without financial expertise in key areas, for example asset valuations.

Although you have a good track record of realising efficiencies, the scale of this challenge may require you to seek out more radical solutions for future cost reductions and savings. Management has embarked upon the 'Lewisham Future Programme' to explore such solutions.

Challenging economy, efficiency and effectiveness

We have reviewed whether you have prioritised resources to take account of the tighter constraints you are required to operate within and whether you have achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that you have continued your good record of making efficiencies and your costs are comparable with other similar councils.

Overall Value For Money conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money
- 04. Certification of grant claims and returns**

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by you. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm your entitlement to funding.

We have certified two claims and returns for the financial year 2012/13. These are the NNDR3 return and the Housing Capital Receipts (pooling) claim. Our work is on-going on the Teachers Pension return and the Housing and Council Tax Benefits claim.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report to be issued in December 2013.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	In some cases management were unclear about certification arrangements. Management should retain a signed copy of original claims and submit them for audit certification in line with the grantor's timetable.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The NNDR3 return and the capital receipts pooling claim were prepared to a good standard and have been certified without amendment. Our work on the Teachers Pension return is on-going. Our initial testing of the Housing and Council Tax benefits claim has identified a small number of errors which require extended testing.	●
Supporting working papers	Working papers supporting the NNDR and capital receipts pooling claims were of a good standard. Benefits records are clear and accessible to support the benefits claim. There is scope to improve the records supporting the Teachers' Pension return.	●

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non audit services.

	Per Audit plan	Actual fees
	£	£
Audit Fee	255,044	255,044
Grant certification fee	78,750	tbc
Total fees	333,794	tbc

Fees for other services

Service	Fees £
Advisory work on PFI schemes	7,000

Our work on grants certification is on-going and the actual fee may be lower than the scale fee. We will confirm this on completion of our certification work.

Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013
Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report (to be issued)	December 2013



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grant-thornton.co.uk

AUDIT PANEL		
Report Title	Financial Forecasts for 2013/14	
Key decision	No	Item No. 4
Ward	N/A	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES & REGENERATION	
Class	Part 1	Date: 20 November 2013

1 Summary of the Report

1.1 This report sets out the financial forecasts for 2013/14 as at 30 September 2013. The key areas to note are as follows:

- i. An overspend of £0.6m against the directorates' net general fund revenue budget is forecast. At the same time last year an underspend of £0.9m was forecast. The consolidated results for the year were an underspend of £3.5m.
- ii. 95% of the £20.9m savings agreed in setting the 2013/14 budget are forecast to be delivered on schedule.
- iii. On the capital programme, the forecast expenditure for 2013/14 is now £132m, compared to the budget of £150.8m. This reduction is mainly due to schools projects being rephased. However, to 30 September 2013 only 29% of the budget (and 34% of the forecast) had been spent, around two thirds of the figure expected if the programme is to be delivered in full. The forecasts on the projects are being reviewed.
- iv. The Housing Revenue Account (HRA) is projecting an underspend of £0.5m.
- v. The Dedicated Schools Grant (DSG) is forecast to be spent to budget but three schools are expected to apply for a licensed deficit and the balances of £15.7m include £5.5m of excess balances as defined by the schools' forum.
- vi. As at 30 September 2013 council tax collection is 0.52% lower than last year in terms of the percentage of gross cash collected and 0.48% lower against this year's profile. Performance statistics for the first 6 months of the year still indicate that the impact of welfare reform in this area has been significantly less than the worst-case scenario. As this is the first year of the reforms there are no trends to measure against as yet so a degree of caution is needed at this stage.
- vii. Business rates collection is 0.78% higher than the same period last year and if this performance is maintained the target of 98.50% for the year should be achievable.

2 Purpose of the Report

2.1 To set out the financial forecasts for 2013/14 at end of September 2013.

3 Recommendations

3.1 To note the financial forecasts for the year ending 31 March 2014.

4 Policy Context

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the Council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

5. Overall Directorate Outturn

- 5.1 The forecasts against the directorates' general fund revenue budgets are shown in the table below; in summary an overspend of £0.6m. At the same time last year an underspend of £0.9m was forecast. The financial result for 2012/13 was an underspend of £3.5m on the general fund revenue budget.

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
CYP (1)	79,610	(20,451)	59,159	1,182
Community Services	178,813	(60,599)	118,214	(1,899)
Customer Services (2)	78,658	(47,586)	31,072	1,547
Resources & Regeneration	58,344	(12,995)	45,349	(225)
Directorate total	395,425	(141,631)	253,794	605
Corporate items			30,838	
Budget requirement			284,632	

- (1) – gross figures excludes £250m Dedicated Schools' Grant expenditure and matching grant income
- (2) – gross figures exclude approximately £225m matching income and expenditure for housing benefits. This figure is lower than last year due to the implementation of the Council Tax Reduction Scheme (CTRS), an effect of which is to replace benefits paid out with discounts at source

- 5.2 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the table above.

Directorate	Savings agreed for 2013/14	Forecast delivery	Variance	
			£'000	%
CYP	6,469	6,469	0	0
Community Services	6,930	6,430	500	7
Customer Services	2,453	2,245	208	8
Resources & Regeneration	5,082	4,664	418	8
Total	20,934	19,808	1,126	5

- 5.3 The variance reported above for Community Services represents the proposed saving from the reablement service; this is now unlikely to be achieved in this financial year. The shortfall in savings in Customer Services relates to the introduction of cashless parking payments. This will materialise over the life of the new contract but not in the first year of operation.

6. Children and Young People's Services

- 6.1 The directorate is forecasting an overspend of £1.2m. At this time last year the forecast was for an underspend of £0.6m and the result was an underspend of £1.1m.

CYP Directorate – Service Area	Gross budgeted spend	Gross budgeted income - grants	Gross budgeted income - other	Net budget	Forecast over / (under) spend
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	47,455	(1,892)	(583)	44,980	2,042
Standards and Achievements	4,125	(221)	(2,138)	1,766	(212)
School Infrastructure	1,574	0	(15)	1,559	0
Targeted Services and Joint Commissioning	15,299	(1076)	(2,245)	11,978	(239)
Resources & Performance	11,157	0	(10,955)	202	(409)
Schools	0	0	(1,326)	(1,326)	0
Total	79,610	(3,189)	(17,262)	59,159	1,182

- 6.2 The main budget pressure is a net £2.0m in respect of the budget for **Children's Social Care** and comprises the following three main areas.

- a. The placement budget for *looked after children (LAC)* is currently forecast to overspend by £0.9m. The number of LAC has increased since August by 7 and now totals 501 children. This time last year there were 12 fewer children in care (these figures exclude asylum seekers).
- b. *Clients with no recourse to public funds* are those cases that have an application to remain in the country and are waiting to be dealt with by the Home Office. These clients are not seeking asylum but are people to whom the local authority owes a duty of care; they and their children are causing a significant cost pressure. The caseload now stands at 8,120 client/weeks (or about an annualised equivalent of 156 clients) against the budget assumption of 44. This represents an increase in numbers by about 71% since April 13. In order to minimise the costs, families are being accommodated in low cost accommodation out of area. Work is under way to better track the No recourse families in order to speed up and improve the processing of their applications to the Home Office but progress has been slow and the difficulties of the UKBA have been highlighted in the press. This is now creating a cost pressure of £1.8m
- c. There are an increasing number of *young people leaving care* who require support and together with the national changes in housing benefit has created pressure on this budget since last year and this has continued into this year. Delays in finding appropriate accommodation for some of the young people results in them remaining in expensive provision. The current average caseload is 54 fte against budget assumption of 23. As the number of Asylum Seekers is below the threshold grant, funding is not available. The unit cost of these placement has been brought down from £140 per day at the start of the year to the current cost of £105 per day. Currently the management action is focused on increasing the usage of Supported Lodgings and

also using preferred provider agreements A review is taking place with children and young people directorate representatives and housing representatives to consider alternatives. These combined efforts are expected to offset the cost of accommodation and placements which are the main cost drivers for this service and will hope to reduce the spend by about 20% in future years. The current spend is £2.1m, which gives a budget pressure of £0.8m.

6.3 These cost pressures in Children’s Social Care total £3.5m. Efficiency measures, over and above those agreed in the budget, are expected to offset £1.5m of those pressures, with a further £0.8m of savings in the other service areas. These additional measures are:

- Reduction in supplies and services spend – £1.2m
- General impact of expenditure controls - £0.7m
- Further reductions in agency staff and vacancies - £0.4m.

This will leave an overall forecast overspend of £1.2m.

6.4 The savings on the **youth service** were agreed to be delivered over two years. The re-organisation is planned to take place in October. Most youth activities occur in the summer and consequently most of the expenditure occurs before November. With the re-organisation it is anticipated the shortfall in savings will be covered either by some staff leaving early or some posts being held vacant.

6.5 The delay in closing the **Early Years Centres** will mean that this saving will not be delivered as intended. However the funding shortfall of £0.7m will be covered by the DSG.

6.6 The key unit costs and activity levels within children’s social care are summarised below.

	<u>Average weekly unit costs</u>		<u>Client numbers</u>
	<u>September 2012 (£)</u>	<u>September 2013 (£)</u>	<u>September 2013</u>
Local authority fostering	385	350	204
Agency fostering	875	853	215
Residential homes	2,969	2,822	42

6.7 These demonstrate the importance of the directorate’s strategy for shifting the balance of provision towards fostering (as well as of course trying to bear down on costs). As examples, every client moving from agency to local authority fostering results in a saving of around £27,000 p.a. and around £109,000 for every movement from a residential placement to agency fostering.

7. Community Services

7.1 As at 30 September 2013 the directorate forecasts an underspend of £1.9m, broken down across the directorate as set out below. This remains significantly greater than the forecast underspend of £0.1m at the same point last year. The actual result last year was an underspend of £2.2m.

Community Services Directorate – Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Cultural and Community Development	24,187	(7,427)	16,760	(393)
Adult Services Division	112,098	(30,670)	81,428	(381)
Public Health	14,648	(14,648)	0	(637)
Crime Reduction & Supporting People	25,695	(7,640)	18,055	(394)
Strategy & Performance	2,185	(188)	1,997	(120)
Community Reserves	0	(26)	(26)	26
Total	178,813	(60,599)	118,214	(1,899)

- 7.2 **Adult Social Care** is now forecast to underspend by £0.4m. As is to be expected on a budget of £112m, a number of over and underspends are forecast against individual services. These broadly offset one another leading to the overall forecast underspend of £0.4m. Nonetheless, the delayed delivery of the enablement saving is a concern given that this is of key significance to the long-term cost reduction strategy in this area.
- 7.3 The key issues to note are as follows:
- i. Learning disability budgets are projected to underspend by £0.1m. The main financial issues for this client group remain transition from CYP budgets and a shift in the balance of care with growing numbers of direct payments.
 - ii. The safeguarding, quality and risk service, which includes budgets for residential and nursing care for older adults and physical disability, is projected to overspend its budget by £0.4m.
 - iii. The assessment and support planning service for domiciliary care is now projected to overspend by £0.2m although this is offset by recovery of unspent sums from recipients of direct payments.
 - iv. Overall, the proportion of the purchased services budgets spent on home care and direct payments has increased in this financial year for older adults and stayed the same for younger adults. Further reducing the dependence on residential care and supporting more clients in their own homes, which is the overall strategy being pursued, would bear down further on costs.
- 7.4 A net underspend of £0.4m is forecast for the **Crime Reduction and Supporting People** division.
- 7.5 This is net of a forecast overspend within the youth offending service of £0.2m as a result of the changes to the financing of secure remand and youth detention, where local authorities now bear all of the financial risk associated with this provision. This is a volatile area of spend which is not entirely controllable in that costs are driven by the number of local young people ordered into secure remand by the courts, the severity of their offences and hence how long they are held pending the court process.

- 7.6 The division is due to deliver significant savings on the supporting people programme this year and next. At present the service is on target to achieve programme savings of £1.2m for 2013/14. However, this requires that significant de-commissioning of services and renegotiation of contracts goes ahead as planned. There are some significant risks within this for 2014/15 although in the current financial year Supporting People budgets are projected to underspend by £0.2m. The Drugs & Alcohol service is also projected to underspend by £0.4m; this relates to services funded from the Public Health Grant.
- 7.7 From April 2013, responsibility for local **Public Health** functions transferred to local authorities. Resources to fund these new functions in Lewisham have been transferred in the form of a specific grant of £19.5m in 2013/14. This includes £4.9m relating to drug & alcohol funding that has been managed by the council locally for the last five years so only £14.6m of this funding is new.
- 7.8 At the present time commitments against this budget are £18.9m. A process has begun to consider and prioritise options for the use of the sum currently not committed. These changes will require approval by the Mayor. At this stage it is assumed that none of this will be committed on new activity but that it will be used to support eligible base budget activity. This will result in an underspend of £0.6m. However the options remain either to commit the grant on new projects in this year or to carry the unspent balance forward to 2014/15; to the extent that either of these options are pursued, the total underspend would reduce.
- 7.9 The **Cultural and Community Services** division is projected to underspend by £0.4m in 2013/14. There is a forecast underspend of £0.1m within the budget for the Broadway Theatre which is offset by a similar overspend within the Deptford Lounge budget and various other minor variances. Across the division as a whole there is a staffing underspend of £0.1m, reflecting the early delivery of planned savings.
- 7.10 The **Community Education Lewisham (CEL)** service is forecast to spend to budget. However, the treatment of some of the grant income, which is planned to finance capital works at the Brockley site, has not yet been fully determined. This might impact on the presentation of the forecast (although not on the total cash spend).
- 7.11 The **community grants sector** service is forecasting an underspend of £0.3m, which comprises a large number of relatively small amounts (for example; where planned grants will not currently proceed due to matters to be resolved with individual groups). The largest single item making up the underspend is £0.1m in respect of the reduced contribution to the London Boroughs Grants Scheme.
- 7.12 The available 2013/14 funding for the **Community Sector Investment Fund** is £2.1m, after taking account of unspent amounts rolled forward from previous years. A report to Mayor and Cabinet on 10 July 2013 set out the spending plans against this budget. There is expected to be a small in year underspend but permission to carry this forward will be sought at year end. In 2012/13 a significant element of the movement between the early forecasts and final results for the directorate was due to those early forecasts being, in hindsight, unduly optimistic with regard to the ability to commission and spend these grants within the year. The forecast of only a small variance should therefore

be regarded with some caution although decisions allocating £2m of the £2.1m available funding to specific organisations have now been taken.

8. Customer Services

- 8.1 As at 30 September 2013 an overspend of £1.5m is forecast. This represents an increase of £0.3m compared to the overspend forecast at this point last year of £1.2m. The final variation at outturn was a £0.9m overspend.

Customer Services Directorate – Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Strategic Housing and Regulatory services	13,589	(10,055)	3,534	500
Environment	41,098	(20,348)	20,750	86
Public Services *	21,879	(16,943)	4,936	961
Strategy & Performance	2,092	(240)	1,852	0
Total	78,658	(47,586)	31,072	1,547

* - excludes £225m of matching income and expenditure in respect of housing benefits

- 8.2 Within the **strategic housing service** slippage in the planned implementation of a major reorganisation is currently creating a pressure on salaries budgets of £0.2m. This is to be managed down throughout the year although ER/VR costs relating to the restructuring materialising through the year may have an impact on the outturn.
- 8.3 The number of clients in bed and breakfast accommodation has risen from an average of 79.5 in 2012/13 to an average of 145 in September 2013. The number of “live” rent accounts relating to Bed and Breakfast at the end of September 2013 is 165. This compares to 78 as at the end of September 2012. Should this level of demand be maintained throughout the year an overspend of around £0.8m would be expected. It was previously reported that this was expected to be mitigated by the final stream of temporary accommodation units coming into service in the autumn and the implementation of alternative procurement arrangements. Whilst some mitigation is still expected the continued growth in numbers means that the overspend is expected to be around £0.5m by the end of the financial year.
- 8.4 There are also forecast overspends of £0.1m within the Private Sector Leasing (PSL) budget, where void rates are currently higher than anticipated. This is expected to be managed down throughout the year and a balanced budget achieved.
- 8.5 The **Environment division** is projecting an overspend of £0.1m resulting from reduced income from pest control and bereavement services and a number of minor overspends across the division. Management action to reallocate unspent resources from across the directorate is being used to offset the long term income shortfall at Beckenham Place Park.
- 8.6 The **Public Services division** projected overspend is £1.0m. Parking budgets account for the entire overspend, largely as a result of a shortfall in parking income (£0.7m), additional legal costs relating to Parking Control Notices

(£0.1m) and the non achievement of savings relating to the new contract (£0.2m).

- 8.7 The table below gives a more detailed analysis of the projected position in respect of parking budgets together with a comparison with last year's performance.

Parking Management	2013/14 Budget	2013/14 Forecast over/(under)	2012/13 Variation
	£k	£k	£k
Fines	(2,867)	(383)	(473)
Pay and Display	(2,794)	762	332
Permit	(2,340)	319	382
Other	(100)	5	(76)
Total income	(8,101)	703	165
Enforcement contract	1,573	214	513
Car park running costs	231	-14	-10
Management and administration	325	36	119
Legal fees	114	75	87
Total expenditure	2,243	321	709
Net income	(5,858)	1,024	874

- 8.8 The largest contributor to the income shortfall is a significant reduction in pay and display income. The decline experienced over the last two years has continued. Indications are that income will drop by 10%, approximately £0.3m, in 2013/14. In addition to this, the planned closure of two car parks during the year will result in a £0.2m loss of income.
- 8.9 The shortfall in savings relates to the introduction of cashless parking payments. This will materialise over the life of the new contract but not in the first year of operation.
- 8.10 Additional management and legal costs are incurred in the collection of Parking Control Notices (PCNs). The costs are offset by income raised through improved collection.
- 8.11 A recent High Court judgement (David Atfield v London Borough of Barnet) has been reviewed by officers. The judgement did not comment on the level of the charges but the rationale for determining what the charges should be. The judgement makes clear that the only lawful basis for deciding on parking charges of any sort is the traffic management reasons set out as the objectives of the traffic regulation in the Road Traffic Regulations Act 1984. The judgement also sets out that Councils can lawfully make a surplus on their parking account, the law does not require charges to be set as to simply cover costs. It is also lawful to forecast what that surplus may be and to take this into account in budget setting. However, this should not become a target or a budget in its own right.
- 8.12 The Council set its charges according to the relevant legislation. Officers consider the Council's policy and charges are appropriate and comply with the Road Traffic Regulations Act 1984.
- 8.13 Other Public Services budgets are projecting balanced budgets overall.

9. Resources and Regeneration

- 9.1 The directorate is forecasting an underspend of £0.2m. At this point last year an underspend of £1m was forecast and the result for last year was an underspend of £1.1m. The table below sets out this year's forecast by service division.

Resources and Regeneration Directorate - Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£000s	£000s	£000s	£000s
Audit & Risk	5,438	(2,633)	2,805	63
Corporate Policy & Governance	3,589	(54)	3,535	(239)
Finance	6,497	(1,234)	5,263	(368)
Executive Office	221	0	221	(30)
Personnel & Development	3,353	(270)	3,083	(5)
Legal Services	2,734	(395)	2,339	109
Strategy	2,840	(424)	2,416	(116)
IMT	10,302	(1,177)	9,125	491
Planning & Economic Development	3,692	(1,527)	2,165	(22)
Regeneration & Asset Management	19,678	(5,281)	14,397	(108)
Total	58,344	(12,995)	45,349	(225)

- 9.2 The **Audit & Risk Division** is forecasting an overspend of £0.1m that relates to insurance premium renewal. An element of these costs may be attributable to the HRA and work is underway to quantify any recharge that will bring this overspend back within budget.
- 9.3 The **Corporate Policy & Governance Division** is forecasting an underspend of £0.3m. Of this £0.2m is in staffing costs where several posts are being held vacant and £0.1m is the aggregation of a series of smaller underspends across various supplies and services budgets.
- 9.4 The **Finance division** is forecast to underspend by £0.4m. The bulk of this relates to the contingency for the directorate that is held within this division and is currently forecast to underspend by £0.4m. The underspend on this area has increased since last month due to the inclusion of the pay award that is held here pending reallocation.
- 9.5 The **Legal Services** budget is projected to overspend by £0.1m. This is partly due to agency staffing costs arising on posts for which permanent recruitment is underway.
- 9.6 The significant cost pressure for the directorate is within the **Information Management and Technology** service, at £0.5m. This principally relates to the onerous leases for photocopiers which it will not be possible fully to exit from until August 2014. This issue was highlighted throughout 2012/13, in which year the service underspent by £0.1m. The main contract for core IT services is also forecast to overspend by £0.2m and the impact of redundancies following from the recent restructuring also adds £0.1m to the position. Additional costs on the implementation of the Oracle upgrade has also added £0.1m to the forecast. However, there are offsetting savings in printing costs and SLA income with Lewisham Homes which have brought the overall forecast down to the projected overspend of £0.5m.

10. Corporate Provisions and Treasury Management

- 10.1 The Corporate financial provisions include working balances, Capital Expenditure charged to the Revenue Account (CERA) and interest on revenue balances. Although they are not expected to overspend, certainty on the outturn on these provisions will only become clear towards the end of the financial year.
- 10.2 With continued concerns about the stability of the banking sector, the Council's treasury management strategy continues to be focused on avoiding risk. Investment returns are at such historically low levels that there is in any case little opportunity to seek higher returns, except at unreasonable levels of risk, and so there is relatively little upside in pursuing an alternative strategy. The effect of this is that real returns, after inflation, are negative.

11 Dedicated Schools' Grant

- 11.1 As at 31 March 2013 balances held by schools were £15.7m in aggregate, £2.3m higher than the equivalent figure a year before.
- 11.2 There is a capping limit which the Schools' Forum can apply if a primary school or special school has balances in excess of 8% of its budget, or 5% for a secondary school. Under this agreed definition there are 32 schools with excess balances which total £5.5m in aggregate. The Schools' Forum has identified nine of these schools as being of particular concern, which accounts for £2.8m, slightly more than half of the excess balances. The Forum has agreed to cap these schools' balances at the percentage levels set out above, but to release the funds back to the schools concerned on completion of a satisfactory budget plan. If those plans are not then delivered the excess balances will be distributed to other schools in 2014/15. Of the 9 schools mentioned above eight of the schools have been visited and challenged about their spending plans and discussions with the last schools will take place shortly.
- 11.3 Currently three schools will be in deficit at the year end, namely Trinity, Sedgehill and Edmund Waller. All three are in the process of applying for a licensed deficit.
- 11.4 The only budget pressure is on the independent school fees budget where there are currently 12 more pupils placed than allowed for in the budget. The cost for this year can be met from contingency. Subject to other funding uncertainties being resolved in a cost-neutral way, (for example; for post 16 high needs funding where student numbers and costs will not be clear until after September), the current forecast is that expenditure on the DSG, which is of course mostly delegated to schools, will be on budget.
- 11.5 While the budget pressure identified on SEN can be met this year from the contingency this is only a short term solution to the problem. The budgetary pressure is expected to increase over the coming months as the pupil numbers grow and funding does not keep pace with the growth. The national funding arrangements for high need children is such that no inflation is taken into account and only a partial allowance is made for growth in numbers. The expected shortfall in 2014/15 is £0.5m and in 2015/16 this will grow to £2.0m. With this in mind the Schools' Forum have set up a sub-group to consider this

issue and they will report back to the Forum later in 2013/14 on possible areas of saving to cover the £0.5m for next year and, in a further 12 months time, a more detailed report on the long term capacity issues within Lewisham for High Needs children.

12. Housing Revenue Account

- 12.1 The Housing Revenue Account is projecting an underspend of £0.5m. The table below sets out the budgets and projected variations by service

HRA – Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Customer Services – Housing	12,176	(3,172)	9,004	238
Lewisham Homes & Repairs and Maintenance	36,538	0	36,538	0
Resources	1,634	0	1,634	0
Rents and Service Charges	0	(80,065)	(80,065)	(713)
HRA Subsidy	0	(34,353)	(34,353)	0
Capital and Debt Financing (net of Major Works income)	72,382	(9,176)	63,206	0
Other Centrally Managed Budgets	5,006	(970)	4,036	21
Total	127,736	(127,736)	0	(485)

- 12.2 The £0.2m overspend in Customer Services Housing Budgets relates to reduced rent and service charge income from hostels due to higher than budgeted void rates. The current void rate is 15.92% compared to a budget rate of 14.9%.
- 12.3 Rent income is forecast to exceed budget by £0.7m. This is because: (1) voids (other than hostels) are currently running at a lower level than budgeted for; and (2) vacancies resulting from regeneration schemes are now expected to be less in 2013/14 than originally forecast.
- 12.4 The rent collection rate for current year rents is 98.25%. This falls to 94.74% when brought forward arrears are taken into account.

13. Collection Fund

- 13.1 As at 30 September 2013, £54.1m of Council Tax had been collected, 50.65% of the total amount due for the year of £106.8m. This is 0.48% lower than the profiled collection rate of 51.13% if the overall target for the year of 94.5% is to be met. At the same time last year, the collection rate to date was 51.17%, 0.52% higher than this year.
- 13.2 Business rates collection is at 65.52%, an increase of 0.78% compared to the same period last year and 1.18% higher than the 64.34% profiled collection rate if the overall target rate for the year of 98.5% is to be achieved.

14. Capital Expenditure

- 14.1 The overall spend this year to the end of September is £44.3m, which is only 29% of the Budget and 34% of the Latest Forecast. Following substantial schools capital works during the summer, the forecast expenditure for the year has been reduced for a number of these projects.
- 14.2 For the non-schools schemes, project managers are still reporting that they expect to deliver their projects on budget this year. Given the latest spend, it is probable that a number of these forecasts are not realistic, since on a straight-line average (which is broadly appropriate for the programme as a whole) around 50% of the programme should have been spent to date if it were to be delivered on time. A number of these schemes are currently being reviewed and amended forecasts will be reported in the next monitoring where appropriate.

	2013/14 Budget	2013/14 Forecast	Spend to 30 Sept	Budget Spent to Date	Forecast Spent to Date
	£m	£m	£m	%	%
Community Services	1.6	1.6	0.3	19	19
Resources & Regeneration	19.6	19.3	4.6	23	24
CYP	69.1	50.7	24.1	35	48
Customer Services	3.9	4.0	0.3	8	8
Housing (Gen Fund)	11.7	11.4	1.3	11	11
Total General Fund	105.9	87.0	30.6	29	35
HRA - Council	2.1	2.3	1.4	67	61
HRA - Lewisham Homes	42.8	42.8	12.3	29	29
Total HRA	44.9	45.1	13.7	31	31
Total Expenditure	150.8	132.1	44.3	29	34

- 14.3 The table below shows the current position on the major projects in the 2013/14 General Fund capital programme (i.e. those over £1m in 2013/14).

	2013/14 Budget	2013/14 Forecast	Spend to 30 Sep	Budget Spent to Date	Forecast Spent to Date
	£m	£m	£m	%	%
TfL - Highways and Bridges	3.4	3.7	1.1	32	30
LBL - Highways and Bridges	5.5	5.5	0.1	2	2
Catford Broadway & Town Centre Regeneration	6.5	6.5	0.6	9	9
Asset Management Programme	2.4	2.4	0.3	13	13
BSF - Prendergast Hilly Fields	8.6	8.6	6.8	79	79
BSF - Sydenham	10.0	10.0	4.1	41	41
BSF – Brent Knoll	2.8	2.8	0.0	0	0
Primary Places Programme	36.6	20.6	10.3	28	50
Other Schools Capital Works	10.2	8.0	2.5	25	31
Vehicle Replacement	2.1	2.1	0.0	0	0
Lewisham Mortuary - Cremator	1.2	1.2	0.2	17	17
Disabled Facilities / Private Sector Grants	1.7	1.4	0.5	29	36
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	5.2	5.1	0.7	13	14
Deptford Station, Town Centre & High Street Improvements	1.6	2.0	1.2	75	60

- 14.4 One of the main sources of financing the programme is capital receipts from the sale of property assets. £3.4m of usable receipts have been received so far this year, comprising £1.7m in respect of previous year's Housing stock transfers, £0.6m (net) from Housing Right to Buy sales and £1.1m from other sales.

15. Financial Implications

- 15.1 This report concerns the financial forecasts for the 2013/14 financial year. However, there are no direct financial implications in noting these.

16. Legal Implications

- 16.1 The Council must act prudently in relation to the stewardship of Council taxpayers' funds. The Council must set and maintain a balanced budget.

17. Crime and Disorder Act Implications

- 17.1 There are no crime and disorder implications relevant to this report.

18. Equalities Implications

- 18.1 There are no equalities implications relevant to this report.

19. Environmental Implications

- 19.1 There are no environmental implications relevant to this report.

20. Conclusion

- 20.1 Members should note the action being taken to address the issues identified in this report.

BACKGROUND PAPERS AND APPENDICES

None

If there are any queries on this report, please contact;

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Agenda Item 5

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Head of Audit & Risk (Interim)	
Class	Part 1	Date: 20 November 2013

1. Purpose of the report

- 1.1. This report presents members of the Audit Panel with a summary of:
- Internal audit progress with the audit plans for 2012/13 and 2013/14,
 - Implementation of internal audit recommendations, and
 - Performance of the Internal Audit contractor.

2. Recommendations

- 2.1. It is recommended that the Audit Panel note the content of this report.

3. Background

- 3.1. The Council's Internal Audit service consists of the in-house team and contractor.
- 3.2. The in-house side consists of the Head of Audit and Risk, Internal Audit Contract Manager and Cipfa trainees when available.
- 3.3. The current contractor is Baker Tilly, formerly RSM Tenon Ltd. The current contract runs until October 2014. The change in ownership of the company has not affected the terms and conditions of the contract.
- 3.4. The contractor is responsible for completing the Internal Audit reviews for the Council (non-schools and schools) in line with the audit plan and follow-ups for annual core financial and IT audits.
- 3.5. Since April 2013, the in-house side of the Internal Audit performs all other follow-ups and a limited number of ad-hoc audit reviews.

4. Internal audit progress update

2012/13

- 4.1. There are two reports outstanding from the 2012/13 audit plan at the end of September 2013. They are:
- Early Intervention Grant (CYP) and
 - Maintenance of Assets and Premises (RRE) - draft issued 12/07/13. The delay in finalising this report is down to LBL management.
- 4.2. The Head of Audit cancelled the Income Forecasting vs. Savings audit, as the opportunity to benefit from this work has passed.
- 4.3. One report has been finalised from the 2012/13 audit plan since the last meeting:

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
COM	Payment by Results Pilot Review	20/09/13	Satisfactory	-	2	-

2013/14

- 4.4. The contractor is currently responsible for completing all the reviews in the 2013/14 audit plan, with the exception of two internal audits (one non-school and one school).
- 4.5. The table below summarises the status of the whole plan as at end September. For a more detailed look at the current audit plan, please refer to Appendix 1.

Lead Dir.	Original Audit Plan	Extra Audits	Dropped Audits	Current Audit Plan	Final Reports Issued	APS Issued	Audits not started
RRE	20	1	(2)	19	1	2	16
CUS	14	-	(1)	13	2	5	5
COM	10	1	(2)	9	-	2	7
CYP	7	4	-	11	3	1	7
Sub	51	6	(5)	52	6	10	36
SCH	23	-	-	23	9	n/a	14
Total	74	6	(5)	75	15	10	49

- 4.6. Since the last meeting, there have been three additional audits and one audit dropped from the plan.
- 4.7. Additional
- Security Access to Servers (RRE) – Due to concerns about officers accessing data to servers in which they should not have access to, a review is taking place.
 - Schools' Catering Contract (CYP) – The Head of Service requested an audit of contract management in their area, and
 - School's PFI Contract (RRE) – The Head of Service has recently started and wanted a fresh look at the contract management of the service.
- 4.8. Dropped audits
- ForeFront Identity Manager (FIM) – (RRE) – The system is no longer going live, so a review is no longer required.
- 4.9. As previously reported, a review of the approach to continuous auditing is being considered. The contractor has committed to delivering the quarter two reports on time (by the end of October). The position will then be reviewed to coincide with

the Oracle finance system upgrade and the new governance, risk and compliance reporting tool this introduces.

4.10. Since the last meeting up to end September, five reports were finalised. They are:

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
CYP	Adoption and Guardianship Orders Payments	27/08/13	Satisfactory	-	3	5
CYP	Troubled Families Programme 2013-14 (LBL review)	30/09/13	Substantial	-	2	1
RRE	ISS Facility Services Ltd Cleaning Contract	02/08/13	Limited	3	3	-
RRE	Payment Centre	26/09/13	Satisfactory	-	3	1
SCH	Holy Cross RC Primary School	17/09/13	Substantial	-	-	1

4.11. For the progress made during October, please refer to Section 10 below.

5. Limited and No Assurance reports

5.1. One 'Limited' assurance opinion report was issued since the last meeting and up to end September. This was:

- ISS Facility Services Ltd – Cleaning Contract

5.2. There were no 'Consultancy' or 'No Assurance' reports issued.

5.3. The executive summary for this report is presented in Appendix 4.

6. High or Medium recommendations not agreed

6.1. Since the last Audit Panel meeting, management have agreed all 'Medium' and 'High' recommendations made.

7. Implementation of internal audit recommendations

Follow-ups

7.1. Non-school reviews with High or Medium recommendations made are followed-up within nine months of the final report. In addition, any school audit with a negative assurance opinion (Limited or No assurance) also receive a follow-up review.

7.2. Since April 2013, the in-house team completes these follow-up reviews, with the exception of key financial audits and specialist IT reviews which the contractor completes.

7.3. There were four follow-up reviews completed since the last Audit Panel meeting (one school and three non-schools). The contractor completed the last follow-up review that was due from 2012/13. The in-house team completed the other three follow-up reviews from the 2013/14 audit plan.

7.4. The summary follow-up findings for the period were:

Implemented	In Progress	Superseded	Not Implemented	Total Recs
3	-	2	4	9
33%	-	22%	45%	100%

7.5. Of the four recommendations assessed as 'Not Implemented', three of these relate to the review for 'Pupil Referral Unit review on Financial Procedures'. The follow-up review identified that the agreement of proposals to address the governance recommendations were now going to an October Governors' meeting, rather July as originally planned.

7.6. Further details of these follow-ups are provided in Appendix 5.

Superseded

7.7. Since the last Audit Panel meeting, two medium recommendations were closed as 'superseded'. They came from the following audits:

- Dry recycling, and
- Supporting People Framework.

7.8. In both cases the actions to improve controls have been transferred to other audits and are now being tracked there. Details of these two superseded recommendations are provided in Appendix 3.

Implementation of recommendations

7.9. The table below shows the status of high and medium recommendations made by Internal Audit as at the 30/09/13.

Lead Dir.	Previous No. of O/Due Recs.	Current No. of O/due Recs at 30/09/13	Current No. of Recs with 2+ changes	Previous No. of Open Recs at 31/07/13	No of Recs Re-opened since 31/07/13	New Recs from 31/07/13 to 30/09/13	Closed Recs from 31/07/13 to 30/09/13	Current Open Recs at 30/09/13
RRE	13	25	3	66	5	6	(14)	63
CUS	-	1	1	4	-	3	(2)	5
COM	3	-	3	26	4	2	(2)	30
CYP	10	4	3	17	-	5	(8)	14
Total N/S	26	30	10	113	9	16	(26)	112
SCH	10	22	11	25	-	22	(1)	46
Total All	36	52	21	138	9	38	(27)	158

7.10. Details of those recommendations that are either overdue, have two or more implementation date changes or have been re-opened after the follow-up review are presented in Appendix 3.

8. Performance of the contractor

2012/13

8.1. As noted at 4.1, there remain two audits outstanding from the 2012/13 audit plan.

2013/14

8.2. One of the ways that the performance of the contractor is measured is by agreed Performance Indicators (PIs). The table below show the results for the 2013/14 PIs to the end of September.

Performance Indicator		No. of survey	Target YTD		Actual YTD to 30/09/13		Variance (+/-)		Met (Y/N)
			%	No.	%	No.	%	No.	
1	All finals reports issued against plan		17%**	13/73*	18%	13/73	+1%	-	Y
2	Non-SCH final reports issued against plan		19%	10/51	10%	5	(9)%	(5)	N
3	SCH final reports issued against plan		13%	3/22	36%	8	23%	5	Y
4	Follow up reviews issued against plan		24%	4/17	24%	4	0%	0	Y
5	Level of satisfaction for individual reviews	5	3.0		3.9		0.9		Y

*This is the performance of the contractor so excludes the two reports in the plan delivered to date by the in-house team.

** This represents 95% of the target.

8.3. The following key performance indicator was not met:

PI 2 –non-schools – Originally, in the 2013/14 internal audit plan there were 16 non-school reports due by the end of September. Now there are only ten. The differences relate to cancellations or delayed starts agreed with the contractor.

8.4. Although PI 1 had exceeded its target by 1%, to some extent this disguises the scale of the non-school audit delays. This is because typically a school audit budget (audit days) is a third of that of a non-school audit.

8.5. Lewisham Homes have cancelled their service level agreement with the Council for the provision of their internal audit service and are currently tendering in the market for a new provider. This impacts the economies of scale of the Council's internal audit contract.

9. Other business

9.1. The interim Head of Audit and Risk is to take on responsibility for some financial functions within the Council (Budget setting, Treasury management, the Pension Fund and Procurement), initially up to March 2014. As this additional

responsibility potentially compromises the Head of Audit and Risk independence, the Internal Audit Contract Manager will oversee the scope and reporting of audits of these services.

- 9.2. In addition, the Internal Audit Contract Manager will be able to approach the Executive Director for Resources and Regeneration (Section 151 officer) directly if they have any concerns about the independence of the audits or the attitude of the Head of Audit and Risk in respect of this work.
- 9.3. The Audit Charter will detail this arrangement to evidence how the independence of the Head of Audit and Risk is to be managed. The Audit Charter will form part of the evidence that the internal audit service complies with the Public Sector Internal Audit Standards (PSIAS).

10. Update for October

- 10.1. Despatch dates required the full report to be prepared up to the end of September. However, it is possible to give an overview of progress in October.
- 10.2. The table below details the final reports issued in October. All recommendations were agreed and no 'Limited' or 'No Assurance reports' were issued.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
COM	CCTV Contract Management	15/10/13	Satisfactory	-	4	2
CUS	Web Payments Systems Resilience	28/10/13	Satisfactory	-	1	1
SCH	Rathern School 2013-14	24/10/13	Substantial	-	2	2
SCH	St Augustine's School 2013-14	31/10/13	Satisfactory	-	2	4

- 10.3. The table below show those key performance indicators that missed the target for the year to date in October.

Performance Indicator		Target YTD [95%]		Actual YTD to 31/10/13		Variance (+/-)		Met (Y/N)
		%	No.	%	No.	%	No.	
1	All finals reports issued against plan	27%	21/73	23%	17/73	(4)%	(4)	N
2	Non-SCH final reports issued against plan	32%	17/51	14%	7/51	(18)%	(10)	N

- 10.4. Since the end of September, there have been a number of changes to overdue recommendations reported at 7.9. Particularly in respect of the recommendations for information technology. The table below reflects the changes to these overdue recommendations. It shows the number of recommendations implemented or with their target date changed.

10.5. The Executive Summaries for the IMT Disaster Recovery and Third Party Access reports are appended at Appendix 6 for reference. Details of the other changes will be included in the next audit panel report.

Dir	Audit Name	Previous status	Current status
RRE	Application Implementation for Payroll and HR	1 rec o/du	1 rec target date extended to 02/12/13. Now with 2 changes of date
RRE	Contract Management for Joint Street Lighting PFI	2 recs o/du.	1 rec implemented and 1 rec target date extended to 31/12/13.
RRE	Disaster Recovery for ICT Infrastructure	7 recs o/du	All target dates changed ranging from 31/10/14 to 31/10/15.
RRE	Generic Contract Review – Group School PFI	4 recs o/du	All have been superseded.
RRE	Third Party Access to IT Systems and Data	11 recs o/du	6 recs implemented. 2 superseded & 4 changes of date from 15/11/13 to 31/01/14
SCH	Kender Primary School	4 recs o/du	f/up completed - 3 implemented and 1 in-progress. Date extended until 31/01/14.

11. Legal Implications

11.1. There are no legal implications arising directly from this report.

12. Financial Implications

12.1. There are no financial implications arising directly from this report.

13. Equalities Implications

13.1. There are no equality implications arising directly from this report.

14. Crime and Disorder Implications

14.1. There are no crime and disorder implications arising directly from this report.

15. Environmental Implications

15.1. There are no legal implications arising directly from this report.

16. Background Papers

16.1. There are no background papers.

If there are any queries on this report, please contact David Austin, Interim Head of Audit and Risk, on 020 8314 9114 or email him at david.austin@lewisham.gov.uk

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
RRE	Property Asset Management	Review of the operation and process for managing property asset. (Assurance)		Cancelled	
RRE	Forefront Identity Manager (FIM)	Review of the management processes for user network access. Forefront Identity Manager will replace SMAL system. (Assurance)		Cancelled	
RRE	ISS Cleaning Contract	Review of Clienting arrangements for the Facilities Contract. (Assurance)	14/05/13	01/08/13	Limited
RRE	Transport (Highways) Contract	Review of the Clienting arrangements for the transport contract (highways maintenance) particularly valid in light of staff restructure. (Assurance)	27/06/13		
RRE	Continuous Auditing	To run and provide quarterly reports (Assurance)	27/06/13		
RRE	SharePoint 2010	Review security access, project management of SP2010. (Assurance)			
RRE	Capita - IT Contract Management	To review the contract management process (Assurance)			
RRE	VAT	To review the process of input and output tax. (Assurance)			
RRE	Review Data Scanning and Storage	Review new contract for off site storage and retrieval (Assurance)			
RRE	Project Management	Review of project management across the council to include PRG and Training. (Assurance)			
RRE	Pensions System Implementation	Review of the new pensions system. To include: security, controls, transfer of data from old system and the normal implementation testing that is expected of a new system. (Assurance)			
RRE	Oracle	Review of there new oracle upgrade to ensure that it is fit for purpose. Review how maintenance and upgrades to the system are managed, security of data and governance. (Assurance)			
RRE	Budget Control and Monitoring	Key Controls (Assurance)			
RRE	Non Current Assets	Key Controls (Assurance)			
RRE	Payroll	Key Controls (Assurance)			
RRE	Capital Programme, Monitoring and Expenditure	Key Controls (Assurance)			
RRE	Treasury Management	Key Controls (Assurance)			

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
RRE	Accounts Payable	Key Controls (Assurance)			
RRE	Main Accounting	Key Controls (Assurance)			
RRE	Pensions	Key Controls - to include new automatic enrolment. (Assurance)			
RRE	Security and Access to Servers	Additional audit. To review the access to servers			

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
CUS	NNDR - IT parameters	Review initial controls, parameters prior to Key audit. (Assurance)	Cancelled		
CUS	Housing and Council Tax Benefit - IT parameters (part 1)	Review initial controls, parameters prior to Key audit. (Assurance)	22/06/13	22/07/13	Substantial
CUS	Payment Centres	Review of the new payment centres in terms of role allocation and automation. (Assurance)	25/07/13	26/09/13	Satisfactory
CUS	Housing and Council Tax Benefit - IT parameters (part 2)	Review initial controls, parameters prior to Key audit. (Assurance)	22/06/13		
CUS	Web Payments	Review the security and resilience of the online payment systems that has taken over from the cash office (Assurance)	27/07/13		
CUS	Enforcement	To review the efficiency & productivity of the team. (Assurance)	05/08/13		
CUS	Trade waste - contract review	Review the Clienting arrangement for trade waste (not dry recycling). (Assurance)	27/09/13		
CUS	Housing Options Centre	Review of the decision making process, management of service, meeting of objectives and application process. (Assurance)	07/08/13		
CUS	NNDR - Key controls	To include parameters and new regs etc. (Assurance)			
CUS	Parking Contract	Review the monitoring of the new contract, including payments, recovery, KPI and partnership working. To include how personal information is shared between parties. (Assurance)			

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
CUS	Banking	Key Controls (Assurance)			
CUS	Council Tax	Key Controls (Assurance)			
CUS	Accounts Receivable	Key Controls (Assurance)			
CUS	Housing and Council Tax Benefit -	Key Controls (Assurance)			

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
COM	South London and Maudsley (SLAM)	Review the governance and operational management in respect of LBL interest in relation to SLAM (Assurance)		Cancelled	
COM	Supporting People Programmes	To review the objectives and outcomes. Including working with the Penrose organisations. (Assurance)		Cancelled	
COM	Block Nursing Contract	Review the block nursing contract monitoring and outcomes / savings (Assurance)	28/06/13		
COM	CCTV -	Additional Audit – Contract management (Assurance).	09/09/13		
COM	Safeguarding (Adults)	Review the structure and process of the new Safeguarding Adults team. (Assurance)			
COM	Fusion Leisure Contract	Review the monitoring of the contracts, KPIs and H&S, and benefits of outcomes.			
COM	Personal Budgets. Individual Budgets and Direct Payments	To review all three areas - including, assessing, monitoring, allocation and outcomes (Assurance)			
COM	Adult Social Care - new ways of working	To be advised.			
COM	Youth Offending Team	To review the objectives and outcomes of the service. (Assurance)			
COM	Client Contributions for Residential & Domiciliary Care	Key controls (Assurance)			

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
COM	Payments to Residential and Domiciliary Care	Key controls (Assurance)			

Lead Dir.	Name of Audit	Scope	Date APS Issued	Date Audit Finalised	Opinion
CYP	Fostering and residential orders	Individual reviews process and payment reviews to be performed on a 3 year rolling basis (Assurance). Adoption now separated from this review.	09/05/13	22/07/13	Substantial
CYP	Adoption (Additional review)	Review the process and payment of Adoption. (Assurance). Additional audit as original Fostering, Adoption and Residential Orders review is split in to two reviews.	21/05/13	28/08/13	Satisfactory
CYP	Troubled Families Programme	Review the framework of the programme as required by the DCLG. (In-house side performed)	24/06/13	30/09/13	Substantial
CYP	NEETs Targets and outcomes (previously Re-organisation of Youth Service)	Review of the targets set and outcomes in relation to NEET (Not in Education, Employment or Training). (Assurance)	12/06/13		
CYP	Estates management	In light of the reorganisation, review of estates management and their statutory maintenance procedures in line with agreed SLA with schools (Assurance)			
CYP	Childrens' Disability Payments	Review of the process for the administration, application, assessment & payment. (Assurance)			
CYP	Pathfinder SEND	Review of the process for the administration, application, assessment & payment relating to SEND. (Assurance)			
CYP	Looked after Children Payments to Providers	Key controls (Assurance)			
CYP	Leaving Care	Review the objectives and outcomes of the support of children leaving care. (Assurance)			
CYP	School's' PFI Contract	Additional Audit. To review the contract management (Assurance).			
CYP	Schools' Catering Contract	Additional Audit. To review contract management (Assurance).			

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Mth F/W Started	Date Audit Finalised	
SCH	Good Shepherd Catholic Primary.	Standard School Testing Programme	May 13	10/06/13	Substantial
SCH	Lee Manor Primary.	Standard School Testing Programme	May 13	31/05/13	Substantial
SCH	Rangefield Primary.	Standard School Testing Programme	Jun 13	04/07/13	Substantial
SCH	John Stainer Primary.	Standard School Testing Programme	Jun 13	20/06/13	Substantial
SCH	Rushey Green Jnr.	Standard School Testing Programme	Jul 13	22/07/13	Substantial
SCH	Dalmain Primary	Standard School Testing Programme	Jul 13	19/07/13	Substantial
SCH	Horniman Primary.	Standard School Testing Programme	Jul 13	20/07/13	Substantial
SCH	Turnham Primary	Standard School Testing Programme (In-house side performed)	Jul 13	31/07/13	No Assurance
SCH	Holy Cross Catholic Primary.	Standard School Testing Programme	Sep 13	17/09/13	Substantial
SCH	Brindishe Green Primary.	Standard School Testing Programme			
SCH	Deptford Park Primary.	Standard School Testing Programme			
SCH	Lucas Vale Primary	Standard School Testing Programme			
SCH	Marvels Lane Primary	Standard School Testing Programme			
SCH	Myatt Garden Primary.	Standard School Testing Programme			
SCH	Rathfern Primary.	Standard School Testing Programme			
SCH	Sandhurst Junior	Standard School Testing Programme			
SCH	St Augustine's Catholic Primary	Standard School Testing Programme			
SCH	St Marys CE Primary	Standard School Testing Programme			
SCH	Stillness Infant.	Standard School Testing Programme			
SCH	Stillness Junior.	Standard School Testing Programme			

Appendix 1 - Progress on the 2013/14 Audit Plan

Lead Dir.	Name of Audit	Scope	Mth F/W Started	Date Audit Finalised	
SCH	Torridon Infant.	Standard School Testing Programme			
SCH	Torridon Junior.	Standard School Testing Programme			
SCH	Drumbeat School (Spec)	Standard School Testing Programme			

Appendix 2 - Superseded internal audit recommendations

Audit	Opinion	Recommendation superseded	Level	Comment
NNDR 12 -13 CUS09	Substantial	Office procedures and guidance notes should be reviewed to ensure that they fully reflect current service delivery requirements. The procedures and guidance notes will also need to reflect the role of the Systems & Property Team and the interrelationship with NNDR.	Medium	17/07/13 - Superseded. IA comment - This rec was previously made in 11/12. As such closed this rec down and any updates need to be made to 1.1 for the NNDR 11/12 review
Application implementation for HR and Payroll	No Assurance	IT Disaster Recovery (DR) - Disaster Recovery arrangements for ResourceLink should be established and proven	Medium	<p>12/06/13 - follow up conducted by internal audit. see report attached. Confirmed superseded. Closed down rec.</p> <p>16/04/13 - Update - This action will be incorporated into the BC/DR audit and the IM&T Strategy Roadmap. Gap analysis currently being undertaken</p> <p>19/02/13 - target date changed from 31/01/13 to 03/06/13 - Work is jointly underway with Capita to review Departmental Business Continuity plans to determine the expectations of a Corporate ICT DR plan</p>

Appendix 3 - Recommendations overdue and with multiple changes.

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Reopened at F/up	Comment
RRE	Application Implementation for Payroll and HR	06/07/12		1		1	
RRE	Contract Management for Joint Street Lighting PFI	26/06/13		2			
RRE	Disaster Recovery for ICT Infrastructure	19/04/13	1	6			
RRE	Generic Contract Review – Group School PFI	12/04/12	1	3	2	2	Target date changed 2 times.
RRE	Third Party Access to IT Systems and Data	03/04/13		11			
CUS	Brockley Housing PFI Contract	03/02/12	1		1		Target date changed 7 times
CYP	Special Educational Needs	06/06/13		3			
CYP	Payments for Looked After Children	04/04/11		1	1	1	Target date changed 3 times
SCH	Adamsrill Primary School	04/10/12		1	1		Target date changed 3 times
SCH	Clyde Nursery	13/05/12		2	2		Target date changed 2 times
SCH	Edmund Waller	17/10/12		1			
SCH	Fairlawn School	14/11/12	1	2	3		Target date changed 2 times
SCH	Holbeach School	27/09/12		1	1		Target date changed 2 times
SCH	Kender Primary School	18/01/13	1	3			F/up due in Oct 13. Not chasing sch until after.
SCH	Rushey Green School	22/07/13		1			
SCH	St Michael's Primary School	09/10/12		3			
SCH	Turnham Primary School	31/07/13	1	5			

Appendix 3 - Recommendations overdue and with multiple changes.

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Reopened at F/up	Comment
RRE	Corporate Health and Safety	09/01/13			1		Target date changed 2 times
RRE	Procurement Card and Expenditure	29/11/12				1	
RRE	Project Management - Review of PRG Assurance Role	18/04/12				4	
CUS	NNDR 2011/12	16/04/12			1		Reopened as 2012/13 report had same recommendation.
COM	Community Libraries Contracts	28/09/12			1		Target date changed 3 times
COM	Generic Contract Review - Housing 21	02/05/12			2	4	Target date changed 2 times
COM	Monitoring of Small Grants	05/10/12				1	
COM	Personal and Individual Budgets	14/09/12				2	
CYP	School Data Handling Controls	2011/12			2	2	Target date changed 2 times
SCH	Athelney School	28/06/12			1		Target date changed 2 times
SCH	Grinling Gibbons Primary	11/02/12			1		Target date changed 4 times
SCH	Trinity School	23/11/12			1		Target date changed 2 times
Total			6	46	21	21	

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Appendix 4 – Executive Summary for Limited, No Assurance and Consultancy reports.

Explanations for Assurance Opinion and Design of Controls and Comply with Controls.

Each internal audit assurance review gives an opinion on the controls in place based on the fieldwork conducted. We also define whether the recommendations made will help with the design of the control or help with compliance with the control. See table below to explaining these opinions.

Level	Design of Controls Framework	Comply with Controls Framework
Substantial Assurance ★	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
Satisfactory Assurance ●	Sufficient framework or key controls for objectives to be achieved but could be stronger.	Controls are applied with some lapses.
Limited Assurance ▲	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.
No Assurance ■	System of control not in place. Absence of basic controls resulting in inability to meet objectives.	Fundamental controls are not complied with.

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Definition of Category of Recommendation

We also rate each recommendation made. This gives management an indication of the importance of the recommendation and urgency for action. Implementing recommendation can mitigate risks to the achievement of their service objectives.

High	Action is imperative to ensure that the objective for the area under review is met. The recommendation must, where possible, be implemented immediately and, if the timeframe is longer than three months, an explanation should be provided.
Medium	Requires action to avoid exposure to significant risk in achieving the objective for the area under review. The recommendation should be implemented as soon as possible and if the timeframe is longer than six months an explanation should be provided.
Low	Action is advised to enhance control or improve operational efficiency. This is a recommendation that would enhance control within the service and therefore should be considered for implementation within six months.

Appendix 4 – Executive Summary for Limited, No Assurance and Consultancy reports.

London Borough of Lewisham

Executive Summary

ISS Facility Services Ltd Cleaning Contract RRE02

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	n/a
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found on page 10.

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 9 for definitions and further details. For full risk identified and please see the APS on page 10

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. There may not be a formal contract including detailed specification of works and performance.	★	★			
Risk 2. There may not be effective controls in place to manage and monitor the contract.	▲	●	3	2	
Risk 3. Ability to manage the contract may not be sufficiently robust to cope with an increase in contracted output.	●	★		1	
Total Number of Recommendations	4	2	3	3	

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS. The Auditor offers no opinion in respect of financial savings offered or realised.

Key Findings that Need Attention

- The contract client is currently unable to meet basic monitoring standards by ensuring that the contractor is undertaking cleaning to the required quality and in a timely fashion, relying on the contractor to self-manage and complaints received from building users as an indicator of performance delivery.
- Key Performance Indicators (KPI's) and the deduction of penalties for poor performance are still being negotiated and have not been agreed or formalised.
- Monthly client/contractor meetings, while regularly held, are poorly attended and contractor performance issues are not minuted.
- Building users on whom the contract client places reliance to report infringements of the cleaning standards have not been provided with any training or guidance on what is required of them.
- The building user cleaning complaints log does not have provision for recording the required contractor response times.
- On inspection of Laurence House over a 3 day period Internal Audit observed instances where cleaning had not met the required standard as set out in the Specification Requirement.
- Internal Audit were not provided with evidence that when offering up a reduction in staff as a budget saving, the consequences of the cuts in respect of being able to monitor the contract were not reported.

Areas of good practise

- The Contract Specification of Requirements stipulates the standard of cleaning required in each area.
- Monthly meetings are held between the client and contractor to discuss operational issues.
- In response to Council austerity measures, delivery of the contract is currently being reviewed to ensure it is more efficient and cost effective with limited resources.
- The contractor is working with the Council to identify and implement saving efficiency measures.

Appendix 5 – Follow-up reviews conducted since the last audit panel meeting.

Dir.	Audit Name	Original Audit Opinion	Final Rpt date	F/up Rpt Date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Total Recs
RRE	Procurement Card and Expenditure	Substantial	29/11/12	17/09/13	H					1
					M				1	
CUS	Dry Recycling Contract	Limited	28/11/12	20/08/13	H	1				3
					M	1		1		
COM	Supporting People Framework	Consultancy	14/06/12	12/09/13	H					2
					M	1		1		
CYP	Abbey Manor Fin Regs Review	Consultancy	05/06/12	30/09/13	H					3
					M				3	
						3	-	2	4	9

Appendix 6 – Executive Summaries for overdue and recently updated IMT audit reports.

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	n/a
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found [here](#)

The findings for this review, along with any recommendations made, can be found in the Findings and Recommendations section on page 2.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 8 for definitions and further details. This is supported by a technical glossary on page 9 with extracts from the ISO standard ISO/IEC 27031:2011 *Information technology — Security techniques — Guidelines for information and communications technology readiness for business continuity* on Disaster Recovery plans and testing plans. For full risks identified please see the APS (link above).

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Failure to have appropriate IT Disaster Recovery programmes that fully integrates with the business continuity framework increases the risk that Council services are impacted by a contingency event.	▲	★	1	6	1
Total Number of Recommendations	8	0	1	6	1
Opinion of Design and Compliance	▲	★			

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS

Key Findings that Need Attention

There are significant gaps in the IT Disaster Recovery framework for business continuity.

- There is no documented process to define and maintain a list of critical ICT systems and related minimum business continuity objectives.
- No defined IM&T (Information Management & Technology) team process for determining risks and the required resources to meet minimum business continuity objectives and an implementation plan where required, e.g. to improve resilience
- The Divisional Level Business Continuity Plan for Technology and Transformation and IM&T Business Continuity Control Sheets are not completed.
- There are no detailed recovery procedures developed for individual critical systems or for a catastrophic failure events affecting the data centres
- There has been no significant testing of the organisation's ICT Business Continuity or ICT Disaster Recovery plan
- There is no test strategy that defines the frequency, scope and format of each ICT exercise or an agreed schedule of planned tests
- No testing of recovery from system backup media is done except indirectly through the recovery of lost

Areas of good practice where controls worked well

- Business Continuity Plans across the Council were updated in April 2012 as part of the Council's preparations for the London 2012 Olympic and Paralympic Games
- The Council has developed and proven alternative methods for service continuity that do not depend on ICT systems. This capability was established in advance of server migration to the Logicalis data centres when the ICT Service contract was awarded to Capita in February 2011.
- ICT response plans have been documented for use following an incident.
- Networking documentation is maintained showing resilience measures.
- Logicalis have developed a BCP for the data centres.
- Backup regime has been defined and is operating including data replication to Deptford Church Street.
- The R&RE Directorate risk register includes a high level risk that relates directly to the ICT Infrastructure, 'ICT Infrastructure is not resilient (Corporate)'.

Appendix 6 – Executive Summaries for overdue and recently updated IMT audit reports.

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	n/a
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found [here](#).

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 16 for definitions and further details.

Supplementary notes can be found on pages 17 and 18. For full risk identified and please see the APS.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Failure to include all known risks in operational risk registers.	★	-		1	
Risk 2. Failing to apply consistent or appropriate controls to third party connections to Council systems and data.	▲	-		12	5
Total Number of Recommendations	18	0	0	13	5
Opinion of Design and Compliance	▲	-			

We are unable to give an opinion on the application of and compliance with the control framework due to the number of issues identified in the design of the control framework.

Key Findings that Need Attention

- No defined security policy for third party access that sets out security expectations to mitigate risks.
- No design documentation to provide assurance that the new third party access infrastructure has been designed and configured in line with LBL security requirements.
- Two-factor authentication has not been implemented. (Please see Technical Glossary on Page 17)
- No documented procedures for the creation, renewal or revocation of third party connections on the remote access infrastructure.
- Third party LiquidLogic has unrestricted access to all LBL servers.
- There is no central list of all third party connections.
- Passwords are set to never expire and passwords are locked from being changed by the third party users. We were advised that this was to support the use of accounts/connections shared by multiple users within a third party organisation.
- No procedures to monitor, detect and investigate unauthorised third party activity within IT systems.
- Security Breach Reporting Procedures have not been established with third parties.

Areas of good practice where controls worked well

- Responsibilities for managing remote connections are assigned to Key System owners
- All third party connections are made via the firewall.
- Connections used by third parties have a one month lifetime and will expire if not renewed.

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS.

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 6
Ward	ALL	
Contributors	Interim Head of Audit & Risk A-FACT Group Manager	
Class		Date: 20 November 2013

1. Purpose of the Report

- 1.1. The purpose of this report is to present the Audit Panel with a review of the work of the Anti-Fraud and Corruption Team (A-FACT) in the last period (August to September).

2. Recommendations

- 2.1. It is recommended that the Audit Panel note this report for information.

3. Special Investigations

- 3.1. Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two full year figures for reference.

Summary of Special Investigations work	2013/14	2012/13	Change		2012/13	2011/12
	P6 YTD	P6 YTD	Number	%	FY (CORRECTED FIGURES)	FY
b/f	41	32	9	28%	32	84
New	42	50	-8	-16%	103	61
Closed	-50	-32	-18	56%	-94	-115
c/f	33	50	-17	-34%	41	30
Of which						
E'ee cases	16	15	1	7%	35	53
- resulting in action	9	12	-3	-25%	21	20
Other cases	34	14	20	143%	59	62
- resulting in action	8	1	7	700%	13	10

- 3.2. The majority of the cases classified as "Other" relate to enquiries to assist other organisations or Boroughs with their investigations. The four cases successfully concluded in the most recent period included:

- Prosecution for the fraudulent use of a Blue Parking Badge where the holder had altered the date when in fact it had expired. This resulted in a £500 fine, £100 costs and a £50 victim surcharge payment. It is estimated by the National Fraud Authority that a Blue badge has a notional value of £825 per year.

- A recommendation for the cancellation of payments made due to a claim of destitution. The claimant had stated that they were living in Lewisham even though all the evidence gathered showed they were actually living in Islington.

Employee Related cases

- 3.3. Of the 21 cases closed in the last two months eight concerned employees. Of these employee cases five were concluded successfully. These cases are included in the year to date figures shown below.

Analysis of employee fraud	2013/14	2012/13	Change		2012/13	2011/12
	P6 YTD	P6 YTD	No	%	FY	FY
Dismiss. & Convicted	0	1	-1	-100%	2	2
Convicted & recommended disc. Action	0	0	0	0%	1	0
Resigned/Dismissed	3	1	2	200%	5	9
Other disciplinary	2	2	0	0%	3	8
Monies repaid	0	1	-1	-100%	1	0
Management action	2	4	-2	-50%	6	1
Identity issue cleared	2	3	-1	-33%	3	0
Total	9	12	-3	-25%	21	20

- 3.4. The five cases where action was taken included:
- An officer who resigned whilst under investigation for circulating inappropriate documents that had been created on a Lewisham computer.
 - A school employee who was subject to management action following discrepancies being identified with their Council Tax.
 - Two cases where the identity of employees was confirmed following concerns being raised. In one of these cases the Council's employee's identity had been high jacked by someone else working for a health body. The evidence from the investigation was able to establish that the officer was the genuine person.
- 3.5. Quarterly reports continue to be issued to each Executive Director with a summary of all cases being dealt with by Special Investigations in their Directorate. This ensures that the risk of fraud is considered in the context of the demands of the service, priorities are agreed, and progress on investigations communicated.

Lewisham Homes

- 3.6. A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement. This equates to just under one full time equivalent member of staff and a proportion of the police officer's time. The outcome of these investigations is reported by Lewisham Homes to their Audit Committee.

Pre-employment Checks

- 3.7. A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each potential employee of the Council is required to complete a pre-

employment check focusing on any issues relating to benefits, council tax, rent and personal business interests which may cast doubt on the individual's integrity or potential conflicts for their work going forward.

Summary of pre-employment checks	2013/14	2012/13	Change		2012/13	2011/12
	P6 YTD	P6 YTD	Number	%	FY	FY
Checks completed	118	183	-65	-36%	246	334
Action taken	9	13	-4	-31%	16	21

- 3.8. In the nine cases where action was required to confirm the declarations made all were subsequently resolved satisfactorily.

4 Benefit Investigations

- 4.1 Details of work and comparative figures for the same period in the prior year are shown below, along with the previous two full year figures for reference.

Summary of benefit investigations work	2013/14	2012/13	Change		2012/13	2011/12
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	210	349	-139	-40%	349	381
New	174	147	27	27%	304	264
Closed	-117	-267	-50	-65%	-443	-296
c/f	267	229	38	17%	210	349
Sanctions resulting	39	37	2	8%	78	84
Of which						
Admin penalty	3	4	-1	-33%	7	11
Caution	26	26	0	0%	54	52
Prosecution	10	7	3	50%	17	21
Overpayment value £	303,038	294,368	8,670	3%	616,761	640,355

- 4.2 Since the beginning of July the Benefit Investigation section has had just two officers but by careful prioritisation of workload they have managed to maintain the results. This situation is being monitored closely.
- 4.3 The DWP has now announced that, subject to funding from the Treasury, the Single Fraud Investigation Service will be set up as a single organisation based within the DWP. At present a phased implementation and rollout during 2014/15 is planned. However, it should be noted that the business case is still to be finalised and their Legal advisors are still considering the TUPE implications for local authority staff.

5 Housing Investigations

Details of the work and comparative figures for the same period in the prior year are shown below, along with the previous two full year figures for reference.

Summary Housing investigation work	2013/14	2012/13	Change		2012/13	2011/12
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	76	48	28	58%	48	72
New	22	28	-6	-21%	105	66
Closed	(71)	(21)	50	238%	(77)	(90)
c/f	27	55	-28	-51%	76	48
Resulting in action	7	8	-1	-13%	24	18

- 5.1 Since the last report two cases have been successfully concluded. These relate to a Homelessness application where it was proven that the applicant had provided false information and a Housing Register application where the applicant was found to have not declared their tenancy in a neighbouring borough.
- 5.2 The Audit Commission have stated that there is a significant value associated with recovering tenancies and preventing fraudulent applicants from being housed. They estimate that the average cost of temporary accommodation for a family for a year is £18,000. On this basis A-FACT have either recovered or prevented tenancies being wrongly allocated in seven cases in the year to date, representing a saving of £126,000.

6 DCLG Housing Bid funding

- 6.1 Since January 2012 the DCLG have funded an investigator based within A-FACT to work with local housing partners to tackle fraud related to social housing. Work is being directed by Strategic Housing (Customer Services) and delivered by A-FACT working in Lewisham and with the South East London Housing Partnership (SELHP).
- 6.2 In the period April to September 11 properties have been recovered from the work with L&Q and Regenter B3/Pinnacle. Lewisham has nomination rights on these properties. There are also a number of ongoing cases under investigation.
- 6.3 On the basis of the Audit Commission figures for the value of social housing as detailed in para 5.2. The recovery of 11 tenancies equates to £198,000.
- 6.4 The London Borough of Lewisham has secured funding of £100k annually from the DCLG to continue this project in 2013/14 and 2014/15. A-FACT have worked with SELHP and have now formally agreed to work with Family Mosaic and Hexagon Housing to tackle subletting across the region. We are also in the process of signing the Asra Housing Group onto this project.

7 Publicity

- 7.1 There have not been any cases suitable for publication in this last period.

8 Fraud Awareness Training

- 8.1 A-FACT have started delivering Fraud Awareness Training at the Council's induction sessions for new starters. The first of these sessions was held in August for 20 employees. There are also further Fraud Awareness Sessions planned for the autumn. Training is also being offered to those teams providing assessment services to assist them in validating documentation submitted in support of claims for public funds or services.

9 Metropolitan Police Secondee

- 9.1 Detective Constable Norris is on secondment to A-FACT from the Metropolitan Police.
- 9.2 As Lewisham A-FACT have become more proficient in securing prosecutions, we have started to uncover more sophisticated frauds which require the powers of arrest and search in order to be addressed effectively. The Police Secondee continues to enable the team to deal with cases that we wouldn't otherwise be able to progress.

10 Legal Implications

- 10.1 There are no legal implications arising directly from this report.

11 Financial Implications

- 11.1 There are no financial implications arising directly from this report.

12 Equalities Implication

- 12.1 There are no specific equalities implications arising directly from this report.

13 Crime and Disorder Implications

- 13.1 There are no crime or disorder implications arising directly from this report

14 Environmental Implications

- 14.1 There are no specific environmental implications arising directly from this report.

15 Background Papers

- 15.1 There are no background papers reported.

If there are any queries on this report, please contact
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