



AGENDA AUDIT PANEL

Date: WEDNESDAY, 22 DECEMBER 2010 at 7.00 pm

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

Enquiries to: Evelyn Akoto
Telephone: 0208 314 9678 (direct line)

COUNCILLORS

Councillor Michael Harris
Councillor Philip Peake
Councillor Kevin Bonavia
Councillor Jenni Clutten
Councillor Jim Mallory
Councillor Alan Till

Independent Members

Chair
Vice-Chair

Richard King
David Webb

Members are summoned to attend this meeting

Barry Quirk
Chief Executive
Lewisham Town Hall Catford
London SE6 4RU
Date: 14 December 2010



INVESTOR IN PEOPLE

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

ORDER OF BUSINESS – PART 1 AGENDA

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LONDON BOROUGH OF LEWISHAM

NOTES of an inquorate meeting of the AUDIT PANEL, which was open to the press and public, held on TUESDAY 21 SEPTEMBER 2010 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

Present

Councillors Harris, and Peake and Mr.Webb.

Audit Commission

Sue Exton (District Auditor), Geoffrey Banister (Audit Manager), and Jayne Rhodes (Team Leader).

Officers

Janet Senior	Executive Director for Resources
David Austin	Interim Audit and Risk Manager
Steve Mace	Finance Shared Services Manager
Richard Lambeth	Group Finance Manager – Accounting Services
John Johnstone	Principal Accountant - Closing

Apologies for absence were received from Councillor Bonavia, and Mr King.

<u>Minute No.</u>		<u>Action</u>
1	<u>MINUTES</u> (page As the meeting was not quorate the minutes would be resubmitted for approval at the next scheduled meeting.	
2	<u>DECLARATIONS OF INTERESTS</u> (page There were no declarations of interest.	
3	<u>DISTRICT AUDITOR'S ANNUAL GOVERNANCE REPORT ON THE 2009/10 ACCOUNTS</u> (page The progress report was presented by Sue Exton (District Auditor) who highlighted the adjustments to the financial statements, and the key messages within the report. She confirmed the Audit Commission proposed to issue an unqualified audit opinion and an unqualified Value for Money conclusion. She identified two outstanding issues relating to the Cash Flow Statement and to receipts in advance and indicated all the other issues raised in her report had been resolved. She anticipated the Audit of the Accounts would be completed by the statutory	

deadline of 30 September.

Jayne Rhodes explained the Audit Commission had identified three significant risks. The first was IFRIC 12 involving four of the Council's PFI schemes and a material error of £83m linked to out of date valuations. The second was the Lewisham Homes pension indemnity and incorrect disclosures of debtors and income in the group accounts. The third was in the accounting for Large Scale Voluntary Transfers with £17m of impairment in the Lee Housing Stock Transfer being incorrectly treated as a loss on disposal.

Geoffrey Banister stated a separate report on the governance of the Pension Fund had again been commissioned this year, owing to the Fund being a separate entity. An unqualified audit opinion had been issued. He pointed out a number of non material errors had been corrected subsequent to the Council meeting held in June.

The Finance Shared Services Manager accepted that technical adjustments needed to be made to the Accounts. He believed that while the external auditors report tended to focus on errors, it did confirm the day to day accounting practices of the Council were very solid and the financial information provided was of good quality.

The Chair sought clarification on the risk of possible charges to the Housing Revenue Account arising from the treatment of Lewisham Homes Pension Fund Indemnity.

The Executive Director for Resources said she would strongly resist such a technical change impacting on the Housing Revenue Account. She had consulted colleagues in other local authorities on the issue and they had confirmed they agreed with her interpretation that this mismatch in the group accounts should not be allowed to negatively alter the Housing Revenue Account.

The Chair asked to be updated on moves to ensure IFRS compatibility. The Group Finance Manager for Accounting Services said roughly 20% of the requirements had been implemented in 2009/10 as required and the remainder would be introduced with the next set of Accounts. The Chair queried if implementing the bulk of changes required in the second year would lead to delays. The Group Finance Manager stated a Project Plan was in place which would deliver fully the new requirements within the recommended timescale. The Chair pointed out the Plan could be undermined by having to prioritise

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Action

further work that might be necessary relating to additional budget savings. The Executive Director for Resources responded by saying the work would be reviewed with the Audit Commission and she promised she

would ensure the Action Plan would be considered by the Audit Panel.

The Chair asked if any particular directorate was contributing to delays in closing the accounts and was assured there was no particular pattern to the delays.

The Chair noted the LSVT Lee Stock Transfer accounting error had occurred in more than 1 year's accounts. The Finance Shared Services Manager explained the background to the entire process and why it had not been possible to prioritise rectification of this error.

Mr Webb asked the Audit Commission to explain their Materiality Calculation. Jayne Rhodes said materiality was 1% of gross expenditure and triviality was 1% of materiality.

4 APPROVAL OF THE 2009/10 AUDITED STATEMENT OF ACCOUNTS

This could not be undertaken by the inquorate meeting.

5. INTERNAL AUDIT UPDATE REPORT (page

The Interim Audit and Risk Manager presented the report. He invited Alan Docksey, the Head of Resources Children & Young People, to explain the items from his directorate which still appeared on the summary lists of outstanding high and medium audit recommendations.

Mr Docksey reported on each as follows:

- (i) Family Support and Intervention - these had been reduced to 3, as two had been completed since the report was written. The other three all had resource implications.
- (ii) Fair Playbuilder Programme - the government had suspended the programme so there were no live projects.
- (iii) Education Business Partnership - further details were required before a report could be made.
- (iv) Estate Management - all 3 had now been completed.

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(v) Fostering overpayments - 1 outstanding audit would be completed soon.

(vi) Integrated Children System - this had a difficult history and further investigation was necessary.

The Chair raised concerns about the Community Services items. He was told a new manager had just been appointed and he would be addressing the deficiencies.

The Chair asked for realistic implementation dates to be set for each item and was assured by the Executive Director for Resources this would be done.

The Chair raised the issue of sub-letting and reported on the differing views expressed at the Housing Select Committee. He asked for a report to be considered at the next Audit Panel on the issue which was to include the views of all involved agencies and with other neighbouring local authorities.

The meeting ended at 8.26 p.m.

Chair

AUDIT PANEL		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 22 December 2010

Declaration of interests

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

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party) where they hold a position of general management or control,

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter .

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

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

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub-committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

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Annual Audit Letter

London Borough of Lewisham

Audit 2009/10

DRAFT

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 4 to 6); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 10).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Audit opinion and financial statements

1 I issued unqualified opinions on the Council's financial statements and on the Pension Fund accounts on 30 September 2010. I also issued an assurance statement on the Council's Whole of Government Accounts submission to the Communities and Local Government on 12 November 2010. The deadline of 1 October 2010 was therefore missed, although the submission was one week earlier than last year. The number of errors in the draft submission contributed to the delay.

2 The Council submitted its draft accounts to audit by the deadline of 30 June 2010. However the accounts were not fully supported by working papers at the start of the audit and there were some delays in supplying the outstanding information. This contributed to the slow progress of the audit, the number of audit queries and the errors identified but did not prevent me completing the audit on time.

3 I reported the significant issues arising from my audit of the Council's financial statements and my audit of the Council's Pension Fund to the Audit Panel on 21 September 2010 in my Annual Governance Reports. The reports highlighted a number of material errors that the Council agreed to adjust within the financial statements.

Value for money

4 I issued an unqualified value for money conclusion on 30 September 2010 stating the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Certificate

5 As there are no legal matters or objections outstanding and no matters have been brought to my attention requiring me to consider exercising my formal statutory powers, I have issued a certificate to formally close the 2009/10 audit.

Audit fees

6 Appendix 1 shows the fees charged for the audit of the financial statements, the pension fund audit and the use of resources assessment.

Current and future challenges

7 Following the recent Comprehensive Spending Review (CSR) it is clear that maintaining good governance and strong financial management will continue to be essential for the Council in the future as central government funding is reduced. The reduction in funding and the forecast increase in demand for services such as social care will pose a significant challenge for all councils.

8 Financial planning to achieve the required savings in the current and subsequent years will continue to be challenging for the Council. The Council should continue to review the resilience of its medium term financial strategies as more information becomes available from the Government spending reviews.

9 The Council is required to produce International Financial Reporting Standard (IFRS) compliant accounts in 2010/11. This is a large amount of work for the Council and I will continue to liaise with the Council about its arrangements and preparedness for making the transition to reporting under IFRS. During 2009/10 the Council has made progress against its IFRS implementation project plan in such areas as PFI, employee benefits, and aspects of non current assets.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I gave unqualified opinions on the Council's 2009/10 financial statements including the Pension Fund on 30 September 2010, within the statutory target date.

Overall conclusion from the audit

10 I issued unqualified opinions on the Council's financial statements and the Pension Fund accounts on 30 September 2010. I presented my Annual Governance Reports to the 21 September 2010 Audit Panel and the 23 September 2010 Council meeting highlighting the material errors I had identified and that management had agreed to adjust.

11 In planning my audit I identified specific risks and areas of judgement that I considered as part of my audit and reported to the Audit Panel in June 2010.

Table 1: **Planning risks identified and results from my audit**

Issue or risk identified in June 2010	Finding from my audit
<p data-bbox="164 1525 1378 1597">International Financial Reporting Interpretations Committee (IFRIC) 12 - accounting for service concession arrangements.</p> <p data-bbox="164 1621 804 1968">The accounting requirements for Private Finance Initiative (PFI) schemes and similar contracts are no longer based on UK accounting standards but on International Financial Reporting Standards (IFRS), specifically IFRIC 12 Service Concession Arrangements. It is expected that under IFRIC 12, PFI schemes and similar contracts will be required to be recognised on-balance sheet.</p>	<p data-bbox="831 1621 1463 1850">Four of the Council's PFI schemes fell within the scope of IFRIC12 and had been accounted for accordingly. However the values of the PFI assets in the draft accounts were not based on the most up to date valuations and a correction of £83 million was required.</p>

Lewisham Homes pension indemnity

In 2008/09, the Council's and Lewisham Homes' differing interpretations of the Council's letter of indemnity in respect of pension costs led to a £2 million imbalance in the Council's group accounts.

The Council worked constructively with my audit team in dealing with this complex issue. The finance team split the estimated liability of £20million into pre transfer (relating to the Council) and post transfer service (relating to Lewisham Homes) resulting in a £18.5million adjustment to the pension reserve in the draft accounts. The Council is liaising with the Chartered Institute of Public Finance and Accountancy (CIPFA) to find a permanent solution to this matter.

Accounting for Large Scale Voluntary Transfers (LSVTs)

In the 2008/09 accounts, £57 million of impairments arising from LSVTs were presented incorrectly as losses on disposal. In addition the LSVT overhanging debt was offset against the loss on disposal of assets, rather than recognised as income. The accounting for LSVTs continues to be a risk area.

Review of the Council's accounting treatment for the Lee housing stock transfer in October 2009 identified that £17 million of impairments had been incorrectly treated as a loss on disposal.

12 I received the Council's financial statements for audit on 24 June 2010, in line with the agreed timetable. Although the financial statements were complete they were not adequately supported by working papers on a timely basis.

13 I also noted that the Council did not fully utilise the working paper checklist supplied by my audit team. Using the checklist helps working paper files to be compiled whilst preparing the draft financial statements and ensures all key areas are covered.

14 The weaknesses in supporting information and audit trails meant that my audit team had to raise a large number of audit queries. Although I believe officers responded to queries as quickly as possible, this led to significant slippage in the audit programme.

15 The pension fund accounts submitted for audit were not fully complete as adjustments were made by officers to these accounts. A new set of financial statements was provided on 14 July 2010.

16 These issues have been discussed with the Executive Director of Resources and her officers within the finance team. During the course of the audit, my audit team worked with your officers to resolve the issues and agreed a revised audit timetable. Moving forward, the Executive Director of Resources and I have agreed to work together to identify the underlying

issues which have lead to the delays this year, and to strengthen the arrangements to aid timely completion of the audit next year.

Recommendations

- R1** Review arrangements for the timely production of financial statements, working papers and dealing with audit queries.
 - R2** Include appropriate quality control procedures in the final accounts closedown process.
-

Whole of Government Accounts Return

17 As in previous years, the Whole of Government Accounts audit has not gone as smoothly as I would have liked with the Council being late in preparing their submission, the return being incomplete with many errors found and consequently the 1 October 2010 deadline was missed. I issued an assurance statement on the Council's Whole of Government Accounts submission to the Communities and Local Government on 12 November 2010, one week earlier than in 2009.

Recommendation

- R3** Ensure that the Council has robust arrangements in place to produce a timely, accurate and complete Whole of Government Accounts return.
-

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

18 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on the Comprehensive Area Assessment (CAA) would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

19 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

20 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

21 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

22 This is a summary of my findings.

Table 2: Value For Money conclusion

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good Governance	Yes
Risk management and internal control	Yes
Managing resources	
Strategic asset management	Yes
Workforce	Yes

23 I issued an unqualified conclusion on 30 September 2010 stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

24 Given the performance of the Council in the previous year, my approach to this year's assessment was mainly to focus on the changes from my 2008/09 assessment and consider the new KLOE on workforce. I carried out my review in the spring of 2010 before CAA was abolished.

25 This year I concluded the Council has continued to display strong evidence of value for money outcomes across its services. My key messages are set out below.

Managing finances

26 The Council continues to manage its finances to deliver value for money for residents. For example the Council:

- can demonstrate that financial planning is integrated with service and strategic planning on a medium- to long-term basis;
- has excellent community engagement arrangements in place and can demonstrate how it takes account of feedback from the public in its priorities;
- has maintained and developed its Performance Plus electronic performance management system, continuing to effectively compare its performance against its nearest neighbours and nationally; and

- produces good quality financial reporting information for budget holders, senior managers and members which allows them to appraise themselves of the costs/benefits associated with different options.

Governing the business

27 I concluded the Council successfully commission services that provide value for money and deliver better outcomes for the people of Lewisham.

For example the Council:

- continues to have a clear vision of the outcomes it seeks to achieve to deliver best value for local people, including improving the quality of life, based on an ongoing assessment of need through the procurement strategy;
- has comprehensive data quality processes in place. The council has continued to implement an effective process for recording and reporting data and ensures that it is reliable;
- works well with its partners to ensure a shared understanding of the collective responsibility for robust quality assurance and validation of data;
- has strong governance arrangements in place, such as a development and training programme for members, and is able to demonstrate that these have led to a wide range of positive outcomes; and
- has effective risk management systems which are well integrated across the whole of the council and includes partnership working.

Managing resources

28 The council has a strong strategic approach to asset management which is based on an analysis of longer term needs to deliver its strategic priorities and services. For example the Council has purchased the Catford Centre Complex opening the potential for regeneration of the area.

29 This year for the first time, I also reviewed how the Council manages its staff to meet current and future needs and deliver value for money. I found that the Council has:

- delivered excellent outcomes on its plans to organise and develop its workforce, and this has contributed to achievements against many of its strategic priorities. This is evidenced from the excellent results from its most recent staff survey and the 2009 Residents Survey; and feedback and evaluation from staff and management training or development programmes;
- a workforce that broadly reflects the diversity of the local community; and
- developed an effective link between staff development and the improving satisfaction of its residents. The Council's 2009 Annual Residents Survey results show that when compared to the last survey in 2007, a greater proportion of respondents (72 per cent compared to 66 per cent) judge the Council to be doing a good job.

Risk-based performance reviews

30 I carried out a review of a specific area of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. During the year I completed a 'data quality review of partnership activities', which was reported to the June Audit Panel meeting. This provided us with additional assurance over the effectiveness of the Council's use of information.

Data quality review of partnership activities

31 I have reported my detailed findings to the Council in a separate report. In summary, the Council and its partners have an excellent understanding of their individual and collective responsibility for the quality of locally produced data.

32 The Borough Performance Group has helped to raise the profile of the information governance and made significant progress since its inception a year ago. Good practice is shared effectively, with the Borough Performance Group providing a sound platform for improving knowledge management. The group is now reviewing its terms of reference and the scope to further the agenda and develop performance management including the development of a unified information base.

Approach to local value for money work from 2010/11

33 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

34 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

35 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will discuss this with the Council. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

The wider financial outlook continues to be challenging for the public sector.

Financial health

36 Local government has to prepare for a significant reduction to its grant income from central government following the Comprehensive Spending Review (CSR) on 20 October 2010 and the formula grant settlement in December 2010.

37 The wider financial outlook locally and nationally continues to be challenging for the public sector in the short to medium term. The Council has a good history of managing its budgets and the Council has initiated a broad review programme to consider how it operates, to identify possible savings.

38 The Council has developed a multi year comprehensive budget strategy which estimates the need to deliver £60 million of savings over the period. Initial proposals were presented to Mayor and cabinet on 17 November 2010 as the first tranche of savings.

International Financial Reporting Standard

39 Local authorities will prepare their Statements of Accounts under the new International Financial Reporting Standard (IFRS) based Code of Practice on Local Authority Accounting from 2010/11. The move to IFRS does not mean wholesale change, but where changes do occur; a significant amount of work is needed to assess the impact on the accounts. Much of that work needs doing now as the 2009/10 accounts will need to be restated to provide the prior year balances in the 2010/11 accounts.

40 Our experience in other sectors has shown that despite an apparent long lead time, it is important for the Council retains its focus and plans for early completion of this work. There is still much work to do especially around International Financial Reporting Interpretations Committee 4 (IFRIC 4), determining whether an arrangement contains a lease and restating the 2009/10 accounts. I will ensure that my team keep an open and helpful relationship with the Finance Team to review early accounting views where required and share good practice from other councils.

Recommendation

R4 The Council should review its financial information to ensure it can meet the reporting requirements for the introduction of International Financial Reporting Standard.

The abolition of the Audit Commission

41 You may have seen the announcement on 13 August by the Secretary of State for Communities and Local Government about the proposed abolition of the Audit Commission. The proposed abolition will be from 2012 and the government has announced its plan to seek legislation in this session of Parliament to effect this.

42 The Audit Commission's Managing Director Local Government & Community Safety has written to the Chief Executive to confirm there is no immediate change to the audit arrangements for the Council.

43 The Audit Commission is in discussion with the Department of Communities and Local Government about the proposed legislation and the details that will need to be worked through. I will keep the Council informed about the future audit programme and any changes to audit arrangements.

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Closing remarks

I have issued a number of reports during the course of the audit. The Council has taken a positive and helpful approach to my audit.

44 I have discussed and agreed this letter with the Chief Executive and the Executive Director of Resources. I will present this letter at the Audit Panel on 2 December 2010.

45 Full detailed findings, conclusions and recommendations in the areas covered by my audit were included in the reports I issued to the Council during the year.

Table 3: **Audit reports issued**

Report	Date issued (main audit)	Date issued (Pension Fund audit)
Audit Fee letter	April 2009	April 2009
Certification of claims and returns 2008/09	February 2010	n/a
Audit Opinion Plan	June 2010	June 2010
Data Quality review of partnerships	May 2010	n/a
Annual Governance Report	September 2010	September 2010
Opinion on the Financial Statements	September 2010	September 2010
Value for Money conclusion	September 2010	September 2010
Opinion on Whole of Government Accounts	November 2010	n/a

46 The Council has taken a positive and helpful approach to my audit. I wish to thank the London Borough of Lewisham staff for their support and cooperation during the audit.

Susan M. Exton
District Auditor
November 2010

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Appendix 1 Audit fees

Table 4 shows that I have charged an extra fee in order to complete the audit of the financial statements, pension fund audit, Whole of Government Accounts return and the value for money conclusion above the fee agreed with the Council.

I have discussed the amount of extra work I have had to carry out in the course of this audit with the Executive Director of Resources. In particular time has been spent dealing with Private Finance Initiative (PFI) schemes valuations, Lewisham Homes pension indemnity, Whole of Government Accounts return and delays around working papers and responding to audit queries.

Table 4: **Audit Fees**

Main audit	Actual £	Proposed
Financial statements and annual governance statement	348,900	333,900
Value for money	113,456	113,456
Total audit fees	£462,356	£447,356

Pension Fund	Actual	Proposed
Financial statements and related notes	35,000	35,000

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and,
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 3 Action Plan

Recommendations

Recommendation 1

Review arrangements for the timely production of financial statements, working papers and dealing with audit queries

Responsibility Richard Lambeth

Priority High

Date 28th February 2011

Comments The Closing of Accounts process is reviewed and updated annually. This will include greater liaison in 2010/11 with the Audit Commission to review the key issues which led to delays in 2009/10 and identify which new and priority areas need to be addressed. These will all be incorporated in detail into the 2010/11 timetable. The working paper requirements will be reviewed and a schedule will be agreed with the Audit Commission. A protocol on dealing with audit queries will also be established.

Recommendation 2

Include appropriate quality control procedures in the final accounts closedown process

Responsibility Richard Lambeth

Priority Medium

Date 31st March 2011

Comments See above response. In addition, the level of management review in key areas will be increased and included in the 2010/11 timetable.

Recommendation 3

Ensure that the Council has robust arrangements in place to produce a timely, accurate and complete Whole of Government Accounts return.

Responsibility John Johnstone

Priority Medium

Date 31st March 2011

Comments The information which is needed for the compilation of the WGA return will be collated during the closing of accounts process and these requirements will be integrated in detail into the closing timetable.

Recommendation 4

The Council should review its financial information to ensure it can meet the reporting requirements for the introduction of International Financial Reporting Standard

Responsibility	Richard Lambeth
Priority	High
Date	Ongoing – 31st March 2011
Comments	The IFRS Project Group is tasked with this responsibility. A project plan and detailed timetable is in place to ensure that the required actions are identified and carried out to meet the statutory deadlines.

DRAFT

AUDIT PANEL		
Report Title	REVIEW OF HALF YEAR FINANCIAL POSITION – 2010/11	
Key Decision	NO	Item No. 4
Ward	ALL	
Contributors	EXECUTIVE DIRECTOR OF RESOURCES	
Class	PART 1	Date: 22 DECEMBER 2010

1. SUMMARY AND PURPOSE

- 1.1. This report presents the overall financial position of the Council at the half way stage of the 2010/11 financial year. It provides information to Audit Panel Members to keep them up to date with the latest financial picture and to better prepare them to scrutinise the full year accounts at year end. It is also recommended by external audit that this review is carried out and is reported to Members.

2. RECOMMENDATIONS

- 2.1. The Audit Panel is asked to note the contents of the report.

3. DIRECTORATE REVENUE MONITORING

- 3.1. Members will recall that there was an underspend of £388k at the end of the 2009/10 financial year on Directorate budgets. This therefore had a minimal effect on the Council's overall General Fund balance, which was £11.511m at the year end. It is important that the revenue position is monitored to ensure that the impact on the overall financial position is kept under review.
- 3.2. Monitoring of the revenue budget is undertaken regularly throughout the year and is reported to the Public Accounts Select Committee and Mayor and Cabinet. Based on the latest monitoring information, there is a projected year-end underspend of £1.618m, after the implementation of management action. The overall summary is shown in Table 1 (over page).

Table 1 – Council-wide projected budget position for 2010/11

DIRECTORATE	2010/11 Controllable Budget (£000)	Projected Year End Outturn (£000)	Projected Year End Variance (£000)
Children & Young People	52,835	52,420	(415)
Community Services	95,795	95,795	0
Customer Services	40,527	40,083	(444)
Regeneration	17,512	17,274	(238)
Resources	31,396	30,875	(521)
Total	238,065	236,447	(1,618)

- 3.3. This is an improvement of nearly £2.5m on the position at the end of June, when there was a projected overspending was £0.720m. Executive Directors are continuing with existing measures to keep the budget in line and are taking all necessary actions to maintain and improve the position. However, the implications of likely redundancy costs also need to be taken into account and these are set out in the following paragraph.
- 3.4. The Council is currently considering revenue budget savings which include Phase 1 savings of £13.7m in 2011/12, resulting in up to 195 posts being deleted. This will result in a substantial redundancy cost which will need to be financed corporately and via the use of directorate resources. The level of these costs will not be fully identified until early in the new financial year. Any savings from the current financial year will be used to meet these costs.

4. DEDICATED SCHOOLS GRANT

- 4.1. The 2010/11 Dedicated Schools Grant (DSG) allocation for Lewisham is £198.4m. Of this amount, £168m has been delegated to schools by way of the funding formula, with the balance of £30.4m being used to fund centrally managed school and pupil related services. The current budget forecast shows a projected overspend of £0.154m, which relates to an increase in the number of reception class children in September.

5. HOUSING REVENUE ACCOUNT

- 5.1. The Housing Revenue Account (HRA) is a ring fenced account in that only expenditure and income in relation to its landlord functions are charged to this account. The net expenditure within the account is expected to be contained within budget.
- 5.2. The latest budget monitoring shows a forecast overspending at the year end of £0.512m. This results mainly from a from a shortfall on energy budgets of

£0.446m, which can be met from reserves set aside specifically for this purpose. The remaining budget pressures are expected to be met from working balances.

- 5.3. The overall variance in the various income streams is relatively small, with a slight increase in former tenant arrears being broadly offset by slight reductions in current tenants arrears.
- 5.4. The management fee payable to Lewisham Homes is expected to be fully drawn down and Lewisham Homes estimate that their budget will break even for 2010/11.

6. CAPITAL PROGRAMME MONITORING

- 6.1. The latest Capital Programme monitoring (Table 2) shows that overall the projects in the Council's capital programme have spent 33% of their forecasts for the year as at the end of September (£24.9m against a forecast of £75.8m). This compares with 30% spend at the same stage of 2009/10. This slight increase results from a higher number of projects being underway compared to the first half of 2009/10. Spend is monitored carefully throughout the year, with particular emphasis on projects over £0.25m, to ensure that significant under/over spends are avoided.

Table 2 – Directorate analysis of capital spend forecasts

DIRECTORATE	Spend at half year (£m)	2010/11 Forecast (£m)	% of 2010/11 forecast spent
Community Services	0.8	2.5	32%
Resources	0.9	2.1	43%
Children & Young People	7.5	21.4	35%
Regeneration	7.2	24.3	30%
Customer Services	5.0	11.7	43%
Directorates' Total	21.4	62.0	35%
Lewisham Homes	3.5	13.8	25%
Grand Total	24.9	75.8	33%

- 6.2. At the end of 2009/10, the Council's fixed assets were valued at £1,995m, as shown in the Statement of Accounts. At the half year stage there is an increase in Fixed Assets of approximately £25m due to capitalisation of spend. However, by the end of the year this figure will have changed due to the impact of the annual depreciation charges, and the valuation, impairment and disposal of fixed assets.

7. TREASURY BORROWING AND INVESTMENTS

- 7.1. The Audit Commission report on Treasury Management entitled Risk and Return recommended authorities to report quarterly on treasury issues. In addition to the reports at the budget setting stage in February and a midyear report in late autumn, brief reports are submitted to Mayor and Cabinet in June and September to fulfil this requirement.
- 7.2. The Treasury Management Strategy Statement (TMSS) for 2010/11 was approved by Council on the 1st March 2010. The Council's Annual Investment Strategy, which is incorporated in the TMSS, established the Council's investment priorities as being security of capital and liquidity.
- 7.3. Investments and borrowing during the first six months of the year have been in line with the TMSS and the Executive Director of Resources continually reviews the strategy in conjunction with the Council's professional treasury advisors Sector.
- 7.4. It is a statutory requirement for the Council to determine and keep under review the "Affordable Borrowing Limits" as determined by Council as part of the budget setting process and outlined in the approved TMSS. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices.

8. DEBTORS

- 8.1. The centralised debtors team is responsible for the collection of debts from the following areas: Community Servicers, Trade Refuse, Transport Trade, Transport Client, Resources, Pest Control, Environment and Children and Young People.
- 8.2. Recovery action is instigated by the team when debts are not paid, and this includes enforcement action as well as reminders. The recovery action taken by the team includes issuing County Court Claims and referring cases to Debt Collection Agents.

Table 3 – Percentage of invoices cleared within 90 days of due date

Percentage of invoices cleared within 90 days of due date	Actual for 2008/09	Target for 2009/10	Actual for 2009/10	Target for 2010/11	Actual for Apr to Jun 2010
By Value	89	92	94	94	92
By Number	86	88	89	89	89

Table 4 – Aged debt analysis

Age of debt	As at end 2007/08 (£000)	As at end 2008/09 (£000)	As at end 2009/10 (£000)	As at end Sep 2010 (£000)
0 – 30 days	6,877	3,390	4,114	2,938
31 – 90 days	831	1,025	691	822
91 – 180 day	674	588	674	566
181 – 365 days	972	1,256	809	1,215
> 365 days	4,106	3,534	3,616	3,494
Total	13,460	9,793	9,904	9,035

9. CREDITORS

9.1 The term creditors relates to the amounts due to be paid to suppliers by the Council. Crucial to this figure is the amount of time the Council takes to pay suppliers. The current target for paying invoices within 30 days of receipt of invoice is 90%. In 2009/10, the actual percentage achieved was 89% (88% in 2008/09).

9.2 The Council also has a target of 10 days for paying Small and Medium size Enterprises (SME's).

9.3 The actual position at the 2010/11 half year stage is as follows

Type of Invoice	Actual 2008/09 %	Actual 2009/10 %	June 2010 %	Sept 2010 %	Av. to date 2010/11 %
30 days (Commercial)	88	89	89	88	88
10 days (SME's)	32	41	32	33	35

10. 2010/11 STATEMENT OF ACCOUNTS

10.1. The Statement of Accounts is produced in accordance with the Statement of Recommended Practice (SORP), developed by CIPFA. From 2010/11 the Council will be required to produce its Statement of Accounts fully in accordance with International Financial Reporting Standards (IFRS). This is being introduced to the public sector to improve consistency and comparability as well as to follow private sector best practice.

10.2. The Council has been planning for and working on these changes for over a year now and a project group has been set up and tasked with the responsibility of implementing the new requirements. A number of changes were introduced for the 2009/10 Accounts concerning the accounting for PFI Schemes and these were successfully implemented. A project plan is in place to ensure that all of the remaining requirements will be implemented in the 2010/11 Accounts.

11. EXTERNAL AUDIT ISSUES

11.1. Annual Governance Report - 2009/10

- 11.1.1. This report was submitted to the Panel's last meeting on 21st September 2010. It contained an Action Plan at Appendix 6 comprising six recommendations.
- 11.1.2. The first two recommendations concern the issue of the timeliness of the production of financial statements, working papers and dealing with audit queries (R1) and the quality control procedures (R2). The Closing of Accounts process will be reviewed carefully in liaison with the Audit Commission to identify and rectify the key areas of concern. The level of management will also be re-assessed.
- 11.1.3. A timetable will be agreed with the Audit Commission to deliver the required working papers to support the financial statements, as per the third recommendation (R3).
- 11.1.4. The recommendation to amend the 2009/10 final accounts (R4) as per Appendix 2 of the report has been actioned. The final accounts have now been published and a copy is available on the Council's website.
- 11.1.5. The recommendation concerning the accounting for housing stock transfers (R5) will be specifically addressed in the closing arrangements.
- 11.1.6. The final recommendation (R6) concerns the Council's readiness for implementing the requirements of IFRS. The Council's response to this is outlined in Section 10 of this report.

11.2. Opinion Audit Report - 2009/10

- 11.2.1. This is a working document from the Audit Commission for officers which draws attention to issues identified during the 2009/10 audit and contains detailed recommendations for further improvements in the Council's financial reporting processes.
- 11.2.2. Although the report has not formerly been issued, officers have accepted the draft recommendations contained in it. A number of the recommendations are immediate and have already been adopted. The ones which require amendments to processes are currently being implemented by officers. The remaining ones are concerned with next year's accounts closure and will be implemented as part of that process.

12. TIMETABLE

- 12.1. The 2010/11 financial year will end on 31 March 2011. The Pre-Audit Statement of Accounts is required to be produced by the end of June 2011 and the Audited Statement of Accounts by the end of September 2011. Both of these Statements will be submitted to the Audit Panel before the deadlines.

12.2. The Audit Commission will again be providing the external audit of the 2010/11 Statement of Accounts.

13. LEGAL IMPLICATIONS

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

14. CRIME AND DISORDER IMPLICATIONS

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

15. ENVIRONMENTAL IMPLICATIONS

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

16. CONCLUSION

16.1. The Council's financial position is continually monitored during the year, and not just at year end. This report summarises much of this in-year monitoring at the half year stage and demonstrates that the controls and checks are in place to ensure that a timely and accurate set of accounts can be produced at year end.

BACKGROUND PAPERS

Short Title of Document	Date	File Location	Contact Officer	Exempt Information
PAC and M & C Reports – Revenue Budget Monitoring, Capital Programme Monitoring	9 & 17 November 2010	1 st Floor, Town Hall	Selwyn Thompson / Jim Ricketts	
2009/10 Statement of Accounts	30 September 2010	1 st Floor, Town Hall	Richard Lambeth	
Treasury Management monitoring reports	October 2010	1 st Floor, Town Hall	Jim Ricketts	

For further information on this report please contact:

Richard Lambeth, Group Finance Manager, Accounting on 020 8314 3797
Steve Mace, Finance Shared Services Manager on 020 8314 6458

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AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Executive Director for Resources	
Class	Part 1	Date: 22 December 2010

1. Purpose of the Report

1.1. This report presents members of the Audit Panel with a summary of:

- Internal Audit's progress against the audit plan
- the performance of the Internal Audit contractor
- implementation of internal control recommendations
- forward plan for the next quarter.

2. Recommendations

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

3. Background

- 3.1. The client side of Internal Audit comprises an Interim Audit and Risk Manager and an Internal Audit Contract Manager.
- 3.2. They contract and supervise the Council's internal audit service provided by RSM Tenon, the contractor. The RSM Tenon contract runs until 31 March 2011 and a re-tendering process is underway.
- 3.3. The contractor is responsible for completing all the internal audit reviews for the authority (non-schools and schools) and any consultancy or grant certification work as directed.

4. Internal Audit Progress Update

2009-10

- 4.1. The 2009/10 audit plan has been completed to final report stage with only two remaining reports in the process of being finalised. They are:
- Property Asset Management - actions being finalised in draft report.
 - Communications: Design & Print Contracts – draft report expected November.

2010-11

- 4.2. The audit work for 2010/11 is progressing well. A summary by Directorate of progress against the audit plan is presented in the table below. More detail on the audit plan can be found at Appendix 1.

Lead Dir.	Original Audit Plan	Audit work added	Audits pulled	Current Audit Plan	Final reports issued	Reports at draft stage	Work in progress	Work not yet due
RES	25	9	2	32	9	2	9	12
CUS	15	1	1	15	7		1	7
COM	12	2		14	6		5	3
REG	7		1	6	1	3		2
CYP	16	5	2	19	8	2	4	5
SCH	26	1	2	25	13	7	3	2
	101	18	8	111	44	14	22	31

4.3. As at the 17/11/10 the summary shows :

- 72% of the audit plan has started
- 52% of the audit plan has progressed to at least draft report stage
- 40% of the audit plan being finalised.

4.4. Since the last Audit Panel Report , there have been four additional audits requested and five audits that have been pulled from the plan. These are listed below:

Additional

Dir.	Audit Title	Comments
CYP	Bankline (BACS payment system for Schools)	Requested by management to review the controls around the separation of duties.
SCH	FMSiS – Forest Hill School	Required as did not meet the standard last year
CYP	Schools Sport Grant	Grant claim to be verified.
COM	Clients Monies – Bargery Road	Requested by management to review the new controls in place

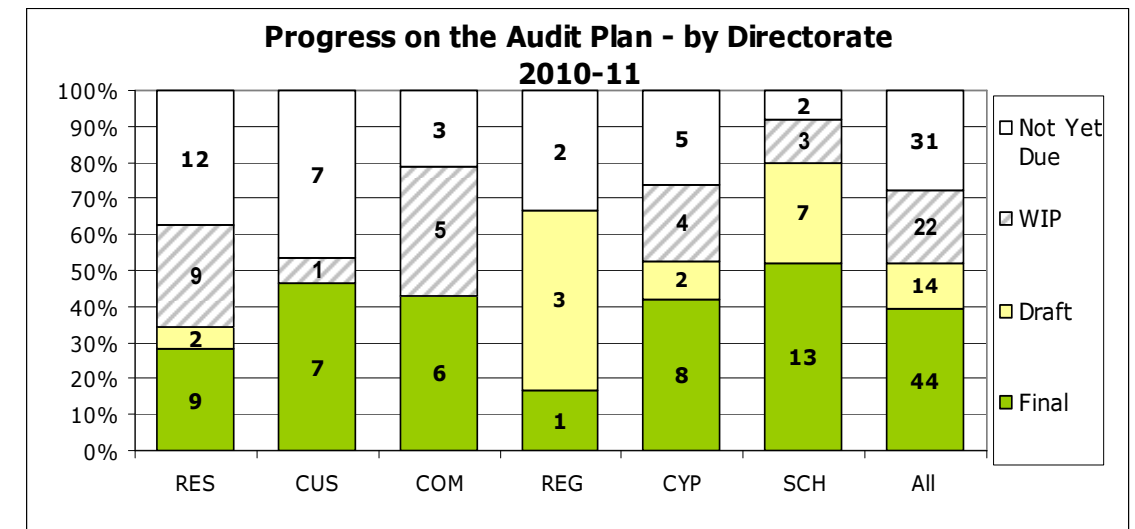
Pulled

Dir.	Audit Title	Comments
CUS	Refuse LATs	Cancelled by management as nothing to audit this year.
SCH	Merlin School	Planned to have an FMSiS and a standard Internal Audit review, but school merging with a private academy so no longer required
CYP	Local Planning Framework	Cancelled by Management as scope covered in another audit.
RES	Carbon Reduction Commitment	Cancelled by management as external review had already been conducted.
SCH	Adamsrill Primary	Cancelled FMSiS assessment as ended on the by Secretary of State for Education (FMSiS only – audit review done last year)

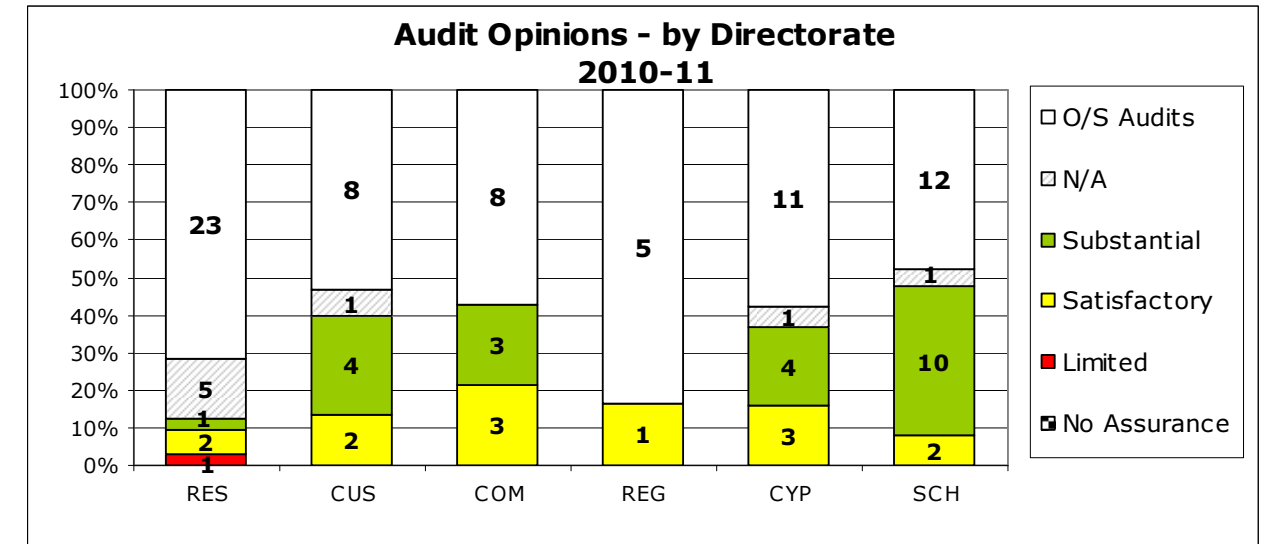
4.5. Since the last Audit Panel meeting, 16 audits have been finalised. These are listed below. More detail on progress against the audit plan can be found at Appendix 1 - which shows the key audits in the plan, and Appendix 2 - which shows, by directorate, the progress of the non-key audits including schools audits.

Dir.	Audits title	Final Issued	Assurance Level / FMSiS
RES	Corporate Procurement Contracts	13/10/2010	Satisfactory
RES	Risk Management - Operational Risk Registers	01/11/2010	Limited
RES	Health and Safety	01/11/2010	Consultancy
RES	Agency Employees	04/11/2010	Satisfactory
COM	Client Financial Affairs – Council Public & Private Funerals	09/11/2010	Satisfactory
CYP	Schools' Pensions	16/09/2010	Satisfactory
CYP	Schools' Outsourced Payroll	23/09/2010	Satisfactory
CYP	Childrens' Residence Orders	24/09/2010	Substantial
CYP	SEN Transport	27/09/2010	Consultancy
CYP	Childrens' Centres	05/10/2010	Satisfactory
CYP	Lewisham Safeguarding Children Board (LSCB) Training	22/10/2010	Substantial
SCH	Stillness Infants	23/09/2010	Substantial
SCH	Good Shepherd JMI	23/09/2010	Substantial
SCH	Holy Cross Primary	06/10/2010	Substantial
SCH	Lewisham Bridge Primary	06/10/2010	Substantial
SCH	Forest Hill FMSiS	25/10/2010	Met Standard

4.6. The graph below shows the progress against plan by percentage and number of audits for each Directorate and for the Council overall (right hand column). This is on target and represents a considerable improvement on the position in previous years.



4.7. The graph below shows the distribution of audit opinions for the 2010/11 audits finalised to date. The 'N/A' category represents either a consultancy review or a piece of advisory work that does not require an audit opinion.



4.8. As at 17/11/10, there has only been one Limited Report issued and zero No Assurance reports.

4.9. All final reports with 'Limited' and 'No' assurance opinions are reported to the Audit Panel. As at 17/11/10 there have been four finalised reports which have been issued with a negative assurance opinion since the last Audit Panel report:

From 2009/10

- Integrated Childrens' IT System - Limited
- Information Management Framework – Limited
- Use of Consultants – Limited

From 2010/11

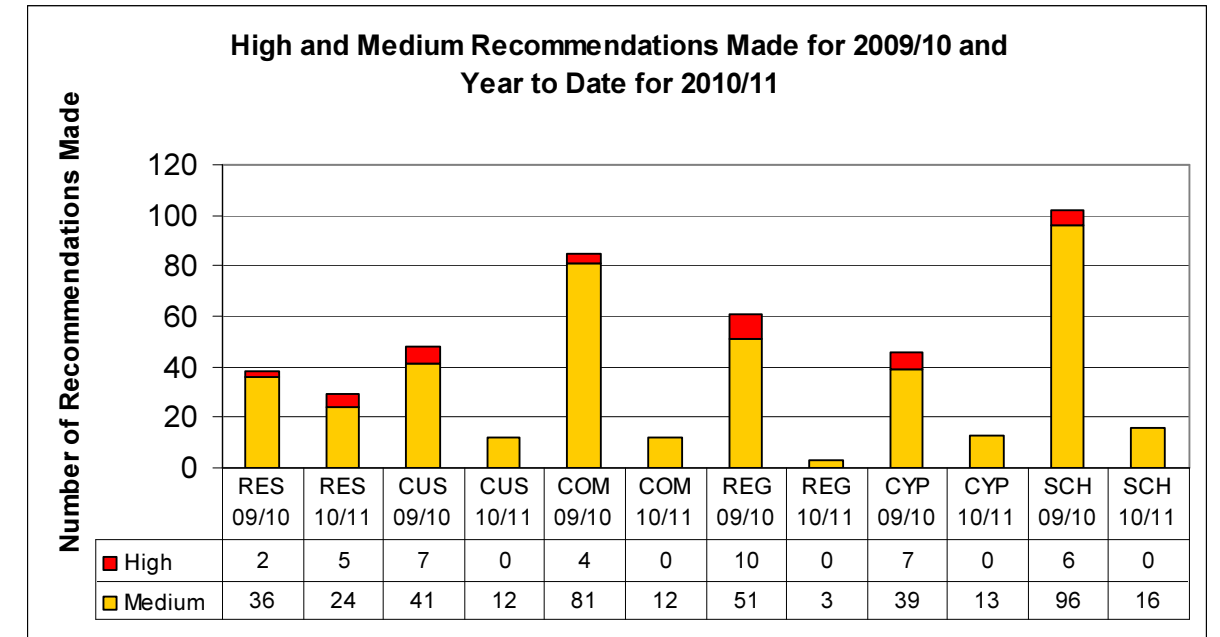
- Operational Risk Registers – Limited

For further details of these limited audits reports please see Appendix 5.

4.10. Some of the key audits for 2010/11 have now started. Although it was planned to start all the key audits in Q3, there will be a few delays – details of which are noted in Appendix 1.

Audit recommendations

4.11. The following graph shows the number and categories of recommendations made for those audits reviews that have been finalised for 2010/11 as at 17/11/10, compared to the whole of 2009/10.



- 4.12. All High and Medium recommendations made in 2010/11, regardless of the overall opinion of the audit, will be followed up by internal audit as part of the audit process. Follow-up reviews will be undertaken within six months of the final report being issued by the contractor.
- 4.13. A monthly consolidated report showing the progress of the follow-up reviews is prepared to assist in tracking the quality of implementation of recommendations. The table below shows the total of all the recommendations followed up since the last meeting. For further details of these reports please see Appendix 3.

	Implemented	In progress	Superseded	Not Implemented	Total
High	2	4	0	1	7
Medium	38	6	1	6	51
TOTAL	69%	17%	2%	12%	58

- 4.14. Although 12% of recommendations have not been implemented, this does not necessarily mean they have been ignored, some may be due to time restraints. Overall 88% have been actioned, are in the process of being actioned or have been superseded. Those recommendations that have not been fully implemented will continue to be monitored.

5. Performance of the Contractor

- 5.1. One of the ways that the performance of the contractor is measured is by Performance Indicators (PI's). A set of PI's were agreed at the start of the contract. These have been revised to ensure that they remain relevant, continue to be stretching, and reflect changes in working practices.
- 5.2. The 2010/11 results for the PI's are up to 31/10/10 and reported in the table below.

No.	Performance Indicator	Target YTD to Oct	Actual YTD to Oct	Variance (+/-)
1	Percentage of all draft reports issued.	50.9%	44.6%	(6.2)%
1a	Percentage of non-school draft audits reports issued	50%	41.9%	(8.1)%
1b	Percentage of school draft audits reports issued	53.8%	53.8%	-
2	Percentage of draft audit reports issued within 15 working days of the exit meeting	90%	84%	(6)%
3	Percentage of final reports issued within 10 working days of agreed draft report	95%	97.5%	2.5%
4	The average level of client satisfaction to be achieved (out of a score of 5)	4	4.2	0.2
5	Percentage of recommendations agreed with management			
	• High recommendations	100%	100%	-
	• Medium recommendations	90%	97%	7%
	• Low recommendations	80%	100%	20%

- 5.3. Three of the five PI's have been met or exceeded. For the two that have not the variations are:
- PI 1 target not met. To identify why it was split into two – a) for non-schools and b) for schools.
This shows that the schools reports were on target, but the non-schools are 8.1 % behind their target. The contractor has put forward a revised plan for non-schools to catch up from these delays (a mixture of client and contractor reasons) and is confident that the audit plan will be completed by the 31/3/11.
 - PI 2 target not met by eight reports (six non-school and two school reports). Although the target has not been met, the amount of reports that have not been issued in time has not increased since last reported and therefore there is no additional cause for concern at this stage.

6. Implementation of recommendations

- 6.1. All High and Medium recommendations are monitored by the internal audit client team to track implementation by managers. This is in conjunction with the detailed follow-up review work conducted by the contractor.
- 6.2. Since 2009/10 open recommendations from final reports are input into a monitoring system called 4Action. This system can be accessed by managers at any time to review and update the recommendations identified to them and/or their service.
- 6.3. The summary of those recommendations that have not been implemented within the agreed timescales by management and have had no progress update on their implementation can be found in Appendix 4. At the Audit Panel's request we invite officers to attend the meeting to explain the current position of the overdue recommendations.

7. Forward plan priorities

7.1. In addition to the ongoing work to deliver the Internal Audit plan and provide advice to managers on their concerns with internal control matters, the next quarter priorities for Internal Audit remain:

- Manage the re-tender process to appoint a contractor for 1 April 2011
- Contribute to the preparation of an Assurance Framework and Assurance Map for the Council
- Begin consultations with directorates to prepare the draft 2011/12 audit plan
- Develop proposals to strengthen assurance reporting arrangements, with a focus on risk management and compliance management

8. Legal Implications

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

9. Financial Implications

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

10. Equalities Implications

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

11. Crime and Disorder Implications

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

12. Environmental Implications

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

13. Background Papers

13.1. There are no background papers.

If there are any queries on this report, please contact the Interim Audit and Risk Manager on 020 8314 9114.

Appendix 1 - Progress Report on Key Audits

Key Audits – Sorted by directorate and by date due to start (by quarter)

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
RES	Capital Programme - Monitoring and Expenditure	Q2	Yes				
RES	Treasury Management	Q3	Yes				
RES	Main Accounting System (General Ledger)	Q3	Yes				
RES	Budget Control and Monitoring	Q3					Due to start Dec 10
RES	Pensions	Q3					
RES	Accounts Payable (Creditors)	Q3					
RES	Payroll	Q4					Delayed to Jan 11 for new payroll system.
RES	Fixed Asset Register	Q4					Delayed – will start in Feb 11.
CUS	Accounts Receivable (Debtors)	Q3	Yes				
CUS	Council Tax	Q3					Due to start Nov 10
CUS	Housing & Council Tax Benefits	Q3					Due to start Nov 10
CUS	NNDR	Q3					Due to start Nov 10
CUS	Cash Collection & Banking	Q3					Due to start Dec 10
COM	Client contributions for residential and domiciliary care services	Q3	Yes				
COM	Payments to Residential and Domiciliary Care Service Providers	Q3					Due to start Dec 10
CYP	Looked After Children	Q3					

Resources Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
RES	Grant - creating work places for 16-24	Q1	Yes	n/a	24/04/2010	Grant Claim	
RES	Grant - Anti Social Behaviour	Q1	Yes	n/a	12/05/2010	Grant Claim	
RES	Grant - Reduction of Deaths on Road	Q1	Yes	n/a	12/05/2010	Grant Claim	
RES	Grant - Educating Adults	Q1	Yes	n/a	12/05/2010	Grant Claim	
RES	Purchasing Cards - Issuing and Management of Cardholders	Q1	Yes	13/07/2010	12/08/2010	Substantial	
RES	Corporate Procurement Contracts	Q2	Yes	23/09/2010	13/10/2010	Satisfactory	
RES	Health and Safety	Q1	Yes	16/09/2010	01/11/2010	Consultancy	
RES	Risk Management - Operational Risk Registers	Q2	Yes	18/10/2010	01/11/2010	Limited	
RES	Agency Employees	Q1	Yes	28/09/2010	05/11/2010	Satisfactory	
RES	CRB checks	Q2	Yes	16/08/2010			Delayed as auditor just returned from study leave
RES	Pre-payment Cards	Q1	Yes	19/08/2010			Delayed as auditor just returned from study leave
RES	Compromised staff bank accounts Investigation	Q1	Yes				Report being drafted for Nov 10
RES	Information Security Management	Q2	Yes				Draft Report passed for review - expected Nov10
RES	Potential Re-coding issues	Q2	Yes				To be included in the 09/10 audit of communication design and print
RES	Management of Contracts	Q2	Yes				Delayed as auditor just returned from study leave
RES	Taxation	Q3	Yes				

Appendix 2 - Progress Report on by Directorate

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
RES	Governance	Q3	Yes				
RES	Data Voice/IP Network	Q3					Due to start Dec 10
RES	PHRIS (ResourceLink)	Q3					Due to start Dec 10
RES	Data Quality and Verification Process	Q3					
RES	Risk Management Maturity Review	Q3					
RES	Use of BACS	Q3					
RES	Implementation of MOSS	Q3					
RES	Payment Card Industry Standard (PCI)	Q3					Due to start Dec 10

Customer Services Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
CUS	Street Trading	Q1	Yes	11/05/2010	25/05/2010	Substantial	
CUS	Houses in multiple occupation licensing scheme	Q1	Yes	09/06/2010	22/06/2010	Satisfactory	
CUS	Housing Repair Grants	Q1	Yes	09/06/2010	23/06/2010	Substantial	
CUS	Licensing	Q1	Yes	05/07/2010	15/07/2010	Substantial	
CUS	Refuse - Recycling	Q1	Yes	15/06/2010	11/08/2010	Consultancy	
CUS	Abandoned Vehicles	Q1	Yes	27/07/2010	12/08/2010	Satisfactory	
CUS	Parks - Management Contract	Q2	Yes	27/08/2010	27/08/2010	Substantial	
CUS	Business Continuity Planning and Management	Q3					External review conducted – new scope to be agreed
CUS	Customer Relationship Management System (CRM)	Q3					Due to start Jan 11
CUS	Homelessness	Q3					Due to start Nov 10

Community Services Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
COM	Libraries	Q1	Yes	18/05/2010	25/05/2010	Satisfactory	
COM	Supported Housing - Extra Care	Q1	Yes	25/05/2010	05/07/2010	Satisfactory	
COM	Youth Offending Team	Q2	Yes	05/07/2010	19/07/2010	Substantial	
COM	Supported Housing - Link Line	Q1	Yes	21/07/2010	28/07/2010	Substantial	
COM	Drug & Alcohol Action Team	Q1	Yes	26/07/2010	13/08/2010	Substantial	
COM	Client Financial Affairs	Q2	Yes	06/10/2010	09/11/2010	Satisfactory	
COM	Recruitment and Retention of Social Workers	Q1	Yes				Audit delayed as auditee still not supplied information required.
COM	Events	Q2	Yes				Delayed as auditor just returned from study leave
COM	Homecare Service	Q2	Yes				Started in Sept 10
COM	Occupational Therapy	Q3	Yes				Report being drafted
COM	Client Monies – Bargery Road	Q3	Yes				
COM	Direct Payments & Personal / Individual Budgets	Q3					Due to start Nov

Regeneration Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
REG	Door to Door Charging Mechanism	Q1	Yes	30/06/2010	01/07/2010	Satisfactory	
REG	Transport Programme - TFL Funding	Q1	Yes	21/07/2010			Revised draft 04/11/10
REG	Highways - Charging Utilities for Street Works	Q1	Yes	19/08/2010			Revised draft 29/10/10
REG	Parking	Q3	Yes	02/11/2010			
REG	Capital Programme	Q3					Due to start Nov 11
REG	Property Services	Q3					Due to start Nov 11

CYP Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
CYP	Unaccompanied Asylum Seekers	Q1	Yes	28/04/2010	14/05/2010	Substantial	
CYP	Leaving care - Control of Expenditure	Q1	Yes	28/06/2010	23/07/2010	Substantial	
CYP	Schools' Pensions	Q1	Yes	28/06/2010	16/09/2010	Satisfactory	
CYP	Schools' Outsourced Payroll	Q1	Yes	05/07/2010	23/09/2010	Satisfactory	
CYP	Childrens' Residence Orders	Q1	Yes	13/08/2010	24/09/2010	Substantial	
CYP	SEN Transport	Q1	Yes	27/08/2010	27/09/2010	Consultancy	
CYP	Childrens' Centres	Q2	Yes	31/08/2010	05/10/2010	Satisfactory	
CYP	Lewisham Safeguarding Children Board (LSCB) Training	Q1	Yes	30/09/2010	22/10/2010	Substantial	
CYP	CYP Finance Team	Q2	Yes	28/09/2010			Revised draft 17/11/10
CYP	Sixth Form Funding	Q1	Yes	11/11/2010			Delayed to change scope in line with policy
CYP	Youth Service	Q2	Yes				

Appendix 2 - Progress Report on by Directorate

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level	Comment
CYP	Care Planning Arrangements - Transition from Children to Adults	Q2	Yes				
CYP	Schools Sports Grant	Q3	Yes				
CYP	Joint PCT Partnership Arrangements	Q2	Yes				
CYP	CYP Transport Costs	Q3					Due to start in Dec
CYP	CYP Estates Management	Q3					Due to start in Nov
CYP	Bankline (BACS payment for schools)	Q3					Due to start in Nov
CYP	Social Care Contractual Arrangements	Q3					

School Audits – Sorted by final reports issued, draft reports issued and work started

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level / FMSiS	Comment
SCH	Hither Green Primary	Q1	Yes	20/06/2010	21/06/2010	Substantial	
SCH	Dalmain Primary	Q1	Yes	22/06/2010	23/06/2010	Substantial	
SCH	Horniman Primary	Q1	Yes	10/06/2010	24/06/2010	Substantial	
SCH	Sandhurst Primary	Q1	Yes	23/06/2010	05/07/2010	Substantial	
SCH	Torridon Primary	Q1	Yes	25/06/2010	08/07/2010	Satisfactory	
SCH	Stillness Juniors	Q1	Yes	07/07/2010	08/07/2010	Substantial	
SCH	Myatt Garden Primary	Q1	Yes	25/06/2010	19/07/2010	Satisfactory	
SCH	John Stainer Primary	Q2	Yes	20/07/2010	23/07/2010	Substantial	
SCH	Stillness Infants	Q2	Yes	29/07/2010	23/09/2010	Substantial	
SCH	Good Shepherd Primary	Q3	Yes	21/09/2010	23/09/2010	Substantial	
SCH	Lewisham Bridge Primary	Q3	Yes	23/09/2010	06/10/2010	Substantial	

Appendix 2 - Progress Report on by Directorate

Lead Dir.	Audits title	Due	Field Work Begun	Draft Issued	Final Issued	Assurance Level / FMSiS	Comment
SCH	Holy Cross RC Primary	Q3	Yes	29/09/2010	06/10/2010	Substantial	
SCH	Forest Hill Secondary	Q3	Yes	14/10/2010	25/10/2010	FMSiS Met	
SCH	Lucas Vale Primary	Q2	Yes	18/10/2010			
SCH	Torridon Infants	Q3	Yes	05/11/2010			
SCH	Rathfern Primary	Q3	Yes	09/11/2010			
SCH	Rushey Green Primary	Q3	Yes	12/11/2010			
SCH	St Augustines Primary	Q3	Yes	12/11/2010			
SCH	Fairlawn Primary	Q3	Yes	12/11/2010			
SCH	St Marys Primary	Q3	Yes	12/11/10			
SCH	Marvels Lane Primary	Q3	Yes				
SCH	Deptford Park Primary	Q4					
SCH	Lee Manor Primary	Q4					
SCH	Rangefield Primary	Q4					
SCH	Turnham Infants	Q4					

Appendix 3 - Follow-up Reviews

August Follow-up Review

Audit Title & Final Report Date	Adoption & Special Guardianship Allowances 16 February 2010 - Adequate				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
HIGH	0	1	0	0	1
MEDIUM	0	0	0	1	1
TOTAL	0%	50%	0%	50%	2

Audit Comment

This was a 2009/10 audit which was issued with an Adequate (Satisfactory) opinion, and would not normally have had a follow-up review done. However, as it had a High recommendation, it was decided that a follow up review would be appropriate.

Both open recommendations have been input into 4Action for continuous monitoring.

August Follow-up Review

Audit Title & Final Report Date	Fly Tipping – Review of Procedures 20 January 2010 – Advisory				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	2	0	0	2
Medium	0	0	0	0	0
TOTAL	0%	100%	0%	0%	2

Audit Comment

Those recommendations that are in progress have been re-opened in the 4Action monitoring system. UPDATE : Both recommendations have been closed by management as being implemented.

Appendix 3 - Follow-up Reviews

August Follow-up Review

Audit Title & Final Report Date	Trading Standards 30 March 2010 - Limited				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
HIGH	1	0	0	0	1
MEDIUM	6	0	0	0	6
TOTAL	100%	0%	0%	0%	7

Audit Comment
All recommendations have been implemented. No further monitoring required.

September Follow-up Review

Audit Title & Final Report Date	Carer Grant 19 March 2010 – Limited				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
HIGH	1	0	0	0	1
MEDIUM	4	0	0	0	4
TOTAL	100%	0%	0%	0%	5

Audit Comment
All recommendations have been implemented. No further monitoring required

Appendix 3 - Follow-up Reviews

September Follow-up Review

Audit Title & Final Report Date	Kelvin Grove Primary School, 7 August 2009 - Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
HIGH	0	0	0	0	
MEDIUM	3	0	1	3	7
TOTAL	43%	0%	14%	43%	7

Audit Comment

Those recommendations that have not been implemented have been entered into 4Action for continuous monitoring

September Follow-up Review

Audit Title & Final Report Date	Planning & Economic Development 26 January 2010 - Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	1	0	0	1
Medium	6	1	0	0	7
TOTAL	75%	25%	0%	0%	8

Audit Comment

Those recommendations still in progress and have been entered into 4Action for continuous monitoring.

Appendix 3 - Follow-up Reviews

October Follow-up Review

Audit Title & Final Report Date	Contracts (Register, Business Continuity, Tendering and Appeals) 22 April 2010 Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	0	0	0	0
Medium	6	2	0	0	8
TOTAL	75%	25%	0%	0%	8

Audit Comment : Those recommendations still in progress have been entered into 4Action for continuous monitoring

October Follow-up Review

Audit Title & Final Report Date	Edmund Waller Primary School – 18 March 2010 Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	0	0	0	0
Medium	5	1	0	0	6
TOTAL	83%	17%	0%	0%	6

Audit Comment: Those recommendations still in progress have been entered into 4Action for continuous monitoring

Appendix 3 - Follow-up Reviews

October Follow-up Review

Audit Title & Final Report Date	Homecare – 18 March 2010 Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	0	0	0	0
Medium	5	2	0	2	9
TOTAL	56%	22%	0%	22%	9

Audit Comment : Those recommendations still in progress will be entered into 4Action for continuous monitoring

October Follow-up Review

Audit Title & Final Report Date	Property Services Worksmart – 18 March 2010 Limited Assurance				
Recommendation Category	Status				TOTAL
	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	
High	0	0	0	1	1
Medium	3	0	0	0	3
TOTAL	75%	0%	0%	25%	4

Audit Comment: Those recommendations still in progress will be entered into 4Action for continuous monitoring

Appendix 4 - Overdue Recommendations Including Multiple changes of Implementation Dates

Lead Dir.	Audits title	Final Issued	Year of Audit	Assurance Level	High Recs Overdue	Medium Recs Overdue	Other Open High Recs	Other Open Medium Recs
COM	Honor Lea Hostel	07/05/10	09/10	Limited	1			3
No Progress update provided.					High original implementation date 31/8/10. All Medium original implementation dates 30/11/10			

Lead Dir.	Audits title	Final Issued	Year of Audit	Assurance Level	High Recs Overdue	Medium Recs Overdue	Other Open High Recs	Other Open Medium Recs
COM	Community Mental Health (SLAM)	23/12/09	08/09	Limited	1	1		
No progress update provided.					Both implementation dates 31/03/210			

Lead Dir.	Audits title	Final Issued	Year of Audit	Assurance Level	High Recs Overdue	Medium Recs Overdue	Other Open High Recs	Other Open Medium Recs
COM	Drug & Alcohol Action Team	13/8/10	10/11	Substantial		1		
					Original implementation date 31/10/10			

Lead Dir.	Audits title	Final Issued	Year of Audit	Assurance Level	High Recs Overdue	Medium Recs Overdue	Other Open High Recs	Other Open Medium Recs
SCH	Clyde Nursery	26/10/09	09/10	Satisfactory				1
Implementation date changed seven times					Original implementation date 31/12/09. Current implementation date 30/11/10			

Lead Dir.	Audits title	Final Issued	Year of Audit	Assurance Level	High Recs Overdue	Medium Recs Overdue	Other Open High Recs	Other Open Medium Recs
REG	Highway Maintenance	3/5/08	07/08	Unknown				1
Date changed 4 times.					Original implementation date 31/10/08 Current implementation date 31/01/11			

Appendix 5: Audit Reports with a Limited or No Assurance Opinion

Audit	Date Issued and Opinion	High Recs Made	Med. Recs Made	Low Recs Made	Area Review Covered	Key Findings
Use of Consultants (09/10 Report)	21/6/10 Limited	1	3	0	This review looked at : The long term commitments of consultants, including authorisation, tendering process and registration of consultants	<ul style="list-style-type: none"> • Continuing failure to make full use of, or comply with, the current procurement procedure. • Budget Holders' awareness of the procurement process was poor. • Detailed specifications that reflect the Council's needs were not always prepared. • The monitoring of spends is not adequately undertaken and comparisons are not made year-on-year. <p>In addition to the above there were two previous high recommendations had not been implemented – they were :</p> <ul style="list-style-type: none"> • Directorates should maintain a Consultants register. Internal Audit evidenced that the register is out of date and incomplete • That business cases are to be raised for the engagement of consultants, as per the revised guidelines. There was insufficient evidence obtained during this audit to provide management with assurance that this process is followed.
Managers Comments						
None received						

Appendix 5: Audit Reports with a Limited or No Assurance Opinion

Audit	Date Issued and Opinion	High Recs Made	Med. Recs Made	Low Recs Made	Area Review Covered	Key Findings
Integrated Children's System (IT System) (09/10 Report)	16/7/10 Limited	1	2	1	<p>This review covered the following areas:</p> <p>The control access for the ICS system, input validation, system & data activity is logged and recovery arrangements are in place and that accurate reports are available to meet key business objectives.</p>	<ul style="list-style-type: none"> • No procedures to disable leavers' accounts from the actual leaving date. • At the time of this audit, access to the ICS was controlled via the legacy system. The legacy system does not support strong user authentication and authorisation controls (user names and passwords) • The contract for the recovery facility that was in place for the ICS system has been cancelled and there is currently no proven alternative recovery option. In addition there is no single integrated document that defines the testing and recovery arrangements for the ICS.
Managers Comments						
<p>We are reviewing the controls in respect of managing access to the system as it is not currently possible to remove a user's privileges without deleting their workflows etc. We are working to identify alternative preventative controls to address this risk.</p>						

Appendix 5: Audit Reports with a Limited or No Assurance Opinion

Audit	Date Issued and Opinion	High Recs Made	Med. Recs Made	Low Recs Made	Area Review Covered	Key Findings
Information Management Framework (09/10 Report)	27/10/10 Limited	0	5	1	<p>This review covered the following areas :</p> <p>The compliance with legislation and mandatory standards to minimise breaches of data security.</p>	<ul style="list-style-type: none"> • No process for the regular periodic review of suitability and approval of information management policies and procedures. There are a number of draft policies that are overdue review, approval and issue. • No comprehensive list of the information management requirements the Council is obliged to meet; • No corporate compliance approach in place to assess how well the Council is meeting its compliance obligations; • No formal processes in place to ensure third parties handling Council information adhere to the same standards
Managers Comments						

Appendix 5: Audit Reports with a Limited or No Assurance Opinion

Audit	Date Issued and Opinion	High Recs Made	Med. Recs Made	Low Recs Made	Area Review Covered	Key Findings
Operational Risk Registers (10/11 Report)	01/11/10 Limited	0	5	0	<p>This review covered the following areas :</p> <p>Ensuring that risk assessments are included as part of the service plan. Also that material risks are identified at operational level so that they can be tracked and monitored.</p> <p>To review that the risk registers are reviewed at operational, directorate and corporate level and are updated in a timely manner, and that the risk management information system (Performance Plus), is fully utilised for risk reporting and is fit for purpose.</p>	<ul style="list-style-type: none"> • There is no evidence that operational risks are being consistently monitored by the divisional management team. • Review of the operational risk registers at management meetings are not being adequately recorded and the meetings did not clearly identify if any of the risks needed to be escalated to directorate level. • The status of risk reduction measures are not reported in the divisional management meetings. • Risks relating to the current austerity measures and resulting Council savings proposals were not included in the risk registers. • The majority of operational risk registers are yet to be made available on Performance Plus (P+) as required by the Risk management Strategy.
Managers Comments						
Operational risk registers were introduced in 2009/10 as part of the Service Planning process. Following on from this audit, Audit & Risk are discussing with DMTs to get their feedback on the first year of working with operational risk registers. The risk management strategy for 2011/12 is also being revised in parallel with the Service Planning guidance to ensure they are aligned and to address these rec'ns.						

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM UPDATE REPORT	
Key Decision	NO	Item No. 6
Ward	ALL	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES	
Class	Part 1	Date: 22 December 2010

1 Purpose of the Report

The purpose of this report is to present the members of the Audit Panel with an update on the work of the Anti-Fraud and Corruption Team (A-FACT).

2 Recommendations

It is recommended that the Audit Panel note this report and accompanying appendix.

3 Special Investigations

- 3.1 Special Investigations have noted an increase in the number of referrals of staff fraud over the past three months. These investigations are ongoing and the outcomes will be reported as soon as possible.

	B/fwd	New cases	Closed cases	Balance
April	97	18	7	108
May	108	12	12	108
June	108	40	35	113
July	113	6	3	116
August	116	82	12	186
September	186	7	3	190
October	190	19	23	186

Employment related cases

- 3.2 In the last three months the Special Investigation section has brought the following cases to a conclusion.
- Employee dismissed during probationary period for providing false information on his application for employment to cover up his involvement in a Housing Benefit fraud.
 - Two cases where suspect identity documents were flagged with A-FACT but in both cases it was possible to establish that the issues were down to official error when the ID's were issued and that the identities could be verified.
 - Two cases where the employee resigned during the investigation so the matter was not pursued.

Other work

- 3.3 Special Investigations have dealt with eight enquiries from other organisations in relation to fraud and investigated a further 13 cases which either did not warrant further investigation or could not be proved. They have provided advice and information in two cases of attempted standing order fraud against school bank accounts. The section have also been continuing the work they are undertaking for Lewisham Homes and have secured an agreement for this role to continue next year.

Blue Badge Fraud

- 3.4 The team has been successful in bringing a prosecution against a Catford man who used his mothers Blue disabled parking badge in order that he could park his transit van for free whilst working as a builder in Hampstead. He was fined £200 and an order for costs of £385 made.
- 3.5 The section has also been undertaking a proactive exercise for Lewisham Homes by checking all rent accounts where the refund of a large credit has been requested, some 76 cases. This has identified some cases where money is owed to the teams within the council or been used as an indicator that the household may have more income than has been declared if they are in receipt of benefits.

4 Benefit Investigations

- 4.1 Between April and October the team issued a total of 62 sanctions, with a total fraudulent overpayment value of £328,288.

	B/fwd	New cases	Closed cases	Balance
April	416	20	95	341
May	341	46	48	339
June	339	73	56	356
July	356	40	30	366
August	366	44	39	371
September	371	36	55	352
October	352	29	26	355

- 4.2 Officers from the section have also been involved in the revision of the Housing Benefit application form to ensure Lewisham maintains a secure gateway against fraud at the point of claim.

- 4.3 One recent success was:

A benefit claimant who used her cousins name so that she could work at the same time as claiming benefits. Following an anonymous call to the DWP Fraud Hotline a joint investigation was undertaken by Lewisham Council and the Department for Works and Pensions (DWP).

Our investigations proved that she was using the other name for her work so she was arrested by the Detective Constable seconded to the team. When her property was searched further evidence was found including a work identity badge in her sister's name but with her photo. She was interviewed at Lewisham Police Station and admitted using the name of her cousin who was living abroad.

Lewisham Council prosecuted this individual for claiming both Housing & Council Tax Benefit and Income Support totalling £17,518. She pleaded guilty in Woolwich Crown Court on 20 October to 3 offences under S111A(1)(a) of the Social Security Administration Act and was sentenced to 12 months imprisonment suspended for 2 years and a Community Order to do 140 hours unpaid work.

5 Housing Investigations

- 5.1 Referrals of potential fraud relating to homelessness and housing applications have remained steady and are dealt with by just one dedicated officer in the team.

	Cases b/fwd	New Cases	Closed Cases	Current Caseload
April	59	5	0	64
May	64	2	0	66
June	66	6	6	66
July	66	7	2	71
August	71	8	4	75
Sept	75	5	2	78
Oct	78	2	4	76

- 5.2 One recent success was:

A father submitted an application for housing stating that he and his child were homeless. He was allocated a two bedroom temporary stay property which he initially moved into but then vacated and approached a local letting agency about renting it out. The letting agency were unaware of the property being managed by Lewisham council and subsequently rented the property with an assured short hold tenancy agreement for £850:00 per month.

Investigations carried out within the team revealed that father and child had returned to the address in Birmingham where they had previously resided. The subtenants were interviewed and statement taken. Action is being considered against the Housing applicant and action to repossess the property is currently being taken.

6 Interception of Communications Commissioner's Office Inspection

- 6.1 Lewisham Council was recently inspected by the Interception of Communications Commissioner's Officer (IOCCO). The Council is permitted to obtain limited communications data for the purpose of the prevention and detection of crime or the prevention of disorder. This generally relates to the obtaining of landline/mobile/email/PO Box account subscriber details. The Anti-Fraud and Corruption is the main user of this legislation within the council.

- 6.2 The covering letter for the inspection stated that:

"overall the council emerged well from this inspection. Inspector Cairney was satisfied that the Council is acquiring communications data for the correct statutory purpose and importantly he found no evidence that the council's powers under Part I Chapter II of RIPA had ever been used for trivial offences."

7 Protecting the Public Purse 2010

- 7.1 On the 27th October 2010 the Audit Commission published their report Protecting the Public Purse 2010.
- 7.2 The report lists nine recommendations which we are responding to as follows:

Recommendation	Response
Continue to focus on the benefit fraud risks and use the National Fraud Initiative and other data matching schemes to maintain and improve their good performance in detecting benefit fraud.	The Audit Commission have stated that Lewisham have had some of the best outcomes in the country in respect of Housing Benefit matches. We aim to continue to develop this work subject to the DWP's proposals to take over benefit fraud investigation from 2013.
Work together in county areas to share costs and benefits of tackling council tax single person discount fraud	Not applicable to the London Borough of Lewisham.
Using our comparator tool to decide whether to take more action to tackle Single Person discount (SPD) fraud.	The data from the comparator tool has confirmed our suspicions of a likely level of SPD fraud. An exercise to address this has already commenced and will be progressed over the next few months. The Audit Commission estimate that based on their data Lewisham may be able to achieve an additional £508,890 in the first year by taking proactive action against fraudulent SPD claims
Check claims for other council tax discounts are not fraudulent	Whilst we are alive to this type of fraud particularly in relation to Student discounts we consider SPD to be the bigger problem and will therefore be prioritising it accordingly.
Make sure recruitment processes for permanent and temporary staff are secure, follow good practice and working effectively	We have worked closely with the Recruitment section and REED to develop a rigorous process. Within the Anti-Fraud & Corruption Team we have investigators that are highly skilled in the verification of identity documents we have also provided Fraud awareness and document verification training to those involved in recruitment.
For personal budgets in adult social care: <ul style="list-style-type: none"> - establish a clear policy, which is communicated to budget holders, on the appropriate use and unacceptable misuse of personal budgets; and - promote whistleblowing arrangements for staff, care providers and the public to encourage early identification of potential abuse. 	We have always looked at Direct Payment fraud but are now looking at developing this area of work in line with the increasing numbers of payments made under the personal budgets scheme. This will be an important area of work in the 2011/12 plan.
Use recent advice from CIPFA and the Office of Fair Trading on procurement to ensure they are doing enough to prevent and detect procurement fraud and other illegal activities such as	This is an area of work that will be included in next years plan.

Recommendation	Response
cartels	
Keep a comprehensive record of any frauds perpetrated against them	We already maintain comprehensive records however the reporting function of the case management system is poor. We therefore plan to procure a new system which better meets the teams' needs.
Use the checklist provided in this report to assess whether their counter-fraud plans and actions are effective in the light of the risks highlighted.	The checklist is being completed and will be used to prioritise management actions to strengthen the good Counter Fraud work already underway.

8 Publicity

- 8.1 A-FACT have been filming for the BBC programme Saints and Scroungers which will detail two of the teams successful prosecutions. These programs are due to be aired in the New Year.
- 8.2 Three press releases have just been released for the recent prosecutions undertaken by the team. These are included at Appendix A for reference.
- 8.3 The team has continued to advertise the 'report Fraud Hotline 0800 0850119' on the electronic messaging board outside the Town Hall.

9 Legal Implications

There are no legal implications arising directly from this report.

10 Financial Implications

There are no financial implications arising directly from this report.

11 Equalities Implication

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

12 Crime and Disorder Implications

There are no specific Crime and Disorder implications arising directly from this report.

13 Environmental Implications

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

14 Background Papers

There are no background papers reported.

If there are any queries on this report, please contact the Audit and Risk Manager on 020 8314 9114

Appendix A

AFACT Press releases – September to November 2010

Benefit cheat who used cousin's name prosecuted

A benefit cheat who used her cousin's name so that she could work at the same time as claiming benefits, has received a suspended jail sentence and a Community Order after a joint investigation by Lewisham Council and the Department for Works and Pensions (DWP).

An investigation into the benefit claims of Adebisi Pens-Erizia began after an anonymous call was made to the DWP anti-fraud hotline, saying that Ms Pens-Erizia, was already claiming benefits from Lewisham Council and the DWP while working for a healthcare recruitment agency in Wandsworth, under the name of Elsie Payne.

After a detailed investigation that checked information held in both names, Ms Pens-Erizia, of Mount Pleasant Road in Lewisham, was arrested at her home. She was subsequently interviewed at Lewisham Police Station and admitted to working in the name Elsie Payne, stating that the real Elsie Payne was her cousin, who lived abroad and had allowed her to use her name.

Miss Pens-Erizia fraudulently claimed £5,870.69 in Income Support from the DWP between December 2006 to July 2009 and £10,219.33 in Housing Benefit and £1,429.49 in Council Tax Benefit from Lewisham Council.

She pleaded guilty in Woolwich Crown Court on 20 October to 3 offences under S111A(1)(a) of the Social Security Administration Act and was sentenced to 12 months imprisonment suspended for 2 years and a Community Order to do 140 hours unpaid work.

Councillor Susan Wise, Cabinet Member for Customer Services, said: "This woman deliberately set about to fraudulently claim benefits – benefits that could have gone to someone else who legitimately needed them. We won't tolerate benefit fraud in Lewisham and will always prosecute those that try to cheat the system."

Lewisham Council's Anti-Fraud & Corruption Team works to counter fraudulent benefit applications. Suspected benefit fraud can be reported to the Council's fraud hotline in the strictest confidence. Call 0800 085 0119 or email reportfraud@lewisham.gov.uk.

Benefit cheat prosecuted for £18,000 fraud

A benefit cheat who defrauded over £18,000 has received a suspended jail sentence and a Community Order following a prosecution by Lewisham Council on behalf of the Department for Works and Pensions (DWP).

Avril Miller, of Flamingo Court, Deptford, was prosecuted for dishonestly claiming benefits whilst in full-time paid employment and failing to inform both the Council and the DWP.

Ms Miller, 40, pleaded guilty to six offences under sections 111A(1)(a) and 111A(1A) of the Social Security Administration Act 1992 at Greenwich Magistrates Court on 19 October. She was sentenced to 24 weeks imprisonment suspended for 2 years, 100 hours unpaid work and a £1,000 compensation order towards paying back the money that she fraudulently claimed.

Councillor Susan Wise, Cabinet Member for Customer Services, Lewisham Council, said: "This is a huge sum of money, fraudulently claimed. Lewisham Council will not tolerate people abusing the benefits system, which is there to help people in real need."

Miller pleaded guilty to working whilst in receipt of benefits. Over a 7-year period she worked full time for Greggs the Bakers in Deptford, rising to the position of Manager. She fraudulently claimed £11,252.13 in Housing Benefit and £2,310.25 Council Tax from Lewisham Council and £5,134.87 Income Support from the DWP.

The case came to light as a result of a data-matching exercise comparing Her Majesty's Revenue and Customs (HMRC) data of people working and benefit claimants. It was jointly investigated by Lewisham Council and the DWP.

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Jail for £18,000 benefit fraudster

DEPTFORD: A benefit cheat who stole thousands of pounds of taxpayers' money has been jailed. Avril Miller, 40, of Flamingo Court in Hamilton Street, was sentenced to two years in prison, 100 hours' unpaid work and ordered to pay £1,000 compensation at Greenwich Magistrates' Court. She admitted dishonestly claiming more than £18,000 in benefits while in a full-time job.

The case came to light after a data-matching exercise between Lewisham council and the Department for Work and Pensions, that compared Her Majesty's Revenue and Customs data of working people and benefit claimants.

Man prosecuted for using his mother's Blue Badge parking permit

A man who used his mother's Blue Badge Parking Permit on his Transit van so that he could park for free while he was working has been prosecuted by Lewisham Council.

Assheton Green, of Culverly Road in Catford, used his mother's permit to park in a disabled parking bay while he was working in Hampstead in May this year. The Metropolitan Police arrested and questioned Mr Green when they suspected something was not right after spotting the van in a disabled parking bay with the Blue Badge Permit in the window.

Mr Green pleaded guilty to one offence under s117 (1)(a) Road Traffic Act 1984 for parking in a disabled parking bay and displaying a disabled person's blue badge when he was not entitled to do so. He was fined £200 and an order for costs of £385.30 was made, plus a victim surcharge of £15.

The Metropolitan Police provided evidence to Lewisham Council that enabled the prosecution to be brought against Mr Green.

The fraudulent use of disabled Blue Badges in the Lewisham area can be reported on 0800 0850119 or at reportfraud@lewisham.gov.uk

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