



AGENDA AUDIT PANEL

Date: WEDNESDAY, 23 MARCH 2011 at 7.00 pm

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

Enquiries to: **Olga Cole**
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COUNCILLORS

Councillor Michael Harris (Chair)
Councillor Philip Peake (Vice Chair)
Councillor Kevin Bonavia
Councillor Jenni Clutten
Councillor Jim Mallory
Councillor Alan Till

Independent Members

Richard Kind
David Webb

Members are summoned to attend this meeting

Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 15 March 2011



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

Item No		Page No.s
1.	Minutes	1 - 6
2.	Declaration of Interest	7 - 9
3.	Internal Audit Update Report	10 - 32
4.	Anti Fraud and Corruption Team (A-Fact) Update	33 - 41
5.	Risk Management Update	42 - 70
6.	Progress Report	71 - 86

MINUTES OF THE AUDIT PANEL

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY 22 DECEMBER 2010 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7p.m.

PRESENT: Councillors Harris, Peake, Bonavia, Clutten and Mr Webb

Audit Commission

Sue Exton (District Auditor), and Chris Harris (Internal Audit Contractor)

Officers

David Austin	-	Interim Head of Audit and Risk
Chris Harris	-	Internal Audit Contractor
Richard Lambeth	-	Group Finance Manager

Apologies for absence was received from Mr King

1. Informal Minutes

As the meeting on 21 September was not quorate the notes were not signed but approved for accuracy.

2. Declarations of Interest

There were no declarations of Interest

3. Annual Audit Letter

The progress report was presented by the District Auditor. She reported that the annual audit letter summarises findings for the Council, which is brought to the Audit Panel, and then taken to Council to be considered.

The Chair asked whether there has been an improvement in receiving required information on time, since the panel's last meeting.

The District Auditor replied that since the last meeting the focus has been on certifying the Whole of Government Accounts return, this was 6 weeks late. We had to work closely with the finance team to get this information, and reported a number of errors. The other area that is being worked on is the certification of grant claims, the largest one being Housing Benefit grant claim, which went well. The different teams worked well and work was completed by the deadline. Great efforts have gone in by the Executive Director of Resources and her team to improve the quality of grant claims. In terms of the final account, we are at a stage

of planning systems audit work, and need to start looking at IFRS restated balance sheet, which is on plan. We are meeting regularly with the Executive Director of Resources and her team to ensure that things are kept on track.

The Chair asked what planning had been done to ensure that the Council delivers on time this year and that it reaches a higher standard.

The District Auditor replied that there have been detailed discussions on what essentially is needed to be ready before an audit is started.

The Group Finance Manager stated that he has had a number of meetings with the Audit Commission and internally with colleagues to set timetable and agendas. He stated that there are changes that need to be made, for example fixed assets accounting, and more planning and monitoring of what needs to be done; however, they are ahead of last year.

The Chair asked whether the planning in place is adequate to deal with the changing financial environment, the different accounting standards and other pressures on the Resources Directorate.

The District Auditor replied that it is too early to judge, as no substantial work has been started. It is possible at the next Audit Panel meeting that a more evidence-based account could be given.

With reference to the £60 million savings the council will make (on page 21, paragraph 38), Mr Webb asked whether the team will need to deliver more information at an earlier date, and if so, how this would be done with a possible reduction in resources.

The Group Finance Manager replied that there are some reductions, so the focus is on important areas. The accounts were on time but the main problem was working papers. There are plans to compile these alongside the accounts and so quality will be better. There is an awareness of potential problems and steps are being taken to address it.

With reference to the audit fees, the Chair asked whether the Commission had charged the Council less than the negotiated amount in any of the previous ten years.

The District Auditor replied that she had not been with the council for the whole ten years, but doubted this to be the case. However, she stated that fees are going down in 2010/11 by about 5% and overall fees will be going down about 10%. The Pension fund fee was also reduced, from £38,500 to £35,000.

RESOLVED that the report be noted.

4. Review of Half Year Financial Position- 2010/11

The Group Finance Manager presented the report to the panel. The 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.

The Chair asked what will the introduction of IFRS make the Council's overall budget position look like.

The Group Finance Manager replied that the IFRS affects the final accounts and not the budget position. There will be no bottom line affect on the accounts. The big changes were last year on the PFI schemes, this year the big changes are on leases and this will impact the balance sheet; but they are not expected to be material in the final accounts. Regarding employer benefits, the effect here is to create a reserve, which reflects the amount of annual leave which staff have not yet taken. This is a notional amount and an accounting technicality.

Concerning table 1, Councillor Peakes asked whether this represented the budget after or before the in-year cuts.

The Group Finance Manager replied that it is the original budget. These figures are based on the end of August position which was reported to Mayor & Cabinet in November 2010. The cuts were agreed in September so the affect of this will come through in the next budget monitoring report to Mayor & Cabinet. In-year cuts are about 2 million, but the affects of redundancies are still not known as proposals are still being costed.

Referring to paragraph 3.4, Councillor Bonavia asked whether the aim for the savings of the under-spend is to cover all redundancies costs.

The Group Finance Manager said that at the moment it is unlikely that the level of the underspend is enough to meet the cost of redundancies. However, the figures are still fluid. In terms of redundancies, the areas that were thought likely to have high redundancy costs have come down because of natural wastage and people leaving voluntarily which reduces redundancy costs. Some of the redundancy estimates have been made on the highest level, which means that some of the final costs will come out lower, but the full affect is not known yet.

Councillor Peake asked whether the in-year budget savings plus the forecast under-spend is able to cover the redundancy costs. The Group Finance Manager replied that this is unlikely; however, it is hoped that this years savings will be able to help cover redundancies costs. There will be more information at the next meeting on savings and redundancies.

With reference to the Council's target of 10 days for paying Small and Medium size Enterprises (SME), Mr Webb asked why work is not being done to improve the current low achievement rate.

The Group Finance Manager replied that 10 days is a high target to achieve, but measures are being put in place to address and improve the achievement rate. The problem with invoicing is that it is difficult to identify what is coming in and for it to move quickly through the payment chain.

Councillor Peake enquired whether a priority could be placed on SME receipts so that they are paid earlier. The Group Finance Manager confirmed that this is already being done, however the delay arises when receipts come via other departments. The 10 days target is an aspirational target and people are keen to stick to it, this could be looked at again to encourage departments to pay quickly.

The committee would like their concerns to be noted regarding whether 10 days is a credible target to achieve. The Interim Head of Audit and Risk confirmed that the 10 days was a target set by central government for public sector bodies.

The Committee would like answers to the following questions:

1. how many SME invoices are paid by cheques
2. what steps can be taken to brief staff to make sure they are aware of which invoices are from SME
3. the numbers behind the percentages

RESOLVED that the content of the report be noted

5. Internal Audit Report

This report was presented by the Interim Head of Audit and Risk. This report presents members of the Audit Panel with a summary of the following:

- 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.

The Interim Head of Audit and Risk informed the Committee that the Public Accounts Scrutiny Committee have asked that an additional independent member be sought for this panel, which is being looked into.

The Chair asked how long the new contract was proposed to be let for.

The Interim Head of Audit and Risk replied that the proposal that went to Mayor & Cabinet was for a three year contract with the option to extend for one and/or two years up to a maximum of six years. The logic for that, is that a longer contract is likely to invite a better price. However, in discussion with Southwark and Lambeth Councils, it was identified that Lambeth's internal audit comes up for tendering in 2012/13 and Southwark two years after that. So a three year contract, will allow us to coincide with Southwark and allow the shortest time that Lambeth can come unto the contract before retendering with a joint procurement if that is desired.

The Chair asked how many companies have come forward. The Interim Audit and Risk Manager said that 19 expressions of interest were received, with 11 submitted prequalification questionnaires, from which six have been shortlisted.

With regards to 4.9 on the use of consultants, Mr Webb raised concerns that previous recommendations and guidelines on the use of consultants are not being followed.

The Interim Head of Audit and Risk acknowledged Mr Webb's comment, and stated that one of the broad themes being looked at is compliance, as it is management that should be reinforcing and reassuring that any previous recommendations are followed.

Mr Webb expressed his concern that recent budget cuts may increase the need for consultants, as in house expertise is being lost; this makes it essential that this should be monitored.

The Interim Head of Audit and Risk highlighted that the words agency and consultant are used interchangeably, but there are clear differences. Directors have recently been asked to identify all agency staff and put them on notice that as jobs goes to redeployment, if someone can be deployed into an agency post then it should be done.

Councillor Bonavia asked what the sanctions against recommendations that were not implemented were. The Interim Head of Audit and Risk said that sanctions would be to call the relevant individuals in. He stated that he will find out the progress and come back in March with a more detailed update.

The committee would like it to be noted that they would like to bring forward Heads of Service where there have been concerns over recommendations not being implemented. The Committee would like this to be an agenda item for the March 2011 Committee meeting.

RESOLVED that the report be noted

6. Anti Fraud and Corruption Report

The Interim Head of Audit and Risk presented this report and gave the committee an update of the work of the Anti-Fraud and Corruption Team (A-FACT).

With reference to 3.1, Councillor Bonavia enquired into the big increase in new cases in August and wondered whether it was because of Lewisham Homes. The Interim Head of Audit and Risk stated that he was not certain, as there is work being done in that area, but the rise could be because of more internal reporting of activities and there are different reasons for that.

Mr Webb commented that it might be of interest to review previous years and see whether similar jumps in cases were also noted. The Interim Head of Audit and Risk said he will check and if relevant will include this information for the next Audit Panel meeting.

The Chair asked what would be done to look further into the Single Person's Discount. The Interim Head of Audit and Risk replied that further monitoring would

be done through a cross referencing of data to match, housing records, benefit claims, electoral register records and some credit reference checking.

Councillor Clutten asked whether there was capacity to do follow-up work on the Single Person's Discount. The Interim Head of Audit and Risk said yes, but that on-going work with the National Fraud Initiative comes in waves and there is a period to conduct the work. It is not additional work, but the theme is new.

RESOLVED that the report be noted.

The meeting was closed at 8.15pm

AUDIT PANEL		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 23 March 2011

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.

Agenda Item 3

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 3
Ward	ALL	
Contributors	Executive Director for Resources	
Class	Part 1	Date: 23 March 2011

1. Purpose of the Report

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

- Internal Audit progress update
- Performance of the Internal Audit contractor
- Implementation of internal audit recommendations, and
- Draft internal audit plan for 2011/12.

2. Recommendations

2.1. It is recommended that the Audit Panel note the content of this report and approve the audit plan for 2011/12

3. Background

- 3.1. The client side of Internal Audit comprises an Interim Head of Audit and Risk and an Internal Audit Contract Manager, reporting to the Executive Director for Resources (section 151 officer) and the Internal Control Board and onto members at Audit Panel and Public Accounts.
- 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. The tendering exercise for a new contract is underway.
- 3.3. The contractor is responsible for completing all the internal audit reviews for the Council (non-schools and schools) and any consultancy or grant certification work as directed.
- 3.4. The council's internal audit team, supported by the contractor also have a Service Level Agreement to provide internal audit services to Lewisham Homes.

4. Internal Audit progress update

2009-10

4.1. The 2009/10 audit plan has been completed to final report stage with only one remaining report in the process of being finalised:

- Communications: Design & Print Contracts – revised draft report issued Feb 2011. Co-ordinated response expected 11/3/11. Slight delay in response to the revised draft due to member of staff on jury service.

2010-11

4.2. The audit plan for 2010/11 is 86% completed to draft report stage. A summary by Directorate of progress against the audit plan is presented in the table below.

2010/11 Audit Plan Summary by Directorate

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	10	5	30	15	8	6	1
CUS	15	2	1	16	11	2	2	1
COM	12	3		15	12	2	1	0
REG	7	1	1	7	4		3	0
CYP	16	5	3	18	15	2		1
SCH	26	1	2	25	23	2		0
TOTAL	101	22	12	111	80	16	12	3

4.3. As at the 14/03/11 the summary shows:

- 97% of the audit plan has started
- 67% of the audit plan has been finalised.
- 11% of the plan is work in progress.

4.4. The three audits that are yet to start are:

Dir.	Audit Title	Comments
CUS	Business Continuity Planning and Management	Delayed as BC exercise cancelled in November. Start date agreed 24/03/11.
CYP	Social Care Contractual Arrangements	Delay in starting due to new management arrangements. Start date to be confirmed.
RES	Procurement of Goods and Services	Newly requested audit. Start date to be confirmed.

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

Additional

Dir.	Audit Title	Comments
COM	Bellingham Community Centre	Requested by management to review governance arrangements.
REG	Property Services – Mailroom	Original audit split into two separate audits for clarity.
CUS	Excalibur TMO	Requested by management to review the procurement procedures.
RES	Procurement of Goods and Services	Review of procurement procedures for low value ad hoc items following an investigation.

Pulled

Dir.	Audit Title	Comments
RES	PHRIS	Cancelled post implementation review as not able to do until 2011/12. (See 2011/12 plan)
RES	Data Quality	Cancelled by management as regulations changed by new coalition government. (See 2011/ 12 audit plan)
CYP	CYP Transport Costs	Cancelled as scope already covered in Door2Door audit.
RES	Fixed Assets	Unable to start fieldwork until Q1 2011/12, due to completion of year-end reconciliations. Will still be part of the HIA annual assurance report

4.6. Since the last Audit Panel meeting, 36 audits/reviews have been finalised. These are:

Dir.	Audits title	Final Issued	Assurance Level / FMSiS
RES	Pre-payment Cards	01/12/2010	Satisfactory
RES	CRB checks (external review follow-up)	13/01/2011	Little progress
RES	Payroll Data Loss Investigation	06/01/2011	N/A Advisory
RES	Governance (AGS)	16/02/2011	Substantial
RES	Benefits Realisation for the early change project (previously Implementation of MOSS)	16/02/2011	Satisfactory
RES	Taxation (VAT)	21/02/2011	N/A Advisory
CUS	NNDR	18/02/2011	Satisfactory
CUS	Housing and Council Tax Benefit	23/02/2011	Substantial
CUS	Customer Relationship Management System	09/03/2011	Satisfactory
CUS	Cash and bank	14/3/11	Satisfactory
COM	Client contributions for residential and domiciliary care services	16/12/2010	Satisfactory
COM	Recruitment/Retention of Social Workers	07/01/2011	Satisfactory
COM	Events	11/01/2011	Satisfactory
COM	Client Monies - Bargery Road	15/02/2011	N/A Advisory
COM	Occupational Therapy	11/03/2011	Satisfactory
COM	Homecare Service	14/03/2011	Limited
COM	Joint PCT Partnership Arrangement	04/03/2011	Substantial
CYP	Schools Sport Programme Grant	17/11/2010	Passed
CYP	Sixth Form Funding	30/11/2010	Substantial
CYP	CYP Finance Team	08/12/2010	Substantial
CYP	Youth Service	16/12/2010	Satisfactory
CYP	CYP Estates Management	05/01/2011	Satisfactory
CYP	Care Planning Arrangements - Transition from Children to Adults	21/01/2011	Satisfactory

Dir.	Audits title	Final Issued	Assurance Level / FMSiS
REG	Highways - Charging Utilities for Street Works	26/11/2010	Substantial
REG	Transport Programme - TFL Funding	27/11/2010	Satisfactory
REG	Parking - Contract Monitoring, Income & Debt Collection	23/12/2010	Satisfactory
SCH	Fairlawn JMI	02/12/2010	Substantial
SCH	Lucas Vale JM	01/12/2010	Substantial
SCH	Marvels Lane JMI	09/12/2010	Substantial
SCH	Rathfern JMI	09/12/2010	Satisfactory
SCH	Rushey Green JMI	08/12/2010	Satisfactory
SCH	St Augustine's JMI	03/12/2010	Limited
SCH	St Marys JMI	29/11/2010	Satisfactory
SCH	Torridon I	01/12/2010	Substantial
SCH	Turnham Infants	08/02/2011	Satisfactory
SCH	Lee Manor	11/03/2011	Satisfactory

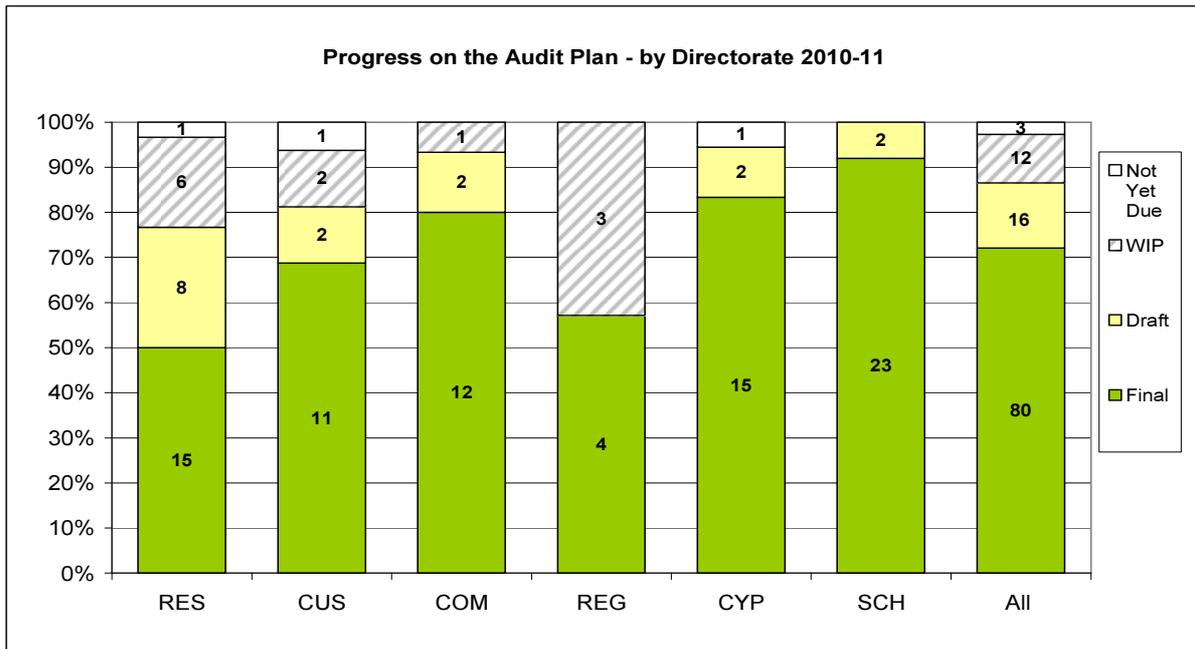
4.7. As at 3 March 2011, there have only been two 'Limited Assurance' reports finalised and zero 'No Assurance' reports for the year to date.

4.8. All final reports with a 'Limited' and 'No' assurance opinion are reported to the Audit Panel. Since the last Audit Panel report and up to 3 March 2011, there has been one report issued with a negative assurance opinion:

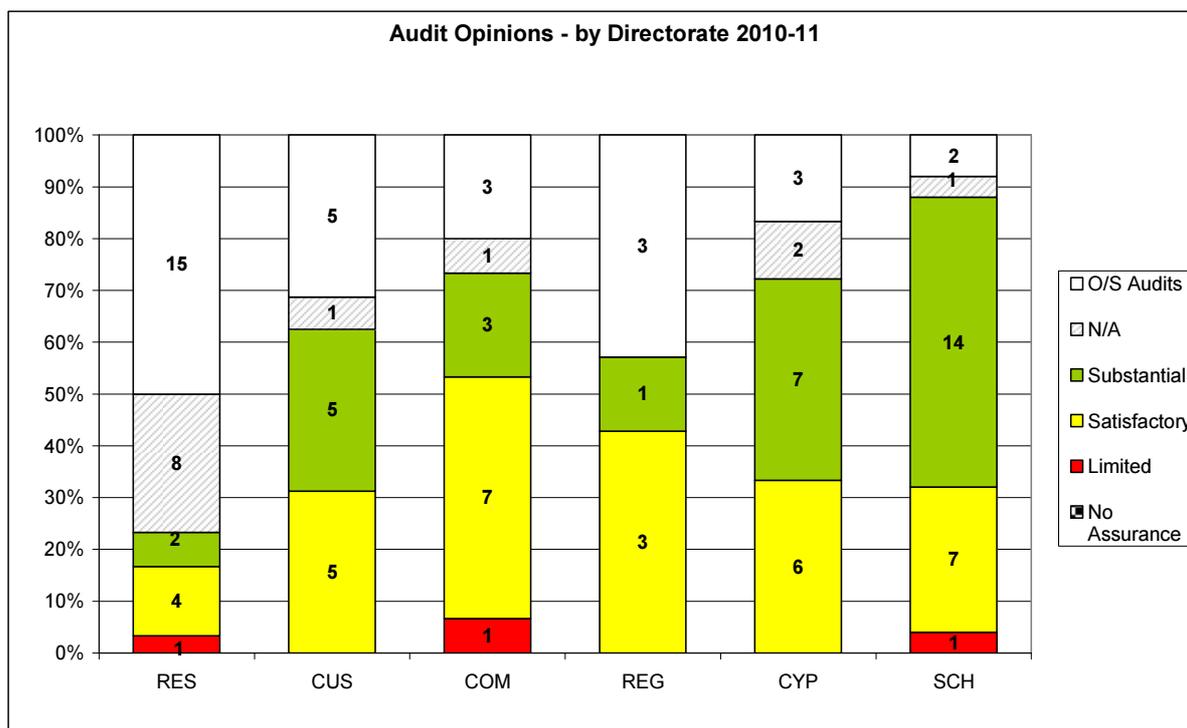
- St Augustine's Primary School – Limited

For further details of this Limited report please see Appendix 1

4.9. 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).



- 4.10. The next graph shows the distribution of audit assurance 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.



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 the end of February and reported in the table below.

No.	Performance Indicator	Target YTD to Feb	Actual YTD to Feb	Variance (+/-)
1	Percentage of all draft reports issued.	85.6%	87.4%	+1.8%
2	Percentage of draft audit reports issued within 15 working days of the exit meeting	90%	80%	10%
3	Percentage of final reports issued within 10 working days of agreed draft report	95%	92.5%	-2.5%
4	The average level of client satisfaction to be achieved (out of a score of 5)	4	4.3	+0.3
5	Percentage of recommendations agreed with management			
	• High recommendations	100%	100%	-
	• Medium recommendations	90%	98.5%	+8.5%
	• Low recommendations	80%	100%	+20.0%

5.3. Three of the five PI's have been met or exceeded:

- P1 – has now exceed to the target 1.8%. This is an improvement form the last audit panel report where the target was missed by 6.2%
- P4 – has been exceeded by 0.3 points – a slight improvement since the last audit panel report.
- P5 – has exceeded its target for the 11 month in a row.

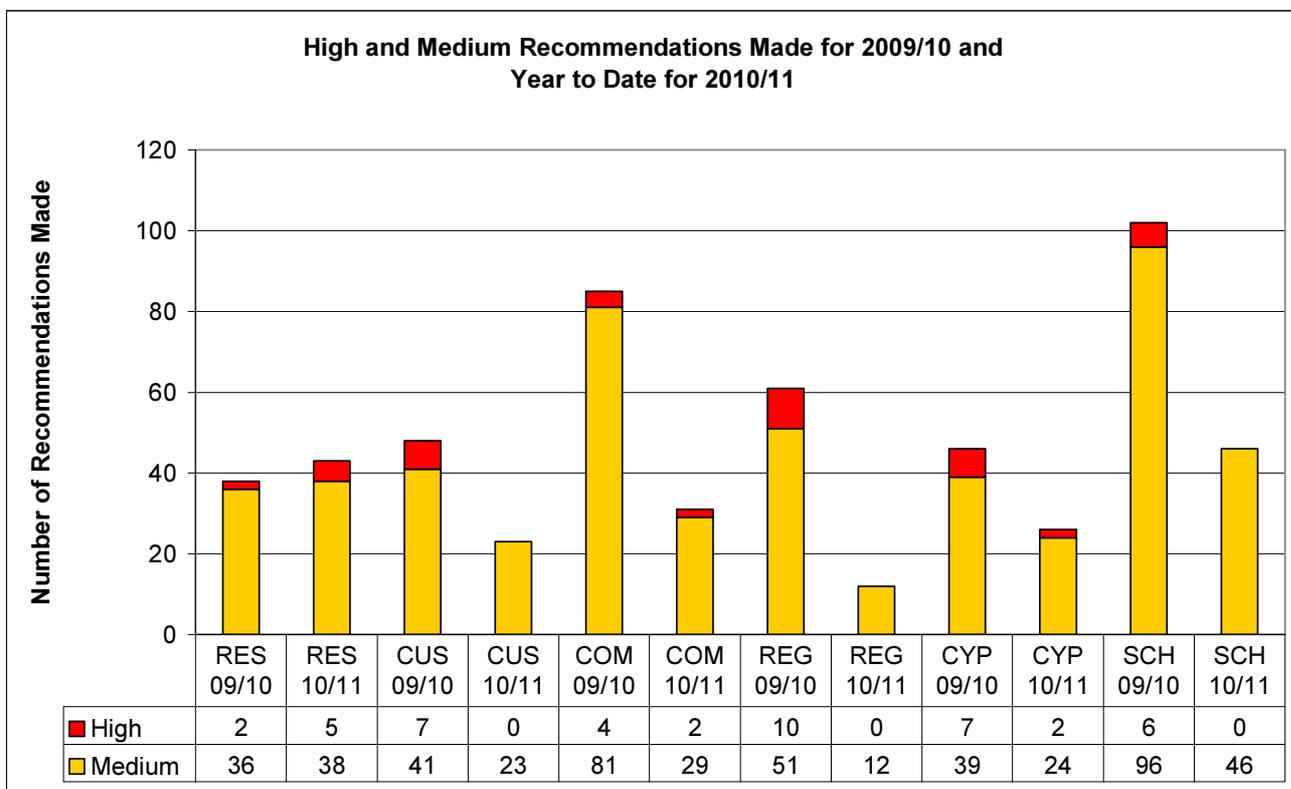
5.4. Two of the five PI's have not met their target

- P2 – has not met the target by 10%. The decline has increased by 6% since the last Audit Panel report and is the main driver for slippage in the plan. We are working with the contractor to improve performance on this KPI and meet the audit plan completion by 31 March target.
- P3 – has not met the target by 2. 5% and has remained stable since the last Audit Panel report.

6. Implementation of internal audit 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. The following graph shows the number and categories of recommendations made for those audit reviews that have been finalised for 2010/11 as at 14 March 2011, compared to the whole of 2009/10.



- 6.3. 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
- 6.4. Since September 2010, a monthly consolidated report showing the progress of the follow-up reviews is prepared to assist in tracking the completeness, accuracy and timeliness of the implementation of recommendations.
- 6.5. The table below shows the total of all those recommendations followed-up in the year to the end of January 2011. Details of the individual follow-up reviews issued since the last audit panel meeting can be found at Appendix 2 .

	Implemented	In progress	Superseded	Not Implemented	Not Due	Total
High	4	5	2	0	0	11
Medium	68	9	4	17	0	98
TOTAL	66%	13%	5%	16%	0%	109

- 6.6. We are now also reporting to managers those recommendations that are not due for follow-up. This will provide a more accurate picture of improvement and compliance to managers.
- 6.7. In addition to the follow-up review process, since 2009/10 open recommendations from final reports are input into a self verification 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. At follow-up any recommendations closed by management but deemed still open will be re-entered on 4Action to ensure their full implementation.
- 6.8. Details of overdue recommendations - those that have not been implemented within the agreed timescales by management and have had no progress update on their implementation or their implementation date changed more than twice - can be found in Appendix3.
- 6.9. At the Audit Panel's request we invite officers to attend the meeting to explain the current position of the overdue recommendations.

7. Draft internal audit plan for 2011/12

- 7.1. The proposed audit plan for 2011/12 was presented to and was accepted by the Internal Control Board on the 08 February 2011. For the details the draft plan is at Appendix 4.
- 7.2. The draft 2011/12 audit plan was compiled from the following sources :
 - Review of service plans and divisional and directorate risk registers
 - DMT discussions with the Executive Directors and their management teams
 - Assessment of the outcomes from recent audits
 - Horizon scanning based on the Knowledge Hub updates by the policy team
 - Consideration of the risk areas from announced changes and savings, and
 - Wider professional guidance, benchmarking and issues identified.
- 7.3. The 2011/12 plan, for approximately 1,000 days, covers three areas:
 - Firstly, the Core systems work that must be undertaken to provide a basic level of assurance on the main systems of the authority. With these are Key audits for identified

risk areas as part of the Council's business as usual activities. This still represents the bulk of the plan, 60% of internal audit days.

- Secondly, a focus on those areas where the biggest team, system and process changes are expected in light of the savings being made. This on the basis that if one is looking for risk, look for change. 20% of the internal audit resource is directed to these audits.
- Thirdly some thematic work to assess the Council's overall performance in certain risk areas. This will help build improved compliance arrangements to strengthen management assurance (and reduce need for independent assurance). This is budgeted to take up the remaining 20% of days.

7.4. Finally in addition to the above a further 200 days is held in the plan for general audit recommendation follow-up work, for the engagement of specialists as required, and to provide a limited contingency.

8. Forward plan priorities

8.1. In addition to the ongoing work to deliver the Internal Audit plan and provide advice to managers on internal control matters, the next quarter priorities for Internal Audit are:

- Appoint a contractor and manage any required transition to ensure continuity of audit work
- Preparation of the annual assurance report on 2011/12, and
- Develop proposals to strengthen assurance reporting arrangements, with a focus on risk management and compliance management.

9. Legal Implications

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

10. Financial Implications

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

11. Equalities Implications

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

12. Crime and Disorder Implications

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

13. Environmental Implications

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

14. Background Papers

14.1. There are no background papers.

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

Appendix 1

Limited Reports

Audit	Date Issued and Opinion	High Recs Made	Med. Recs Made	Low Recs Made	Area Review Covered	Key Findings
St Augustine's School	03/12/10 Limited	0	7	0	The standard audit areas were tested.	<ul style="list-style-type: none"> • Financial Management Code of Practice Policy to be reviewed and approved by the governing body. • Asset list should record costings and be signed off by the Headteacher as being reviewed annually • LA budget submission and fortnightly budget monitoring records to be signed by SAO and Headteacher as being reviewed. • Monthly payroll records should be checked and signed by the SAO and Headteacher as being reviewed. • Purchase order forms should be raised at the point of purchase for all applicable invoices and ensuring a separating of duties. Delivery notes should be retained or invoices signed to confirm goods and services have been received. • Staff expenses should be submitted within an agreed maximum time frame and should be part of the formal financial procedures. Ensure that a separation of duties is put into place so that no one can authorise their own expense claim. • The school's financial procedures should be amended to comply with the LA's Schools Finance Manual on the amount that is required to obtain quotations. It should also detail written job specifications should be used for contractor works.
Managers Comments						
None Received						

Appendix 2 - Follow up Reviews

November Follow up Reviews

Audit Title & Final Report Date	Honor Lea Hostel - (CUS) - 7 May 2010 Limited Assurance (09/10)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	1	0	0	0	1
Medium	3	0	0	0	3
TOTAL	100%	0%	0%	0%	4
Audit Comment: No further action required.					

Audit Title & Final Report Date	Street Trading - (CUS) - 25 May 2010 Substantial Assurance (10/11)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	0	0	0
Medium	2	0	0	0	2
TOTAL	100%	0%	0%	0%	2
Audit Comment: No further action required.					

Audit Title & Final Report Date	Adamsrill Primary School - (SCH) - 25 May 2010 Limited Assurance (09/10)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	1	0	0	0	1
Medium	2	1	0	1	4
TOTAL	60%	20%	0%	20%	5
Audit Comment: Both open recommendations are on 4Action.					

Appendix 2 - Follow up Reviews

December Follow-up Reviews.

Audit Title & Final Report Date	Houses in Multiple Occupation Licensing Scheme (CUS) 21 June 2010 Satisfactory Assurance (10/11)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	0	0	0
Medium	2	0	0	1	3
TOTAL	67%	0%	0%	33%	3
Audit Comment: The recommendation which has not been implemented has now been reopened on 4action.					

Audit Title & Final Report Date	Houses Repair Grants – Customer Services - (CUS) - 21 June 2010 Satisfactory Assurance (10/11)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	0	0	0
Medium	2	0	0	1	3
TOTAL	67%	0%	0%	33%	3
Audit Comment: The recommendation that has not been implemented is still open on 4action with a target date of 31/01/11 (as at 11/01/10).					

Audit Title & Final Report Date	Use of Consultants - (RES) - 21 June 2010 Limited Assurance (09/10)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	1	0	1
Medium	0	0	2	1	3
TOTAL	0%	0%	75%	25%	4
Audit Comment: The recommendation that has not been implemented has now been reopened on 4Action.					

Appendix 2 - Follow up Reviews

Audit Title & Final Report Date	Horniman's Primary School - (SCH) - 24 June 2010 Substantial Assurance (10/11)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	0	0	0
Medium	0	1	0	0	1
TOTAL	0%	100%	0%	0%	1
Audit Comment: The recommendation has now been put on 4Action.					

Audit Title & Final Report Date	Torridon and Sydenham Libraries - (COM) - 25 May 2010 Satisfactory Assurance (10/11)				
Status					
Recommendation Category	Implemented	In progress	Superseded	Not implemented	Total
High	0	0	0	0	0
Medium	3	0	0	0	3
TOTAL	100%	0%	0%	0%	3
Audit Comment: No further action required.					

January Follow Up Reviews

Audit Title & Final Report Date	Door 2 Door - Charging Mechanism – (REG) - 1 July 2010 Satisfactory Assurance (10/11)					
Status						
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	2	0	3
TOTAL	33%	0%	0%	67%	0%	3
Audit Comment: Those recommendations not implemented in full will be placed on 4action						

Audit Title & Final Report Date	Supported Housing - Extra Care – (COM) - 5 July 2010 Satisfactory Assurance (10/11)					
Status						
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	3	0	0	2	0	3
TOTAL	100%	0%	0%	0%	0%	3
Audit Comment: No further action required.						

Appendix 2 - Follow up Reviews

Audit Title & Final Report Date	Sandhurst Junior School – (SCH) - 5 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	0	1	1	0	0	2
TOTAL	0%	50%	50%	0%	0%	2
Audit Comment: The recommendation not implemented in full will be placed on 4action						

Audit Title & Final Report Date	Stillness Junior School - (SCH) - 8 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	0	0	1
TOTAL	100%	0%	0%	0%	0%	1
Audit Comment: No further action required						

Audit Title & Final Report Date	Myatt Gardens Primary School – SCH 9 July 2010 Satisfactory Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	2	0	3
TOTAL	33%	0%	0%	67%	0%	1
Audit Comment: Those recommendations not implemented in full will be placed on 4action						

Audit Title & Final Report Date	Youth Offending Team – Community Services - 19 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	0	0	1
TOTAL	100%	0%	0%	0%	0%	1
Audit Comment: No further action required						

Appendix 2 - Follow up Reviews

Audit Title & Final Report Date	Licensing - Issue, Review and Enforcement – CUS -15 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	0	0	1
TOTAL	100%	0%	0%	0%	0%	1
Audit Comment: No further action required						

Audit Title & Final Report Date	Linkline - Supported Housing & Care – (COM) - 27 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	0	0	1
TOTAL	100%	0%	0%	0%	0%	1
Audit Comment: No further action required						

Audit Title & Final Report Date	John Stainer Primary School – (SCH) - 23 July 2010 Substantial Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	1	0	0	0	0	1
TOTAL	100%	0%	0%	0%	0%	1
Audit Comment: No further action required						

Audit Title & Final Report Date	Torridon Junior School – (SCH) - 8 July 2010 Satisfactory Assurance (10/11)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	2	0	0	1	0	3
TOTAL	67%	0%	0%	33%	0%	3
Audit Comment: Those recommendations not implemented in full will be placed on 4action						

Appendix 2 - Follow up Reviews

Audit Title & Final Report Date	Catford High School (Conisborough College) – (SCH) - 8 July 2010 Limited Assurance (09/10)					
	Status					
Recommendation Category	IMPLEMENTED	IN PROGRESS	SUPERSEDED	NOT IMPLEMENTED	NOT DUE	Total
High	0	0	0	0	0	0
Medium	5	1	0	1	0	3
TOTAL	72%	14%	0%	33%	0%	3
Audit Comment: Those recommendations not implemented in full will be placed on 4action						

Appendix 3 - Overdue Recommendations

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		
Date changed once. No update provided					Original implementation date 31/10/10 Current implementation date 31/01/11			

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 6 times.					Original implementation date 31/10/08 Current implementation date 28/02/11			

Appendix 4 - Audit Plan for 2011/12

KEY	Type of Audit		
K	Key System	IT	Information Technology
S	Strategic	VFM	Value for Money
G	Governance	O	Operational
PC	Procurement and Contract	E	Establishment

Lead Directorate - RESOURCES

TITLE	TYPE	SCOPE	DAYS	TIMING
Implementation of HR System - PHRIS	IT	Review of the effectiveness of the implementation of the new HR system	15	Q1
Information Governance	IT	Review the process of information governance. To include follow-up review of information security review 10/11.	15	Q3
HR - Thematic Review	O	To review the service delivery of: record management, effectiveness of the HR delivery regarding redundancy (including calculations check if Payroll or HR) new 65 + law, redeployment arrangements, compromise agreements, revised Job Description due to restructure (not previous single status reviews), TUPE and Policy framework and compliance with these across org - from induction to retirement	80	Q1
Project Management Monitoring Capacity	O	Review the project start-up, rigorous planning, improved PRG monitoring and support, adherence to guidelines and management of financial procedures	20	Q2
Legal Services	O	Review of the process of how legal work requested and proceeded with, recharges, the procurement of specialist legal .	15	Q2
Grants - review of major grants	G	Review the procedures on submitting the grants claims that are required to be audited by External Audit, focusing on the preparation of the working papers.	12	Q3
Public Sector Transparency Board - sets out public data principles	S	Review of the £500 expenditure requirements, access of public information (not DPA / FOIA) and any new transparency requirements from central government	12	Q1

Appendix 4 - Audit Plan for 2011/12

TITLE	TYPE	SCOPE	DAYS	TIMING
Fraud	O	Review of the prevention and detection of fraud within the Council, and the working practices and monitoring system	15	Q2
Control of Expenditure	O	Review of the process of expenditure to include the process of the DEP (Directorate Expenditure Panel), authorisation of expenses and monitoring of the procurement card expenditure.	15	Q1
Procurement / Contract VFM	VFM	A review of the efficiency of the procurement process in terms of consistently achieving value for money, monitoring of the performance of key contracts, review of compliance failures, overall lessons learn and recurring themes report of individual contract audits, management of contract extensions, and review of the risk/management/monitoring and potential impact of providers going into liquidation. In addition a spend analysis will be conducted which will be review for VFM.	150	Q1
Mutual Organisations	S	Review of the set up and operation of mutual organisations within the Council	15	Q1
Performance Indicators for LAs	S	To review the new data list which replaces the 'National Indicator Set'. To include any checking of the data quality and verification process	15	Q1
Cyber Threats	IT	To review the security of the systems that prevent cyber threats to the authority.	10	Q1
Small Grants	G	Certification of grant claims that require Head of Audit / Director of Finance to sign off	10	TBC
Implementation of Payroll system (Resourcelink)	IT	Post implementation review of the new payroll system	10	Q1
Implementation review of Fixed Asset New System	IT	Post implementation review of new system and to include a reconciliation Estate to Asset Register	8	Q2
Pensions	K	To review the key controls on pensions (including teachers pensions) and any high or medium recommendations made in the last report.	10	Q4

Appendix 4 - Audit Plan for 2011/12

TITLE	TYPE	SCOPE	DAYS	TIMING
Payroll	K	To review the key controls, and any high or medium recommendations made in the last report and to include starters, leavers, overtime, expenses and honoraria payments.	15	Q4
Main Accounting System (General Ledger)	K	To review the key controls and any high or medium recommendations made in the last full review. To include a review of the joint ORACLE accounting system with Lambeth.	18	Q4
Accounts Payable	K	To review the key controls, any high or medium recommendations made in the last full review, and to include compliance with the prompt payment of trade creditors legislation, categorisation of suppliers, completeness of supplier records and duplicate supplier records.	15	Q4
Treasury Management	K	To review the key controls and any high or medium recommendations made in the last full review.	10	Q4
Capital Programme - Monitoring and Expenditure	K	To review the key controls and any high or medium recommendations made in the last full review. To include the process for monitoring, accounting and reporting of capital expenditure.	15	Q4
Fixed Asset Register	K	To review the key controls and any high or medium recommendations made in the last full review. To include the process for handling, recording and accounting for fixed assets, including the verification and valuation processes.	18	Q1
Budget Control and Monitoring	K	To review the key controls and any high or medium recommendations made in the last full review and to review the alignment to performance management and monthly management report	15	Q4

Appendix 4 - Audit Plan for 2011/12

Lead Directorate – CUSTOMER SERVICES

TITLE	TYPE	SCOPE	DAYS	TIMING
Trading Standards	O	Review of the process of recalling of faulty goods and promotion of consumer rights.	15	Q1
Housing Applications	S	Review the housing application process (online and manual) and the allocation of housing by need.	15	Q1
Pest Control	S	Review income generation and public health surrounding pest control	12	Q1
Street cleaning	VFM	Review of corporate charges model and supporting evidence for costs of work recharged	12	Q1
Major Suppliers	PC	Review the if any defaults included in contracts are being implemented where applicable and clienting arrangements	15	Q1
Complaints, Compliments and Suggestions.	S	Review the process from start to finish for customer complaints and comments. Review the process of any satisfaction surveys conducted.	12	Q1
Implementation review of NNDR system	IT	Post implementation review of the new NNDR system	8	Q1
Housing & Council Tax Benefits	K	To review the key controls and any high or medium recommendations made in the last full review.	15	Q4
Accounts Receivable (Debtors)	K	To review the key controls and any high or medium recommendations made in the last full review.	15	Q4
Council Tax	K	To review the key controls and any high or medium recommendations made in the last full review and to review the exemptions and other non SPD discounts.	18	Q4
NNDR	K	To review the key controls and any high or medium recommendations made in the last full review and use of the new discretionary discounts.	15	Q3
Cash Collection & Banking	K	To review the key controls and any high or medium recommendations made in the last full review	10	Q4

Appendix 4 - Audit Plan for 2011/12

Lead Directorate – COMMUNITY SERVICES

TITLE	TYPE	SCOPE	DAYS	TIMING
Personal Budgets	O	Review of how the new regulations regarding Personal Budgets is being implemented. To including monitoring of targets set, set up of the and the outputs of scheme.	20	Q1
Increased shared role with NHS over public health and adult social care	G	Review of governance and budget arrangements due to increase shared role.	15	Q2
Supporting People Service Plan	S	Review the implementation of Supporting Framework	12	Q3
Client Contributions for Residential and Domiciliary Care Services	K	To review the key controls and any high or medium recommendations made in the last full review	15	Q4
Payments to Residential and Domiciliary Care Service Providers	K	To review the key controls and any high or medium recommendations made in the last full review	10	Q4

Lead Directorate – REGENERATION

TITLE	TYPE	SCOPE	DAYS	TIMING
Regeneration of Lewisham	S	Review of the system for setting targets, increasing employment & proactive intervention.	15	Q2
Croydon & Lewisham Street Lighting PFI	PC	Review the governance of the PFI, budget arrangements and monitoring arrangements.	15	Q1
Security	O	Review of the arrangements in place to provide security to Council premises, including the issuing, stopping access key cards and access for temporary and contract staff.	15	Q1
Property Asset Management follow-up	PC	Follow-up on 09/10 report and the new implementation of the Property Asset Management IT system	15	Q3

Appendix 4 - Audit Plan for 2011/12

Lead Directorate – CHILDREN AND YOUNG PEOPLE

TITLE	TYPE	SCOPE	DAYS	TIMING
Children Social Care	O	Case file compliance with professional standard requirements	15	Q1
Provision of School Places	S	Review of the statutory requirement and the provision of school places, online submission process, appeals process, verification of application and the process of forecasting pupil numbers and budget allocation for future years.	25	Q1
CONTROC system - joint review with Community Services	O	Quality and use of management information to control the business	20	Q1
School IT Security	IT	Review of IT security in schools. Sample of Schools to be assessed	15	Q1
Play Capital Determination Grant	Grants	Review of grant claim for sign off in June 2011	5	Q1
Looked After Children	K	To review the key controls and any high or medium recommendations made in the last full review	10	Q4

TITLE	TYPE	SCOPE	DAYS	TIMING
Chelwood Nursery	E	Internal Audit Programme	4	Q1
All Saints Primary	E	Internal Audit Programme	4	Q4
Ashmead Primary	E	Internal Audit Programme	4	Q3
Baring Primary	E	Internal Audit Programme	4	Q2
Brindishe Lee Primary	E	Internal Audit Programme	4	Q3
Brockley Primary	E	Internal Audit Programme	4	Q1
Childeric Primary	E	Internal Audit Programme	4	Q2
Christ Church Primary	E	Internal Audit Programme	4	Q4
Coopers Lane Primary	E	Internal Audit Programme	4	Q3
Downderry Primary	E	Internal Audit Programme	4	Q2

Appendix 4 - Audit Plan for 2011/12

TITLE	TYPE	SCOPE	DAYS	TIMING
Elfrida Primary	E	Internal Audit Programme	4	Q1
Eliot Bank Primary	E	Internal Audit Programme	4	Q3
Gordonbrock Primary	E	Internal Audit Programme	4	Q2
Grinling Gibbons Primary	E	Internal Audit Programme	4	Q3
Haseltine Primary	E	Internal Audit Programme	4	Q3
Holy Trinity Primary	E	Internal Audit Programme	4	Q2
John Ball Primary	E	Internal Audit Programme	4	Q3
Kelvin Grove Primary	E	Internal Audit Programme	4	Q4
Perrymount Primary	E	Internal Audit Programme	4	Q1
Sir Francis Drake Primary	E	Internal Audit Programme	4	Q4
St Bartholomews Primary	E	Internal Audit Programme	4	Q2
St James Hatcham Primary	E	Internal Audit Programme	4	Q3
St John Baptist Primary	E	Internal Audit Programme	4	Q2
St Margarets Lee CE Primary	E	Internal Audit Programme	4	Q1
St Saviours Primary	E	Internal Audit Programme	4	Q4
St William of York Primary	E	Internal Audit Programme	4	Q1
St Winifreds Infants	E	Internal Audit Programme	4	Q3
St Winifreds Juniors	E	Internal Audit Programme	4	Q4
Brent Knoll (Special)	E	Internal Audit Programme	5	Q3
Greenvale (Special)	E	Internal Audit Programme	5	Q4
Meadowgate (Special)	E	Internal Audit Programme	5	Q4
New Woodlands (inc Primary PRU)	E	Internal Audit Programme	5	Q4

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 4
Ward	ALL	
Contributors	Interim Head of Audit & Risk A-FACT Group Manager	
Class	Part 1	Date: 23 March 2011

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 Demand for Special Investigations work continues to be high. This work includes employment related cases, work for Lewisham Homes and other investigations. These investigations are ongoing and the outcomes will be reported as soon as possible. The A-FACT manager reports regularly to the Council's Executive Director for Resources and Lewisham Homes management. In addition for 2011/12 A-FACT are proposing to work more closely with each of the Executive Directors to ensure we are prioritising investigations effectively in line with the Council's policy of zero tolerance for fraud or corruption and the service priorities of directorates. The Internal Control Board will also receive reports on the work of A-FACT, thereby bringing together the risk based work of both A-FACT and internal audit.

2010/2011 Special Investigations Cases					
	B/fwd	New Cases	Closed cases	Balance	Prior year (2009/10) balance
April	97	18	7	108	82
May	108	12	12	108	86
June	108	40	35	113	103
July	113	8	3	118	107
August	118	83	12	189	107
September	189	9	3	195	98
October	195	21	23	193	92
November	193	9	12	190	110
December	190	13	3	200	110
January	200	6	12	194	104
February	194	12	40	166	102

Employment related cases

- 3.2 In the last four months the Special Investigation section has dealt with the following cases:
- Employee received a Final Written Warning for failing to declare her true circumstances on an application for benefit fraud. She also accepted an Administrative penalty for the benefit offence.
 - Former agency employee has pleaded guilty in court to defrauding Lewisham Council of £21,000. This matter has been adjourned until 24th March for pre-sentencing reports.
 - One case where the employee resigned during the investigation so the matter was not pursued.

Lewisham Homes

- 3.3 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.
- 3.4 Cases recently referred to A-FACT-
- Employee had drawn cash totalling £750 using the Lewisham Homes Corporate credit card. A-FACT were able to obtain CCTV records using the seconded Detective Constable's Police powers. The CCTV identified the culprit who admitted the offence when confronted. The employee subsequently resigned.
 - A number of cash payments over £1,000 have been referred to A-FACT to establish whether these cash payments are linked to other fraud or money laundering. So far none of these have proven fraudulent.
- 3.5 Special Investigations received 26 referrals regarding possible subletting, tenancy fraud and/or benefit fraud. Of these:
- three were referred to Housing Benefits
 - six referred to Housing Investigations
 - 15 remained with Special Investigations, eight of which have been resolved.
 - two referrals relate to properties within the Regenta B3 contract. (These were highlighted by Lewisham Homes as there are connections to their properties. Special Investigations are awaiting agreement from Regenta management prior to the commencement of any investigation.)
- 3.6 Special Investigations now have access to the complete records regarding tenancies recovered by Lewisham Homes and can confirm that 60 fraudulent tenancies have been recovered since Oct 2009. Of these approximately 47 relate to the current financial year.

Blue Badge Fraud

- 3.7 The team has been successful in bringing a prosecution against a Catford man who used a relative's Blue disabled parking badge whilst they were not present to park at Heathrow Airport. He was fined £100 and an order for costs of £50 made.

Other work

- 3.8 Special Investigations have dealt with two 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 general fraud advice and information in three cases where thefts or frauds had been attempted.
- 3.9 In one case several Lewisham employees were concerned that an aggrieved member of the public was attempting to obtain funds from their personal PayPal accounts. Special Investigations was able to demonstrate that their accounts were still secure and provide general anti-fraud advice to protect these employees.
- 3.10 The Special Investigation team is working with the last set of the previous National Fraud Initiative (NFI) data, focusing on Single Person Discount fraud. The most recent NFI data has just come in and will be reviewed in the coming months.

4 Benefit Investigations

- 4.1 Between April 2010 and February 2011 the team issued a total of 132 sanctions, including 21 prosecutions, with a total fraudulent overpayment value of £755,414.

2010/11 Benefit Investigation Cases					
	B/fwd	New cases	Closed cases	Balance	Prior year (2009/10) balance
April	416	20	95	341	359
May	341	46	48	339	385
June	339	73	56	356	405
July	356	40	30	366	405
August	366	44	39	371	412
September	371	36	55	352	447
October	352	29	26	355	444
November	355	32	52	335	473
December	335	44	36	343	488
January	343	161	68	436	536
February	436	19	40	415	515

- 4.2 One recent success was:

A 32 year old benefit cheat was jailed after falsely claiming more than £30,000 of Housing Benefit and Income Support between February 2008 and June 2009.

The individual began his job in September 2007 but later claimed the benefits using another name which he had previously changed by Deed Poll. He was caught when a data matching exercise showed that two different people were using the same national insurance number at the same address and that one was claiming benefits.

He pleaded guilty to two offences under the Social Security Administration Act at Greenwich Magistrates Court. In sentencing, the judge said that due to the aggravating features, such as the length of time that he was illegally claiming benefits and the use of Deed Poll, a jail sentence was inevitable. He was sentenced to 22 weeks – 11 weeks in prison and 11 to be served doing Community Service.

- 4.3 The team working on Housing Benefit Investigations is directly impacted by the Government's announcement about the creation of a single national investigation force to be led by the Department for Work and Pensions. From April 2013 the Council will no longer be providing this investigation service. Proposals to meet this change were included in the Phase 2 RES35 savings proposal agreed as part of the 2011/12 budget setting process.

5 Housing Investigations

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

2010/11 Housing Investigation Cases					
	Cases b/fwd	New Cases	Closed Cases	Current Caseload	Prior year (2009/10) balance
April	59	5	0	64	37
May	64	2	0	66	41
June	66	6	6	66	46
July	66	7	2	71	44
August	71	8	4	75	52
Sept	75	5	2	78	53
October	78	2	4	76	50
November	76	5	9	72	53
December	72	3	9	66	49
January	66	5	4	67	48
February	67	7	4	70	53

- 5.2 One recent success was:

A woman claiming to be homeless who applied for housing has been successfully prosecuted.

The woman applied to the Council for housing in December 2009. On her application she stated she did not own any property.

In her original application she informed the Council that she had been living with her sister but her sister could no longer accommodate her as she required the room for her daughter who was returning home. In support of her application for housing, she provided a notice to quit from her sister and documents to prove her place of residency. Whilst her application for housing was being processed she was allocated temporary stay accommodation in Lewisham.

Checks against HM Land Registry records conducted as part of the housing investigation process revealed that she was registered as the joint owner of a property in Ilford, Essex. Further checks also revealed she was the sole owner of a property in Chadwell Heath, Essex.

She was interviewed on two occasions regarding her housing situation. On both occasions she denied that she owned any property. Following further investigations she was charged with one offence under section 214(1) of the Housing Act 1996 in that she knowingly made a false statement with the intent of inducing the local authority to believe that she was entitled to accommodation or assistance under their statutory duties.

Although she failed to appear at Greenwich Magistrates' Court on 17 November she was found guilty in her absence by the court. She was fined £2,000 and ordered to pay costs of nearly £1,500.

6 Fraud Awareness Training

- 6.1 A-FACT has provided training to the Lewisham Homes Board of Directors on their Anti Fraud and Corruption Strategy including the Bribery Act, Money Laundering and an awareness of document fraud.
- 6.2 Detailed document verification training has also been provided to front line Lewisham Homes staff, Directorate based Human Resources and to the Housing Options Centre.

7. Publicity

- 7.1 The two episodes of the BBC programme Saints and Scroungers have now been aired on the 14th and 25th January 2011. Feedback on both stories has been positive.
- 7.2 Three press releases have just been released for the recent prosecutions undertaken by the team. These are included at Appendix A for reference.
- 7.3 The team has continued to advertise the 'report Fraud Hotline 0800 0850119' on the electronic messaging board outside the Town Hall.

8 Legal Implications

There are no legal implications arising directly from this report.

9 Financial Implications

There are no financial implications arising directly from this report.

10 Equalities Implication

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

11 Crime and Disorder Implications

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

12 Environmental Implications

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

13 Background Papers

There are no background papers reported.

If there are any queries on this report, please contact

David Austin at david.austin@lewisham.gov.uk or on 020 8314 9114, or

Carol Owen at carol.owen@lewisham.gov.uk or on 020 8314 7909

Appendix A

A-FACT Press releases – December 2010 to February 2011 attached as separate .pdf file

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SYDENHAM: Woman, 29, fined £2,000 after falsely claiming social housing

9:56am Wednesday 15th December 2010

Print Email Share Comments(0)



A 29-YEAR-OLD woman has been fined £2,000 after falsely claiming to be in need of social housing.

Margaret Okena of Kent House Road, Sydenham, failed to appear at Greenwich Magistrates' Court and was found guilty in her absence by the court of one offence under the Housing Act 1996.

She was fined £2,000 and ordered to pay costs of £1,500.

Okena applied to Lewisham Council for housing in December last year.

On her application she stated she did not own any property.

But routine checks conducted as part of the housing investigation process revealed Okena owned two properties in Essex.

She was interviewed on two occasions about her housing situation and on both occasions denied she owned any property.

Cabinet member for customer services, Councillor Susan Wise, said: "Mrs Okena was attempting to defraud Lewisham Council by falsely claiming social housing.

"I'm delighted this woman has been stopped in her tracks.

"This prosecution is a lesson to anyone who thinks they can cheat their way into housing in Lewisham and get away with it.

"Lewisham Council will not tolerate people abusing a system which is designed to help people in need."

SOUTH LONDON PRESS 17/12/10

Woman fined for home need scam

SYDENHAM: A woman has been fined after falsely claiming to be in need of social housing.

Margaret Okena, of Kent House Road, was found guilty in her absence at Greenwich Magistrates' Court on November 17.

She was ordered to pay a £2,000 fine and nearly £1,500 in costs.

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NEWS SHOPPER 23/12/10

Woman fined £2,000 for false housing claim

A 29-YEAR-OLD woman has been fined £2,000 after falsely claiming to be in need of social housing.

Margaret Okena, of Kent House Road, Sydenham, failed to appear at Greenwich Magistrates' Court and was found guilty in her absence by the court of one offence under the Housing Act 1996.

She was fined £2,000 and ordered to pay costs of £1,500. Okena applied to Lewisham

Council for housing in December last year.

On her application she stated she did not own any property.

But routine checks carried out as part of the housing investigation process revealed Okena owned two properties in Essex.

She was interviewed twice about her housing situation and on both occasions denied owning any property.

News Shopper

New Cross benefit cheat jailed after falsely claiming £30,000

12:26pm Tuesday 25th January 2011

By Kelly Smale

A 32-YEAR-OLD benefit cheat has been jailed after falsely claiming more than £30,000.

Arthur Sowah, of New Cross Road, New Cross, falsely claimed income support and housing benefit totalling £30,435 between February 2008 and June last year.

The corporate trade analyst began his job in September 2007 but later claimed the benefits using the name Ishmael Thomas, the name he had changed to by deed poll in 1994.

Sowah was caught after a data-matching exercise by the Department for Works and Pensions showed two different people were using the same national insurance number at the same address, and one was claiming benefits.

Sowah pleaded guilty to two offences under the Social Security Administration Act at Greenwich Magistrates Court.

He was jailed for 11 weeks and given an 11 week community service order.

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News Shopper

Deptford woman Lakeisha Fears jailed for benefit fraud

9:48am Tuesday 22nd February 2011

By Kelly Smale

A BENEFIT cheat had been jailed for two years after falsely claiming £55,748.

Lakeisha Fears, of Millard Road, Deptford, was investigated by the Department for Work and Pensions (DWP) for a having a fraudulent Indefinite Leave to Remain stamp on her passport.

The 34-year-old also had a counterfeit letter from the Home Office which she submitted to the DWP to obtain a national insurance number so she could claim income support.

Lewisham Council was contacted when further investigations revealed she had used them to claim housing benefit and council tax benefits.

Fears was found guilty at Woolwich Crown Court on January 26 of falsely claiming income support of £3,594 from the DWP and £51,106 in housing benefit and £1,048 in council tax benefits.

The judge recommended she be deported once her sentence had been served.

Cabinet member for customer services, Councillor Susan Wise, said: "The benefit system is there for people who genuinely need to claim.

"The council has a team of dedicated investigators who work closely with colleagues in the DWP - they will painstakingly follow all leads and secure evidence to enable a successful prosecution.

"We will not tolerate benefit cheats in our borough and will always prosecute."

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Agenda Item 5

Report To	Audit Panel		
Report Title	Risk Management Update		
Ward(s)	Various	Item 5	
Contributors	Interim Head of Audit & Risk, and Group Manager, Insurance & Risk		
Class	Part 1	Date	23 March 2011

1. Purpose of Report

- 1.1 The purpose of this report is to present the draft 'Risk Management Strategy 2011 – 13' to the Audit Panel for their consideration and approval and to provide an update on progress made in managing risk.

2. Executive Summary

- 2.1 Effective risk management and internal control provides assurance to decision makers that objectives will be achieved. Regulatory and advisory bodies, CIPFA, SOLACE and the Treasury recommend that public sector organisations must be in a position to demonstrate that they have robust systems and processes in place for the identification and management of risk.
- 2.2 The Accounts and Audit Regulations 2003 (as amended 2006) detail the statutory requirement for Local Authorities to undertake risk management.
- 2.3 The London Borough of Lewisham's previous Risk Management Strategy was approved by this Panel in September 2007. That Strategy has been reviewed and updated to ensure that it reflects current good practice, the Council's priorities and remains fit for purpose.
- 2.4 A copy of the draft 'Risk Management Strategy 2011 – 2013' is attached at Appendix 1 and the Panel is invited to comment on and approve the Strategy.

3. Recommendations

The Panel is recommended to:-

- 3.1 Approve the Risk Management Strategy 2011 - 2013
- 3.2 Note the progress made in reporting and managing risk

4. Background

- 4.1 The previous Risk Management Strategy 2007 – 2010 set out the Council's approach to the management of risk and was approved by the Audit Panel in September 2007. The management of risk is primarily monitored by way of risk registers at directorate and corporate levels. As our risk management arrangements mature the Council endeavours to also strengthen and improve the management of operational risks at the Service/Divisional level. The Service and Directorate risk registers are scrutinised by Directorate Management Teams. Directorate risk registers and the Corporate risk register are then scrutinised by the Executive Management Team (EMT) and by the Risk Management Working Party (RMWP) and the Internal Control Board (ICB).
- 4.2 The ICB continues to operate at EMT level, with an independent non-executive chair. Membership, terms of reference, frequency of meetings, accountability and links are defined in the Terms of Reference which are appended to the Strategy. Thus a dedicated risk review body operates at the most senior officer level within the organisation.
- 4.3 The RMWP continues to operate with senior officer representation from each directorate. The RMWP collates and scrutinises Directorate Risk Registers which inform the Corporate Risk Register and are then reported to the Internal Control Board who agrees the Corporate Risk Register.
- 4.4 Both the RMWP and the ICB receive regular updates on key risks and matters relating to internal control and compliance.
- 4.5 Risk is also reported and commented on in the monthly management report.

5. Changes to the Risk Management Strategy

- 5.1 Minor changes have been made throughout the document to reflect current priorities and current good practice.
- 5.2 A horizon timeframe has been set out at section 3.1.1 to help ensure consistency on how we analyse and report on risk. The proposal is for a six to twelve month horizon to be used when considering risk in the risk registers. This was believed to be the most appropriate time frame to keep focus on objectives/priorities rather than just current issues being managed. Longer time frames were rejected so as to avoid the registers feeling too distant and not aligning with current objectives.

- 5.3 A horizon scan is to be included in the registers to capture risks considered likely to emerge in the longer term and ensure they are actively monitored.
- 5.4 The links with other business processes, such as service planning, performance management and business continuity have been strengthened throughout the document. This reflects the work being undertaken to better align and ensure risk management is at the heart of the Council's corporate governance arrangements and actively informs and supports management's decision making.
- 5.5 The section on partnerships has been shortened so that the emphasis is more on where the Council is the lead body.
- 5.6 Cascade reporting is now included in Table 3, as well as escalation reporting, to ensure that staff are fully briefed on the discussions of risk and its management throughout the Council.
- 5.7 Terms of Reference for the RMWP have been amended to include representation from Business Continuity Management and Terms of Reference for the ICB now reflect a greater ongoing focus on compliance.
- 5.8 The revised Strategy has been approved by the RMWP and ICB.

6. **Management of Risk during 2010/11**

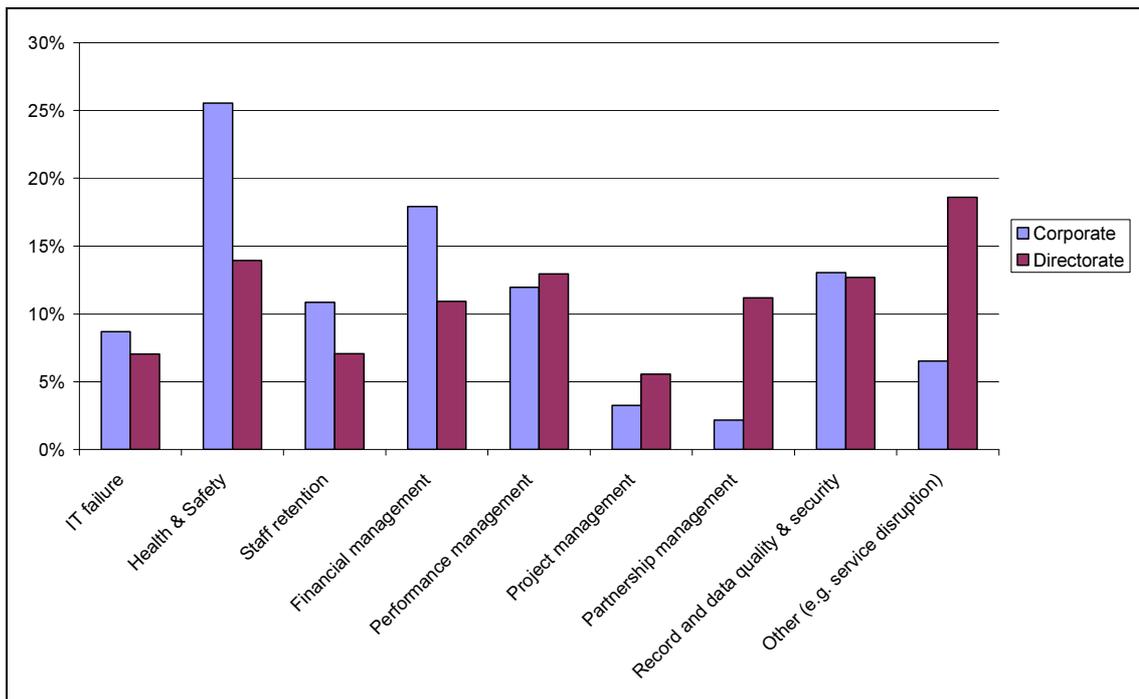
- 6.1 The key risks in the Corporate Risk Register (where the risk is evaluated as high and there is a big variance between the current and target scores) are:

- Failure of ICT infrastructure
- Litigation risk
- Financial failure
- Inadequate provision/reserves
- Inability to maintain assets

Avoidable death or serious injury to a client or employee is also reported as a high risk, purely because of the severity should such an event occur.

- 6.2 The table below depicts the proportion of current risks in the risk registers by category and provides the corporate v. directorate view.

Table 1: Distribution of risk by category – corporate v. directorate view



6.3 The RAG rating for the measures of success defined in the previous Strategy (as evaluated at January 2011) is attached at Appendix 2. This shows good progress across the actions to improve the quality of risk management in the Council. One red area remains relating to risk management training. Action in this area is planned for 2011/12.

7. Conclusions

7.1 Approval of the 'Risk Management Strategy 2011 – 2013', as recommended at 3.1 above, will enable officers to continue the work to ensure consistency of evaluation, monitoring and reporting of risk across the Council.

7.2 A training exercise can then be rolled out during 2011 - 2012 and the Council will be able to demonstrate a programme for continuous improvement and that risk is being managed across the Council.

8. Legal Implications

8.1 The Council is under a duty by virtue of the Accounts and Audit Regulations 2003 (as amended 2006) to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

9. **Financial Implications**

- 9.1 There are no financial implications arising directly from this report but effective risk management will reduce the cost of risk and ensure the security of people, assets and service delivery.
- 9.2 Failure to comply with the requirements of the Accounts and Audit Regulations 2003 (as amended 2006) would result in the qualification of the Final Accounts.

10. **Equalities Implications**

- 10.1 There are no specific equalities implications. However, one of the major corporate risks to be addressed in each risk register is illegality and non-compliance with legislation. This would include the Disability Discrimination Act (DDA) and effective management of this risk will result in compliance.

For more information on the report please contact either:

David Austin at david.austin@lewisham.gov.uk / 020 8314 9114, or

Karen Eaton at karen.eaton@lewisham.gov.uk / 020 8314 6849.



RISK MANAGEMENT STRATEGY

2011 - 2013

Contents

Page 3	Introduction
Page 4	Objectives
Page 4	Risk Management Framework
Page 10	Roles and Responsibilities
Page 12	Reporting and Review Framework
Page 12	Training and Development
Page 13	Measuring our Success
Page 15	Appendix 1 – Directorate Risk Descriptors
Page 17	Appendix 2 – Service/Divisional Risk Descriptors
Page 19	Appendix 3 – Risk Management Working Party Terms of Reference
Page 22	Appendix 4 - Corporate Internal Control Board Terms of Reference

Risk Management Strategy

The previous Risk Management Strategy (2008-2010) has been reviewed and amended to reflect current good practice. Our risk management arrangements must be particularly tailored to manage the new risks and challenges arising from the times of significant change and austerity anticipated in the public sector over the coming years.

1.0 Introduction

The London Borough of Lewisham has developed and adopted this Risk Management Strategy, which will be implemented during the period 2011-2013, with the objective of meeting its Risk Management Policy and Mission Statement on risk management:

The Risk Management Policy of the London Borough of Lewisham is to adopt good practice in the identification, evaluation and cost-effective control of risks to ensure that they are eliminated or managed to an acceptable level.

Risk will be considered in every aspect of our business to ensure that we can deliver excellent, efficient services and the authority's exposure to risk will be effectively managed and opportunities optimised.

All employees will understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided to equip and enable employees to meet their responsibilities.

A statement on the assessment of the authority's risk management arrangements and their effectiveness will be published annually.

This strategy will assist the Authority in achieving compliance with our Code of Corporate Governance, 'Risk Management and Internal Control' and our Risk Management Policy. It will also ensure that the Council meets the statutory regulations for risk management, as identified in Section 5.4 of the Accounts and Audit Regulations 2003 (as amended 2006) and follows best practice as defined by CIPFA. Lewisham recognises the benefits of effective risk management as:

Strategic
Ensure the health, safety and security of service users, citizens & staff
Meet changing needs of customers/citizens, including disadvantaged groups
More efficient use of management time through improved ability to deliver goals/targets/objectives
Improved management information resulting in more informed decision making. Supports transparency and accountability.
Reducing service disruption (and associated costs)
Greater financial control and reduction in level of uncontrolled expenditure
Systematic approach to identifying and reducing risks

Operational
Reducing the likelihood of injury to citizens and employees
Protect service delivery and its quality
User focussed service delivery, accessible by all, including disadvantaged groups
Avoid financial loss through fraud and corruption
Preventing damage to property and equipment
Minimising the cost of damages to the Council
Inform the appropriate method of risk financing and reducing insurance costs
Protect the image and reputation of the Authority

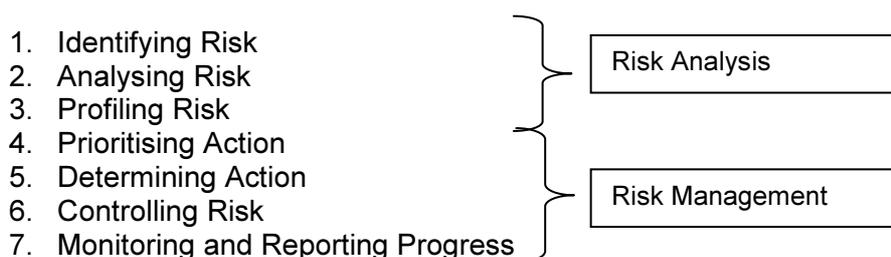
2.0 Objectives

The Risk Management Objectives of the London Borough of Lewisham are to:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help us to achieve our Corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk

3.0 Risk Management Framework

This strategy approves a framework for risk analysis and risk management, based on a seven-step plan and in accordance with published guidance.



Risks will be identified at five levels: corporate strategic risks, directorate risks, service level risks, project management risks and partnership risks.

3.1 Strategic Risks

Strategic Risks will be taken into account in judgements about the medium to long-term goals and objectives of the Council. They may be risks relating to changes in the external context within which we operate and examples are given in Table 1.

Table 1: Types of Strategic Risk

Type of Strategic Risk	Description and examples
Political	those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments
Economic	those affecting the ability of the Council to meet its financial commitments during a period of deep austerity and the scale and pace of budget cuts. These include internal budgetary pressures and savings/growth considerations, external economic changes, or the consequences of proposed investment decisions
Social	those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives and meet customer/citizens needs and address the needs of disadvantaged groups, particularly with significantly reduced resources.
Technological	those associated with the capacity of the Council to deal with the pace/scale of

	technological change, or its ability to use technology to address changing demands and deliver efficiencies. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives
Legislative	those associated with current or potential changes in national or European law (for example, TUPE regulations, Health & Safety, DDA, Equalities legislation etc)
Environmental	those relating to the environmental consequences of progressing the Council's strategic objectives (for example, in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc)
Partnerships	Robustness of relationships and supply chains that underpin critical operations and affect the quality and competitiveness of the service and/or its ability to deliver best value.
Customer/Citizen	those associated with the failure to meet the current and changing needs and expectations of customers and citizens including disadvantaged groups, vulnerable children and adults with significantly reduced resources.
Reputation	Those risks associated with a negative image of the Council (for example adverse media coverage)

Source – Audit Commission, Worth the Risk

3.1.1 Strategic Risk Analysis

Executive Directors will work with their management teams to identify potential significant risks on a 6 – 12 month rolling horizon and analyse those risks in two ways; by the likelihood or frequency of the risk event occurring and by the severity/impact on the organisation of the risk event occurring.

Risks identified will be linked to the corporate priorities and to the following risk categories to facilitate analysis of cross-cutting risks and identify mutual benefits.

Risk Categories

- A IT failure
- B Health and Safety
- C Staff retention
- D Financial management
- E Performance management
- F Project management
- G Partnership management
- H Record and Data Quality & Security
- I Other

Each Directorate will produce a Directorate Risk Register in Performance Plus (P+) specifying the likelihood or frequency of the risk event occurring; the severity/impact on the organisation; the potential triggers for each risk; the direct and indirect consequences and the effects on performance management and delivery of priorities.

Each risk will be scored on a worst case scenario basis, then reassessed to determine the current status after existing mitigation and control, and then a target status will be set for the risk. The scoring will be in accordance with the risk matrix and descriptors at Appendix 1. The Directorate Registers will be reported quarterly to both the Risk Management Working Party (Terms of Reference for this group are at Appendix 3) and the Internal Control Board (ICB) for scrutiny and monitoring.

In addition, Directorate Management Teams will undertake a 'horizon scan' or potential emerging risks on a quarterly basis and note these in the register for future monitoring

The Executive Management Team (EMT) forms the ICB, which will have an independent non-executive chair, and will meet quarterly. This Board will identify key corporate strategic risks, drawn from the Directorate Risk Registers, and score them in accordance with the matrix and descriptors thereby creating and monitoring the Corporate Risk Register. (Terms of Reference for this group are at Appendix 4).

3.1.2 Strategic Risk Management

The risk assessment matrix adopted by Lewisham is shown in Figure 1 below.

Figure 1: Risk Assessment Matrix

LIKELIHOOD	High	5	5	10	15	20	25
		4	4	8	12	16	20
	Med	3	3	6	9	12	15
		2	2	4	6	8	10
	Low	1	1	2	3	4	5
			1	2	3	4	5
			Low		Med		High
			IMPACT				

Strategic Risk Descriptors are attached at Appendix 1.

Some strategic risks may already be well managed, some may require further mitigation whilst others may be beyond the control of the Council and may simply require active monitoring and contingency arrangements. Actions determined to manage risk may include:

Avoid	Terminate the risk – by doing things differently and thus removing the risk where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business
Eliminate or Reduce	Treat the risk – take action to control it in some way where the actions either reduce the likelihood of the risk developing, or limit the impact on the project to acceptable levels.
Transfer	This is a specialist form of risk reduction where the management of the risk is passed to a third party such as an insurance policy or penalty clause so that the impact of the risk is no longer an issue for the Council. Not all risks can be transferred in this way however
Accept	Tolerate the risk - because the activity is desirable or mandatory and nothing can be done at a reasonable cost to mitigate it, or the likelihood and impact of the risk occurring are at an acceptable level. The cost of controls must be proportionate to the risk.

Details of existing internal controls for each risk will be listed in the Directorate Risk Registers. Links to other reporting mechanisms (e.g. performance management, business continuity management) or supplementary control documents (e.g. service plans, business continuity plans, action plans arising out of internal and external reviews etc) are to be noted to provide assurance that risks are systematically controlled. Where existing controls are non-existent or inadequate, 'SMART' action plans (specific, measurable, achievable, realistic and timely) will be detailed in the Directorate Risk Registers. Risks that have been identified will be reported and monitored on a regular basis according to the Reporting Framework (See Section 4.0 Roles and Responsibilities).

The RAG rating for each strategic risk will be reported quarterly together with performance against target and direction of travel against last quarter.

3.2 Operational Risks

Operational Risks will be encountered as part of the day to day Council business. They are risks that may affect our ability to deliver satisfactory service provision. Table 2 below provides examples:

Table 2: Types of Operational Risk

Type of Operational Risk	Description and examples
Customer/Citizen	Children and vulnerable adults at risk, housing service concerns as to the welfare of tenants and meeting the needs of vulnerable people
Professional	those associated with the particular nature of each profession (for example, social work service concerns over children at risk; housing service concerns as to the welfare of tenants)
Financial	those associated with financial planning and control and the adequacy of provisions/reserves and insurance cover
Legal	those related to possible breaches of legislation
Physical	those related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment)
Contractual/ Partnership	those associated with the failure of partners/contractors to deliver services, objectives or products to the agreed cost and specification
Technological	those relating to a reliance on operational equipment (for example, IT systems or equipment and machinery)
Environmental	those relating to pollution, noise or the energy efficiency of ongoing service operations
Information	those associated with systems and management data and information assets, forecasting trends and forecasting of service needs

Source – Audit Commission, Worth the Risk

3.2.1 Operational Risk Analysis

Heads of Service will be responsible for analysing risks that could affect the ability to deliver services and meet objectives in their operational area and will bring these to the attention of their Directorate Management Team.

As part of the service planning, business continuity and performance management processes, they will work with their teams to identify and analyse operational risks on a 6 – 12 month rolling horizon by the likelihood or frequency of the risk event occurring and by the severity/impact on the organisation of the risk event occurring. Heads of Service will produce and maintain a divisional risk register in P+ and a link will be included in their service plan. Linkage from the annual Business Continuity – Business Impact Analysis will also exist in P+.

The divisional risk register will be reviewed and monitored as part of the normal performance monitoring regime and the effect of risk on performance targets and priorities will be considered regularly. Each risk will be scored on a worst case scenario basis, then reassessed to determine the current status after existing mitigation and control, and then a target status will be set for the risk. The scoring will be in accordance with the divisional risk matrix and descriptors at Appendix 2.

Details of existing internal controls for each risk will be listed in the Divisional Risk Registers and action plans will be subject to the normal performance monitoring regime.

Risks identified will be linked to the Council’s corporate priorities and to the following risk categories to facilitate analysis of cross-cutting risks and identify mutual benefits.

Risk Categories

- A IT failure
- B Health and Safety
- C Staff retention
- D Financial management
- E Performance management
- F Project management
- G Partnership management
- H Record and Data Quality & Security
- I Other

Risk Scoring Matrix

LIKELIHOOD	High	5	5	10	15	20	25
		4	4	8	12	16	20
	Med	3	3	6	9	12	15
		2	2	4	6	8	10
	Low	1	1	2	3	4	5
			1	2	3	4	5
			Low		Med		High
			IMPACT				

Divisional Risk Descriptors are attached at Appendix 2.

3.2.2 Operational Risk Management

Current controls, which are in place to manage each risk, should also be identified and where necessary, operational teams should develop action plans to better manage risks. These Action Plans must be monitored as part of the performance management process and the divisional risk register and risk management action plan must be reported to Directorate Management Teams

as appropriate, to facilitate the reporting of aggregate and cross-cutting risks and the distribution of risk across the Council.

3.3 Project Management

A project is generally defined as a time limited activity, designed to deliver a particular objective, through making a change of some kind. In a climate of continuous change and service development, project-related activity is increasing across the Council. It is vital that risks to a project are identified and assessed, with necessary controls put in place to ensure that a project is delivered successfully.

The management of project risks is an important element of the Lewisham Project Management training course, and the approach adopted in the course is consistent with that of the overall Risk Management Strategy. Additionally, the Project Management Guide also sets out the methodology to analyse and manage risks to a project's success which is consistent with the risk management strategy.

Identification and management of project risks are documented by the use of a Risk Register in the Project Initiation Document (PID). Monitoring of major projects and any associated risks is conducted through the Directorate Project Review Groups (PRGs), the Corporate Project Board and the Monthly Management Report.

The roles and responsibilities relating to management of project risk are summarised in the following table:-

Group/Individual	Roles and Responsibilities
Project Managers	<ul style="list-style-type: none"> • Identify risks to project, and assess the impact and likelihood of such risks, through completion and monitoring of Project Initiation Document (PID) • Nominate owners for each risk to the project and monitor actions to control risks, instigating contingency actions where necessary
Programme Management Team	<ul style="list-style-type: none"> • Provide advice, training and support to Project Managers • Support the Lewisham project monitoring infrastructure
Corporate Project Board & Project Review Groups (PRGs)	<ul style="list-style-type: none"> • Initial and ongoing review of project risk in sign-off of PIDs and progress reporting • Notify DMT/EMT of any risks that affect the project's ability to meet corporate objectives • Informs the Monthly/Quarterly Management Report notifying EMT and Mayor & Cabinet of risk status against ten corporate priorities.

3.4 Partnership Risk Management

Partnership working continues to play a critical role in achieving the Council's vision. Partnerships often involve complex types of risk, which can, if not correctly managed, adversely affect the delivery of services to end users.

Managing risk in our partnerships is therefore an important element of the Council's risk management strategy. The Council will continue to develop and build on the good practice applied in the governance of its key partnerships and the management of risk associated with them.

Where the Council is the key partner, it will ensure that a risk register identifying the risks to the partnership (not the individual members) is constructed and maintained in accordance with the previously referenced framework. It is recognised as good practice that each partnership shares its risk register with the individual partner organisations so they are each informed of the risks that the partnership faces.

In addition, the Council will face its own risks associated with the partnership and each directorate will reflect these in its directorate and/or divisional risk registers.

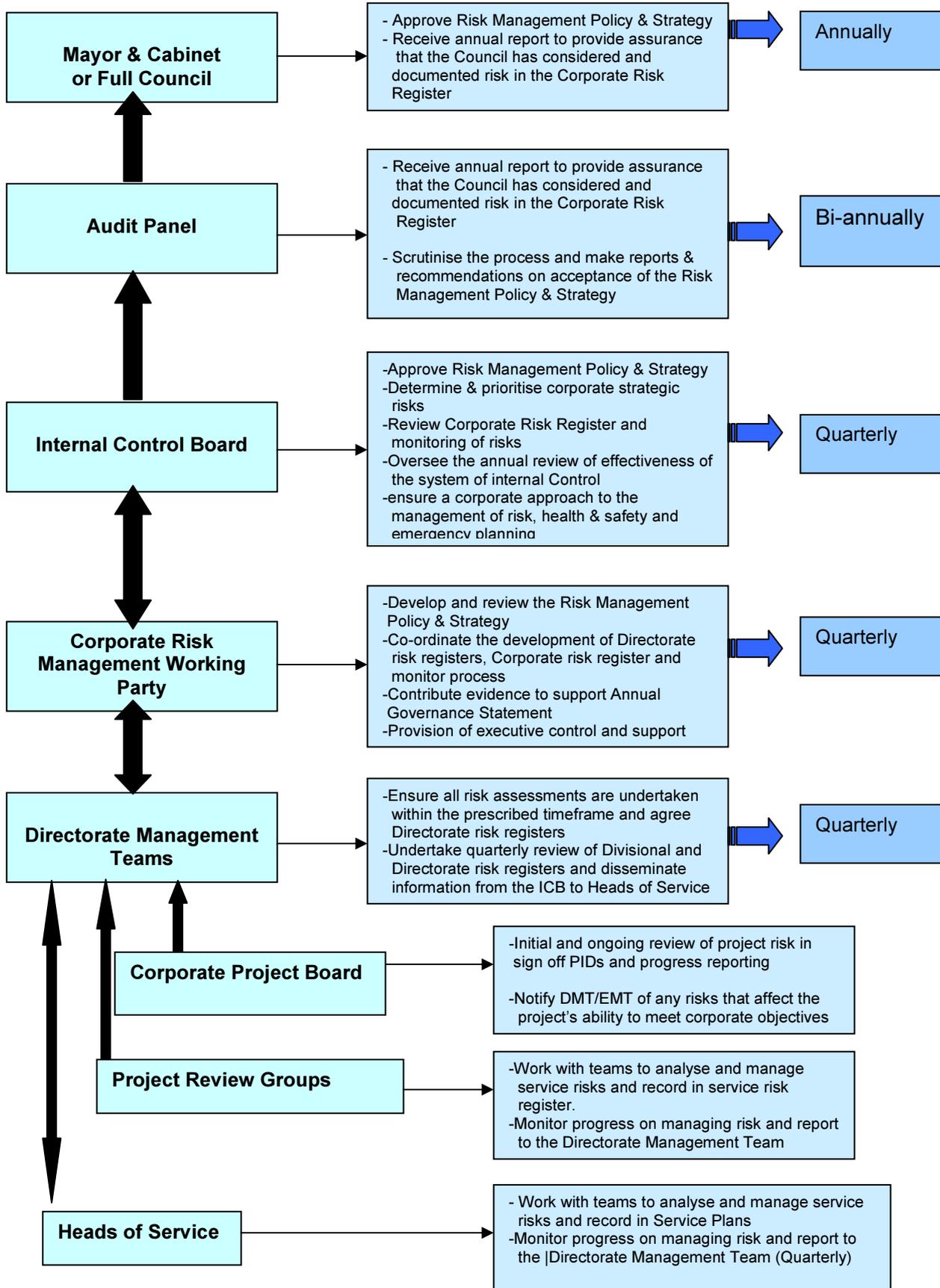
4.0 Roles and Responsibilities

The Cabinet Member for Resources and the Executive Director for Resources will drive the process as risk management champions but managing risk is the responsibility of everyone within the organisation.

This is not a new responsibility, but formalisation of good working practices. Training will be provided to key personnel on an ongoing basis and included within induction training to ensure that Members and Officers are equipped with the necessary skills and knowledge.

Particular roles and responsibilities are summarised in Table 3 (overleaf).

Table 3: Reporting Framework for Risk Management



4.1 Risk Management Working Party (RMWP)

The role of the Risk Management Working Party is to advise the Internal Control Board. Full terms of reference for this group can be found at Appendix 4.

The Risk Management Working Party shall comprise of:

- Audit, Risk & Health & Safety Manager
- Group Manager, Insurance & Risk
- Head of Property Services
- Business Continuity Manager
- Senior Directorate Representatives from:
 - *Resources*
 - *Regeneration*
 - *Children & Young Persons*
 - *Community Services*
 - *Customer Services*

Representatives from:

- *Brokers/Risk Management (as advisors when required)*
- *Internal Audit (as advisors and for monitoring and control as appropriate)*

From time to time, representatives from the Authority's partners (e.g. Schools, Health, Contractors etc) may be invited to attend Risk Management Working Party meetings. Directorate representatives shall be responsible for identifying occasions where such representation would be advisable.

5.0 Reporting & Review Framework

The main reporting mechanism will be by use of the Risk Registers in Performance+. Risks, even at a strategic level, do not remain static and therefore the Risk Registers will be regularly reviewed and kept up-to-date within the Performance+ framework to remain valid. The RMWP will periodically re-appraise the identified risks and ensure all assessments are undertaken within the prescribed timeframe and report to the ICB to inform the annual review. RMWP members will report on risk management to DMT who will cascade risk information and disseminate information from the ICB to Heads of Service. Risks associated with any new initiatives and activities will be formally identified, appraised and added to the Risk Register at the appropriate level.

The annual review of the Annual Governance Statement (AGS) will be undertaken by the Internal Control Board at the end of each financial year, informed by relevant evidence and assurances gathered by the AGS Working Party and reported to the ICB throughout the year. The Annual Governance Statement on Internal Control will be published with the Final Accounts.

6.0 Training and Development

A Human Resource strategy will be developed to ensure that Members, Officers and key Partners are equipped with the necessary knowledge and skills to:

- Identify and evaluate risks
- manage the risks involved with their service area
- develop their understanding of what risk management is
- understand their responsibilities for managing risks.

8.0 Measuring our Success

In reviewing this strategy it is vital that we make a judgement about the level of success it has achieved. In order to do this, the information in Table 5 below will be considered.

Table 5: Measures of Success

Objective		Measure of Success
1	Help us achieve the Council's Corporate priorities	- No negative impact of unidentified risks on delivery of corporate priorities
2	Integrate risk management into the culture of the Authority	- Completeness of Risk Registers - inclusion of risk in reports requiring decisions - links to service plans and performance management
3	Identify, evaluate and manage risk in accordance with good practice	- Positive external inspection reports
4	Anticipate and respond to changing social, environmental and legislative requirements	- Enhanced planning and prioritisation - Reduction in the number of urgent/ retrospectively applied decisions - Reduction in legal challenge
5	Prevent injury and damage and reduce cost of risk	- No increase in number of liability insurance claims paid - Cost of Council contribution to insurance claims
6	Raise awareness of the need for risk management in all service areas	- Risk management included in induction and training programme
7	Mitigate risks	- Reduction in the number of risks colour-coded red against target
8	Enhance corporate governance of risk	- No deterioration in positive external inspection reports - Increase in positive assurance opinions from internal and external audits
9	Optimising opportunities	- Successful completion of projects where benefits outweigh the risks
10	Enhance knowledge sharing and learning lessons	- Lessons learnt from incidents/near misses will be reported at RMWP meetings

– Risk Register Form (example)

Sample Risk Register													
	What are the worst consequences of the risk?	Current Quarter Status (RAG)	Worst Case Scenario Status (score)	Previous Quarter Status (score) Mar 2011	Current Quarter Status (score) May 2011	Target Status (score)	Current v Target (RAG)	Do T Current Quarter v Previous Quarter	Responsible Officer	What have we done to control the risk?	What are we planning to do?	When is it going to be completed?	Risk Notes
EM0001 Inability to maintain balanced budget	<ul style="list-style-type: none"> - Budget over spend - Efficiency needs - Wast of resources - Poor External Audit report - Fines and Penalties - Government intervention - Lack of clear decision making 	▲	15	5	10	5	▲	➡	Executive Director	<ul style="list-style-type: none"> - Budget monitoring - Standing Orders - Financial regulations - Compliance with appropriate policies and procedures. 	Es guber and ongoing monitoring.	Risk to be reviewed at next month's Performance DMI meeting	The director & division as a whole is forecasting an unbalanced budget at year end.
EM0001 Inability to maintain balanced budget	Impact	▲	5	5	5	5	★	➡					
EM0001 Inability to maintain balanced budget	Likelihood	★	3	1	2	1	▲	▲					
EM0002 Inability to attract recruit develop and retain employees	<ul style="list-style-type: none"> - Increase in recruitment cost - Additional cost - Inability to provide services - Turnover related cost 	★	12	4	4	4	★	➡	Head of People Management	<ul style="list-style-type: none"> - Targeted policies to encourage recruitment to hard to fill post. - Es guber monitoring of recruitment and staff turnover. - Implementation of workforce planning strategy. 	Commence recruitment process in good time.	<ul style="list-style-type: none"> Aim to recruit to post by ??? Risk to be reviewed at next month's Performance DMI meeting 	
EM0002 Inability to attract recruit develop and retain employees	Impact	★	4	2	2	2	★	➡					
EM0002 Inability to attract recruit develop and retain employees	Likelihood	★	3	2	2	2	★	➡					

Appendix 1 – Directorate Risk Descriptor (*Score is highest in any column*)

Likelihood: Of the risk / hazard occurring Impact: Most probable result or consequence of the risk/hazard occurring				
Likelihood				
	Rating	Probability	Description 1	Description 2
Very High	5	> 50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly
High	4	21 – 50%	Likely to occur	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year)
Medium	3	6 – 20%	Reasonable chance of occurring	Only likely to happen every 3 or more years
Low	2	1 – 5%	Unlikely to occur	Has happened rarely
Very Low	1	< 1%	Will only occur in exceptional circumstances	Very low probability / never before

Impact: Most probable result or consequence of the risk/hazard occurring					
Impact		Impact on:			
	Rating	Individual	Service	Reputation	Finance / Budgets
Very High	5	Death of an individual or several people	Complete loss of services, including several important areas of service Service Disruption: 5+ Days. Service Resource Diversion: Up to 80%	Adverse and persistent national media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and/or Members forced to resign	£5m +
High	4	Severe injury to an individual or several people, requiring immediate hospitalisation	Major loss of an important service area Service Disruption: 3-5 Days Service Resource Diversion: Up to 60%	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community.	£2.5m - £5m
Medium	3	Injury to an individual, requiring immediate hospitalisation	Major effect to an important service area Service Disruption: 2-3 Days Service Resource Diversion: Up to 40%	Adverse local publicity/local public opinion	£1m - £2.5m
Low	2	Minor injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period Service Disruption: 1-2 Days Service Resource Diversion: Up to 30%	Negative local publicity of a persistent nature	£500k - £1m
Very Low	1	Minor injury to an individual requiring hospital treatment	Significant effect to non-crucial service area Service Resource Diversion: Less than 20%	Negative local publicity	£250k - £500k

Appendix 2 – Service/Divisional Risk Descriptor (Score is highest in any column)

Likelihood: Of the risk / hazard occurring				
Likelihood	Rating	Probability	Description 1	Description 2
Very High	5	> 50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered -daily/weekly
High	4	21 – 50%	Likely to occur	Likely to happen at some point within the next 1-2 months. Circumstances occasionally encountered (few times a month)
Medium	3	6 – 20%	Reasonable chance of occurring	Only likely to happen every 3 or more months
Low	2	1 – 5%	Unlikely to occur	Has happened rarely
Very Low	1	< 1%	Will only occur in exceptional circumstances	Very low probability / never before

Impact: Most probable result or consequence of the risk/hazard occurring					
Impact		Impact on:			
	Rating	Individual	Service	Reputation	Finance / Budgets
Very High	5	Significant injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period Service Disruption: 1-2 Days Service Resource Diversion: Up to 30%	Negative local publicity of a persistent nature	£500k - £1m
High	4	Minor injury to an individual or several people requiring hospital treatment	Significant effect to non-crucial service area Service Resource Diversion: Less than 20%	Negative local publicity	£250k - £500k
Medium	3	Minor injury or discomfort to an individual or several people (First Aid treatable)	Brief disruption of important service area. Service Disruption: 1 Day Service Resource Diversion: Up to 10%	Merited complaint from an individual or group	£100k – 250k
Low	2	Minor injury or discomfort to an individual (First Aid treatable)	Brief disruption of non-crucial service area Service Disruption: 1 Day Service Resource Diversion: Up to 5%	Complaint from individual/small group	£50k – 100k
Very Low	1	No injury	Insignificant disruption of service area. Service Disruption: less than 1Day Service Resource Diversion: Less than 5%	Complaint from an individual	Less than £50k

RISK MANAGEMENT WORKING PARTY

TERMS OF REFERENCE

1 Mission Statement

The Risk Management Policy of the London Borough of Lewisham is to adopt good practices in the identification, evaluation and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

2 Aims & Objectives

- To promote the identification, evaluation, measurement, control, financing and transfer of all strategic risk exposures in relation to all functions (insurable and non-insurable) that threaten the achievement of the Authority's objectives.

3 Operational brief

- To establish a strategy for each year which includes a programme designed to:
 - Advise the Internal Control Board
 - Set up strong communication links with all parts of the organisation and its partners
 - Set realistic objectives and targets for RMWP representatives, including the production of Directorate risk registers action plans and progress reports
 - Agree a programme of cross-cutting risk management initiatives, buying in expertise where it becomes necessary
 - Retain flexibility to anticipate and respond to changes in circumstances
 - Approve funding of projects/initiatives to reduce risk within available resources
 - Co-ordinate the development of Directorate Risk Registers and monitoring of Risk Management Action Plans and process.
 - Develop and review the Risk Management Policy and Strategy

- Monitoring of process
- Provision of executive control and support
- Undertake the compilation of evidence and assurance to inform the annual review
- To develop the procedures needed to implement the Policy and take corrective action where non-compliance is identified
- To follow best practice in risk management practices
- Develop a training programme to raise risk awareness
- To act as champions and influence and stimulate changes in working practices to reduce risk
- To keep key risk areas under regular review
- Monitor performance
- Report regularly on the activities being undertaken
- Receive reports on the Authority's significant risks

4 Organisation

The Risk Management Working Party shall comprise of:

- ❖ Audit, Risk & Health & Safety Manager (Chair)
- ❖ Group Manager Insurance & Risk
- ❖ Head of Property Services
- ❖ Business Continuity Manager
- ❖ Senior Representatives from:
 - Resources
 - Regeneration
 - Children & Young Persons
 - Community Services
 - Customer Services
- Representatives from
 - Brokers/Risk Management (as advisors) as/when required

- Internal Audit (as advisors and for monitoring and control)

From time to time, representatives from the Authority's key partners (e.g. Schools, Health, Contractors etc) may be invited to attend Risk Management Working Party meetings. Directorate representatives shall be responsible for identifying occasions where such representation would be advisable.

The Risk Management Working Party shall establish focused task groups with the objective of considering particular specialised tasks and representatives of the Working Party shall be responsible for identifying the appropriate personnel from within their Directorates to support such groups.

The Risk Management Working Party shall report to the Internal Control Board quarterly or when significant matters arise.

The sponsor of the Risk Management Working Party shall be the Executive Director for Resources

Appendix 4 – Corporate Internal Control Board Terms of Reference

Corporate Internal Control Board

Membership

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources
- Executive Director for Children & Young Persons
- Executive Director for Regeneration
- Executive Director for Community Services
- Executive Director to Customer Services
- Audit & Risk Manager
- Head of Law
- Group Manager Insurance & Risk

Terms of Reference

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

4.1 Frequency of Meetings

Quarterly

4.2 Accountability and Links

- Receives quarterly reports from RMWP on Directorate Risk Registers
- Reports to Management Report quarterly
- Report to Audit Panel bi-annually
- Report to Mayor & Cabinet and full Council on an annual basis

The RAG rating as at January 2011 is depicted below.

Table 5: Measures of Success

Objective		Measure of Success
1	Help us achieve the Council's Corporate priorities	- No negative impact of unidentified risks on delivery of corporate priorities
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3	Identify, evaluate and manage risk in accordance with best practice	- Positive external inspection reports
4	Anticipate and respond to changing social, environmental and legislative requirements	- Enhanced planning and prioritisation - Reduction in the number of urgent/ retrospectively applied decisions - Reduction in legal challenge
5	Prevent injury and damage and reduce cost of risk	- No increase in number of liability insurance claims paid - Cost of Council contribution to insurance claims
6	Raise awareness of the need for risk management in all service areas	- Risk management included in induction and training programme
7	Mitigate risks	- Reduction in the number of risks colour-coded red against target
8	Enhance corporate governance of risk	- No deterioration in positive external inspection reports - Increase in positive assurance opinions from internal and external audits
9	Optimising opportunities	- Successful completion of projects where benefits outweigh the risks

Progress report

Audit Panel March 2011

London Borough of Lewisham

Audit 2010/11

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.

Contents

Introduction	3
Audit progress	4
key messages.....	4
Progress on the 2010/11 audit.....	4
International Financial Reporting Standards (IFRS)	5
Consultation on proposed work programme and scale of fees.....	7
Recent publications	9
IFRS: reporting on operating segments.....	9
Auditing the accounts 2009/10	9
Consultation on proposed work programme and fees	10
Audit Commission Annual Quality Report.....	10
Protecting the Public Purse - Audit Commission national report October 2010.....	11
Financial management of personal budgets.....	11
Contact details	12
Appendix 1 A checklist for those responsible for governance from 'Protecting the Public Purse'	13
Introduction	3
Audit progress	4
Key messages	4
Progress on the 2010/11 audit.....	4
International Financial Reporting Standards (IFRS)	5
Consultation on proposed work programme and scale of fees.....	7
Recent publications	9
IFRS: reporting on operating segments.....	9
Auditing the accounts 2009/10	9
Consultation on proposed work programme and fees	10
Audit Commission Annual Quality Report.....	10

Protecting the Public Purse - Audit Commission national report October 2010.....	11
Financial management of personal budgets.....	11
Contact details	12
Appendix 1 A checklist for those responsible for governance from 'Protecting the Public Purse'	13

Introduction

- 1** The purpose of this paper is to provide the Audit Panel with a report on progress in delivering our responsibilities as your external auditors.
- 2** This update also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Panel. It includes issues that are relevant to you as a Local Authority.
- 3** Finally, if you require any additional information regarding the issues included within this briefing, please feel free to contact me or Geoffrey Banister using the contact details at the end of this update.

Susan Exton

District Auditor

March 2011

Audit progress

Key messages

- 4 Since the last Audit Panel, my team's main focus has been on:
- liaising with the finance team regarding the audit of the 2010/11 financial statements, and progress on the transition to International Financial Reporting Standards (IFRS),
 - discussing my proposed work programme and scale of fees.

Progress on the 2010/11 audit

Opinion on the 2010/11 financial statements

5 I have agreed a report with a list of expected working papers to support the financial statements with officers for both the main audit and the pension fund. Preparing the working papers at the same time as the financial statements should save time and good working papers will facilitate the audit progress.

6 My team is currently carrying out reviews of your financial systems. This work is being carried out in two stages. The first stage is to update and document my understanding of your financial systems. This stage of the review is in progress.

7 The second stage of the review involves testing the operation of key controls in material financial systems. This work is carried out on a cyclical basis and is co-ordinated with the work on testing key controls by Internal Audit. My audit team plans to commence the second stage of the review in March 2011.

Value for money conclusion 2010/11

8 From 2010/11, the Audit Commission has introduced new requirements for local value for money (VFM) audit work at those bodies where auditors were previously required to give a use of resources assessment. The VFM conclusion based on the following two reporting criteria, as specified by the Audit Commission are:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

9 Further details on these criteria have been shared with officers. The guidance is available on the Audit Commission website at <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/valueformoneyconclusion.aspx>

10 My focus in 2010/11 will be on whether:

- the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

International Financial Reporting Standards (IFRS)

11 Local authorities will prepare their accounts under IFRS from 2010/11. In the Audit Commission publication, Progress on the transition to IFRS in Local Government, published in October 2010, the Commission highlighted the key steps local authorities should aim to complete by end of December 2010. These were:

- restating balances for 2009/10;
- producing skeleton accounts for 2010/11;
- identify all lease arrangements;
- commence work on componentisation of assets;
- engage with other areas of the Council eg solicitors, valuers;
- consider reporting segments; and
- prepare for the technical accounting requirements for employee benefits and group accounts.

12 The report concluded that:

- larger more complex authorities were finding the transition to IFRS more challenging because of the scale of activities they need to undertake;
- authorities needed to maintain and increase the momentum in identifying and resolving any remaining issues. Even seemingly minor issues that are left unresolved can create problems during preparation of accounts. They can also lead to more audit queries, with impacts on costs and resources; and
- audit panels are a key source of assurance for managing risk and maintaining an effective control environment. They need to challenge officers and ensure IFRS transition plans are on track.

13 The Audit Commission has undertaken a further national survey on the implementation of (IFRS) in local government. The Commission is aiming to determine what progress local authorities have made in implementing IFRS as at January 2011 and identify the key challenges faced by local authorities in their implementation.

14 I have completed the survey at the Council and have discussed findings with Council officers. The arrangements have been assessed using a traffic light system of red, amber and green. I have assessed the Council's IFRS preparations at red. I am concerned that the target dates in the original timetable, which officers now accept was overly ambitious, have not been achieved, and that there is now limited time to resolve remaining issues. Consequently, I was unable to review the Council's work in January 2011 as originally planned.

15 In my 2009/10 Annual Audit Letter, I reported that my 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. For the 2010/11 financial statements there is a lot of 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.

16 I understand that officers now accept that their original timetable for completing the work was overly ambitious. Also the IFRS core project team must necessarily rely on other Finance Department staff that support the service directorates. These staff have been particularly busy in recent months supporting the budget process, and have not always been as able to focus as fully on IFRS as they would otherwise have done. Additionally the reorganisation in the Finance Department led to a short period of uncertainty over roles and responsibilities. A new fixed asset system is being implemented as part of the IFRS transition, and although officers believe that this will prove more efficient in the long-term the implementation process has temporarily added to the Finance Department's workload. This was to be reviewed by Internal Audit in February 2011, to give the Council assurance over the accuracy of the process but due to the implementation work not being complete this work has been delayed. Officers report that progress has been made over the last couple of months with the transition to IFRS but that there is still much to do.

17 In line with the Council's latest timetable for IFRS work to be completed at the end of February I allocated resources to review the Council's re-stated 2009/10 accounts and other key areas at the beginning of March 2011. To date I have only received employee benefits and capital grants.

18 There is now a risk that if significant issues emerge at this stage, the Council will only have limited time available to address any issues before the accounts are prepared. This may result in additional audit time being needed to audit any outstanding issues during my final accounts audit. Later emerging issues may affect the timeliness and nature of my audit opinion on the accounts.

19 The Council needs to ensure that further slippage does not occur which might impact on it producing timely IFRS compliant accounts for 2010/11. The Executive Director of Resources should monitor progress being made by officers in preparing IFRS compliant accounts and take appropriate action to achieve the final deadline of preparing IFRS compliant accounts for 2010/11 by 30 June 2011. These financial statements will be presented to the June 2011 Audit Panel for approval.

20 Within the 'Recent Publications' section below, I include a link to the latest Audit Commission technical briefing paper on IFRS which officers and Panel members may find useful. This guidance covers reporting on operating segments and includes practical issues that the Council should consider.

Consultation on proposed work programme and scale of fees

21 The Audit Commission has consulted on its proposed work programme and scales of fees for 2011/12. The announcement made on 13 August 2010 proposing the Commission's abolition implies (although it has still to be confirmed) that 2011/12 may be the Commission's final year in its current form. If so, this will be the last time it will publish a work programme and set scales of audit fees.

22 The Commission proposes to carry through its existing, pre-August, plans for fees that were part of a three-year programme to deliver cost cuts of about £70 million. These involve fee rebates for 2010/11 and lower fees for 2011/12.

2010/11 fees and rebates

23 I have discussed and agreed an audit fee of £472,300 with the Executive Director of Resources and Chief Executive for 2010/11. In recognition of the extra work and hence increased audit fee required by International Financial Reporting Standards the Audit Commission agreed to bear that cost in-house and rebated £27,049 in April 2010.

24 Additionally The Commission has rebated 1.5 per cent of the 2010/11 scale fee for district councils, police and fire and rescue authorities, and 3.5 per cent for single-tier and county councils. The Council thus received a £16,099 rebate in January 2011 (3.5 per cent of the scale fee). The Commission will also not charge inspection fees for work already carried out in this financial year on the managing performance part of the organisational effectiveness assessment. This is because there was no value to the work once CAA ended.

2010/11 Pension fund audit

25 In light of the results of the 2009/10 audit I intend to charge £35,000 for the 2010/11. The Audit Commission will keep the current fee for pension funds for a fund such as the Council's under review and will analyse the

costs of 2009/10 audits to determine whether any further changes are required.

2011/12 fees

26 The Commission's proposals for 2011/12 are for reductions in total audit fees. These reflect the new approach to local value for money (VFM) audit work, and reductions in the ongoing audit costs associated with introducing IFRS. The proposals are:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a reduction in scale fees resulting from our new approach to local VFM audit work of 2 to 20 per cent; and
- a reduction in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower ongoing audit costs after implementing IFRS.

27 The Commission has published the final scales of fees for 2011/12 at the end of February 2011. The proposed scale of fees for the London Borough of Lewisham is £425,074.

Pension fund audits

28 I intend to keep the current fee for pension funds (£35,000 for a fund such as the Councils) under review and will analyse the costs of 2010/11 audits to determine whether any further changes are required.

Certification work

29 The Act requires the Audit Commission to charge fees for certification work that cover the full cost of the work I undertake. The Audit Commission set a schedule of hourly rates for different levels of staff.

30 The Audit Commission are not proposing to uplift for inflation the hourly rates for certification work in 2011/12.

Fees beyond 2011/12

31 Because of the Secretary of State's announcement, about the proposed abolition of the Commission, we cannot say anything at this stage about audit fees beyond 2011/12. The Commission, with other stakeholders, is working with CLG to help it develop proposals for a new local public audit framework.

32 The new audit arrangements and their implications for audit fees, the timetable for implementing them, and the transitional arrangements have yet to be determined. The new arrangements will need to be reflected in legislation, which CLG is planning to introduce in 2011.

Recent publications

IFRS: reporting on operating segments

33 The latest of the Audit Commission's series of IFRS technical papers concentrates on reporting operating segments and can be accessed here: <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/IFRSoperatingsegments.aspx>

34 The briefing covers principles and practical issues that authorities should consider when reporting on operating segments, and addresses the following questions.

- What are operating segments?
- Which operating segments should be reported separately?
- When can segments be aggregated?
- What are the required disclosures?
- What lessons can local authorities learn from the NHS experience?
- What issues do local authorities need to consider?

35 All of the Audit Commission's briefing papers on the countdown to IFRS in local government can be downloaded from the website.

Auditing the accounts 2009/10

36 The Audit Commission's report, [Auditing the Accounts 2009/10](#), summarises the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.

37 The report covers:

- auditors' work on the 2009/10 financial statements;
- the results of auditors' 2009/10 local value for money work;
- the public interest reports and statutory recommendations issued by auditors since December 2009; and
- the key financial management and financial reporting challenges for 2010/11.

38 The report congratulates seven councils, one police authority and three local government bodies for early publication. There is great interest in financial transparency by public bodies at the moment and we believe that early publication of audited accounts is an important contribution to openness and accountability.

39 The Commission reports that auditors were unable to give opinions on the accounts by 31 October 2010 at seven councils (2 per cent of the total) and 11 local government bodies (12 per cent). The report also names two councils where the auditor gave a qualified opinion.

40 All police authorities and fire and rescue authorities published their audited accounts by 31 October and none received a qualified audit opinion.

Consultation on proposed work programme and fees

41 The Audit Commission is consulting on its proposed work programme and scales of fees for 2011/12. The announcement made on 13 August 2010 proposing the Commission's abolition implies (although it has still to be confirmed) that 2011/12 may be the Commission's final year in its current form. If so, this will be the last time it will publish a work programme and set scales of audit fees.

42 The Commission proposes to carry through its existing, pre-August, plans for fees that were part of a three-year programme to deliver cost cuts of about £70 million. These involve fee rebates for 2010/11 and lower fees for 2011/12.

43 The [proposed work programme and scales of fees for local government, housing and community safety \(PDF, 298kb\)](#) consultation document proposes significant reductions in audit fees of between 5 and 20 per cent, reflecting both the new approach to local VFM audit work and a reduction in the ongoing audit costs associated with the introduction of IFRS. The [proposed scale of fees for each audited local government, housing and community safety body](#) are also available. In relation to 2010/11 fees, the Commission will rebate:

- 1.5 per cent of the 2010/11 scale fee for district councils, police and fire and rescue authorities; and
- 3.5 per cent for single tier and county councils.

Audit Commission Annual Quality Report

44 In October 2010 the Audit Commission published the Annual Quality Report for its own Audit Practice.

45 The report – which can be found on the Audit Commission's website - summarises the results of the quality review of the work of the Commission's own staff as auditors to NHS and local government bodies. It also includes the views of the Audit Inspection Unit that carried out an independent review of our work.

46 The publication of this report is one of a range of measures aimed at demonstrating our commitment to delivering high quality audit work. It assures audited bodies and stakeholders about the arrangements in place and the underlying strength of our Audit Practice. The report also compares our Audit Practice with the major accountancy firms and the other audit agencies.

47 The headline message was that the quality of the audit practice's work continues to meet professional standards and there has been a measurable improvement in quality compared with the prior year.

Protecting the Public Purse - Audit Commission national report October 2010

48 In our report *Protecting the Public Purse: fighting fraud against local government and local taxpayers*, we describe what has happened in the field of fraud detection and prevention since 2009 and set out the findings from our recent fraud survey. We identify fraud risks and urge local councils and related bodies to focus on them.

49 Last year England's councils detected:

- around £99 million worth of benefit fraud;
- over £15 million worth of council tax fraud; and
- £21 million worth of other types of fraud including false insurance claims and abuse of the disabled parking 'blue badge' scheme.

50 In addition nearly 1,600 homes have been recovered by councils with a replacement cost of approximately £240 million.

51 We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Although the report focuses on local government, our updated checklist gives all organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud.

52 The report also contains a useful checklist for those responsible for governance and I have replicated this for you at Appendix 1.

Financial management of personal budgets

53 The Audit Commission published the above report in October 2010. The report examines personal budgets in adult social care and considers the financial management and governance implications for councils. A personal budget is an allocation of money given to a person to spend on a support plan. The individual budget-holder develops their support plan with social care professionals to meet a jointly agreed set of needs and outcomes.

54 The report reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications.

55 It also considers changes in social care commissioning and the governance arrangements needed for personal budgets.

56 It is aimed at finance staff and staff in adult social care departments interested in personal budgets. The report includes a self-assessment checklist to help councils review progress in implementing personal budgets and identify areas for improvement.

Contact details

57 If you would like further information on any items in this briefing, please feel free to contact either myself, Geoffrey Banister.

58 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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Appendix 1 A checklist for those responsible for governance from 'Protecting the Public Purse'

General

- 1) Do we have a zero-tolerance policy towards fraud?
- 2) Do we have an appropriate approach, counter-fraud strategies, policies and plans?
- 3) Do we have dedicated counter-fraud resources?
- 4) Do the resources cover all the activities of our organisation?
- 5) Do we receive regular reports on fraud risks, plans and outcomes?
- 6) Have we assessed our management of counter-fraud resources against good practice?
- 7) Do we raise awareness of fraud risks with:
 - new staff (including agency staff);
 - existing staff;
 - elected members; and
 - our contractors?
- 8) Do we work appropriately with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?
- 9) Have we agreed to work with relevant organisations to ensure effective sharing of knowledge and data about fraud?
- 10) Do we identify areas where our internal controls may not be performing as well as intended?
- 11) Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports from it on outcomes?
- 12) Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?
- 13) Do we have effective whistle-blowing arrangements?
- 14) Do we have effective fidelity insurance arrangements?

Fighting fraud in the post recession environment

- 15) Have we reassessed our fraud risks in the light of the current financial climate?
- 16) Have we amended our counter-fraud action plan as a result?
- 17) Have we reallocated staff as a result?

Housing tenancy

18) Do we take effective action to ensure that social housing is allocated only to those who are eligible?

19) Do we ensure that social housing is occupied by those to whom it is allocated?

Procurement

20) Are we satisfied that procurement controls are working as intended?

21) Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with best practice?

Recruitment

22) Are we satisfied our recruitment procedures:

- prevent the employment of people working under false identities;
- validate employment references effectively;
- ensure applicants are eligible to work in the UK; and
- ensure agencies are supplying us with staff to undertake the checks we require?

Personal budgets

23) Where we are expanding the use of personal budgets for social care, particular direct payments, have we introduced appropriate safeguarding arrangements proportionate to risk and in line with recommended best practice?

Council tax

24) Are we effectively controlling the discounts and allowances we give to council tax payers?

Housing and council tax benefits

25) In tackling housing and council tax benefit fraud do we make full use of:

- the NFI;
- Department for Work and Pensions Housing Benefit Matching Service;
- internal data matching; and
- private sector data matching?