

<b>AUDIT PANEL</b>		
<b>Report Title</b>	<b>Internal Audit Update Report</b>	
<b>Key Decision</b>	<b>No</b>	<b>Item No. 7</b>
<b>Ward</b>	<b>ALL</b>	
<b>Contributors</b>	<b>Head of Corporate Resources</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 12 July 2018</b>

## **1. Purpose of the report**

- 1.1. This report presents members of the Audit Panel with:
- Progress against the internal audit plans – corporate and schools
  - Internal audit charter for 2018/19,
  - Annual audit plans for 2018/19,
  - Annual Schools Forum report, and
  - Progress of implementation of internal audit recommendations.

## **2. Recommendations**

- 2.1. It is recommended that the Audit Panel note the contents in this report, and approve both the Audit Plan for 2018/19 and the Internal Audit Charter.

## **3. Executive Summary**

### **3.1. Progress against the corporate audit plan**

With the exception of two reviews, all audit work is now finalised for 2017/18. One of these review is yet to be issued as a draft due to issues with extracting a report from the old finance system.

There were 25 reports finalised since the last meeting. There was no additional audit work required. There were three IT audits that were deferred to the 2018/19 plan. This was due to delays in the installation of software.

### **3.2. Limited, No Assurance, and Consultancy reports.**

There one 'No Assurance' report, two Limited reports, and three consultancy reports issued since the last report.

### **3.3. High or Medium recommendations not agreed by management**

The Executive Director for Customer Services agreed that two recommendations from the Fleet Vehicle review should be implemented, but with different compensating controls.

In addition, one recommendation from the Risk Framework was partially not agreed. The part of the recommendation not agreed, will go to the Internal

Control Board in July for a decision. The outcome will report to the audit panel at the next meeting.

#### 3.4. Follow up reviews

There were no follow up reviews completed since the last meeting.

#### 3.5. Management progress against recommendations made

The percent of overdue recommendations to open ones, is 41%. This is the highest percentage over the last five meetings. However, there have been technology issues impacting both internal audit and management and their ability to complete work on a timely basis.

The percentage of recommendations that are taking over 12 months to implement, is static at 30%.

#### 3.6. Types of controls for recommendations made

All control areas currently reported on, have had recommendations made with the exception of separation of duties.

#### 3.7. Schools - audit plan, progress on recommendations and follow-up reviews

All schools reports are now finalised, with 14 schools reports issued since the last meeting.

There were no follow-up reviews conducted.

The percentage of overdue recommendation that are overdue, has reduced to 41%.

#### 3.8. Annual Audit Plans for 18-19

The final annual plans (corporate and schools') can be found in appendix one and five respectively.

The corporate plans are split into type, Core Financials, IT Contract and General. . They detail the audit areas, auditor days (not including management review), indicative scope, and link to the corporate risks.

#### 3.9. Oracle cloud

The replacement finance system, Oracle Cloud, was launched in May 2018. The internal audit work planned in 2017/18 to support the project delivery in respect of new processes and controls could not be concluded in full due to project delays. The work is added to the 2018/19 audit plan.

#### 3.10. Internal audit charter

The internal audit charter for 2018/19, can be found in appendix six. There are no significant changes from the 2017/18 charter.

#### 3.11. Any other business

The audit management software is now being used for 2018/19 audits. The action tracking part of the software is still being tested.

The annual schools' forum report is attached in Appendix 7. This is the first year where no Limited or No Assurance opinion reports were issued for school audits. .

#### 4. Background

- 4.1. Internal Audit is a statutory service. Its main priority is to provide management and members with independent and objective assurance on the control environment within the Council.
- 4.2. The internal audit service consists of an in-house team that is supported by external service providers.
- 4.3. This report details work as at the 22 June 2018, unless otherwise stated.

#### 5. Progress against the corporate internal audit plan for 2017/18

- 5.1. With the exception of those reports listed below, all reports are now finalised as 2 July.
  - Adoption Process – Draft – Satisfactory
  - VAT Audit – not yet at draft. Delays in obtaining correct financial report is from the old oracle system has prevented this audit from being completed.
- 5.2. There were 25 audits finalised since the 28<sup>th</sup> February. The executive summaries for the Limited and Consultancy reports can be found in appendix 2.

Audit (Corporate)	Date of Final	Audit Opinion	Follow up due	Recs. Made		
				H	M	L
Procurement Arrangements	02/07/18	Consultancy	Dec 18	2	5	3
Oracle Cloud	02/07/18	No Assurance	Dec 18	2	1	1
Accounts Receivable 17-18 (Core Financial Audit)	19/06/18	Satisfactory	n/a	-	6	3
Main Grants Programme	28/06/18	Satisfactory	n/a	-	8	3
Small and Faith Grants	28/06/18	Satisfactory	n/a	-	6	2
Reed Agency	28/06/18	Satisfactory	n/a	-	6	1
(Synergy) Tribal System	19/06/18	Satisfactory	n/a	1	3	-
Accounts Payable 17-18 (Core Financial Audit)	19/04/18	Satisfactory	n/a	1	2	3
Banking 17-18 (Core Financial Audit)	22/03/18	Satisfactory	n/a	3	1	1
Business Rates 17-18 (Core Financial Audit)	13/03/18	Substantial	n/a	-	-	3
Catford Regeneration Partnership Ltd (CRPL)	17/05/18	Limited	Nov 18	2	3	1
Controcc System	17/05/18	Satisfactory	n/a	-	4	-

Audit (Corporate)	Date of Final	Audit Opinion	Follow up due	Recs. Made		
				H	M	L
Council Tax 17-18 (Core Financial Audit)	06/03/18	Substantial	n/a	-	2	-
Direct Payments (Core Financial Audit) 17-18	23/03/18	Satisfactory	n/a	-	5	1
General Data Protection Regulation Preparation	19/04/18	Consultancy	n/a	-	10	-
overnors Support	05/06/18	Substantial	n/a	-	1	-
Health Visitor Contract	29/05/18	Limited	Nov 18	4	5	-
Initial Contact, Information and Advice and Assessments	29/05/18	Consultancy	Nov 18	-	5	2
IT Helpdesk - Monitoring and escalation	18/04/18	Substantial	n/a	-	3	2
Non-Current Assets 17-18 (Core Financial Audit)	05/03/18	Substantial	n/a	-	1	1
Passenger Services	18/05/18	Substantial	n/a	-	1	1
Payments to Adult Care Providers 17-18 (Core Financial Audit)	26/04/18	Satisfactory	n/a	-	8	1
Payments to Care Provider and Foster Carers for Looked After Children 17-18 (Core Financial Audit)	15/03/18	Satisfactory	n/a	1	2	4
Procurement Cards	30/04/18	Satisfactory	n/a	-	5	-
Risk Framework	04/06/18	Satisfactory	n/a	-	7	2

### 5.3. Cancelled / Deferred

The three IT audits that were cancelled since the last meeting are being deferred to the 2018/19 audit plan. This is down to the implementation of the systems not yet being at a suitable stage where an IT audit would be beneficial. They are

- ASH Debtors System (including HB recovery)
- HR Oracle Cloud. and
- Payroll Oracle Cloud.

### 5.4. Additional

There was no identified additional assurance or consultancy work required.

## **6. Limited, No Assurance, and Consultancy Corporate reports**

6.1. There were two consultancy reviews issued since the last report:

- General Data Protection Regulations (GDPR),
- Initial Contact, Information and Advice and Assessments, and
- Procurement Arrangements.

6.2. There were two Limited reports issued since the last meeting.

- Catford Regeneration Partnership Ltd (CRPL), and
- Health Visitor Contract.

6.3. There was one 'No Assurance' report issued

- Oracle Cloud - Migration

6.4. The executive summaries for these reports can be found in appendix 2.

## **7. High or Medium recommendations not agreed by management**

7.1. Where management do not agree high or medium recommendation, the recommendation goes before the next Internal Control Board (ICB) for the final decision.

7.2. ICB decide if they accept the risk of not implementing or agree that it should be implemented. Where they agree it should be implemented, the recommendations are monitored in the normal way. Where ICB do not agree to implement the recommendation, they are then reported at the next Audit Panel meeting.

7.3. The two recommendations not agreed by management for the Fleet Vehicle Report are now agreed, with revised action plans put in place.

7.4. One recommendation from the Risk Framework review was only partially agreed. This recommendation will be referred to ICB in July for a decision and then reported to Audit Panel if necessary..

## **8. Follow-up reviews**

8.1. Internal audit follow-up only those reports with a Limited or No Assurance opinion, or Consultancy review. This is done six months after the final report.

8.2. However, internal audit reserve the right to follow-up on any audit or any individual recommendation if required.

8.3. There were no follow up reviews conducted since the last report.

## 9. Management progress against recommendations made

### Overdue, Re-occurring and reopened recommendations

- 9.1. The table below shows the last rolling year results for overdue, reopened, and reoccurring recommendations. It also shows the percentage of overdue recommendations to open ones as at the 22/06/18.
- 9.2. To accompany the table, appendix 3 lists the individual audits with recommendations that are either:
- Overdue (due date has passed)
  - Re-occurring core financial recommendations, or
  - Recommendations were re-opened at the time of the follow-up.

Month of meeting	Current no. of open recs	No. of overdue recs	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Jul 18	167	68	15	26	41%
Mar 18	159	54	23	15	34%
Dec 17	108	25	12	12	23%
Sep 17	162	54	18	22	33%
May 17	146	22	2	28	15%

- 9.3. Compared to the last period, this shows an increase on the number and proportion of overdue recommendations. This could be down to management not updating or updating but not amending the due date.
- 9.4. There were also some technology issues with the system running slowly which resulted in reminders being sent out only a week before, rather than the normal two - three weeks' notice. This may have delayed managers updates.
- 9.5. The increase in re-occurring recommendations is to be expected timing wise as the core financial audits are finalised at the end of the year. However, the increase in number is of concern as the action was agreed to correct for the previous finding and so should have been implemented.

### Aged analysis report

- 9.6. This age analysis for recommendations is worked out by using the current due date for each open recommendation against the date of the final report.

Month of Meeting	No. of recs under 3 mths	No of recs 3 under 6 mths	No of recs from 6+ to 9 mths	No. of rec 9+ to 12 mths	No of recs 12+ to 18 mths	No of recs over 18+ mths	% of recs over 12 m
Jul 18	44	35	24	13	37	14	30%
Mar 18	59	26	11	16	30	17	30%
Dec 17	14	29	25	15	8	17	23%
Sep 17	48	32	41	10	24	7	19%
Jun 17	62	26	30	11	7	10	12%
Mar 17	30	27	12	31	19	6	20%

- 9.7. The table above shows that 30% of open recommendations are taking over one year to be completed. While static this is a high percentage and similar to the point about re-occurring recommendations noted above. There are four High recommendations that have taken over a year to implement (3 over 12 months, and 1 over 18 months).
- 9.8. Those recommendations taking over 12 months or more to implement are flagged by internal audit for discussion at the monthly DMT meetings.

## 10. Types of controls for recommendations made

- 10.1. The table below records the types of controls as they relate to High or Medium recommendations made in the reports issued since the last meeting.
- 10.2. Please note, the categorising of recommendation to control type can be subjective. Some recommendations may also cover more than one control issue. In addition, the same recommendation can be made in more than one audit (i.e. procedures), but will only show once in the table.

Control Type	Recommendation
Authorisation	<ul style="list-style-type: none"> <li>Approval of the budget by members</li> <li>Write back batches to be produced and authorised</li> <li>Authorise invoices in line with scheme of delegation</li> </ul>
Compliance / Legal / Statutory	<ul style="list-style-type: none"> <li>Contracts should be in place with key professional services</li> <li>GDPR section of contract should be finalised and signed.</li> <li>Remind management of financial regulations around budgetary control.</li> </ul>

Control Type	Recommendation
	<ul style="list-style-type: none"> <li>• Card holders reminded that cards only used in line with approved transactions limits.</li> </ul>
Information security / GDPR	<ul style="list-style-type: none"> <li>• Communication Strategy to be agreed for the council to improve awareness of GDPR</li> <li>• Record of Processing Activity should be completed</li> <li>• Privacy notices should be reviewed in light of GDPR</li> <li>• Review consent in line with GDPR</li> <li>• Formally assign the roles of DP officer and Caldicott guardian.</li> <li>• Document the Lead Data Protection Supervisory Authority for international data processing</li> <li>• Gain assurances from the trust that create store and retain user health records</li> <li>• Staff should conduct the data protection training course</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Authorised signatory list should be stored on SharePoint for all relevant staff</li> <li>• Define the quorum of the meetings in the terms of reference.</li> <li>• Budget control system to be implemented</li> <li>• Document financial regulation guidelines</li> <li>• KPI should be clarified and reported.</li> <li>• Obtain from the trust that it has audited its practices against statements in NICE guidelines</li> <li>• Action to date in the risk register should be reinstated.</li> <li>• Partnership risk registers should be reviewed every six months at EMT and ICB</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Password parameter settings should set / reviewed</li> <li>• User access is performed at least annually.</li> <li>• Backup and recovery of application should be done periodically and tested.</li> <li>• Teams SharePoint site should be upgraded to th last version.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Supplier reports should be generated and reviewed weekly</li> <li>• Investigate uncleared items and unidentified income.</li> <li>• Refund to be investigated as not showing on payers account.</li> <li>• Establish system to ensure care plans are reviewed regularly.</li> <li>• Budgetary reports should be signed and dated by management</li> </ul>



Control Type	Recommendation
	<ul style="list-style-type: none"> <li>• Spreadsheet should be provided by the trust to inform the council of the number of staff on the payroll.</li> <li>• Obtain a copy of the trusts insurance</li> <li>• Obtain a copy of the trusts BCP</li> <li>• Provided improved aged reports to improve analysis</li> <li>• Non statutory training for driver and attendance to be provided</li> <li>• Discharge notification forms are processed in a timely manner</li> <li>• Payment details to be set up on Controcc upon receipt of discharge notice.</li> <li>• Client death notifications to be communicated in a timely manner.</li> <li>• Budgets should be critically reviewed to ensure future budgets are appropriate.</li> <li>• Trust to provide monthly complaints report</li> <li>• Person to be made aware of potential financial assessment</li> <li>• Monitoring mechanism about activity to be introduced.</li> <li>• Process of populating the ASC system should be reviewed.</li> <li>• Procedure document updated to include those who fail to return statements and receipts</li> <li>• Training programmes to be put in place</li> <li>• Guidance to be sent out again to DMT re risk registers</li> </ul>
Policy	<ul style="list-style-type: none"> <li>• Information Management Policies should be reviewed in a timely manner</li> <li>• Obtain trusts CYP safeguarding policy.</li> </ul>
Procedure	<ul style="list-style-type: none"> <li>• Managers to inform transaction team of leavers</li> <li>• DD agreements to be signed by users</li> <li>• AP2 forms to be completed in a timely manner</li> <li>• Procedures for handling subject access request to be reviewed</li> <li>• Data breach procedure to be reviewed</li> <li>• Clerking handbook to be updated regularly.</li> <li>• Training and guidance on how to approach assessments</li> <li>• Procedures to be updated the change in targets of call back timeframes</li> </ul>
Reconciliation	<ul style="list-style-type: none"> <li>• Reconciliations to be done in a timely manner</li> <li>• Reconciliations to reviewed by second officer</li> </ul>

Control Type	Recommendation
	<ul style="list-style-type: none"> <li>Reconciliations to be prepared and checked in a timely manner</li> <li>Variances should be investigated promptly</li> <li>Reconciliations should be signed and dated by reconciler and reviewer.</li> </ul>
Separation of Duties	None this time.

## 11. Progress against schools' internal audit plan

11.1. All the reports are finalised for the schools' audit plan for 2017-18. This is the first year where there were no Limited or No Assurance reports were issued for schools.

11.2. There were 14 school audits finalised since the last meeting.

Audits (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
All Saints CE Primary	06/03/18	Substantial	-	3	11
Baring Primary	13/06/18	Satisfactory	3	11	3
Beecroft Garden Primary	14/05/18	Satisfactory	-	16	4
Brindishe Lee Primary	30/04/18	Substantial	-	6	7
Coopers Lane Primary	14/03/18	Satisfactory	-	10	9
Elfrida Primary	06/03/18	Satisfactory	-	12	6
Grinling Gibbons Primary	19/04/18	Substantial	-	1	1
New Woodlands	12/04/18	Substantial	-	3	1
Sir Francis Drake Primary	22/05/18	Substantial	-	9	6
St Bartholomew's CE Primary	19/04/18	Substantial	-	5	3
St George's CE Primary	08/03/18	Substantial	-	1	2
St James' Hatcham CE Primary	01/05/18	Satisfactory	-	18	10
St William of York Catholic Primary	07/03/18	Substantial	-	6	1
St Winifred's Primary Catholic Primary	02/05/18	Substantial	-	4	1

### School Recommendations

11.3. The table below shows the status of open High and Medium school recommendations as at the 22/06/18. The percentage of overdue to open recommendations is 41%, which is an improvement compared to the last two meetings.

11.4. The status of the individual schools were they are overdue can be found in appendix 4.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Jul 18	142	65	46%
Mar 18	99	60	61%
Dec 17	143	87	61%
Sep 17	153	70	46%
May 17	141	82	58%

#### School follow up reviews

11.5. There were no school follow up reviews issued since the last report.

## **12. Audit Plans for 2018-19**

12.1. The draft plan was reported to the Panel in March. Internal audit are now presenting the plan update for more detailed. The corporate plan is in Appendix 1 (schools is in appendix 5). The table includes, the audit areas to be reviewed, audit days, indicative scope, expected timing or due date, and link to corporate risk register or reason for conducting the review.

12.2. The Audit Panel are asked to approve both the corporate and school plans for 2018/19.

#### Corporate Plan

12.3. The corporate plan is made up of 753 days. This is broken down by:

- 220 - Core financial days
- 65 - IT days
- 241 - General
- 49 - Contract
- 5 - Grant days
- 100 - Management review
- 59 - Contingency
- 14 - Follow up work

12.4. The number of reports due are 56 audit reports and 7 follow-up reviews.

12.5. The current split between in-house and contractor is 564 to 237 respectively, (not including management time). Any changes to the plan will be reported to the Audit Panel in the usual way.

## School Plan

12.6. The schools' plan 148 days with 27 schools being audited. The split:

- 12 - Secondary (includes all through schools)
- 1 - Special school
- 1 - Nursery
- 13 - Primary schools

12.7. The in-house team will conduct all the school audits in 2018/19.

## **13. Oracle Cloud**

13.1. The project to move the Council's financial system from Oracle R12 to their new cloud version and integrate HR and Payroll functions on Oracle (from a separate, ResourceLink system) is underway.

13.2. The project is running behind schedule, in particular due to delays in data migration and testing. This caused the finance switch over date to be put back to start in May and conclude in July. The Payroll switch over date is still to be confirmed subject to parallel running over the summer of 2018. It has also increased the risk of errors or teething troubles as the lack of data in the system limited the amount of service user testing able to be done.

13.3. With the project behind schedule internal audit has not been able to complete their planned work to support the implementation. Internal audit commented on the system controls at the early stages of the project. However, without data in the system and documented 'to be' business processes for those operating the system, internal audit have not yet been able to review or test the wider control environment for Oracle Cloud – finance, HR or payroll. The conclusion on this work in the project is therefore No Assurance as it could not be completed. The work, along with balance transfers, will now be added to testing in the live environment for 2018/19.

## **14. Internal audit charter**

14.1. Members are asked to approve the Internal Audit Charter for 2018/19, which can be found in Appendix 6. There are no significant differences from the 2017/18 internal audit charter.

## **15. Any other business**

15.1. The new Audit Management Software system is now live, and is being used for the 2018/19 audit work. The way the system works means that there will be some presentational changes to the audit reports.

15.2. The action tracking is installed, but it is still being tested. Once happy that it is working how it is intended, it will be rolled out to both management and schools.

15.3. The School's forum report (see appendix 7), went to the School Forum on the 21<sup>st</sup> June. This is the first year where no schools' had a Limited or No Assurance Opinion.

## **16. Legal implications**

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

## **17. Financial implications**

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

## **18. Equalities implications**

18.1. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010

## **19. Crime and disorder implications**

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

## **20. Environmental implications**

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

## **21. Background papers.**

21.1. There are no background papers.

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

David Austin, Head of Corporate Resources, on 020 8314 9114, or email him at: [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Core Financials	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Accounts Payable 18-19	Core Financial	20	<ul style="list-style-type: none"> <li>• Set up of new suppliers and bank amendments, Payment of invoices</li> <li>• Reconciliations,</li> <li>• BACS and Non BACS payments,</li> <li>• Authorisation / separation of duties / access</li> <li>• Monitoring of PIs.</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Accounts Receivable and Debt Recovery 18-19	Core Financial	20	<ul style="list-style-type: none"> <li>• Raising and cancellation of invoices</li> <li>• Debt recovery</li> <li>• Write offs</li> <li>• Reconciliations</li> <li>• Authorisation / separation of duties / access</li> </ul>	Due Qrt 3	Loss of Income to the Council
Banking 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Cheque and BACS security</li> <li>• Internet and other payment types</li> <li>• Suspense / holding accounts</li> <li>• Reconciliations</li> <li>• Direct debits</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Budget Setting and Monitoring 18-19	Core Financial	10	<ul style="list-style-type: none"> <li>• Budget Setting</li> <li>• Budgetary controls</li> <li>• Management reporting</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Core Financials	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Business Rates 18-19		10	<ul style="list-style-type: none"> <li>• Setting of the Business rates,</li> <li>• Billing</li> <li>• Voids</li> <li>• Liabilities,</li> <li>• Discounts, Reliefs</li> <li>• Collection Recovery and Enforcement</li> <li>• Write offs and Refunds</li> </ul>	Due Qrt 3	Loss of Income to the Council
Capital Expenditure 18-19		15	<ul style="list-style-type: none"> <li>• Project Governance and Management,</li> <li>• Payments, and Programme Budget</li> <li>• Expenditure Monitoring</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Client Contribution for Care Provision 18-19		12	<ul style="list-style-type: none"> <li>• Eligibility</li> <li>• Financial Assessments</li> <li>• Recovery of Client contributions</li> <li>• Deferred Contribution Scheme</li> </ul>	Due Qrt 3	Loss of Income to the Council
Council Tax 18-19		15	<ul style="list-style-type: none"> <li>• Setting of Council Tax</li> <li>• Billing and Liabilities</li> <li>• Valuation Office List</li> <li>• Write offs &amp; Refunds</li> <li>• Discounts, Reductions and Disregards</li> <li>• Collection, including recovery action</li> </ul>	Due Qrt 3	Loss of Income to the Council

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Core Financials	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Direct Payments 18-19	Core Financial	13	<ul style="list-style-type: none"> <li>• Assessment and Payments</li> <li>• Monitoring of returns</li> <li>• Monitoring of clients payments overseen by the council</li> <li>• Recovery of overpayments</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19	Core Financial	15	<ul style="list-style-type: none"> <li>• Applications and assessments</li> <li>• Payments</li> <li>• Overpayments</li> <li>• Debt Recovery</li> <li>• Reconciliation</li> <li>• Exception Reporting</li> <li>• Appeals</li> <li>• Discretionary Housing Payments</li> <li>• Changes to BACS</li> <li>• Access to system / separation of duties</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Main Accounting 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Reconciliations</li> <li>• Access to system</li> <li>• Feeder systems</li> <li>• Journal</li> <li>• Final accounts</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget



Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Core Financials	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Non-Current Assets 18-19	Core Financial	10	<ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Additions, transfer and disposal of assets</li> <li>• Reconciliations</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Payments to Adult Care Providers 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Payments</li> <li>• Assessments</li> <li>• Provider set up</li> <li>• Reconciliations</li> <li>• Budgetary Control</li> </ul>	Due Qrt 3	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams
Payments to Child Care Provider and Foster Carers for Looked After Children 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Payments</li> <li>• Assessments</li> <li>• Budget Monitoring</li> <li>• Data Sharing</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Core Financials	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Payroll 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Payments</li> <li>• Reconciliations</li> <li>• Starters and Leavers</li> <li>• Benefits</li> <li>• Deductions</li> <li>• Amendments</li> <li>• BACS controls</li> </ul>	Due Qrt 3	Financial Failure and inability to maintain service delivery within a balanced budget
Pensions and Investments 18-19	Core Financial	12	<ul style="list-style-type: none"> <li>• Contributions</li> <li>• Payable</li> <li>• Leavers and Starters, including Auto Enrolment</li> <li>• Transfers</li> <li>• Pension Board</li> <li>• Investments and Management Fees</li> <li>• Reconciliations</li> </ul>	Due Qrt 3	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams
Treasury Management 18-19	Core Financial	8	<ul style="list-style-type: none"> <li>• Cash Flow / Forecasting</li> <li>• Investments</li> <li>• Loans</li> <li>• Performance Monitoring</li> <li>• Reconciliations.</li> </ul>	Due Qrt 3	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - IT Audits	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Adult Care System (ACS) interface with Financial System	IT	5	Review the technical changes made to (Liquid logic Adults' Social Care System (LAS) and its interface with Controcc (finance system)	TBC	ICT not fit for purpose/does not meet business needs
ASH - Debt recovery system	IT	6	To review the controls and security around the IT system for debt recovery, including Housing Benefit recover.	TBC	ICT not fit for purpose/does not meet business needs
I- casework – complaints system	IT	6	To review the new Icasework IT system for complaints for security and access permission.	TBC	ICT not fit for purpose/does not meet business needs
New Phone System and its Business Continuity Plan (BCP)	IT	8	To review the new Automatic Call Distribution (ACD)	TBC	ICT not fit for purpose/does not meet business needs
Office 365 and SharePoint	IT	8	To review the security and access to office 365 and SharePoint	TBC	ICT not fit for purpose/does not meet business needs
Oracle Cloud - Finance	IT	7	To continue with the IT testing from 17/18 audit review, to include comparison of amounts from one system to another.	Qrt 2	ICT not fit for purpose/does not meet business needs
Oracle Cloud - HR	IT	7	Pre and post implementation review.	Qrt 2 / 3	ICT not fit for purpose/does not meet business needs
Oracle Cloud - Payroll	IT	7	Pre and post implementation review.	Qrt 2 / 3	ICT not fit for purpose/does not meet business needs

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - IT Audits	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Robotics - HB system	IT	5	If implemented, to review the security of the implementation of robotics in the HB system	Qrt 2 earliest	ICT not fit for purpose/does not meet business needs
Self Service IT processes	IT	6	To review the BCP, ease of access and security of the council's self-service systems	TBC	ICT not fit for purpose/does not meet business needs

Audit Area – Contract audits	Type of audit	Days	Indicative Scope	Status	Link to corporate risk
Besson Street Project	Contract	12	To review the project management, including financial, letting of contracts, milestones, and reporting.	TBC	Failure to manage suppliers and procurement programmes
Contract Management	Contract	15	To review the contract management across selected contract management	TBC	Failure to manage performance leads to service failure
Tendering / Procuring contracts and Supplier Resilience	Contract	12	To review the pre contract stage of the procurement process. To include a review the framework on how the council ensures current supplier (major) have the resilience to continue to provide services.	TBC	Failure to manage suppliers and procurement programmes
Waste Management (Domestic) - Contract Monitoring.	Contract	10	To review the contract monitoring for the domestic waste contract.	TBC	Failure to manage performance leads to service failure

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - General audits	Type of audit	Days	Indicative Scope	Status	Link to corporate risk / reason for review
Apprenticeship levy, including schools	General	12	To review how the apprenticeship levy (training) and is being used within the council.	Fieldwork started	Respond to legislative change
Business Continuity Plans (BCP) for core services	General	12	Part of a rolling plan of BCP and Disaster Recovery areas.	Qrt 4	Failure to contain impacts of emergency
Bereavement Services	General	10	To review the framework surrounding the bereavement services including payments and income.	ToR Issued	Failure to manage performance leads to service failure
Child in Need (CIN) arrangements	General	10	To review the framework of CIN.	TBC	Failure in Child Safeguarding
Complaints (Corporate) Framework	General	10	To review the complaints framework for dealing with corporate complaints.	TBC	Information Governance Failure
Disability Facilities Grant (DFG)	General	10	To review the process of the grant from initial application to approval / monitoring of spend.	TBC	Failure to manage suppliers and procurement programmes
Deprivation of Liberties Safeguards (DoLS)	General	10	To review the council's arrangements for DoLS arrangements.	Fieldwork started	Serious Adult Safeguarding concerns
Early help	General	10	To review the framework around Early Help	TBC	Failure in Child Safeguarding
Fostering Arrangements	General	10	To review the processes and controls for recruitment checks and ad-hoc payments.	TBC	Failure in Child Safeguarding

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - General	Type of audit	Days	Indicative Scope	Status	Link to corporate risk / reason for review
Hand over from Hospital Discharge Neighbourhood team	General	10	A review the process the process from the NHS to the council responsibilities.	Entry meeting held	Serious Adult Safeguarding concerns
Health and Safety (corporate)	General	10	Scope to be agreed due to potential change to the structure.	TBC	Head of Audit's Area. (Reviewed as per Audit Charter)
Homecare Service	General	10	To review payments, monitoring of outcomes and performance indicators. (Potentially a contract audit)	TBC	Serious Adult Safeguarding concerns
Implementation of General Data Protection Regulations (GDPR)	General	10	To review the implementation of the GDPR across the council and schools.	TBC	Information Governance Failure
Multi Agency Safeguarding Hub (MASH) – for Adults	General	10	To review the structure and governance arrangements and information sharing protocols in the newly formed adult MASH team	TBC	Serious Adult Safeguarding concerns
Planning Control	General	10	To review the framework of the planning control department.	TBC	Respond to legislative change
Pooled Budgets and Better Care Fund	General	10	To review the governance and monitoring of pooled budgets. To include section 75 monies.	TBC	Financial failure unable to maintain delivery within balanced budget
Recruitment Process	General	10	To review the process from Departmental Expenditure Panel (DEP) to appointment of staff and issue of contracts.	TBC	Maintain sufficient management capacity & capability

## Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - General	Type of audit	Days	Indicative Scope	Status	Link to corporate risk / reason for review
Rogue Landlords	General	10	To review the framework of rogue landlords. Including how to identify them, process of resolving issues including any legal action.	TBC	Respond to legislative change
School trading Website	General	10	To review the new trading website, for access, usability and current information.	Entry meeting held	Information Governance Failure
Schools Finance	General	10	To review the framework, support and advice of the school finance team. - look at how they work out the funding, create the financial regulations and scheme of delegation, and process returns.	TBC	Unforeseen expenditure/loss of income from funding streams
Transparency Act Adherence	General	10	To review the how the council complies with the transparency code, both statutory and recommended. Including any new / upcoming changes.	ToR sent	Information Governance Failure
Performance Management Framework for Child Social Care (CSC)	General	12	To review the new framework for CSC performance management.	TBC	Governance failings implementing service changes
Special Educational Needs and Disabilities (SEND) / Children with Complex Needs Service (CWCNS)	General	12	To review the process / framework surrounding the recent SEND legislation, and CWCNS. Potentially separate audits.	TBC	Failure in Child Safeguarding

Appendix 1 – Corporate Audit Plan 2018-19

Audit Area - Grants	Type of audit	Days	Indicative Scope	Status	Reason for review
Support for Families Programme-Grant claims	Grant	5	Statutory requirement that IA verifies the claims.	Ongoing	Ministry of Housing, Communities and Local Government (MHCLG) requirement





Overall Internal Audit Assurance Opinion	▲ Limited	Risk Areas		
		H	M	L
<p>★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).</p> <p><b><u>Introduction and Terms of Reference (ToR)</u></b></p> <p>The background for this internal audit is included in the ToR at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p><b><u>Key findings</u></b></p> <ul style="list-style-type: none"> <li>• There are no contracts in place with providers of key professional services;</li> <li>• The meeting quorum is not defined for the Catford Regeneration Partnership Board meetings;</li> <li>• There are no documented financial regulations for performing financial transactions;</li> <li>• There is no effective budgetary control system in place; and</li> <li>• The 2017/ 18 annual budget is not evidenced as approved by the Council.</li> </ul> <p><b><u>Areas that worked well</u></b></p> <ul style="list-style-type: none"> <li>• The CRPL 2017/18 Business Plan was approved by the Mayor and Cabinet at the meeting held on 10 May 2017 and approved by the Full Council in its meeting held on 17 July 2017;</li> <li>• The Terms of Reference of the Catford Regeneration Partnership Board is defined;</li> <li>• There is regular reporting on the CRPL's key activities to the Catford Regeneration Partnership Board (CRPB); and The CRPL's accounts as at 31 March 2017 was externally audited.</li> </ul>		▲	1	1
		▲	1	2
		Total	2	3
		<p><b><u>Monitoring of recommendations</u></b></p> <p>Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.</p> <p><b><u>Changes to the scope</u></b></p> <p>This audit was conducted in line with the agreed Terms of Reference.</p>		



Executive Summary	Areas where recommendation are made	H	M	L												
<p><b><u>Introduction and Terms of Reference (ToR)</u></b></p> <p>The background for this consultancy review is included in the ToR at the end of this report.</p> <p><b><u>Areas where improvement to controls / processes are suggested</u></b></p> <ul style="list-style-type: none"> <li>• There was one case where it was not evidenced that a strength based assessment had been thoroughly undertaken, to confirm all circumstance such as family and other local resources. Therefore, the call progressed into adult social care when it should not have done.</li> <li>• An acceptable timeframe for a screening call back was not documented within the practitioner procedures and guidelines. It was stated by the Operational Manager for SCAIT that 10 days was an acceptable timeframe. However, this has not been agreed.</li> <li>• Out 19 cases, there were six where there was potential that a financial assessment may be required. However, of the six cases (100%) it was not documented that this had been discussed with the caller.</li> <li>• The Social Care Access Information Team (SCAIT) activity was not being accurately monitored and reported. For example, in February 2018 SCAIT call records show that there were 1459 calls answered by SCAIT. This does not tally up with the Adult Social Care (ASC) Dashboard which states that there was 1069 contacts in February 2018.</li> <li>• There was also an issue with the accuracy of the ASC Dashboard. For example, other call types that SCAIT were not involved with, such as the Deprivation of Liberty (DOLS), were being reported as SCAIT activity.</li> </ul>	<table border="1"> <tr> <td data-bbox="1218 354 1861 403">1. Initial Contact</td> <td data-bbox="1868 354 1933 403">-</td> <td data-bbox="1939 354 2004 403">2</td> <td data-bbox="2011 354 2067 403">2</td> </tr> <tr> <td data-bbox="1218 408 1861 458">2. Outcomes</td> <td data-bbox="1868 408 1933 458">-</td> <td data-bbox="1939 408 2004 458">3</td> <td data-bbox="2011 408 2067 458">-</td> </tr> <tr> <td data-bbox="1218 462 1861 512"><b>Total</b></td> <td data-bbox="1868 462 1933 512">-</td> <td data-bbox="1939 462 2004 512"><b>5</b></td> <td data-bbox="2011 462 2067 512"><b>2</b></td> </tr> </table> <p><b><u>Areas that worked well</u></b></p> <ul style="list-style-type: none"> <li>• Information about the contact was recorded adequately within case notes in all cases.</li> <li>• Signposting was done well, including providing information and directing callers to other agencies where appropriate.</li> <li>• A senior had provided authorisation, in all cases where it was required.</li> <li>• Safeguarding procedures were followed in all cases where required.</li> <li>• Out of a sample of 19 calls, 13 (68%) were dealt with by SCAIT and did not progress further into Adult Social Care. Out of the remaining six calls, only one progressed when it should not have the other five progressed appropriately.</li> </ul> <p><b><u>Monitoring of recommendations</u></b></p> <p>Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.</p> <p><b><u>Follow up reviews</u></b></p> <p>A follow up review will take place six months of this report.</p> <p><b><u>Changes to the scope</u></b></p> <p>This audit was conducted in line with the agreed Terms of Reference.</p>	1. Initial Contact	-	2	2	2. Outcomes	-	3	-	<b>Total</b>	-	<b>5</b>	<b>2</b>			
1. Initial Contact	-	2	2													
2. Outcomes	-	3	-													
<b>Total</b>	-	<b>5</b>	<b>2</b>													



Overall audit assurance opinion	▲ Limited				Risk Headings				H	M	L																				
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).																															
<u><b>Introduction and Terms of Reference (ToR)</b></u>																															
The background for this internal audit is included in the ToR at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.																															
The Early Intervention Joint Commissioner responsible for monitoring the Health Visiting contract started in post on 17 November 2017, after his predecessor had left. The Contract for the Provision of Health Visiting Service 2017-2020' commenced 1 April 2017. The cost of the contract in 2017/18 was £4.6m.																															
<u><b>Key findings</b></u>																															
<ul style="list-style-type: none"> <li>• A copy of the signed Health Visiting contract was not available at the time of audit, although Internal Audit was subsequently informed that this was signed on behalf of the Lewisham and Greenwich Trust on 1 May 2018 and was with the Council's Legal Services for sealing.</li> <li>• The Council was unable to demonstrate appropriate assurance that the Lewisham and Greenwich Trust:                             <ul style="list-style-type: none"> <li>○ had appropriate recruitment processes and adequate staff to perform the service.</li> <li>○ had appropriate insurance cover.</li> <li>○ creates, maintains, stores and retains appropriate Service User Records.</li> <li>○ had conducted an audit of its practices against quality statements regarding data sharing set out in NICE Clinical Guideline 138.</li> </ul> </li> <li>• The copy of the Lewisham and Greenwich Trust 'Safeguarding Children and Young people Policy' held was due for review in April 2017.</li> <li>• The Lewisham and Greenwich Trust had not provided the Council with reports of complaints.</li> <li>• The quarter 3 2017-18 KPI report was incomplete and the Council was unable to demonstrate whether assurance over the veracity of the figures reported in the KPI's was being obtained.</li> </ul>																															
<table border="1"> <tbody> <tr> <td>▲</td> <td>1-Contract Formalities</td> <td>1</td> <td>-</td> <td>-</td> </tr> <tr> <td>▲</td> <td>2-Contract Monitoring and Management Reporting</td> <td>3</td> <td>5</td> <td>-</td> </tr> <tr> <td>★</td> <td>3 -Payments</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td colspan="2"><b>Total</b></td> <td><b>4</b></td> <td><b>5</b></td> <td><b>0</b></td> </tr> </tbody> </table>												▲	1-Contract Formalities	1	-	-	▲	2-Contract Monitoring and Management Reporting	3	5	-	★	3 -Payments	-	-	-	<b>Total</b>		<b>4</b>	<b>5</b>	<b>0</b>
▲	1-Contract Formalities	1	-	-																											
▲	2-Contract Monitoring and Management Reporting	3	5	-																											
★	3 -Payments	-	-	-																											
<b>Total</b>		<b>4</b>	<b>5</b>	<b>0</b>																											
<u><b>Areas that worked well</b></u>																															
<ul style="list-style-type: none"> <li>• Appropriate contract payments were being made in a timely manner.</li> <li>• Monthly contract meetings, which commenced on 16 February 2018, were being held.</li> </ul>																															
<u><b>Monitoring of recommendations</b></u>																															
Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.																															
<u><b>Follow-up review</b></u>																															
This report will not have an automatic follow up review. However, internal audit retain the right to conduct a follow-up review at a later stage if required.																															
<u><b>Changes to the scope</b></u>																															
This audit was conducted in line with the agreed Terms of Reference.																															



Overall Internal Audit Assurance Opinion	Not Applicable - Consultancy	Risk Areas			
		H	M	L	
<p>★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).</p>		1.	-	10	-
		<b>Total</b>	-	<b>10</b>	-
<p><b><u>Introduction and Terms of Reference (ToR)</u></b></p> <p>The background for this consultancy work is included in the ToR at the end of this report.</p> <p>In addition, it should be noted that an action plan is in place to monitor GDPR readiness progress. Most actions on the plan are recorded as last reviewed in October 2017 and none are yet marked as completed.</p> <p>However, Management have stated that they should all be completed by May 2018. An Information Governance Steering Group has also been formed and had its first meeting on 13 December 2017.</p> <p>The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p><b><u>Key findings</u></b></p> <ul style="list-style-type: none"> <li>• The GDPR communication strategy for the Council has not been agreed;</li> <li>• The completion of the Record of Processing Activity (ROPA) is ongoing. Sharing Agreements have not been agreed;</li> <li>• Privacy notices in use across the Council are being reviewed;</li> <li>• Relevant policies and procedures are being reviewed and are not currently in line with the GDPR;</li> <li>• The procedure in place for handling subject access requests is not currently in line with GDPR requirements;</li> <li>• The identification of the lawful basis for processing personal data is ongoing and not complete;</li> </ul> <p>The review of how the Council handles consent in line with GDPR requirements is ongoing and not complete;</p>		<p><b><u>Compliance with the GDPR</u></b></p> <ul style="list-style-type: none"> <li>• The procedure in place for handling data breaches is not in line with GDPR requirements</li> <li>• The roles of the Data Protection Officer and the Caldicott Guardian are not evidenced as formally assigned; and</li> <li>• The identification of the Council’s international data processing is ongoing and not complete.</li> </ul> <p><b><u>Follow up reviews</u></b></p> <p>A follow up review will take place in six months after the final report.</p> <p><b><u>Monitoring of recommendations</u></b></p> <p>Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.</p> <p><b><u>Changes to the scope</u></b></p> <p>This consultancy work was conducted in line with the agreed Terms of Reference.</p> <p><b><u>Areas that worked well</u></b></p> <ul style="list-style-type: none"> <li>• There is an Information Governance Steering Group in place with an aim to support services in Lewisham to prepare for the upcoming changes, and carry out the actions and requirements to become GDPR compliant by 25th May 2018;</li> <li>• The Information Governance Team maintains a spreadsheet that tracks activities required to achieve compliance with the GDPR;</li> <li>• GDPR training is being rolled out across the Council.</li> </ul>			





Overall Internal Audit Assurance Opinion	Not Applicable - Consultancy	Risk Areas				
		H	M	L		
<p>★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).</p> <p><b><u>Introduction and Terms of Reference (ToR)</u></b></p> <p>The background for this consultancy work is included in the ToR at the end of this report.</p> <p>The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p><b><u>Key findings</u></b></p> <ul style="list-style-type: none"> <li>The Service Level Agreement with LB Lambeth for provision of procurement support services expired on 31 October 2017 and did not specify the number of hours of support to be provided.</li> <li>Agendas and minutes for Commissioning and Procurement Board meetings were only available from February 2018.</li> <li>The total amount of procurement support provided to Council staff was only 1.4 FTE.</li> <li>There was no procurement helpline service available to Lewisham staff.</li> <li>Regular training sessions on general procurement matters had not been provided to Lewisham staff.</li> <li>Many members of the Capital Programme Delivery Team had not received training on use of the London Contracts Portal.</li> <li>There were no arrangements for sharing procurement knowledge between directorates.</li> <li>The Procurement Handbook did not provide sufficient information for certain areas (e.g. Social Value Method Statements) and did not</li> </ul>		1.	Compliance with Council Requirements and Legislation	-	3	-
		2.	Value for Money	2	2	1
		3.	Procurement Activities	-	-	1
		<b>Total</b>		<b>2</b>	<b>5</b>	<b>3</b>
			explain the purpose of templates in the Procurement Documents Library.			
			<ul style="list-style-type: none"> <li>The identification of contracts due for re-procurement relied on manual processes.</li> <li>A contracts library containing copies of all signed contracts was not in place.</li> </ul>			
			<b><u>Monitoring of recommendations</u></b>			
			Officers are required to provide progress updates on High or Medium recommendations on the dedicated recommendation site.			
			<b><u>Changes to the scope</u></b>			
			This consultancy work was conducted in line with the agreed Terms of Reference.			
			<b><u>Areas that worked well</u></b>			
			<ul style="list-style-type: none"> <li>Lambeth procurement staff provided under the SLA were considered to be of high quality.</li> <li>The Lewisham Procurement Handbook was considered to be a useful document.</li> <li>The documents in the Procurement Documents Library were considered to be generally fit for purpose.</li> </ul>			



Overall Internal Audit Assurance Opinion	■ No Assurance	Risk Areas			
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).					
<b><u>Introduction and Terms of Reference (ToR)</u></b>					
The background for this internal audit is included in the <u>ToR</u> at the end of this report.					
The audit fieldwork took place between 09/04/18 to 08/05/18. Oracle cloud went live on 14/05/18, but in staggered stages with full implementation due on 21/05/18.					
<b><u>Changes to the scope and opinion on areas unable to test</u></b>					
There were limitations to the scope for the following areas listed below, due to the availability of staff, supporting documentation not being provided, or controls not yet in place. Therefore, internal audit has had to give ' <b>No Assurance</b> ' in these areas:					
<ul style="list-style-type: none"> <li>• Data Migration</li> <li>• Issues Management</li> <li>• User Acceptance Testing</li> <li>• 3rd Party Assurance</li> <li>• IT Application Controls</li> </ul>					
While there was some testing completed on the Roles and Responsibilities, the results of the testing were limited, as they were not all in place the time of the audit. Therefore, the controls could not be fully tested in this area either.					
An appendix accompanying this report, detailing some planned controls and their associated risks is included for information.					
<b><u>Follow-up review</u></b>					
A follow up review is required, as a 'No Assurance opinion' has been given. This may be included in the post implementation audit if more appropriate.					
		■ 1. Data Migration	1	-	-
		▲ 2. Roles and Responsibilities	1	1	1
		■ 3. Issues Management	-	-	-
		■ 4. User Acceptance Testing	-	-	-
		■ 5. 3 <sup>rd</sup> Party Assurance	-	-	-
		■ IT Application Controls	-	-	-
		<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>
		<b><u>Key findings</u></b>			
		<ul style="list-style-type: none"> <li>• A formalised data migration strategy has not been established by the Council to guide processes such as data mapping, cleansing, testing, issues management/escalation and roles and responsibilities of staff</li> <li>• Vacation rules are not expected to have end dates enforced when officers take on other officer's roles and responsibilities whilst on vacation.</li> <li>• Audit trails are yet to be decided.</li> <li>• The Council have not yet fully documented a roles matrix to identify conflicting job roles</li> </ul>			
		Internal audit will need to review the Oracle Cloud rollout again in 2018/19 as the roll out is staggered.			

Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
Accounts Payable 17-18	Satisfactory	20/04/2018					1	2
Accounts Payable 2016-17	Limited	16/03/2017			1	2	1	1
Accounts Receivable 16-17	Limited	18/05/2017		2				1
Adult Social Care System - Back up and BCP	Limited	04/04/2016			1	1		
Banking 16-17	Limited	18/05/2017				2		
Banking 17-18	Satisfactory	22/03/2018		1			3	1
Budget Monitoring and Setting 2017-18	Satisfactory	05/12/2017		6				3
Capital Expenditure 17-18	Satisfactory	10/01/2018		1				1
Catford Regeneration Partnership Ltd	Limited	17/05/2018	2	3				
Client Contributions to Care Provision 16-17	Satisfactory	24/05/2017						1
Direct Payments 17-18	Satisfactory	22/03/2018						4
Expenses Reimbursed by Payroll 16-17	Satisfactory	30/01/2017		1				3
Garden Waste Service 2017/18	Satisfactory	05/01/2018	1	7				

Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
IT Helpdesk - Shared Services	Substantial	18/05/2018		1				
Lewisham Website and Intranet Content Usability	Satisfactory	22/12/2016		1				
Main Accounting 17-18	Satisfactory	06/02/2018	1	2				
Mobile Devices Contract 16-17	Satisfactory	07/07/2017		1				
Multi-Agency Safeguarding Hub Arrangements 2017/18	Consultancy	28/09/2017	1	3				
Non-Current Assets 17-18	Substantial	05/03/2018		1				
Payments to Adult Care Providers 17-18	Satisfactory	26/04/2018		3				4
Payments to Adult Care Providers 2016-17	Satisfactory	05/05/2017		1				1
Payments to Care Providers and Foster Carers 2016-17	Satisfactory	05/05/2017		1				1
Payments to Care Providers and Foster Carers 2017-18	Satisfactory	19/03/2017						1
Payroll 2017-18	Substantial	06/12/2017		1				
PFI Monitoring - School 15-16	Satisfactory	11/08/2016		1				
Pre-contract and Tendering 2017-18	Limited	24/11/2017	4	3				



Appendix 3 - Status of corporate recommendations.

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue		Re-opened at F/up		Re-occurring (core only)	
			H	M	H	M	H	M
Processes for Payments to Main Providers (Child)	Consultancy	14/06/2016	1	3	1	1		
Public Sector Network 16-17	Limited	01/02/2017				1		
Recording of Safe Guarding – Section 42 Referrals	Limited	03/07/2017		4				
Schools' Catering Contract 16-17	Limited	03/03/2017		1		3		
Schools' Minor Work Programme 16-17	Limited	20/06/2017		1				
SharePoint 14-15	Satisfactory	13/10/2015				2		
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/2015		1				
Youth Offending Service 17-18	Consultancy	06/02/2018		8				
		total	10	58	3	12	5	21

Appendix 4 – Status of schools recommendations

Name of Audit (Schools)	Opinion	Final Report Date	Recs Overdue
Beecroft Garden Primary School 2017-18	14/05/2018	Satisfactory	9
Brent Knoll School 2017-18	25/01/2018	Satisfactory	6
Downderry Primary School 2017-18	26/07/2017	Substantial	1
Horniman's School 16-17	01/06/2017	Satisfactory	1
Kelvin Grove Primary School 2017-18	22/11/2017	Substantial	1
New Woodlands School 17-18	12/04/2018	Substantial	1
Prendergast - Hilly Fields 2015-16	29/07/2016	Satisfactory	2
Prendergast Vale School 2015/16	29/07/2016	Substantial	3
Rangefield Primary School 16-17	06/02/2017	Satisfactory	2
Sir Francis Drake Primary School	22/05/2018	Substantial	5
St Augustine's Catholic Primary School	15/03/2017	Substantial	1
St Saviour's RC Primary School 17-18	19/12/2017	Satisfactory	3
St William of York Catholic School 17-18	07/03/2018	Substantial	3
St Winifred's Catholic Primary School 17-18	02/05/2018	Substantial	3
Turnham Primary 13-14	31/07/2013	No Assurance	1
Turnham Primary School 16-17	04/07/2017	No Assurance	23
		<b>TOTAL</b>	<b>65</b>

Appendix 5 – Schools’ Audit Plan and status for 2018/19

Schools’ Audit Plan	Scope	Status
Abbey Manor College	Procurement, Income, Governance, Budget Monitoring, Banking, Asset Security, Payroll, HR, and Information Security.	
Adamsrill Primary	As above	
Addey and Stanhope Secondary	As above	
Ashmead Primary	As above	
Athelney Primary	As above	
Bonus Pastor Catholic College	As above	
Chelwood Nursery	As above	
Conisborough College - (Colfe's Associated School	As above	
Deptford Green Secondary	As above	
Edmund Waller Primary	As above	
Fairlawn Primary	As above	
Forest Hill Secondary	As above	
Forster Park Primary	As above	
Holbeach Primary	As above	
Kender Primary	As above	

Appendix 5 – Schools’ Audit Plan and status for 2018/19

Schools’ Audit Plan	Scope	Status
Kilmorie Primary	As above	
Launcelot Primary	As above	
Prendergast School	As above	
Prendergast Ladywell Fields College (Secondary)	As above	
Prendergast Vale College (Secondary)	As above	
Sedgehill Secondary	As above	
St Margarets' Lee CE	As above	Fieldwork Ended
St Mary Magdalen's Catholic	As above	
St Michael's CE Primary	As above	Fieldwork Ended
Sydenham Secondary	As above	
Trinity CE Secondary (through school)	As above	
Watergate Special School	As above	



# Internal Audit Charter

## 2018-19

Last Reviewed: Mar 2018  
Next Review : Mar 2019

# Internal Audit Charter – 2018/19

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## Introduction

The main purpose of this charter is to provide the members and management on how the internal audit service will function in the coming year. It includes the roles and responsibilities of internal audit, including members and management responsibilities in relation to the council's control environment. It is split into sections six sections.

### 1. Public Sector Internal Audit Standards (PSIAS)

This section explains how the PSIAS which came in to force in April 2014, revised April 2016, evolved and what its objectives are. All public bodies' internal audit services have to adhere to these statutory set of standards. A definition of internal audit, mission, core principles and the reason for the charter are also included.

### 2. Statutory Framework

Internal audit is a statutory function that all public bodies are required to have. It is supported by various legislation, which this section details.

### 3. Internal Audit Structure

For 2017/18, the internal audit structure will consist of an in-house team supported by the Head of Audit and an Internal Audit Manager. External resources will support the team. The Head of Audit (HIA) is the Head of Corporate Resources and forms of the Senior Management Team.

### 4. Accountability

Internal audit are required to report their findings to individual managers, Internal Control Board (ICB) and the Audit Panel. The Audit Panel reports to the Public Select Accounts Committee, who in turn report to the Mayor and Cabinet and Full Council. This section also covers the current relationship between Internal Audit and External Audit.

### 5. Internal Audit Framework

Independence and Objectivity - Internal auditors are required to be independent and objective. The Internal Audit Manager monitors and controls the conflicts of interests of the team (including contractors) and those of the Head of Internal Audit who has other operational responsibilities.

Resourcing Internal Audit – this will be the first year where an in-house team will formally be resourced and form a significant part of the internal audit service. External resources, from both public and private internal audit sectors, will support them in the delivery of the internal audit plan.

Types of Audit Reports – in addition to the individual audit reports, internal audit reports quarterly to the (ICB) and Audit Panel. The Schools Forum receives an annual report on the schools audited during the year. The HIA produces an annual assurance report that is presented to ICB and the Audit panel, which provides an opinion on the overall control environment.

Types of Work Conducted – Assurance work, which provides an opinion on controls is the most common type of work, with Consultancy (advisory) and grant certification taking a small part of the plan. Advice is provided to management when requested including attending project meetings.

Authorisation and Management Responsibilities – the Executive Director of Resources and Regeneration has given internal auditors and AFACT investigators the authority to access all council areas, including records and premises. Management are responsible for the control environment and have a duty to ensure that the audit process runs smoothly.

### 6. Professional Codes of Conduct and Whistleblowing

All internal auditors are required to adhere to their own professional body's code of conduct, including being mindful of the seven principles of public life. Internal audit annually review the compliance with the CIPFA guidance on the Role of the Head of Internal Audit.

The Whistleblowing policy and details on how to report fraud or suspected fraud are found in this section.

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### 1. The Charter and Public Sector Internal Audit Standards

#### PSIAS

- 1.1. The Public Sector Internal Audit Standards (PSIAS), developed in collaboration by a number of bodies, including Chartered Institute of Internal Auditors and the Chartered Institute of Public Finance and Accounting (CIPFA), came into effect on the 1 April 2013. The PSIAS was revised in April 2016. The statutory standards were developed to create consistency in the practice of internal audit and establish the basis for quality assurance across the public sector.
- 1.2. The objectives of the PSIAS are to:
  - Define the nature of internal auditing within the UK public sector;
  - Set basic principles for carrying out internal audit in the UK public sector;
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.3. The PSIAS state that an independent external assessment of the Internal Audit Service is to be conducted at least every five years. However, an assessment (whether internal or review by a peer) should be done annually and results reported in the annual assurance report. Lewisham's first formal independent external assessment took place in 2015/16.

#### Core Principals for the Professional Practice of Internal Auditing

- 1.4. To be an effective internal audit service, all of the core principles should be in place and adhered to. Failure to achieve any of the principals could imply that the internal service is not as effective as it could be.
- 1.5. The core principals are:
  - Demonstrates integrity.
  - Demonstrates competence and due professional care.
  - Is objective and free from undue influence (independent).
  - Aligns with the strategies, objectives, and risks of the organisation.
  - Is appropriately positioned and adequately resourced.
  - Demonstrates quality and continuous improvement.
  - Communicates effectively.
  - Provides risk-based assurance.
  - Is insightful, proactive, and future-focused.
  - Promotes organisational improvement

#### Internal Audit Mission

- 1.6. The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission. It also aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

#### Definition of Internal Auditing

- 1.7. The Global Institute of Internal Auditors definition is: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

#### Anti-Fraud and Corruption Team (A-FACT)

- 1.8. In Lewisham, A-FACT conduct the investigational side of Internal Audit. They are responsible for developing anti-fraud policies and procedures, promoting a counter fraud culture, and undertaking investigations of potential fraudulent activity committed against the Council. A-FACT also ensures that appropriate sanctions, including prosecution and the



recovery of assets where applicable, are sought where fraud is proven. The Council's A-FACT policy and strategy is separate to this internal audit charter.

### [Purpose of Internal Audit and A-FACT](#)

- 1.9. Internal Audit and A-FACT are council resources that assist management in the achievement of the Council's corporate and service objectives. While management are responsible for risk management and the control environment, internal audit assists management in providing advice on how to mitigate these risks and how to improve the control environment.

## 2. Statutory Framework

- 2.1. As defined by the following acts and guidance listed below, Internal Audit is a statutory function of the Council (and other public bodies). This means that the Council is required to have an internal audit function, whether it is in-house, outsourced or a combination.

### [The Accounts and Regulations 2015 \(England and Wales\) – Part 2 Internal Control 5.1](#)

- 2.2. This Act requires the Council to 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

### [Local Audit and Accounts Act 2014 – Section 32 \(g\),](#)

- 2.3. "The Secretary of State may by regulations applying to relevant authorities other than health service bodies make provision about— (g) the maintenance by relevant authorities of systems of internal control (including arrangements for the management of risk).

### [Section 151 of the Local Government Act 1972](#)

- 2.4. This act states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

### [The Council's Chief Financial Officer \(CFO\)](#)

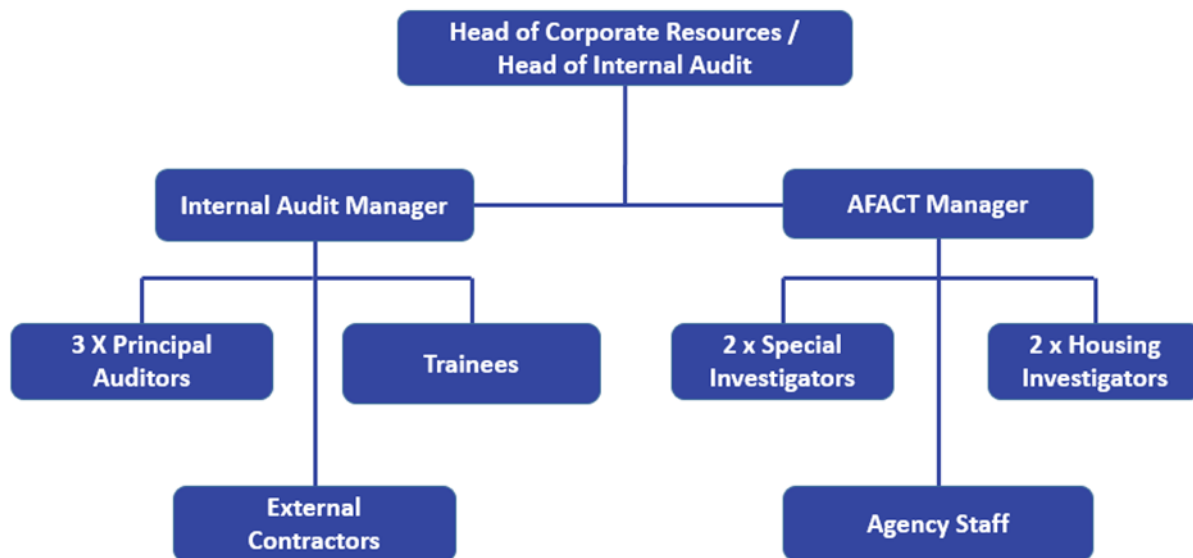
- 2.5. This role is fulfilled by the Executive Director for Resources and Regeneration. The CIPFA Statement on the Role of the CFO in Local Government states that they "must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively".

## 3. Internal Audit and Organisational Structures

- 3.1. Internal Audit and A-FACT are part of the Corporate Resources service area that sits within the Resources and Regeneration Directorate. The Head of Internal Audit (HIA) is also the Head of Corporate Resources. The HIA reports directly to the Executive Director of Resources and Regeneration, who is also the Section 151 officer and the CFO.

### [Internal Audit Structure Chart](#)

- 3.2. For 2018/19, at the start of the year, the structure looks very similar to the previous year. The trainee/s post is not yet filled. This is due to having new two new PO3 vacancies only being filled in qrt 4 of 17/18.
- 3.3. A final decision on the final structure for the internal audit structure will be made in qrt 2. The options are to have an additional PO3 post and one trainee. This will benefit the council and the team, in a year of change of management and potential objectives. Or to continue with the original course of having two trainees.
- 3.4. The chart also shows the AFACT team structure.



### Senior Management Structure

- 3.5. The top tier management for Resources and Regeneration chart shows where the HIA (Head of Corporate Resources) sits within the senior management structure of the Council. The Council's senior management structure charts can be accessed via the link below. <http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/council-structure/Pages/management-structure-charts.aspx>

### 4. Accountability

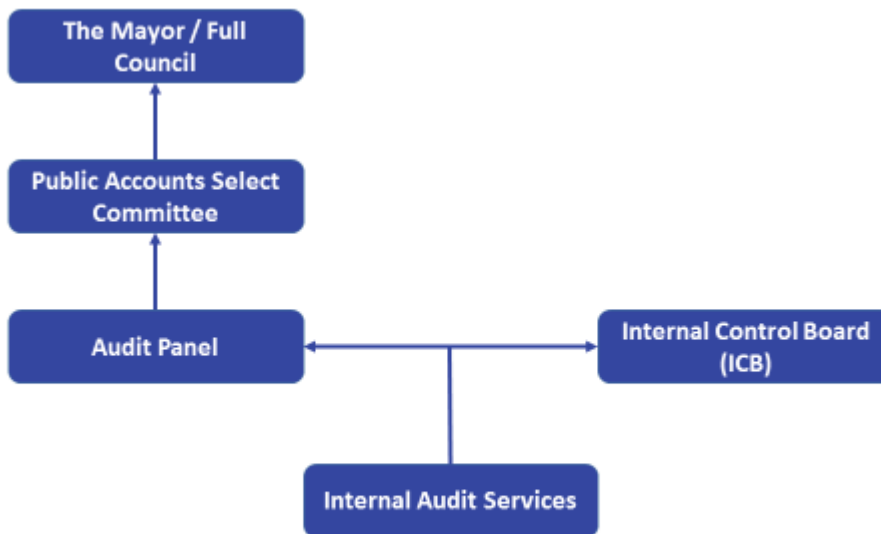
- 4.1. In addition to reporting to the Section 151 Officer, the HIA reports directly to the Internal Control Board (ICB) and the Audit Panel on a quarterly basis

## Internal Audit Charter – 2018/19

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### Internal Audit Reporting Lines

- 4.2. Please see a simple structure showing the reporting lines for internal audit in relation to management and members.



- 4.3. A link to Council's Constitution is provided below, which details the whole governance of the Council.  
<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Pages/Our-constitution.aspx>

### Internal Control Board (ICB).

- 4.4. The HIA reports to the ICB quarterly and reports on:
- Progress of the internal audit plan, including follow-up reports
  - Limited, No Assurance and Consultancy reports.
  - High and Medium Recommendations not agreed by management
  - Progress by management of the implementation of recommendations made
- The HIA reports annually on the:
- Proposed annual audit plan
  - Annual Assurance report and
  - Audit Charter

- 4.5. Membership of this board consists of an Independent Non-Executive Chair (external person), the Executive Directors, the Chief Executive Officer, the Head of Law, and the Group Manager of Insurance and Risk. The HIA reports quarterly to ICB. Please see Appendix 1 for the ICB terms of reference.

### Audit Panel

- 4.6. The HIA also reports to the Audit Panel on a quarterly basis. The Audit Panel report has the same content as the ICB report. The Audit Panel consists of six Non-Executive Councillors, one of which serves as the Chair. In addition, there are up to four Independent Members.
- 4.7. In addition, the remit of the Audit Panel (in terms of internal audit), is to receive, review and, where appropriate, advise and make recommendations on the following:
- Review and approve the Internal Audit Strategy / Charter, Plans and Resources;
  - Review the progress reports on the Internal Audit Function;
  - Review the HIA Annual Assurance report;

- Review the progress of implementation of recommendations; and
- Monitor the effectiveness of Risk Management and associated Anti-Fraud and Corruption arrangements.

The Chair of the Audit Panel reports to the Public Accounts Select Committee (PASC) at least once a year.

### Public Accounts Select Committee (PASC)

- 4.8. PASC consists of at least seven and no more than 11 non-Executive Councillors. The remit in terms of Internal Audit is to:
- Receive reports from the Audit Panel; and
  - Scrutinise the effectiveness of the Audit Panel.

For the full terms of references for the PASC, please refer to the link below to the Council's Constitution.

<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Pages/Our-constitution.aspx>

### External Audit

- 4.9. External audit are independent of internal audit and the council. Their main role is to certify the Council's financial statements. Although they review the controls in relation to financial statements, they do not provide an opinion on the effectiveness of them.
- 4.10. Internal audit issue all final assurance reports to external audit and the files are available to them to view if required.

### Schools' Forum

- 4.11. In addition to the above, internal audit report to the Schools' Forum annually. This is forum is made up of staff from schools, such as Head teachers and School Governors. Officers from the council are also attendance. This forum is not members' lead.

## 5. Internal Audit Framework

### Independence and Objectivity

- 5.1. A definition of independence (in relation to Auditors') is, "The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner".
- 5.2. PSIAS definition of objectivity: "An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors to not subordinate their judgment on audit matters to others".
- 5.3. Internal auditors are mandated by the PSIAS to be independent and objective concerning the business activities they audit. The HIA and Internal Auditors, who may have conflicts of interests either real or perceived, must declare them to the Internal Audit Manager. This is in addition to any declarations that they council may require. The Internal Audit Manager will monitor these conflicts to ensure that they do no impact on the internal audit service.
- 5.4. The Internal Audit Manager will declare any interests to the HIA for him to monitor.
- 5.5. As the HIA has other operational activities not relating to internal audit, the HIA has delegated the responsibility for agreeing the scope of the audit to the operational manager with the Internal Audit Manager overseeing the work to ensure that it fulfils internal audit requirements. In these audits, the Internal Audit Manager will operate independently from the HIA, and report to the CFO.

### Resourcing Internal Audit

#### In-house Internal Audit Team

- 5.6. The in-house team will be responsible for
- Conducting internal audits and follow-up reviews;
  - Monitoring any internal audit contracts and liaising with partners;
  - Monitoring and reporting on the progress of management actions (recommendations) to ICB and Audit Panel;
  - Assisting the HIA in the annual audit planning process;
  - Providing management information as requested;
  - Assisting the HIA in preparing the annual assurance report; and
  - General management of the internal audit function.

#### Internal Auditors (Contractors / Outside partners)

- 5.7. The following will support the in-house team to complete the audit plan.
- Mazars – (under the London Borough of Croydon Framework)

#### Head of Internal Audit (HIA)

- 5.8. In addition to the internal audit and A-FACT, the HIA has operational responsibilities within the Council. They are:
- Insurance;
  - Risk Management;
  - Corporate Health & Safety;
  - Procurement; and
  - Strategic Finance, including Treasury and the Pension Fund investments and accounts.
- 5.9. In addition to the above during the early part of 2018/19, the HIA is temporary taking over some of the responsibilities of Executive Director for Resources and Regeneration, while they are acting up as Chief Executive. This includes the role of section 151 officer and overseeing Regeneration and Place service.
- 5.10. Insurance, Corporate Health and Safety, AFACT and Risk Management have a three-year audit cycle. Procurement and Strategic Finance will continue on an annual audit basis.

#### Productive Days

- 5.11. The corporate audit plan for 2018/19 consists of 753 productive days and 56 reviews. It is broken down as follows
- Core Financial Audits (includes follow ups)– 220 days / 17 audits
  - IT Audits – 65 days
  - Contract Type audits – 49 days
  - Grant certification – 5 days
  - General Audits 241 - days
  - Follow up – 14 days
  - Management review – 100, and
  - 59 days contingency.
- 5.12. In addition the schools' plan for 2018/19 consists of 148 days.
- 5.13. The HIA will ensure that there are enough resources and qualified staff to provide the annual opinion on the control environment of the Council. Where the HIA believes that there are insufficient resources, they will bring this to the attention of the Section 151 officer and the Audit Panel, and a qualification to the annual assurance report may be required.

#### Anti-Fraud and Corruption Team (A-FACT)

- 5.14. The team is made up of five full time permanent staff supported by agency staff where required. The team's main areas of work are Housing investigations, Special Investigations and fraud awareness training.
- 5.15. In addition, AFACT are the main point of contact for the National Fraud Initiative (NFI) that is run every two years by the Cabinet Office (previously overseen by the Audit Commission).

### Types of Audit Reports

#### Quarterly and Other Annual Reports

- 5.16. Internal audit reports to ICB and the Audit Panel on a quarterly basis.
- 5.17. Annually, internal audit reports to the Schools' Forum on the schools' audit plan and control issues found during the year.

#### Annual Assurance Report

- 5.18. The HIA issues an annual assurance report to the Audit Panel. This informs the Annual Governance Statement (AGS) which incorporates the Statement of Internal Control. The HIA annual assurance report includes:
- An opinion on the overall adequacy and effectiveness of the Council's control environment;
  - Any qualifications to the opinion;
  - Summary of audit work completed that helped form the opinion;
  - Summary of reliance placed on the work by other assurance bodies;
  - Confirmation on compliance with the PSIAS (including role of HIA if applicable); and
  - Internal Audit's quality assurance and improvement plan.

#### Individual Audit Reports

- 5.19. For each individual review, (whether assurance or consultancy), management receive a report with the following information.
- Audit opinion of the controls in place (for assurance reviews only);
  - Executive Summary;
  - Agreed ToR, including any changes to the original scope;
  - Auditor findings;
  - Recommendations made (ranked high, medium or low) and
  - Management comments, including the expected date of implementation of recommendations and officer responsible for implementing them.

### Types of Work Conducted

#### Assurance Review

- 5.20. An Assurance review is an objective assessment that provides an opinion on the effectiveness of the controls in place. In addition, internal auditors will recommend actions to management on how to improve controls in their area.
- 5.21. Internal audit follows-up on any audits Limited, No Assurance or Consultancy review within six months of the final report.
- 5.22. For Assurance reviews, internal audit report by exception, which means the report only contains detail those areas where controls need to be improved. This type of review should form the majority of the work in the internal audit plan.

#### Consultancy Review

- 5.23. A consultancy review is an advisory review that intends to add value and improve the Council's governance, risk management and controls processes. Management agree the scope of the review. Internal audit does not provide an opinion on the effectiveness of the controls in place but does provide recommendations to management to improve the processes and/or controls. Internal audit follows-up on any audits with High or Medium recommendations made, six months from the final report.
- 5.24. Consultancy reviews make up a small part of the audit plan. Where the plan is made up of significant consultancy work, the Audit Panel would need to approve the request before the work is committed to.

#### Advice

- 5.25. It is not always appropriate to conduct an assurance or consultancy review when management just require help and advice. Where internal audit provides advice to management or attends a project meeting to give advice, management will receive an

informal memo detailing any advice or recommendations made. An opinion is not provided in these memos and any recommendations made to management are not monitored or followed-up by internal audit.

- 5.26. Where an auditor has provided significant advice to management, they will be prevented from auditing that area for the next 12 months (or longer if applicable), so that internal audit independence and objectivity is retained.

### Grant Claims

- 5.27. Central Government Bodies sometime require internal audit to certify a grant claim. In these instances, internal audit will confirm if management have met the qualifying criteria of the grant. A memo type report is issued to management certifying the grant where needed. Any recommendations to management are not normally monitored or followed-up by internal audit.

### Authorisation and Management Responsibilities

#### Authorisation

- 5.28. Both the HIA and the Internal Audit Manager have unrestricted access to the:
- Chief Executive Officer;
  - Executive Director of Resources and Regeneration (Section 151 officer/ CFO); and
  - The Chair of the Audit Panel.
- 5.29. The CFO has given authorisation to all Internal Auditors (both in-house and contractor) and A-FACT staff to:
- Enter Council premises at all reasonable times;
  - Have access to and remove as necessary Council records (paper or electronic);
  - Require explanations from Council officers as necessary; and
  - Require any person holding Council property to produce it for examination.

#### Responsibility of Management

- 5.30. Management are responsible for the control environment. They also have a responsibility to assist internal audit in the audit process to ensure it runs as smoothly as possible. They should ensure that they:
- Respond to any requests for information promptly;
  - Do not cancel meetings with auditors unnecessarily;
  - Query any findings or recommendations prior to the finalisation of the audit.
  - Update the progress of implementation of their recommendations when required.

Management may be required to attend the Audit Panel to explain to members if they do not comply with any of these requirements.

## 6. Professional Codes of Conduct and Whistleblowing.

- 6.1. Internal Auditors (both in-house and contractors) must adhere to their professional bodies codes of conduct. In addition, they should adopt the CIIA Code of Ethics, and Seven Principles of Public Life.

### IIA Code of Ethics

- 6.2. The CIIA Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing.

Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity - Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.



Competency - Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

### Seven Principles of Public life

- 6.3. The 'seven principles of public life' apply to anyone who holds a public office or works in the public sector. Internal auditors have adopted these principles in addition to adhering to internal code of conduct. They are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

### Role of Head of Internal Audit

- 6.4. CIPFA issued the statement on the role of the Head of Internal Audit in December 2010. Although not a mandatory like the PSIAS, the statement provides the framework to ensure that the HIA role is up to the required standard to run the statutory internal audit function. The framework consists of five principles. The Role of the HIA is reviewed annually and is reported in the Annual Assurance Report. The main principals are:

Principle 1 – Championing best practice in governance,

Principle 2 – Objectivity,

Principle 3 – Governance,

Principle 4 – Leadership, and

Principle 5 – Qualification and Experience.

### Whistleblowing Policy

- 6.5. The Whistleblowing policy (see link below) is overseen by Legal, but any fraud or concerns about fraud can also be reported to A-FACT.

### Whistleblowing Policy

<http://www.lewisham.gov.uk/mayorandcouncil/Complaints-and-feedback/Documents/WHISTLEBLOWING%20POLICY%20OCTOBER%202015.pdf>

### How to report fraud

Telephone 24hr: 0800 0850 119

Email: [reportfraud@lewisham.gov.uk](mailto:reportfraud@lewisham.gov.uk)

Website detailing the types of fraud the A-FACT can investigate:

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/Pages/Report-fraud.aspx>

## 7. Approval and Contacts

### 7.1. Main Contacts for Internal Audit and A-FACT

Head of Internal Audit (Head of Corporate Resources) – [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

Internal Audit Manager – [julie.hetherington@lewisham.gov.uk](mailto:julie.hetherington@lewisham.gov.uk)

A-FACT Manager – [carol.owen@lewisham.gov.uk](mailto:carol.owen@lewisham.gov.uk)

### 7.2. Charter Approved by Audit Panel on : July 18(TBC)

### 7.3. Next Review : March 2019



## **Corporate Internal Control Board**

### **Membership**

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources & Regeneration
- Executive Director for Children & Young Persons
- Executive Director for Community Services
- Executive Director to Customer Services
- Head of Law
- Group Manager Insurance & Risk
- Head of Corporate Resources (for monitoring and control)

### **Terms of Reference**

1. To identify and manage key strategic risks that could prevent the Council from meeting its objectives
2. To link risks to the corporate priorities and assess the likely impact and consequences of those risks
3. To allocate responsibilities for controlling identified risks
4. To complete the Corporate Risk Register, reviewing and monitoring this on a quarterly basis
5. To receive and review quarterly reports from the Risk Management Working Party (RMWP)
6. To receive regular reports on Internal Control within the Authority
7. To ensure a corporate approach to the management of risk, health and safety and emergency planning
8. To approve the Risk Management Policy and Risk Management Strategy
9. To support the risk management reporting and review framework, detailed in the Risk Management Strategy
10. To oversee the annual review of the System of Internal Control and Annual Governance Statement

<b>AUDIT PANEL</b>		
<b>Report Title</b>	Internal audit report for the School Forum for 2017-18	
<b>Key Decision</b>	No	Item No. 5
<b>Ward</b>	All	
<b>Contributors</b>	Head of Corporate Resources	
<b>Class</b>	Part 1	Date: 11 June 2018

**1. Purpose of this report**

- 1.1. This report presents the Schools' Forum with a summary of the 2017-18 (fiscal year) internal audit work in schools.

**2. Recommendations**

- 2.1. That the Schools' Forum note the report.

**3. Background**

- 3.1. All schools maintained by the Council currently have an internal audit every three years. Members' agree the schools' audit plan around February / March for the following fiscal year (April to March). The Royal Borough of Greenwich, along with the new in-house team conducted the audits during 2017-18.
- 3.2. Internal audit use the same scope for testing at each school. The scope covers nine high-risk (non-teaching) areas which include; Procurement (purchasing), Governance, Asset Management, Banking, Budget Monitoring, Income, Recruitment, Payroll, and Data Security.
- 3.3. Internal audit assesses the controls in these risk areas and provides an opinion on the effectiveness of them to Governors, School Senior Management, and Senior Management at Lewisham Council. The overall assurance opinion categories are Substantial, Satisfactory, Limited and No Assurance.
- 3.4. Where appropriate, internal audit will make recommendations to help management improve these controls to minimise the risks. Recommendations are ranked using three levels, High, Medium and Low.
- 3.5. At the time of writing this report, one school report was still at draft. However, they are included in the report as if they are finalised as the content and assurance opinion is not unlikely to change significantly.

#### 4. Audit assurance opinion

4.1. In 2017-18, 27 schools had an internal audit review. These are listed in Appendix 1. This is the first year where no 'Limited' or 'No Assurance' opinion assurance reports were issued.

- No Assurance - None
- Limited - None
- Satisfactory – 10 (including the one at draft stage)
- Substantial – 17

The definitions of the assurance opinions and the categories of the recommendation are in Appendix 2.

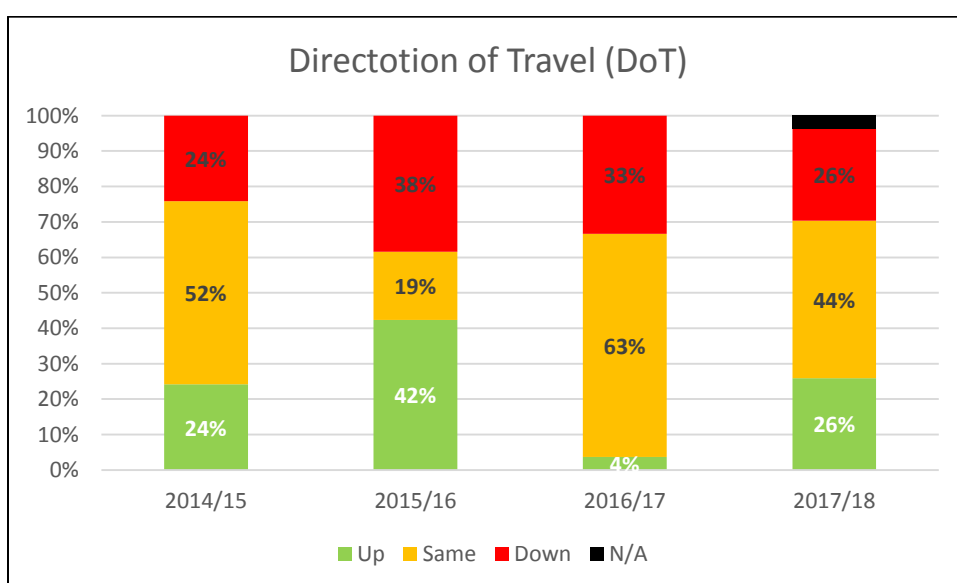
4.2. The overall assurance opinion for the year for all the schools' is Satisfactory. This is consistent with previous years. Councillors are informed of this opinion in the annual assurance report to be presented to them at the July 2018 Audit Panel meeting. The annual assurance report feeds into the Annual Governance Statement (AGS), which forms part of the Council's financial accounts.

4.3. A list of the schools that had an audit can be found in Appendix 1. It details the audit opinion, number of recommendations made, and the date of the final report (where applicable).

#### 5. Direction of travel

5.1. In addition to providing an assurance opinion, internal audit also notes the direction of travel for each school. It compares the audit assurance opinion from the last audit (normally three years earlier) to the current assurance opinion.

5.2. The graph below (graph 1) show the direction of travel for schools for the last four years.



Graph 1

5.3. It shows that for 2017-18:

- 26% of audits have a lower audit opinion than last audit.
- 44% of audits have the same audit opinion,
- 26% of audits had an improved audit opinion, and
- 4% was not applicable. This means they had not been audited previously (in this case, an infant and junior merged into one school).

5.4. It should be noted however, that having a lower opinion, does not necessarily mean they have a negative opinion. They could have moved from Substantial to Satisfactory, which are both positive opinions.

5.5. Equally, those schools' whose opinion remained the same, could mean the school continues to have a negative opinion (although not in this year as there were no limited or no assurance opinions issued).

## 6. Follow-up reviews

6.1. Where a school has had a negative assurance opinion, (Limited or No Assurance), internal audit will conduct a formal follow-up review, normally nine months after the final report. This allows time for the agreed actions to be implemented and assessed.

6.2. The auditor will review the status of all the agreed High and Medium recommendations made. A brief report is provided to Senior Management at the school, Chair of Governors, and relevant Senior Management at the Council. These follow-up reviews are in addition to any updates provided by the school to the CYP Directorate.

6.3. For 2017-18, the school that had negative opinions in 2016-17 had their follow up reviews done in January 2018. The status of the recommendations at the time of the follow-up are set out in the table below.

Audit Followed – Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Not Implem-ented	Total
Turnham Primary	No Assurance	04/07/17	22/01/18	9	18	6	33

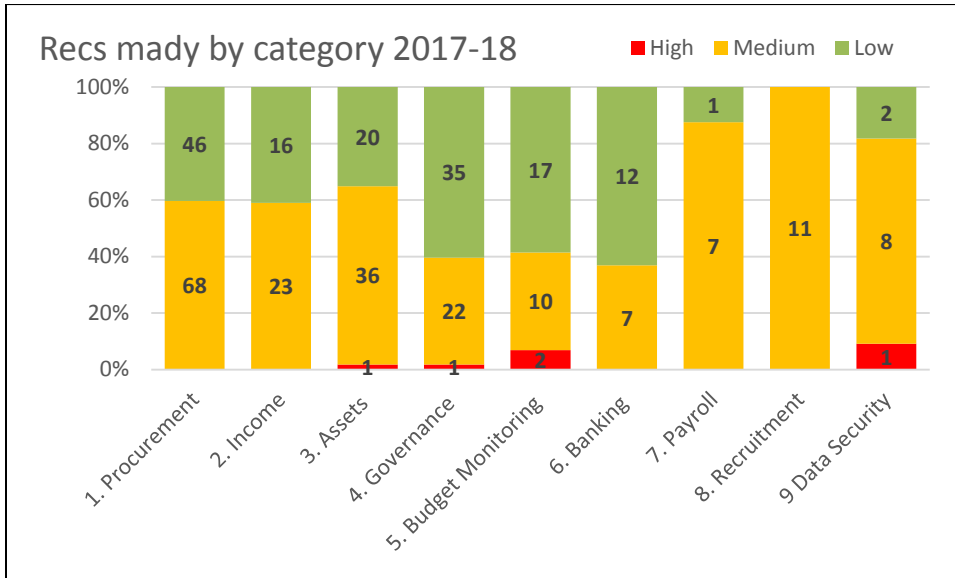
## 7. Recommendations and Audit Opinions by Risk Headings.

7.1. The auditor will make recommendations where improvements to controls are required. These are categorised as High, Medium and Low.

7.2. The graph below (graph 2), shows the percentage of recommendations made during 17-18, by risk heading and category of recommendation. A definition of the categories can be found at appendix 2.

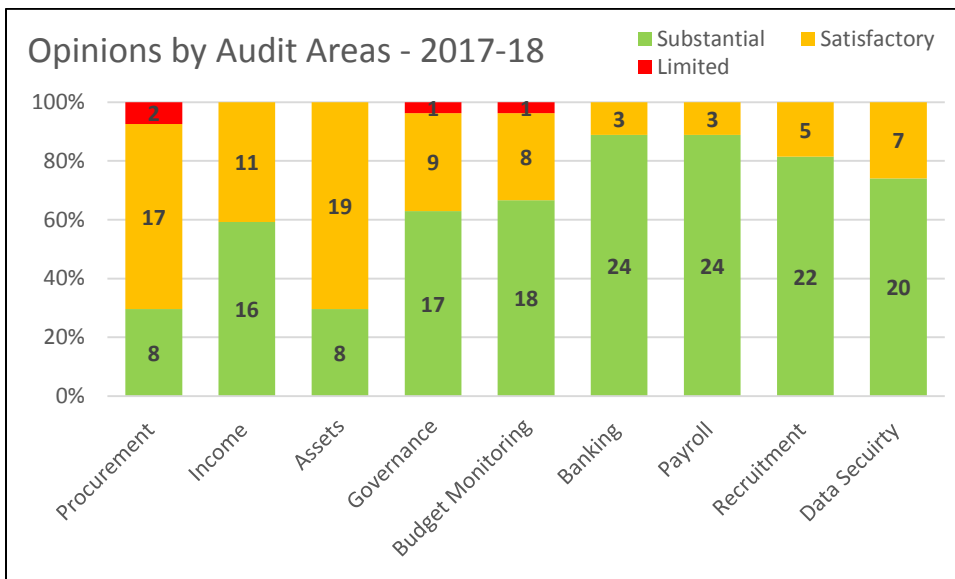
7.3. The graph shows that high recommendations were made in respect of controls for Assets, Governance, Budget Monitoring and Data Security.

7.4. The top four areas where the majority of Medium recommendations were made were in regarding Procurement, Income, Assets and Governance controls.



Graph 2

7.5. In addition to the overall assurance opinion, an assurance opinion on the individual risk areas are also provided. This gives the stakeholders a more detailed look at what areas they need to concentrate their resources to improve controls. Please see the graph below, (graph 3).



Graph 3

7.6. Here you can see that the risk areas where the negative opinions were given in Procurement, Governance and Budget Monitoring.

7.7. The main areas where the most recommendations are made, (including low), are in Procurement, Governance, and Assets.

7.8. The main findings in Procurement are:

- Non-compliance with the procurement levels set by the Council, EU regulations and the school's own procurement levels.

- Purchase Orders (PO) not being raised (and therefore commitment to spend not approved).
- POs not completed prior to purchasing the goods or receiving the invoice.
- Lack of separation of duties in the procurement process.
- IR35 rules around contractor payments are not adhered to (i.e. are they classed as contractors or do they need to be paid via the school's payroll so that correct deductions can be made).
- Purchasing alcohol, gift vouchers, payment to staff social events and leaving / birthday presents out of schools main bank account.

7.9. The main findings in Governance:

- Lack of approval from Governing body for finance policy and / or local scheme of delegation.
- Finance policy not being updated with key changes, or not fit for purpose.
- Register of interest forms not completed by governors or staff with financial responsibility (or staff that can influence spend).
- Voluntary Fund / School Fund not audited and/or presented to governors for approval.

7.10. The main findings for Assets Management:

- Lack of segregation of duties - the officer who maintains the asset register also completes the stock take.
- Asset register not in place or not containing all the appropriate assets.
- Annual stock take not done.
- Write-off policy not in place.
- Write-off of assets not documented or authorised prior to disposal.
- Assets not appropriately security marked.

7.11. The main findings for Budget Monitoring:

- Budgetary forecasting / monitoring not done monthly.
- Incorrect input of agreed budget or revised budget on to the finance system.
- Governors' not approving the budget on time, or minuting their approval
- Virements not approved or authorised over officers limit

## 8. Conclusion

8.1. Overall, although the assurance opinions remain positive for the majority of schools the same types of recommendations continue to be made in a significant proportion of schools in the same areas - governance, assets, budget monitoring and procurement.

8.2. Given the growing financial pressures on schools, any lack of detailed budget monitoring is a concern. This issue increases the risk of school budget failure, that could result in deficit / or lower than expected carried forwards. Due to this, internal audit will categorise recommendations made about budget forecasting from Low to Medium from 2018-19. This may impact on the number of Medium recommendations or opinions given in 2018-19.

Internal audit suggest some points to improve the budget monitoring and therefore reduce the risk of overspend, please see below.

- Perform monthly budget forecasting, and not just relying on the returns sent to the Council twice a year.
- Input the budget for the year on the finance system as agreed by Governors. This includes all income, not just expenditure.
- Not just concentrating on expenditure budgets. While this of course is important, without knowing the income, the school would be at risk of overspending. If income does not come in as expected, then the school is in danger of overspend, even if the expenditure budget appears to be under control.

8.3. Internal audit continues to recommend that the Governors consider including a review of recommendations from internal audit and/or other reports as a regular agenda item. This will enable them to monitor the progress of actions to address recommendations and respond to any issues that may arise.

## **9. Financial implications**

There are no financial implications arising directly from this report.

## **10. Legal implications**

There are no legal implications arising directly from this report.

## **11. Crime and disorder implications**

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

## **12. Equalities implications**

There are no equalities implications arising directly from this report.

## **13. Environmental implications**

There are no environmental implications arising directly from this report.

## **14. Background Papers**

If there are any queries on this report, please contact David Austin, Head of Corporate Resources, on 020 8314 9114, or email him at: [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk) .

Appendix 1 - Schools' audited in 2015/16

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	All Saints Primary School	Substantial	-	3	11	Procurement, Income, Assets, Governance, Budget Monitoring, Banking, Payroll, Recruitment and Data Security.	06/03/18
SCH	Brindishe Lee Primary School	Substantial	-	6	7	As above	30/04/18
SCH	Childeric Primary School	Substantial	-	3	8	As above	24/07/17
SCH	Eliot Bank Primary School	Substantial	-	-	2	As above	20/12/17
SCH	Gordonbrock Primary School	Substantial	-	1	1	As above	09/02/18
SCH	Grinling Gibbons Primary School	Substantial	-	1	1	As above	19/04/18
SCH	Greenvale Special School	Substantial	-	5	10	As above	10/10/17
SCH	Haseltine Primary School	Substantial	-	4	3	As above	28/09/17
SCH	Kelvin Grove Primary School	Substantial	-	8	4	As above	22/11/17
SCH	New Woodlands Special School	Substantial	-	3	2	As above	19/04/18
SCH	Perrymount Primary School	Substantial	-	7	6	As above	12/09/17
SCH	St Bartholomew's CE Primary School	Substantial	-	5	3	As above	19/04/18
SCH	Sir Francis Drake Primary School	Substantial	-	9	6	As above	22/05/18
SCH	St John the Baptist	Substantial	-	5	3	As above	19/10/17



Appendix 1 - Schools' audited in 2015/16

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	St George's C of E Primary School	Substantial	-	1	2	As above	08/03/18
SCH	St William of York Primary School	Substantial	-	6	1	As above	07/03/18
SCH	St Winifred's Catholic Primary School	Substantial	-	4	1	As above	02/05/18
SCH	Baring Primary School (Draft)	Satisfactory	3	12	3	As above	DRAFT
SCH	Beecroft Garden Primary School	Satisfactory	-	16	4	As above	14/05/18
SCH	Brent Knoll School	Satisfactory	-	15	10	As above	25/01/18
SCH	Coopers Lane Primary School	Satisfactory	-	10	9	As above	14/03/18
SCH	Downderry Primary School	Satisfactory	-	9	7	As above	26/07/17
SCH	Elfrida Primary School	Satisfactory	-	12	6	As above	06/03/18
SCH	Holy Trinity CE Primary School	Satisfactory	-	9	11	As above	06/12/17
SCH	John Ball Primary School	Satisfactory	-	9	9	As above	26/09/17
SCH	St James Hatcham CE Primary School	Satisfactory	-	18	10	As above	01/05/18
SCH	St Saviour's RC Primary School	Satisfactory	-	12	10	As above	19/12/17

Appendix 7 – Annual Schools’ Forum Report for 17/18.

Level	Definition
Substantial Assurance ★	A strong framework of controls is in place to ensure that the service area is more likely to meet their objectives. In addition, the controls in place are continuously applied or with only minor lapses.
Satisfactory Assurance ●	A sufficient framework of controls is in place, but could be stronger to improve the likelihood of the service area achieving its objectives. In addition, the controls in place are regularly applied, but with some lapses.
Limited Assurance ▲	There are limited or no key controls in place. This increases the likelihood of the service area not achieving its objectives. Where key do controls exist, they are not regularly applied.
No Assurance ■	There is no framework of key controls in place. This substantially increases the likelihood that the service area will not achieve its objectives. Where key controls do exist, they are not applied.

Definitions of Category of recommendations.

<b>High</b>	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
<b>Medium</b>	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
<b>Low</b>	Implementation of this recommendation would enhance control or improve operational efficiency.