



AGENDA AUDIT PANEL

Date: THURSDAY, 22 MARCH 2012 at 7.00 pm

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

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

COUNCILLORS

Councillor Michael Harris (Chair)
Councillor Philip Peake (Vice-Chair)
Councillor Suzannah Clarke
Councillor Jenni Clutten
Councillor Jim Mallory
Councillor Alan Till

Independent Members

Paul Dale
Richard King
Mike Robinson
David Webb

Members are summoned to attend this meeting

Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 13 March 2012



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 of the Last Meeting	1 - 6
2.	Declarations of Interests	7 - 9
3.	External Auditor's Progress Report 2011/12	10 - 27
4.	Update on 2011/12 Closing of Accounts and External Audit	28 - 30
5.	Internal Audit Update and Plan	31 - 57
6.	Anti Fraud and Corruption Update	58 - 62
7.	Exclusion of the Press and Public	63
8.	Closed Minutes	64 - 66
9.	Update Report to the Audit Panel on the Payment of Consultants & Senior Interims	67 - 74

Agenda Item 1

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 22 March 2012

Recommendation

It is recommended that the Panel agrees the Minutes of the meeting, which was open to the press and public, held on 23 November 2011.

LONDON BOROUGH OF LEWISHAM

Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY 23 NOVEMBER 2011 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

Present

Councillor Harris (Chair) Councillor Peake (Vice Chair) Councillors Clarke, and Till

Apologies were received from Councillors Clutten and Mallory, Paul Dale, Richard King and Mike Robinson

Independent Member

David Webb

Audit Commission

Sue Exton - District Auditor

Geoffrey Banister - Audit Manager

RSM Tenon Ltd

Chris Harris - Director of Internal Audit

Officers

David Austin - Interim Head of Audit & Risk

John Baker - Strategic Adviser, Resourcing and Contracts

Andreas Ghosh - Head of Personnel Development

Conrad Hall - Head of Business Management and Service Support

Richard Lambeth - Group Manager – Accounting & Capital

Minute No. Action

1. MINUTES

RESOLVED that the Minutes of the meeting of the Panel held on 22 June 2011, which was open to the press and public, be confirmed and signed, subject to amendments from Geoffrey Banister, Audit Manager.

2. DECLARATIONS OF INTERESTS

- 2.1 The Chair declared a personal non prejudicial interest as a member of the Board of Lewisham Park Housing Association.

3. EXTERNAL AUDITOR'S REPORT ON THE 2010/11 ACCOUNTS – ANNUAL AUDIT LETTER

- 3.1 Sue Exton, District Auditor, Audit Commission introduced the report. She said that the arrangements agreed at the last Audit Panel for signing off the audit worked well, and they were able to complete the audit successfully by giving an unqualified opinion and VFM conclusion on 21 October 2011. She added that the Annual Audit letter included a number of items that had already been reported at the last meeting. Sue Exton informed members that on 12 December, both the Audit Commission and Finance Team would be meeting to discuss what both teams could do better to ensure that future deadlines were adhered to.

- 3.2 The Chair said that Mike Robinson, Independent Member of the Panel would like officers to tell the Panel what lessons they had learnt from this year's outcome, and what need to change. He had suggested that Panel members might want to request a report on what the process would be for the coming year. The Head of Business Management and Service Support said that both teams had already started reflecting on what had worked well and things that could have been done better. He added that officers would be happy to provide a report that would outline next year's process for the panel. The Chair said that he was pleased that the end result was satisfactory.

RESOLVED	i.	that the Annual Audit Letter be noted.	ED
	ii.	that a report outlining the process for next year's External Audit be brought to the next Audit Panel.	Resources & Regen.

4. REVIEW OF HALF YEAR FINANCIAL POSITION – 2011/12

- 4.1 The Head of Business Management and Service Support introduced the report. The Chair asked what the difference was between table 1 and 2 and was told that table 2 reflected the estimated achievement of savings Council had agreed for 2012, whilst table 1 showed the latest budget monitoring position for the year. The Chair also asked what the current situation was on parking and was told that the Council was approximately £1/2m short of its target. He said that was partly because people's behaviour may have changed in the current economic climate. He added that although officers had anticipated the changes they had proved to be greater than anticipated. The Head of

Business Management and Service Support stated that the overall trend was that parking figures were falling and this could be because people were giving up second cars, and/or being very careful where they park. Councillor Clarke said that officers should look at offering flexible parking arrangements, e.g., granting visitors 2 hours parking instead of half a day, which a lot of people viewed as wasting money.

- 4.2 The Chair asked why the Customer Services Directorate had a £325k variance. In response the Head of Business Management and Service Support said that some assumptions were made for the spare recyclable waste market when the new recyclable contract come into effect. He added that there would be substantial reduction in cost once the contract starts in December. It was noted that all the spare capacity on recyclables were not traded as expected. The Chair also asked officers whether the 10 days target for paying Small and Medium sized Enterprises was unrealistic, as this target had never been met. David Webb said that as he was aware that officers had informed the Panel at a previous meeting that this target had been set by the government, hence it could not be amended locally. He asked when the electronic system would be in place, and was informed that officers were currently working on adapting the system for Lewisham. They expect it to be working in the new year. It was noted that officers were being very careful to ensure they get it right.

- 4.3 Councillor Peake asked whether the collection rate of Council Tax had increased because the economic climate was such that more people were on benefits. The Head of Business Management and Service Support replied that this was not the case. He added that the increase was because of improvement in the systems used. He said the Council now have a strong collection point, and efficient and effective collection systems have been put in place. Also officers have a commitment to take robust action if necessary against those who default in their payments.

5. INTERNAL AUDIT UPDATE REPORT

- 5.1 The Interim Head of Audit & Risk introduced the report, and informed members that officers were progressing with the Audit Plan, with 40% of the plan underway, and 20% at draft report stage. He added that officers had hoped to have made more progress but this had not been possible. The Interim Head of Audit and Risk said they would continue to monitor the arrangements very closely. The Panel noted that there had been eight additional audits added to the plan since their last meeting.

Interim
Head of
Audit &
Risk

Minute No.		Action
5.2	<p>The Panel was also informed that only two of the five contractor's targets had been met. Officers stressed that they were careful that quality was not being compromised. Members were assured that both internal and external staff were constantly monitoring developments on a weekly basis. Chris Harris added that if necessary additional resources would be provided within the agreed budgets to ensure the plan was delivered in full to draft report stage by the end of the financial year. The Chair asked the Internal Audit provider whether Council officers were providing them with quality material. Chris Harris informed members that the material provided was good but because of the organisational changes within the council this had on occasion slowed the process. He said that the internal auditors do not always keep to their timetable either, but both sides were committed to meet the deadline. The Interim Head of Audit and Risk said that officers would continue to track the recommendations to ensure compliance takes place. The Chair requested that officers inform members if anything significant happened that would affect the plan. The Chair asked what Direct Payment quoted on page 56, appendix 2 referred to and was told that this information would be sent to him as soon as possible.</p>	Interim Head of Audit & Risk
5.3	<p>Members were informed that the overdue recommendations listed in appendix 3 of the report were being closely monitored and Executive Directors had been sent reminders to chase action. The Chair requested that the Head of Information Management and Technology should be asked to prepare a written statement for the Panel's next meeting to give them an update on the overdue recommendation for the Data Protection Act and the Freedom of Information Act.</p>	Interim Head of Audit & Risk
RESOLVED that the report be noted.		
6.	ANTI FRAUD & CORRUPTION TEAM UPDATE	
6.1	<p>The Interim Head of Audit & Risk informed members that the levels of referrals and identified allegations had risen slightly. It was noted that officers were aiming to improve the number of cases they undertake and close, by engaging with the Executive Directors to agree priorities. The Interim Head of Audit and Risk informed members that officers were keen to publicise the investigations and their benefits to the community.</p>	
6.2	<p>The Interim Head of Audit & Risk stated that a Housing Investigator would be appointed shortly to tackle social housing fraud and this person would be working closely with the Council's commercial partners namely Pinnacle/Regenta and London & Quadrant. He added that a lot of meetings and training</p>	

Minute No.

Action

sessions had already been arranged and some had taken place. The Chair asked whether the cost of the seconded police officer would be equivalent to the benefit he brings to the Council. He added that an evaluation should be necessary if a business case were to be put forward for the continuation of this service. The Interim Head of Audit and Risk said he would monitor this for a possible future case.

Interim
Head of
Audit &
Risk

RESOLVED that the report be noted.

EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act as amended by the Local Authorities (Executive Arrangements)(Access to Information) Amendments (England) Regulations 2006:-

The meeting ended at 8. 55p.m.

Chair

AUDIT PANEL		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 22 March 2012

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.

Audit Panel

update

London Borough of Lewisham

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

Introduction	2
Progress report	3
2010/2011 Audit.....	3
2011/2012 Audit.....	3
Government response to consultation on the future of local public audit...6	
Update on the externalisation of the Audit Practice.....	8
Other matters of interest	9
2010/11 Accounts	9
Managing Workforce Costs	10
Joining up health and social care	11
CIPFA's Prudential Code for Capital Finance.....	11
2011/12 Accounts: CIPFA Guidance Notes for Practitioners.....	12
For information: Board Governance Essentials	12
Fire and Rescue National Framework	13
Local Government Finance Bill.....	13
Guide to HRA Self Financing.....	14
Contact details	15

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. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Panel.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager, Geoffrey Banister, using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Susan M Exton

District Auditor

March 2012

Progress report

2010/2011 Audit

5 Following the late completion of the 2010/2011 audit my team held a highly constructive 'lessons learned' meeting with the finance team on 12 December 2011. We jointly identified a number of areas to improve the quality of the draft financial statements and make the audit process smoother. These included:

- Reviewing the scope to make more use of estimates in closing the accounts (finance). I have provided a paper on the use of estimates outlining the audit work I would carry out to assist with the preparation of working papers.
- Setting out more clearly on the audit exception reports the action required to resolve an issue (audit),
- Setting clear timescales for answering queries and agreeing action to be taken (all),
- Giving greater priority to resolving issues which may lead to a qualification of the financial statements or where exercise of judgement is required (audit),
- Identifying areas for early audit work such as review of private finance initiative (PFI) schemes and testing of the property, plant and equipment register (all),
- Developing plans to address known areas of weakness in 2010/2011 such as the pension fund accounts, preparation of the cash flow statement, property, plant and equipment and whole of government accounts (finance).

6 Following discussions with the Head of Business Management and Service Support I agreed a fee of £35,000 for the additional audit work on the 2010/2011 financial statements, made up of £3,000 for whole of government accounts, £5,000 for the pension fund accounts and £27,000 for the main statements. Successfully addressing the actions in paragraph 5 will reduce the risk of additional charges occurring in 2011/2012.

2011/2012 Audit

Financial statements

7 Our interim audit is underway. As part of this we are meeting with officers regularly to monitor progress against the final accounts closedown plan and to ensure that any potentially complex areas are discussed at an early stage. In the last month we have had discussions with officers on possible significant risks to inform our 2011/12 audit plan and assist with the financial statements preparation. This cover such areas as heritage assets, valuation of property, plant and equipment (PPE); investment property,

Implementation of new systems, classification of Schools, new PFI schemes.

8 We are updating our understanding of the Council's systems and control environment by carrying out walk through testing of all fundamental systems and updating our systems documentation as appropriate. Once this is completed we will decide whether or not to carry out detailed testing of controls, to determine whether we can place reliance on controls in these areas to reduce the amount of substantive work we perform on the financial statements later in the year. We are reviewing the work Internal Audit has performed on these systems during the year to minimise duplication of our work.

VFM conclusion

9 I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness. My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

10 I will be carrying out this work over the next few months building upon the strong results from previous years, knowledge of the Council, document review and interviews with officers.

Other areas of work

Grant claims

11 The Council receives funding from various grant paying departments which the Audit Commission review and certify. There are conditions attached to these grants by the paying departments. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions were met.

12 In 2010/11, my audit team certified eleven grant claims. Of these:

- six claims were provided to me after the Authority's deadline for preparation,
- I amended two claims for errors,
- For four claims I was unable to certify fully the claim and issued a qualification letter to the grant paying body.

13 The main qualification was in respect of the Housing and council tax Benefits scheme which is quite normal for a London Borough given the size and complexity of the grant claim. There will be less grants claims requiring certification in 2011/12 and consequently the amount of work that I am required to carry out and the fees charged will fall. The fees I charged for grant certification work in 2010/11 was £159,000 (2009/10 was £129,000).

14 My audit team made a recommendation, to consider appointing an officer to coordinate the grant claims. I am pleased to state that by reallocating duties within existing resources a grants coordinator was appointed at the Authority and there has been good liaison with my staff, although there is scope to improve the timeliness of grant claims preparation and working papers. In the spring of 2011 I ran a workshop for grants officers to present the significant findings from the 2009/10 grants report and also explain a list of the tests which I carry out on all grants and returns received. I will discuss the results of the 2010/11 grants certification process with the grants coordinator and the finalised report will be available to those charged with governance.

Management and Audit Panel representations required by ISA (UK&I) 240, 260 and 315

Under the ISA (UK&I) I am required to update my understanding annually of:

- management processes and arrangements; and
- how the Audit Panel as those charged with governance gains assurance over management.

In order to comply with the standards I need to obtain and consider information from management and the chair of the Audit Panel and I have thus written to both. The questions should be answered in respect of the Authority and the Pension Fund.

Government response to consultation on the future of local public audit

15 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011, the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

16 The Audit Commission is currently in the process of the award of contracts for the work currently undertaken by the Audit Practice for the period 2012/13 to either 2014/15 or 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

17 Thereafter, the government proposes that a new local public audit regime will apply. The key features of that regime are as follows.

- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- Mirroring the Companies Act provisions, auditors will be subject to the overall regulation of the Financial Reporting Council (the FRC). The FRC will authorise one or more Recognised Supervisory Bodies (in practice, the professional institutes) to register and supervise audit firms and engagement leads.
- directly-elected local government bodies will appoint their own auditor on the advice of an independent audit appointment panel with a majority of independent members. Such panels may be shared between audited bodies;
- Audited bodies must run a procurement exercise for their external audit appointment at least every five years, although there would be no bar on the reappointment of the incumbent audit firm (for a maximum of one further five-year term);
- Audited bodies will be able to remove their auditor, but only after due process, involving the independent audit appointment panel and culminating in a public statement of the reasons for the decision.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The right to object would be retained, but the auditor will be given the power to reject vexatious, repeated or frivolous objections.

- Grant certification will be subject to separate arrangements between grant paying bodies, audited bodies and reporting accountants (who could be the external auditors).
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

18 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The Regional Improvement and Efficiency Partnerships are organising events in January and February 2012 to which audited bodies have been invited. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

19 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice. An update on progress was provided in Eugene's subsequent letter of 10 November 2011.

20 The contract awards were announced on 5 March 2012, following a procurement process that began with a contract notice in September 2011. The Audit Commission announced the proposed award of the following contracts to:

- **Grant Thornton (UK) LLP**, a total notional value of £41.3 million a year covering four contract areas in the North West, West Midlands, **London (South) Surrey & Kent**, and South West
- **KPMG LLP** a total notional value of £23.1 million a year covering three contract areas in Humberside & Yorkshire, East Midlands, and London (North)
- **Ernst & Young LLP** a total notional value of £20 million a year covering two contract areas in Eastern, and South East
- **DA Partnership Ltd** a total notional value of £5 million a year covering one contract area in the North East & North Yorkshire

The contract notional value shown above is based on the proposed scale fees for 2012/13 and an estimated value for certifying grant claims and other financial returns. The contracts will contribute to up to a 40 per cent cut in the audit fees paid by local public bodies and will run for a period of at least five years.

21 The next steps in the process are

- For bodies currently audited by the Audit Practice, there will be an opportunity to attend an introductory event in each contract area with the Commission and the firm awarded the contract. The events will take place in May 2012.
- Appointments will start on 1 September 2012. As such, the Commission is extending the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The Commission's Director of Audit Policy and Regulation wrote to clients on 19 December 2011 setting out more details on this interim appointment.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

22 Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities: delivering your 2011/12 audit to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Other matters of interest

2010/11 Accounts

23 In December 2011 the Audit Commission published a report - Auditing the Accounts 2010/11 - which summarises its findings of the accounts audits in 2010/11.

24 The report covers the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local public bodies. In addition to auditors' work on the 2010/11 financial statements, the report also covers:

- the results of the first year of International Financial Reporting Standards (IFRS) implementation;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2010; and
- the key challenges facing bodies for 2011/12.

25 Auditors were able to give opinions on the accounts by the target date of 30 September 2011 at most organisations and this performance compares well with the previous year.

26 However, the challenges presented by the transition to IFRS are demonstrated by an increase in the number of bodies, from seven last year to eighteen this year, where the auditor's opinion was still outstanding after 31 October. There was also a significant increase in the number of bodies needing to make material adjustments to their accounts following the audit.

27 On 18 January 2012, the Audit Commission published 'Let's be clear: Making local authority IFRS accounts more accessible and understandable'.

28 This briefing supplements the report on the 2010/11 accounts referred to above and focuses on a long-running debate of how to make local government accounts easier to understand.

29 While the statutory accounts give comprehensive information on each local authority's financial position and performance, reflecting the range of activities which they cover, they are a poor way of communicating the key information to lay readers.

30 The briefing notes that:

- elected members and local people would benefit from having access to well-presented extracts from the accounts, which would provide the key information on each authority's financial position and performance;
- the accounting profession and the Audit Commission could do more to encourage auditors and preparers of accounts to reduce clutter in statutory accounts; and

- each authority could do more to ensure their accounts are shorter and more accessible. Those preparing accounts need to look critically at the previous year's accounts. They should identify how these accounts could be sharper and more focused before starting work on the next set.

31 The briefing concludes by identifying possible steps to make local authority accounts more accessible and easier to understand, and the implications of doing so.

32 The Audit Commission is seeking views on the issues raised within the briefing and has invited comments by 16 March 2012 - further information on this is available on the Audit Commission's website.

Managing Workforce Costs

33 The Audit Commission and Local Government Association have jointly launched 'Work in progress: Meeting local needs with lower workforce costs'.

34 The joint report - which can be found on the Audit Commission's website - is aimed at councils as employers and shows how local authorities across England are reducing their workforce costs, with some finding creative solutions.

35 As government funding for councils shrinks by over a quarter between 2011/12 and 2014/15, councils need to reduce their workforce costs substantially while still providing much needed services. Not all councils face the same financial challenges, but the message is that all must reassess what they do, how they do it, and what their priorities are. Those opting for major restructuring will take more time to realise savings.

36 Councils are finding ways to cut their pay bills without losing jobs, but the report says that redundancies are inevitable. Local government was already reducing posts before the cuts in government funding. In the past year an estimated 145,000 jobs have gone and this figure will increase in the future. So far many redundancies have been voluntary, but the report warns that compulsory ones are set to rise.

37 The report is supported by a number of resources including:

- an agency workers expenditure tool which shows councils how much they spend on agency workers, compared with groups of similar councils;
- a workforce expenditure tool which shows councils how much they spend on staff as a proportion of their net current expenditure, and how this has changed over time;
- five case studies which provide examples of the different approaches councils are taking to reduce the costs of employing people while protecting valuable services. The case studies show what the councils did and why - and the benefits achieved; and
- a practical guide on how to undertake effective pay benchmarking, providing a series of steps to follow when starting a pay benchmarking process and highlighting the main issues that should be considered.

38 The report is supplemented with a briefing for elected members that includes a number of questions designed to help members assess how well their council decides the size, shape and cost of its workforce and how these decisions will affect services and communities.

39 The questions are in two parts:

- the information that should be available to members about the workforce; and
- the savings strategies councils could follow in the light of that information.

Joining up health and social care

40 On 1 December 2011 the Audit Commission published the second in a series of briefings looking at adult social care.

41 'Joining Up Health and Social Care - Improving Value for Money Across the Interface' shows significant variations in indicators such as the levels of emergency admissions to hospital. This raises questions about how well services are being integrated to meet the preferences of older people. Despite the focus for many years on improving joint working across the NHS and social care, progress remains patchy.

42 At a time when the whole of the public sector must find significant savings, the report says that integrated working offers opportunities for efficiencies and improvements to services. Without it, there is a risk of duplication and 'cost-shunting' - where savings made by one organisation or sector simply create costs for others.

43 The briefing offers guidance to local partnerships, setting out a list of questions to consider and suggestions for interventions that might help. The briefing also includes a number of case studies which show how some areas have embraced partnership working and used local data and benchmarking to establish how and where to make improvements.

44 The Audit Commission has developed a tool to accompany the briefing that allows NHS and social care partnerships to benchmark their performance against others.

CIPFA's Prudential Code for Capital Finance

45 CIPFA has recently updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required:

- PFI schemes to be included on organisations' balance sheets; and
- The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.

46 The code also includes guidance on the treasury management implications of the housing self-financing reforms.

47 Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.

48 To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.

49 The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.

50 The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both are designed to support and record local decision making and are not designed to be comparative performance indicators.

2011/12 Accounts: CIPFA Guidance Notes for Practitioners

51 CIPFA has recently published a set of guidance notes to provide support in preparing the 2011/12 year-end accounts. These offer constructive advice on all aspects of the requirements for 2011/12 and provide detailed guidance on the key changes, including accounting for:

- heritage assets;
- business rate supplements;
- community infrastructure levies;
- related party disclosures;
- exit packages;
- trust funds;
- financial instruments; and
- interests in joint ventures.

52 The key changes to your financial statements in 2011/12 will also be covered by our final accounts workshops.

For information: Board Governance Essentials

53 The Public Chairs' Forum and CIPFA have recently published a joint 'how to' guide for Chairs and Boards of public bodies.

54 'Board Governance Essentials: A Guide for Chairs and Boards of Public Bodies' offers advice across four key areas.

- Good corporate governance.
- Roles, responsibilities and relationships.
- Standards of behaviour in public life.
- Effective financial management and transparency.

55 This guide may provide interesting reading for all members.

Fire and Rescue National Framework

56 In December 2011 the government launched a consultation exercise seeking views on freeing fire and rescue authorities to tailor their services to meet local needs whilst meeting the wider needs of national resilience.

57 The priorities in the draft National Framework are for fire and rescue authorities to:

- identify and assess the full range of fire and rescue related risks their area faces, make provision for prevention and protection activities and to respond to incidents appropriately;
- work in partnership with their communities and a wide range of partners locally and nationally to deliver their service; and
- be accountable to communities for the service they provide.

58 The consultation exercise ends on 19 March 2012 and further information can be found on the DCLG website.

Local Government Finance Bill

59 In December 2011 the government introduced proposals to devolve greater financial powers and freedoms to councils. The Local Government Finance Bill sets out the legislative foundations to implement the changes from April 2013. The most significant proposals relate to non-domestic rates, which are currently pooled and redistributed nationally.

60 The Bill provides for councils to:

- retain a portion of their business rate growth;
- borrow against future income from business rates to pay for roads and transport projects alongside other local priorities;
- ensure a stable starting point for all authorities. No authority will be worse off as a result of their business rates base at the start of the scheme;
- establish a national baseline alongside a system of top ups and tariffs. Councils with business rates in excess of a set baseline would pay a tariff to government whilst those below would get an individually assessed top up from government; and
- create a levy to take back a share of growth from those councils that gain disproportionately from the changes. This money would be used to fund a safety net providing financial help to those authorities which experience significant drops in business rates, for example caused by the closure or relocation of a major business.

61 The Bill provides for much of the detail of the arrangements, including the sharing of business rate growth between billing and precepting authorities, to be left to secondary legislation.

Guide to HRA Self Financing

62 The introduction of self-financing to the housing revenue account (HRA) in April 2012 will fundamentally change the way that local authority housing is funded.

63 CIPFA has therefore recently produced a publication which brings together the latest guidance to assist those working in the sector to understand the changes and help with their implementation.

Contact details

64 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

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

Susan Exton

District Auditor

0844 798 2307

s-exton@audit-commission.gov.uk

Geoffrey Banister

Audit Manager

07815878145

g-banister@audit-commission.gov.uk

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

March 2012

Agenda Item 4

AUDIT PANEL		
Report Title	UPDATE ON 2011/12 CLOSING OF ACCOUNTS AND EXTERNAL AUDIT	
Key Decision	NO	Item No. 4
Ward	ALL	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION	
Class	PART 1	Date: 22 MARCH 2012

1. SUMMARY AND PURPOSE

- 1.1. This report provides an update to Audit Panel Members on the progress on preparing for the 2011/12 Closing of Accounts and statutory External Audit.

2. RECOMMENDATION

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

3. 2010/11 CLOSING OF ACCOUNTS AND EXTERNAL AUDIT

- 3.1. Following the late completion of the 2010/11 external audit of the accounts, and the significant number of issues raised by the Audit Commission during their audit, a number of pro-active steps have been taken in order to avoid these problems occurring in the forthcoming 2011/12 closing of accounts process.
- 3.2. The Finance Directorate have held two workshops (in December and February) to discuss the problems encountered during the 2010/11 process and learn the lessons from them. The workshops have also reviewed the existing timetable and identified areas which needed attention. In addition, a briefing on a number of technical accounting areas was provided in order to ensure that staff are aware of the correct actions to take in those areas.
- 3.3. Senior finance staff met with senior Audit Commission staff in December to identify the issues which had led to the delayed completion of the external audit. A number of initiatives were agreed to improve the quality and timeliness of the statement of accounts and make the audit run better and quicker. These are set out in the Audit Commission's report "Audit Panel Update" in paragraph 5 (see elsewhere on this agenda).
- 3.4. Following the workshop in December, a number of working groups were set up to examine and improve particular areas which were considered to be the most in need of improvement. The main "workstream" areas identified were;
 - Cash Flow Statement
 - Non Current Assets (Property, Plant and Equipment) Accounting

Balance Sheet codes and responsibilities
Debtors and Bad Debt Provisions
Schools Accounting

- 3.5. The working groups have reviewed the workstreams in detail and made changes to processes, working arrangements and timescales in order to secure the necessary improvements. Some of the work areas have been completed, whereas a number of them will be ongoing throughout the 2011/12 closing process.

4. 2011/12 STATEMENT OF ACCOUNTS

- 4.1. The Statement of Accounts is produced in accordance with the Code of Practice on Local Authority Accounts, developed by CIPFA. For the 2011/12 accounts, the Council is required to produce its Statement of Accounts fully in accordance with International Financial Reporting Standards (IFRS).
- 4.2. The 2011/12 financial year ends on 31 March 2012. The Pre-Audit Statement of Accounts is required to be produced by the end of June 2012 and the Audited Statement of Accounts by the end of September 2012. Both of these Statements will be submitted to the Audit Panel before these deadlines.
- 4.3. The Audit Commission will again be providing the external audit of the 2011/12 Statement of Accounts.

5. 2011/12 CLOSING OF ACCOUNTS

- 5.1. The detailed 2011/12 closing of accounts timetable has been comprehensively overhauled and a number of items have been brought forward in order to reduce pressure later on. In addition, a number of new items have been added to increase the scrutiny on existing and new areas. The timetable also now includes a greater focus on the major issues identified by the above steps.
- 5.2. The major areas which have been brought forward in the timetable are;
- | | |
|--|----------------------------------|
| Depreciation Charges | - From April to February |
| IFRS Employee Sample chosen | - From March to February |
| Review of Accounting Policies | - From April to March |
| Review of PFI Schemes | - From April to March |
| Schools Closing Figures | - From end to beginning of April |
| Related Party Transactions information | - From mid April to end March |
| Balance Sheet certificates completion | - start May to end April |
| Capital Financing | - start May to end April |
| Directorate Revenue Outturn | - mid May to beginning of May |
| Draft Statement of Accounts | - mid June to beginning of June |
- 5.3. The major new area of change for 2011/12 is the disclosure of Heritage Assets, as outlined in the 2010/11 Statement of Accounts. This is not expected to be very material, but work is currently being undertaken to identify these items.

6. FINANCIAL IMPLICATIONS

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

7. LEGAL IMPLICATIONS

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

8. CRIME AND DISORDER ACT IMPLICATIONS

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

9. EQUALITIES IMPLICATIONS

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

10. ENVIRONMENTAL IMPLICATIONS

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

11. CONCLUSION

11.1. The report confirms that plans and procedures are in place to enable a timely and accurate Statement of Accounts to be produced at year end.

APPENDICES

BACKGROUND PAPERS

Short Title of Document	Date	File Location	Contact Officer	Exempt Information
2010/11 Statement of Accounts	21/10/11	1 st Floor, Town Hall	Richard Lambeth	

For further information on this report please contact:
Conrad Hall, Head of Business Management and Service Support on 020 8314 8379
Richard Lambeth, Group Finance Manager, Accounting on 020 8314 3797

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Executive Director for Resources	
Class	Part 1	Date: 22 March 2012

1. Purpose of the report

- 1.1. This report presents members of the Audit Panel with a summary of:
- Internal audit progress with the audit plan since the last Audit Panel report,
 - Performance of the Internal Audit contractor,
 - Implementation of internal audit recommendations, and
 - The proposed internal audit plan for 2012/13.

2. Recommendations

- 2.1. It is recommended that the Audit Panel note the content of this report and approve the audit plan for 2012/13.

3. Background

- 3.1. The client side of Internal Audit reports to the Executive Director for Resources and Regeneration and comprises an Head of Audit and Risk and an Internal Audit Contract Manager.
- 3.2. The Head of Audit and Risk is also responsible for the Council's counter-fraud, risk management, insurance and health & safety services. The 2011/12 budget for internal audit is £570,000 with planned savings of £50,000 in each of the next two years.
- 3.3. The internal audit service contracts and supervises the Council's internal audit service, which since 2008 and following a competitive tendering process in 2011 is provided by RSM Tenon.
- 3.4. 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.
- 3.5. Under a service level agreement the internal audit service also undertake audits for Lewisham Homes and occasionally when requested for some of Lewisham Council's partners.

4. Internal audit progress update

- 4.1. The table below summarises the number of audits by Directorate for the audit plan for 2011/12 up to the 29/02/12.

Lead Dir.	Original Audit Plan	Audit Work Added	Audits Pulled	Current Audit Plan	Final Reports Issued	Report at Draft Stage	Work in Progress	Work Not Yet Due
RRE	28	4	3	29	6	1	12	10
CUS	12	3	1	14	6	-	5	3
COM	5	6	2	9	2	1	6	-
C&YP	6	1	-	7	3	-	3	1
SCH	32	1	-	33	25	4	1	3
TOTAL	83	15	6	92	42	6	27	17

4.2. This shows :

- 82% of the plan is now in progress,
- 52% of the plan has been completed to draft report stage, and
- 46% of the plan has been completed to final report stage.

4.3. There remains 18% of the plan yet to start of which four do not yet have an agreed start date. The others (13 reviews) are scheduled to start in March.

4.4. Since the last Audit Panel Meeting in November, there have been no additional audits requested and two cancelled reviews. These are listed below:

Dir.	Audit Title	Comments
RRE	Mutual Organisations	Cancelled as there is nothing to audit at this particular time.
RRE	Certification of Small Grants	No requests for certification of grants have been received.

4.5. Since the last Audit Panel report, there have been 25 final reports issued, eight non-schools and 17 school audits. These are listed in the table below. Of these three were with 'Limited' and one with 'No Assurance' opinions. The details of these reports with a negative opinion can be found in Appendix 4.

Dir.	Audits title	Final Issued	Assurance Level
Non - School			
RRE	Highways – Generic Contract Review	16/12/11	Limited
RRE	Building Security – Generic Contract Review	26/01/12	Limited
RRE	Legal Services	11/01/12	Substantial
RRE	Consultancy Planning	28/02/12	Substantial
CUS	Green Scene	08/11/11	Substantial
CUS	Brockley PFI	03/02/12	Limited
COM	Personal Budgets	23/11/11	Satisfactory
C&YP	Children's Social Care	22/12/11	Substantial

Dir.	Audits title	Final Issued	Assurance Level
School			
SCH	Ashmead School	14/11/11	Substantial
SCH	Coopers Lane School	14/11/11	Substantial
SCH	St Margaret's, Lee School	25/11/11	Satisfactory
SCH	Haseltine School	12/12/11	Substantial
SCH	Holy Trinity School	23/12/11	Satisfactory
SCH	Perrymount School	23/12/11	Satisfactory
SCH	St Bartholomew's School	28/12/11	Satisfactory
SCH	Brindishe Lee School	05/01/12	Substantial
SCH	Eliot Bank School	04/01/12	Substantial
SCH	Grinling Gibbons School I	11/01/12	Satisfactory
SCH	John Ball School	19/01/12	Satisfactory
SCH	St James Hatcham School	06/01/12	Substantial
SCH	St Winifred's School	04/01/12	Satisfactory
SCH	Brent Knoll School	24/01/12	Substantial
SCH	Greenvale School	10/02/12	Substantial
SCH	Forster Park School	16/01/12	No Assurance
SCH	Christ Church School	21/02/12	Substantial

4.6. For a more detailed look at the audits in the audit plan, please refer to Appendix 1. In doing so please note that those audits already reported to the Audit Panel as finalised do not appear in the Appendix.

5. Performance of the contractor

5.1. One of the ways that the performance of the contractor is measured is by Performance Indicators (PIs). These PIs and targets were agreed at the start of the year.

No.	Performance Indicator (as at 28/02/12)	Target YTD	Actual YTD to	Variance (+/-)
1	Percentage of all draft reports issued against audit plan	56.5%	51.1%	(5.4)%
2	Percentage of draft audit reports issued within 15 working days of the exit meeting	90%	70.2%	(19.8)%
3	Percentage of final reports issued within 10 working days of agreed draft report	95%	83.3%	(11.7)%
4	The average level of client satisfaction to be achieved (out of a score of 5)	4.0	4.7	+0.7
5	Percentage of High & Medium recommendations made agreed by management.	95%	98.6%	+3.6%

- 5.2. Two of the five PIs targets have been met or exceeded, with three not met.
- 5.3. A detailed assessment of these results at this stage of the financial year is not really needed. The key point to note is delivery of the full audit plan to draft report stage is behind schedule, as consistently reported since November 2011.
- 5.4. Delivery of the full plan, while maintaining the quality of audit work, is the focus of the internal audit service provider. To this end:
- The contractor has put additional resources in place to supplement the work of the core audit team servicing the Lewisham contract.
 - Based on currently committed work in progress 85% (target 95%) of the 2011/12 internal audit plan will be completed to draft report stage by the end of March. In considering this position, it should be noted that 2011/12 is the first year, in agreement with the external auditors, the fourteen core audits are to be completed in year, rather than post year-end.
 - The contractor remains confident the full audit plan will be delivered to final report stage by the end of April, thereby providing the necessary assurances in time to support the Head of Internal Audit's annual assurance statement and the Council's Annual Governance Statement in June.
 - A significant amount of the work that has slipped has been advisory rather than assurance focused. While this delays the benefit of value added services from the internal audit service provider, it should not compromise the first requirement of the contract which is to provide assurance services.
 - Additional more frequent contract monitoring has been put in place to monitor work in progress and ensure no further delays are left unchallenged in the delivery of the plan.
- 5.5. In terms of lessons learnt for 2012/13, the performance of the service is being discussed with the audit team to develop an annual improvement plan, in line with the new audit contract specification. A joint training session with the contractor is scheduled for April, in particular to emphasise that the timing of work in the 2012/13 plan (see section 7) is adhered to.

6. Implementation of internal audit recommendations

- 6.1. All High and Medium recommendations are followed up by internal audit as part of the audit process. Follow-up reviews are normally undertaken within six months of the final report being issued by the contractor.
- 6.2. The table below is a summary of the total number of recommendations followed-up by the contractor since the last Audit Panel report and up to 29/02/12. It shows that 91% of recommendations that were followed up were either implemented, in progress or superseded with 8% not implemented.

	Implemented	In progress	Superseded	Not Implemented	Not Due	Total
TOTAL	40	4	7	5	-	56

- 6.3. More detail on the individual audits followed-up is presented at Appendix 2.
- 6.4. The table below shows the status of all High and Medium recommendations made up to the 29/02/12.

Lead Dir	Previous No. of O/Due Recs.	Current No. of O/due Recs	No of Recs Re-opened 31/10/11 to 29/02/12	Current No. of Recs with 2+ changes	Previous No. of Open 31/10/12	No. of New Recs from 31/10/11 to 29/02/12	Closed Recs from 31/10/11 to 29/02/12	Current Open Recs at 29/02/12
RRE	20	11	6	8	54	36	53	37
CUS	-	-	-	1	14	12	12	14
COM	12	16	-	6	27	3	6	24
C&YP	1	3	-	3	9	1	5	5
SCH	23	47	-	-	26	62	35	53
Total	56	77	6	18	130	114	111	133

- 6.5. A summary table in Appendix 3, shows those audits with recommendations either overdue or with two or more changes of implementation date. As at 29/02/12, there were 77 overdue (17 High and 60 Medium) recommendations. As at 29/02/12, there are 14 recommendations that are still overdue with no updates (four audits in total) since the last Audit Panel meeting.
- 6.6. At the Audit Panel's request, we invite officers to attend the meeting to explain the current position of recommendations overdue or with multiple date changes.
- 6.7. The Audit Panel requested further specific information at the last meeting on certain high and medium recommendations that had not been implemented by the follow-up review.

Homecare (11/12)

- High recommendation - The recommendation stated that homecare workers should use the electronic logging system to record their visits. The auditor found that of five workers sampled, only one had used the system to log their visits. The recommendation is currently overdue. It should be noted that the responsible officer has recently changed due to a re-organisation.

Direct Payments (10/11)

- High recommendation – the recommendation was “The role of the proposed Direct Payment Co-ordinator should include the responsibility of ensuring that all documentation for the set-up, administration and cessation of current direct payments users is checked, securely retained and readily accessible”.

The auditor found that at the time of the follow-up, the proposed Direct Payment Co-ordinator role had not been created. The current status is that the Direct Payment pathway is under review and the implementation date has been extended to September 2012 to allow for any resulting changes to be implemented.

- Medium recommendation – “Annual reviews should be undertaken for Direct Payment users at the scheduled time”.

The auditors were informed that one third of reviews still need to be undertaken. The current status is that one worker is specifically targeting the outstanding reviews with 80% of reviews now completed. The expected implementation date is now April 2012.

- 6.8. The number of overdue recommendations are in the schools area. The C&YP directorate has had an inspection over recent weeks. This resulted in resources being diverted and the officer usually responsible not being able to chase the schools for updates at this time. This

has to be a two stage process until the schools share a common IT platform with the Council. It is hoped that for the next committee update this position will show improvement.

7. Proposed audit plan for 2012/13

Approach taken in preparing the plan

- 7.1. The draft 2012/13 Audit Plan has now been prepared – see detail at Appendix 5. This was compiled from the following sources:
 - Meetings with Heads of Service and Directorate Management Team discussions,
 - Review of service plans and divisional and directorate risk registers,
 - 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 service changes and savings, and
 - Wider professional guidance, benchmarking and issues identified.
- 7.2. The last three year rolling audit plan concluded in 2010/11. The Lewisham assurance landscape is changing significantly and quickly. This means the 2012/13 plan stands as more of a one year plan, rolling forward core system work and being flexible to prioritise and focus on the more significant changes in the internal control framework arising from service reorganisations.
- 7.3. This requires the risk of not taking into account all the Council's activities regularly to be carefully managed. To address this risk the plan has been prepared based on more in depth discussions with Directorates – all Heads of Service as well as Directorate Management Teams, it will be reviewed mid-year, and it includes a focus on improving the current assurance map for the Council.

Considerations taken into account in the plan

- 7.4. The 2012/13 plan, for approximately 900 days, covers:
- 7.5. Firstly, the Core systems work (including schools) that must be undertaken to provide a basic level of assurance on the main systems of the authority. This represents the bulk of the plan, 60% of internal audit days.
- 7.6. Secondly, a focus on technology as a key part of successful Council operations and those areas where the most critical system risks have been identified. Approximately 20% of the internal audit resource is directed to these audits.
- 7.7. Thirdly, reviews of those areas where the biggest team and service delivery changes are expected in light of the savings being made. This on the basis that if one is looking for risk, look for change. Approximately 20% of the internal audit resource is directed to these audits.
- 7.8. For 2012/13 the scope of audits will reflect the above distribution of work. The core audit work will continue to focus on individual key controls for defined areas of service activity. The other audits will incorporate a stronger assurance focus on the governance and risk aspects of the activities being reviewed. To enable us to do this these reviews we will draw on specialists in the relevant discipline from the contractor undertaking these audits and include work to introduce continuous auditing.
- 7.9. Finally, in addition to the above a further 200 days is held in the plan for audit recommendation follow-up work to reinforce the importance of implementing agreed control improvements and a contingency to respond to 'events' in-year.

Linkages between the internal audit plan and other sources of assurance

7.10. In preparing the draft audit plan consideration has also been given to other sources of assurance available to Lewisham to avoid duplication and audit overload. These include but are not limited to:

- The Audit Commission's external audit, grant claim and value for money work,
- Lewisham Homes internal audit work, provided by the Council under a service level agreement, that covers aspects of the Housing Revenue Account,
- Corporate Health & Safety and their assurance programme,
- Business Continuity Management and their incident investigation activities,
- External inspections by other third parties,
- Counter fraud work by the in-house team (in particular for procurement issues),
- Performance and risk management, in particular qualitative measures, and
- Management assurance from work to prepare the annual governance statement.

8. Legal Implications

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

9. Financial Implications

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

10. Equalities Implications

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

11. Crime and Disorder Implications

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

12. Environmental Implications

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

13. Background Papers

13.1. There are no background papers.

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

Appendix 1 – Progress of the Audit Plan for 2011/12

Resources and Regeneration Audits

Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir	Audit Title (Key Audits in Bold)	Due	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Highways Contract (1)	Q2	04/07/11	08/11/11	16/12/11	Limited	
RRE	Building Security Contract (3)	Q2	02/08/11	11/01/12	26/01/12	Limited	
RRE	Legal Services	Q3	17/11/11	20/12/11	11/01/12	Substantial	
RRE	Consultancy Planning Framework (5)	Q2	18/11/11	13/02/12	28/02/12	Substantial	
RRE	Implementation review of Fixed Asset System	Q3	16/01/12	24/02/12			
RRE	Property Asset Management follow-up	Q3	17/10/11				
RRE	Project Management Monitoring Capacity	Q3	18/11/11				
RRE	Fraud	Q2	06/12/11				
RRE	Performance Indicators for LAs	Q3	03/02/11				
RRE	Non Current Asset Register	Q4	12/01/12				
RRE	Payroll	Q4	23/01/12				
RRE	Implementation of HR System - PHRIS	Q3					
RRE	HR - Thematic Review	Q3					
RRE	Cyber Threats	Q3					
RRE	Implementation of Payroll system (ResourceLink)	Q3					
RRE	Regeneration of Lewisham	Q3					
RRE	Croydon & Lewisham Street Lighting PFI	Q3					Scope reduced for this year with a further audit next year.
RRE	Information Governance	Q3					
RRE	Grants - review of major grants	Q3					
RRE	Pensions	Q4					

Appendix 1 – Progress of the Audit Plan for 2011/12

Lead Dir	Audit Title (Key Audits in Bold)	Due	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Main Accounting System (General Ledger)	Q4					
RRE	Accounts Payable	Q4					
RRE	Treasury Management	Q4					
RRE	Capital Programme - Monitoring and Expenditure	Q4					
RRE	Budget Control and Monitoring	Q4					
RRE	Risk Maturity	Q3					

Customer Services Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold)

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
CUS	Brockley PFI (Major Suppliers)	Q1	11/07/11	22/11/11	03/02/12	Limited	
CUS	Housing 21 (7)	Q3	26/10/11				
CUS	Housing & Council Tax Benefits	Q4	09/02/12				
CUS	Council Tax	Q4	23/01/12				
CUS	NNDR	Q4	25/01/12				
CUS	Cash Collection & Banking	Q4	20/02/12				
CUS	Implementation of NNDR System	Q3					
CUS	Homesearch	Q3					
CUS	Accounts Receivable (Debtors)	Q4					

Appendix 1 – Progress of the Audit Plan for 2011/12

Community Services Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
COM	Personal Budgets	Q1	05/04/11	08/11/11	23/11/11	Satisfactory	
COM	Learning Disabilities Contract (2)	Q2	26/07/11	22/02/12			
COM	Supporting People Service Plan	Q2	02/08/11				F/w delayed. Started back up on 9 Jan.
COM	Younger Adults	Q2	17/10/11				
COM	Learning Development - Shared Lives	Q3	09/11/11				
COM	Monitoring of Small Grants for Community and Local Assembly	Q3	13/12/11				
COM	Client Contributions for Residential and Domiciliary Care Services	Q4	18/01/12				
COM	Payments to Residential and Domiciliary Care Service Providers	Q4	26/01/12				

C&YP Audits – Sorted by final reports issued, draft reports issued and work started - Key Audits in Bold

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
C&YP	Children Social Care	Q2	22/09/11	30/11/11	22/12/11	Substantial	
C&YP	Schools PFI (6)	Q3	24/10/11				
C&YP	School IT Security	Q3	11/09/11				
C&YP	CONTROC system - joint review	Q3					
C&YP	Looked After Children	Q4					

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

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
-----------	--------------	-----	-------------	--------------	--------------	-----------------	---------

Appendix 1 – Progress of the Audit Plan for 2011/12

Lead Dir.	Audits title	Due	F/W Started	Draft Issued	Final Issued	Assurance Level	Comment
SCH	Perrymount Primary	Q1	28/06/11	26/07/11	23/12/11	Satisfactory	
SCH	Holy Trinity Primary	Q2	11/07/11	02/08/11	23/12/11	Satisfactory	
SCH	St Bartholomew's Primary	Q2	18/07/11	04/08/11	28/12/11	Satisfactory	
SCH	Forster Park School	Q3	18/10/11	30/11/11	16/01/12	No Assurance	F/up to done in April to report on progress
SCH	Eliot Bank Primary	Q3	03/10/11	21/10/11	04/01/12	Substantial	
SCH	Grinling Gibbons Primary	Q3	25/11/11	29/11/11	11/01/11	Satisfactory	
SCH	John Ball Primary	Q3	15/11/11	29/11/11	19/01/12	Satisfactory	
SCH	St Winifred's Infants	Q3	22/11/11	13/12/11	04/01/12	Satisfactory	
SCH	Haseltine Primary	Q3	17/11/11	02/12/11	12/12/11	Satisfactory	
SCH	Brindishe Lee Primary	Q3	12/12/11	23/12/11	06/01/12	Substantial	
SCH	St James Hatcham Primary	Q3	05/12/11	22/12/11	06/01/12	Substantial	
SCH	Brent Knoll (Special)	Q3	28/11/11	22/12/11	24/01/12	Substantial	
SCH	Greenvale (Special)	Q4	16/01/12	26/01/12	10/02/12	Substantial	
SCH	Gordonbrock Primary	Q2	04/07/11	02/08/11			
SCH	Christ Church Primary	Q4	06/02/12	13/02/12			
SCH	St Winifred's Juniors	Q4	09/01/12	19/01/12			
SCH	St Saviours Primary	Q4	15/02/12				
SCH	New Woodlands (inc Primary PRU)	Q4	30/01/12				
SCH	All Saints Primary	Q4					
SCH	Kelvin Grove Primary	Q4					
SCH	Sir Francis Drake Primary	Q4					
SCH	Meadowgate (Special)	Q4					

Appendix 2 - Follow Up Reviews Conducted Since the Last Audit Panel

Dir.	Audit Name	Audit Opinion	Final Rpt date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Not Due Yet	Total Recs
RRE	Information Security Management	Limited	07/12/11	H						14
				M	7	1	4	2		
RRE	Management of Contracts	Satisfactory	22/12/11	H						5
				M	1	3		1		
RRE	Accounts Payable (Creditors)	Satisfactory	11/01/12	H						5
				M	5					
RRE	Capital Programme – Lessons Learned	Consultancy	23/01/12	H	4					6
				M	2					
CUS	PCCI Standards	Limited	12/12/11	H	1					8
				M	6		1			
CUS	Business Continuity	Limited	31/01/12	H	1					4
				M	2			1		
CUS	Council Tax	Substantial	06/12/11	H						2
				M	2					
CUS	Comments Complaints and Compliments	Substantial	14/12/11	H						2
				M	1		1			
COM	Retention & Recruitment of Social Workers	Satisfactory	20/01/12	H						4
				M	3		1			
C&YP	Social Care Contractual Arrangements	Satisfactory	09/02/12	H						4
				M	3			1		
SCH	Brockley School	Substantial	19/01/12	H						2
				M	2					
Total No.					40	4	7	5	-	56
Percentage					71%	7%	13%	9%		

Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
RRE	Pensions 10/11	16/03/11		1		
RRE	Procurement of Goods and Services	07/12/11	2	4		
RRE	Taxation	21/02/11		1		
RRE	Occupational Health Referrals	13/08/10		3	3	Date changed 2 times.
COM	Client Contributions for Res & Domiciliary Care Service 10/11	16/12/10		1	1	Date changed 3 times
COM	Client Contributions for Res & Dom Care (pre 2009)	Pre 2009		1	1	Date changed 4 times
COM	Community Mental Health (SLAM)	Pre 2009		1	1	Date changed 5 times. Last response 2 AP meetings ago.
COM	Homecare Services	14/03/11	2	1		
COM	Review of the Financial Management of Public Funds Held by LPHA	06/09/11	9	1		Overdue since last AP Meeting.
C&YP	School Outsourced Pension	16/09/11		1		
C&YP	Family Support & Intervention	04/12/09		2	2	Date changed 5 times.
SCH	Ashmead Primary	14/11/11		2		
SCH	Brent Knoll School	24/01/12		2		
SCH	Childeric School	21/10/11		1		Update provided but no new date of implementation given.
SCH	Elfrida School	30/09/11		1		Overdue since last AP Meeting
SCH	Eliot Bank School	04/01/12		2		
SCH	Forster Park	16/01/12	4	20		Update provided but no new date of implementation given.
SCH	Grinling Gibbons School	11/02/12		3		Put on system after reminder sent
SCH	Haseltine Primary School	09/11/11		1		
SCH	John Ball Primary School	19/01/12		5		
SCH	Lee Manor School	22/02/11		1		
SCH	St Augustine's School	03/12/10		2		Overdue since last AP meeting

Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
SCH	St Bartholomew's School	28/12/11		3		
Recommendations not overdue but with multiple changes.						
RRE	Risk Management – Operational Risk Registers	01/11/10			1	Date changed 2 times
RRE	Property Services Mail Room	15/04/11			1	Date changed 2 times
RRE	Highways – Generic Contract	16/12/11			3	Date changed 2 times
CUS	Cash Collection and Banking	10/03/11			1	Date changed 2 times
COM	Direct Payments 10/11	29/03/11			3	2 rec date changed 2 times. 1 rec date changed 3 times.
C&YP	Payments for Looked After Children	04/04/11			1	Date changed 2 times
Total			17	60	18	

Appendix 4 Limited and No Assurance Opinion Reports

Audit Name, Date of Issue and Opinion	No of Recs. Made		Scope of the Review
Forster Park School 16/01/12 No Assurance	High	4	The areas that were covered in this review :
	Medium	20	This audit was requested by the school. The audit covered the normal schools audit testing programme which covers: Governance, Inventory, Banking, Budget Monitoring, Income, Payroll, Recruitment Checks, Procurement and Data Security.
			Key Findings
			The key findings in the report were: <ul style="list-style-type: none"> • The Register of Business Interests has not been adequately completed. • Nearly half of the Governing Body positions were vacant. • Budget reports presented at Governors meetings were not explained due to the lack of a suitably qualified finance officer present. • Inventory records were inconsistent and were not reviewed on an annual basis. • The School's bank mandate is not up-to-date and bank reconciliations were not being prepared in a timely manner. • Virements were authorised in breach of the School's Financial Management Policy. • The voluntary fund is not being independently audited on an annual basis. • The School does not currently have a lettings / charging policy, no individual letting agreements and confirmation of adequate insurance for the hirers. • There was a significant outstanding debt in relation to school meals. • Clear to Recruit forms and references for staff were either not obtained or kept on file. • The school does not consistently raise official orders for purchases. • Quotations instead of formal tenders were obtained for expenditure requiring formal tendering. • Invoices were approved for payment by staff members with no formal delegated authority.
Managers Comments			

Appendix 4 Limited and No Assurance Opinion Reports

Audit Name, Date of Issue and Opinion	No of Recs. Made		Scope of the Review
Highways – Contract Monitoring Review 16/12/11 Limited	High	3	<p>The areas that were covered in this review :</p> <p>This audit is part of the thematic contract monitoring review. Each of these reviews covers the same areas, which are:</p> <ul style="list-style-type: none"> • Review the contract to ensure that is signed by both parties and suitable performance standards agreed. • Review the controls in place to manage and monitor the contract. • Review the business continuity plan. • Review any third party access to the council’s assets and systems. • Review that economy, efficiency and effectiveness is routinely monitored and continuous improvement is achieved.
	Medium	14	<p>Key Findings</p> <p>The key findings in the report were:</p> <ul style="list-style-type: none"> • The contract agreement between the both parties had not been signed or sealed. • There are no meaningful key performance indicators being used by the client. • The contract client had not imposed penalties for poor performance. • The contract client did not ensure that the contractor renewed relevant annual certificates and licences. • No contingency plan has been put in place for the continuation of the service (However, the ICE terms of contract are industry standard and do provide for redress in the event of contract failure). • No specific reference has been made in the risk register regarding the implications of poorly maintained road surfaces. • No quality assurance processes are in place to govern the inspection of works carried out by the contractor. This includes any monitoring of the quality issues that are investigated by the Contractor. • No review of the cash and non-cashable savings relating to the Contractor’s Recycling plant. • There is no evidence of action or plans in place to drive service improvement and identify measures of best practice. • No benchmark reviews in relation the level of highway claims raised have been undertaken since the time of tender. • No customer feedback reviews have been performed.
<p>Managers Comments</p>			

Appendix 4 Limited and No Assurance Opinion Reports

Audit Name, Date of Issue and Opinion	No of Recs. Made		Scope of the Review
Building Security – Contract Monitoring Review 26/01/12 Limited	High	4	<p>The areas that were covered in this review :</p> <p>This audit is part of the thematic contract monitoring review. Each of these reviews covers the same areas, which are:</p> <ul style="list-style-type: none"> • Review the contract to ensure that is signed by both parties and suitable performance standards agreed. • Review the controls in place to manage and monitor the contract. • Review the business continuity plan. • Review any third party access to the council’s assets and systems. • Review that economy, efficiency and effectiveness is routinely monitored and continuous improvement is achieved.
	Medium	6	
			<p>Key Findings</p>
			<p>The key findings in the report were:</p> <ul style="list-style-type: none"> • In the Building Security contract the KPI and Performance Bond documentation are incomplete and unsigned. • Monthly Performance reports supplied by CIS Security contain inconsistent KPI scoring. • No audit checks were undertaken to validate performance data supplied by the Contractor. • No checks are undertaken by the Property Services client team on security log books, records or documentation. • No written procedures exist for monitoring and reporting of the Building Security contract or in relation to variations and penalties / default. • Monthly monitoring meetings are not consistently performed by the Property Services client team. • Copies of senior management contract reporting meetings were not available therefore no assurance can be given that this function is undertaken. • No details regarding contract failure and identified risks and contingency details are contained within the Service Level Business Continuity Plan. • No monitoring of non-financial VfM aspects has been built into the new Building and Security contract or as part of the monthly reporting of KPIs.
<p>Managers Comments</p>			

Appendix 4 Limited and No Assurance Opinion Reports

Audit Name, Date of Issue and Opinion	No of Recs. Made		Scope of the Review
Brockley PFI	High	4	<p>The areas that were covered in this review :</p> <p>The objective of this audit was to undertake a review of Value for Money offered by the existing Brockley Housing PFI Contract. The areas that were covered are:</p> <ul style="list-style-type: none"> • Contract variations – basis for client instructions, ensuring value for money in pricing and implementation, control mechanisms. • Service performance – assessment of existing monitoring regime, consistency with best value and other governance obligations, quality management systems and payment commensurate with service performance. • Payment mechanism – correct application by sample test performance and link to service performance above. • Contract management and administration – risk assessment, identification of suitable management and communication structures, links to service performance, opportunities for improvement. <p>Although not specifically part of the Contracting Monitoring thematic review, the findings will feed into the overall report.</p>
	Medium	8	
		<p>Key Findings</p>	
Managers Comments			

Appendix 5 Proposed Audit Plan for 2012/13

Lead Directorate - Resources and Regeneration

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Budget Control and Monitoring	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Non-current Assets	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	19
Capital Programme Monitoring and Expenditure	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Treasury Management	Review key controls (including normal walkthrough procedures). CAATs to be used for sampling. To include the impact of HRA replacement business plan on future income / investments	Key Audit (Assurance)	Q3	20
Accounts Payable	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Main Accounting	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	19
Payroll	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Pensions	Review key controls (including normal walkthrough procedures) in both Local Government Association and Teachers Pensions. CAATs to be used for sampling.	Key Audit (Assurance)	Q3	14
Risk Maturity	Annual Risk Maturity Review of the authority.	Key Audit (Assessment)	Q4	10
Croydon Lighting PFI Contract	Review the monitoring of the contract, taking into account any advice provided in 2011/12.	Assurance	Q3	12

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Maintenance of Assets and Premises	Review of the process in place that assets and premises are maintained; informed strategic decision making is in place, informed investment need is agreed and has been risk assessed. Also review the delivery of asset management plan, the management of housing stock any health and safety responsibility.	Assurance	Q3	25
Members Expenses and Key Officers Interests	Review of Members expenses and interests and Key Officers declaration of interests.	Assurance	Q1	15
Land Management & Commercial Properties including Planning	Review of the planning application process, work management process and compliance with statutory requirements - with a focus on setting planning application fees. To include the process of appeals against planning applications.	Assurance	Q2	15
New Oracle upgrade (shared with Havering & Lambeth)	Review the Oracle upgrade to ensure it is fit for purpose. Review how any maintenance or upgrades to the system are managed and what impacts the council. To include a review of how securely data is held and the governance and restrictions surrounding the auditing of the system on an annual basis. To cover programme development and implementation and on into go live for 13/14.	Assurance	Q3	12
Procurement Cards Expenditure	Review the expenditure and authorisation of the new procurement card processes and monitoring. To also include setting up of IT risk based programme to assess rouge spend.	Assurance	Q2	12
Criminal Record Bureau	Review the adherence of obtaining CRB checks for all relevant staff and how the results are passed onto departments and schools. Scope to be determined on conclusion of 11/12 HR review.	Assurance	Q2	10

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Third Party Access to IT systems	Review the access controls on IT systems for where third parties such as Northgate, liquid logic have access to LBL systems. To include Sharepoint 2010 if applicable.	Assurance	Q1	15
Business Continuity of ICT Infrastructure	Review of the business continuity plans for any central infrastructure failure to assess robustness.	Assurance	Q3	10
IT Strategy	Review of the Technology roadmap framework used to manage the retirement and replacement business systems to support the business plan. This will include strategy for workstation operating systems, and also product licensing. It will not cover the enterprise architecture.	Assurance	Q1	12
Health & Safety	Review the progress made in corporate health and safety team since the last review . To include compliance to Heath & Safety regulations across the council.	Consultancy	Q3	20
Divisional Risk Registers	To collate the findings from all audit reports during the year regarding the testing of divisional risk register and make an overall conclusion on how they are kept and updated.	Consultancy	Q4	8
Payment by Results Pilot	Review the results of the pilots of community services contracts and C&YP (e.g. Connexions -or equivalent scheme if applicable). To look at the budgetary restraints, risk management, the expectations of the voluntary sector, monitoring of the success and rates of payments.	Consultancy	Q4	10
Information Asset Register (IAR)	Review results of phase 1 of risk assessments kept on IAR and how this is being used to prioritise and drive improvement on a rolling basis.	Consultancy	Q3	10
Income forecasting V's Savings Agreed (Council wide).	Review the outcomes of the phase 1 budget savings agreed that were reliant on increased income generation across the council.	Consultancy	Q3	15
The Storage of Major contracts	Review the system in place that both legal and procurement have put in place to hold signed contracts	Advice	Q1	2

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
The Procure 2 Pay (P2P) benefits	Review the benefits of the P2P implementation.	Advice	Q3	5
Assurance Mapping	Map the external assurances throughout the authority, which Internal Audit and the authority can place reliance on. Confirm how often these reviews are conducted and what they briefly cover.	Innovation	Q1	18
Continuous Auditing	Set up Continuous auditing for management by linking data from different IT to improve internal control.	Innovation	Q1	30

Lead Directorate – Customer Services

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Banking	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	11
NNDR	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Council Tax	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	19
Accounts Receivable	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Housing & Council Tax Benefit	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	16
Clienting of Lewisham Homes	Review the clienting arrangements of Lewisham Homes	Assurance	Q3	20

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Private Sector Leasing	Review of new management arrangements implemented in 2011/12, including more to automated controls	Assurance	Q3	20
New Waste Recycling Contract	Review the monitoring of the new waste contract, including the income projections and budget savings of the paper/ cardboard recycling contract have been achieved.	Assurance	Q2	20
Post Implementation of ASH Debt Management System	Post implementation review of the new ASH debt management system to include the service delivery objectives and the effect on the overall debt management system.	Assurance	Q2	15
Bereavement Services	Review the bereavement policies and procedures and adherence to them, general recording keeping and the complaints and queries process.	Assurance	Q3	10
Phase 2 of the cashiers	Review the Phase 2 of the removal of cash payments made from Council offices including looked after children, out of hours, missed payroll etc and how the replacement with a cashless system is being used across the council since removal of cheques. To include reviewing the security of online payments .	Assurance	Q2	12

Lead Directorate – Community Services

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Client Contributions for Residential & Domiciliary Care	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	14
Payments to Residential and Domiciliary Care	Review key controls (including normal walkthrough procedures). Computer Assisted Audit Tools (CAATs) to be used for sampling.	Key Audit (Assurance)	Q3	15

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Adult Social Care - Single Care Management and Reablement Process.	Review the implementation of the single care management process (not including adults with mental health issues). To include a review of the reablement process, establishing & monitoring and reporting of KPIs, measuring and reporting of outcomes and key savings and procedures.	Assurance	Q3	25
Social Care Advice & Information Team (SCAIT) and District Nurse Call Centre (DNCC)	Review the new system objectives and outcomes objectives. To include the process and procedures that SCAIT and DNCC use to provide advice to see if they are effective and adhered to.	Assurance	Q3	5
Library Contract	Review of the new library contract awarded to a company. Review the conditions of the contract and any monitoring that is required.	Assurance	Q1	12
Community Equipment and TSES.	Review of the new joint model for the issue/delivery of community equipment by pharmacies and TSES. To include performance of assessments and generation of savings.	Assurance	Q3	12
National LG Calculations	Review of the new calculator which rolls out next year.	Assurance	Q4	10
Project Board Advice - IAS System	To assist the project team in ensuring that the new system includes improvements, controls and provision of performance information.	Advice	Q2	3

Lead Directorate – Children and Young People

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Looked after Children	Key control and follow up on recommendations high and medium recommendations in the 2011/12 report. CAATs to be used for sampling	Key Audit (Assurance)	Q3	9

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Statutory Maintenance in Estate Management (C&YP)	In light of the reorganisation, review of estates management and their statutory maintenance procedures in line with agreed SLA with schools.	Assurance	Q3	20
SEN - Pathfinder Scheme and Personal Budgets	To review the transition from education to training / work places new project. To provide assurance that the objectives are being met and the service was being discharged effectively & efficiency. To include a review the new scheme where SEN children will be provided with personal budgets for transport, health and educational needs.	Assurance	Q4	25
Looked After Children (LAC) Notification Process	Review of the system for the LAC notification process to ensure operating effectively. Review of cross boundary case notifications; setup and transfer out and include any outcomes from the Ofsted Inspection.	Assurance	Q4	12
Pupil Referral Unit (PRU) - New Full Delegated Powers.	Provide advice on what procedures to put in place or enhance to ensure that a PRU can take on full delegated powers in April 2013.	Consultancy	Q2	10
Early Intervention Grant	Provide a consultancy report to assess alignment of service with strategic objectives and revised control arrangements following service reorganisation, new commissioning framework and payment of results of the pilot.	Consultancy	Q1	15

Lead Directorate – Children and Young People (Schools)

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Abbey Manor Secondary PRU	Standard School testing programme	Assurance	Q1	5
Clyde Nursery	Standard School testing programme	Assurance	Q1	4
Adamsrill Primary	Standard School testing programme	Assurance	Q1	4

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Athelney Primary	Standard School testing programme	Assurance	Q1	4
Edmund Waller Primary	Standard School testing programme	Assurance	Q1	4
Forster Park Primary	Standard School testing programme	Assurance	Q1	4
Holbeach Primary	Standard School testing programme	Assurance	Q1	4
Kender Primary	Standard School testing programme	Assurance	Q2	4
Kilmorie Primary	Standard School testing programme	Assurance	Q2	4
Launcelot Primary	Standard School testing programme	Assurance	TBC	4
Our Lady & St Philip Neri Primary	Standard School testing programme	Assurance	Q3	4
Sandhurst Infant	Standard School testing programme	Assurance	Q1	4
St Josephs Primary	Standard School testing programme	Assurance	Q1	4
St Mary Magdalene's Primary	Standard School testing programme	Assurance	Q1	4
St Michaels Primary	Standard School testing programme	Assurance	Q1	4
St Stephens Primary	Standard School testing programme	Assurance	Q1	4
Addey & Stanhope Secondary	Standard School testing programme	Assurance	Q1	5
Bonus Pastor RC Secondary	Standard School testing programme	Assurance	Q1	5
Conisborough College Secondary	Standard School testing programme	Assurance	TBC	5
Crossways Secondary	Standard School testing programme	Assurance	Q1	5
Deptford Green School Secondary	Standard School testing programme	Assurance	Q1	5
Forest Hill Secondary	Standard School testing programme	Assurance	TBC	5
Trinity School Secondary	Standard School testing programme	Assurance	Q3	5
Prendergast - Hilly fields Secondary	Standard School testing programme	Assurance	TBC	5

Appendix 5 Proposed Audit Plan for 2012/13

Audit Area	Proposed Scope	Type of Review	Proposed Timing	Days
Prendergast - Ladywell Secondary	Standard School testing programme	Assurance	TBC	5
Prendergast - Vale College (Secondary)	Standard School testing programme	Assurance	Q3	5
Sedgehill Secondary	Standard School testing programme	Assurance	Q1	5
Sydenham Secondary	Standard School testing programme	Assurance	Q1	5
Watergate Special School	Standard School testing programme	Assurance	Q2	5

Agenda Item 6

AUDIT PANEL		
Report Title	Anti Fraud and Corruption Team (A-FACT) update	
Key Decision	NO	Item No. 6
Ward	ALL	
Contributors	Interim Head of Audit & Risk A-FACT Group Manager	
Class	Part 1	Date: 22 March 2012

1. Purpose of the Report

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

2. Recommendations

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

3. Special Investigations

- 3.1. During the period the Special Investigations section received 118 new allegations or enquiries relating to fraud and/or irregularity, an average of 39 per month which is up on the previous quarter (21). These include the work undertaken on behalf of Lewisham Homes.
- 3.2. During the period the section completed 58 cases, an average of 19 per month which is lower than the previous two quarters. The low number of closures is due to a number of major cases which are currently taking up investigators time. There are currently 132 cases ongoing. These statistics exclude the pre-employment checks undertaken (see 3.5 below).
- 3.3. An example of a case recently been brought to a conclusion is:
 - Employee defrauded Housing Benefit and Income Support totalling £98k. They admitted the offence and were dismissed. Benefit prosecution is now in the Crown Court awaiting sentencing.
- 3.4. Regular reports continue to be issued quarterly to each Executive Director with a summary of all cases being dealt with by Special Investigations in their Directorate. This ensures that the risk of fraud is considered in the context of the demands of the service, priorities are agreed and progress on investigations communicated.

Pre-employment Checks

- 3.5. A-FACT support Human Resources by undertaking a part of the recruitment checks. Each potential employee of the Council is required to complete a pre-employment check form which focuses on any issues relating to benefits, council tax, rent and personal business interests which may cast doubt on the individuals integrity.
- 3.6. In the period 88 checks were undertaken compared to 113 checks in the previous quarter and 73 in the first quarter of the year. No significant issues were identified.

4. Benefit Investigations

- 4.1. The team's level of referrals continued to be higher than at the beginning of the year with 77 new referrals accepted for investigation. This compares to 71 in the last quarter. They completed 58 cases in the period, nearly twice as many as in the previous quarters. A further 385 investigations are in progress.
- 4.2. During the period the Benefit Investigation section has secured 24 sanctions, five of which have been prosecutions. This is in line with our agreed approach to pursue more serious cases. The total value of the overpayments for the period, including Income Support, is £99,107. Making the value for the year to date £164,374. On recovery this represents a saving to the public purse but not Lewisham Council.
- 4.3. One of the prosecutions was a joint investigation with DWP and the UK Border Agency that resulted in a woman from Catford, who had used a false Dutch passport to claim benefits, being sentenced to six months imprisonment. She was found guilty of seven charges including one charge contrary to Section 4 of Fraud Act 2006 and a charge contrary to Section 4 Identity Documents Act 2010 for the possession and production of identity documents.
- 4.4. The DWP have now confirmed that Benefit Investigators will continue to be employed by local authorities beyond 2013 and that this will remain the case until Universal Credit is substantially rolled out, likely to be at least 2015. The DWP have not provided any further information as to how the new arrangements will work but is in the process on running a number of nationwide operational design workshops with local authorities to gather views in this area. Lewisham has attended and fed into the London workshop.

5. Homelessness & Housing Application Investigations

- 5.1. The team's Housing Investigation Practitioner investigates allegations of Housing and Homelessness application fraud and Cash Incentive Scheme payments against the London Borough of Lewisham. Where Lewisham Council is the landlord, the investigation of tenancy fraud has been the responsibility of Lewisham Homes since October 2008.
- 5.2. During the period 21 cases were identified for investigation, compared to 14 in the previous quarter. The officer dealing with these cases has completed 47 cases in the year to date, compared to 35 cases for the whole of last year. There are currently 84 cases under investigation.
- 5.3. Of the six cases concluded in the last quarter only one has concluded in a successful outcome with a number of cases are pending court action.
- 5.4. The successful case involved a false application for homelessness which was submitted by someone who we found had also been party to a sham marriage. When challenged she chose not to pursue the application.

6. DCLG Housing Bid funding

- 6.1. As reported previously, the DCLG has, as part of the Government's commitment to tackling social housing fraud, allocated Lewisham Council £100,000 in both 2011/12 and 2012/13 for tackling social housing fraud. Work is being directed by Strategic Housing (Customer Services) and delivered by A-FACT working in Lewisham and with the South East London Housing Partnership (SELHP). The DCLG have indicated that future funding may also be available for this work in 2013/14 and 2014/15.

- 6.2. Following discussions between Strategic Housing, SELHP and A-FACT, Lewisham has committed the first years funding of £100,000 to support two housing providers Pinnacle / Regenta B3 and London & Quadrant (L&Q) in tackling housing fraud. Both partners have now signed Service Level agreements with A-FACT which detail the working arrangements for the initiative.
- 6.3. The new housing investigator has been in post since the 9 January 2012 and as at the 22 February has assisted in the recovery of four properties, identified one case where outright possession has been granted but the property is yet to be voided and a further seven Notices to Quit expiring in March.
- 6.4. The investigator has also been working on the remaining National Fraud initiative tenancy cases and has identified nine cases for further investigation where it is suspected that tenants have tenancies in other boroughs.
- 6.5. Fraud Awareness training has been arranged for frontline staff at both organisations and will be undertaken in the next two to three months.
- 6.6. Initial feedback from both L&Q and Regenta B3 has been extremely positive. Further updates on the work of this project will be included in future reports to the Audit Panel.
- 6.7. We are also supporting the team which is undertaking the decant of Milford Towers. As at the 22 February, 16 cases have been identified for further investigation.

7. Publicity

- 7.1. A-FACT have met with the Council's Communications Team regarding future press coverage. A new strategy has been agreed and all future prosecutions will be published in the form of news stories on the Lewisham Council website.
- 7.2. The fraud reporting facility on the Lewisham website will also be improved and re-launched together with a poster campaign in Council and partner buildings to encourage reports of fraud from the public.

8. Fraud Awareness Training

- 8.1. In the period A-FACT has provided three days fraud awareness training. Two days training has been provided to the Voids team of Lewisham Homes (this team deals with the sign-ups to new tenancies) and one day for the team undertaking the decant visits of Milford Towers.

9. Metropolitan Police Seconded

- 9.1. The Detective Constable who is on secondment from the Metropolitan Police continues to effectively contribute and enhance the work of the A-FACT by providing advice, assistance and applying Police powers where appropriate.
- 9.2. We will be monitoring the cost effectiveness of having a seconded Police Officer in the team prior to contract renewal in the September 2012.

10. Any other matters

- 10.1. In addition to progress reported to the Audit Panel above, the team has attended the National Fraud Authority fighting fraud locally seminar for the launch their new strategy and in which Lewisham Council has a mention. We are also, working with legal, drafting a response for Strategic Housing in response to the Government's consultation on the criminalisation of Social Housing Fraud.

- 10.2. The internal audit consultancy review of the A-FACT service is ongoing. All required information has been provided to RSM Tenon and we are awaiting their feedback. We are also considering the Audit Commission's Protecting the Public Purse 2011 report and addressing the priorities identified in our service planning, now underway, for 2012/13.
- 10.3. As part of the annual review of our strategy and the service planning process, picking up on the debate at Audit Panel last year, we have mapped the Housing Benefit and Housing cases dealt with to see if any identifiable trends emerge. The overview for 2010/11 cases is appended to this report. We will prepare a similar analysis for 2011/12 as part of the annual A-FACT report in June.

11. Legal Implications

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

12. Financial Implications

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

13. Equalities Implication

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

14. Crime and Disorder Implications

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

15. Environmental Implications

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

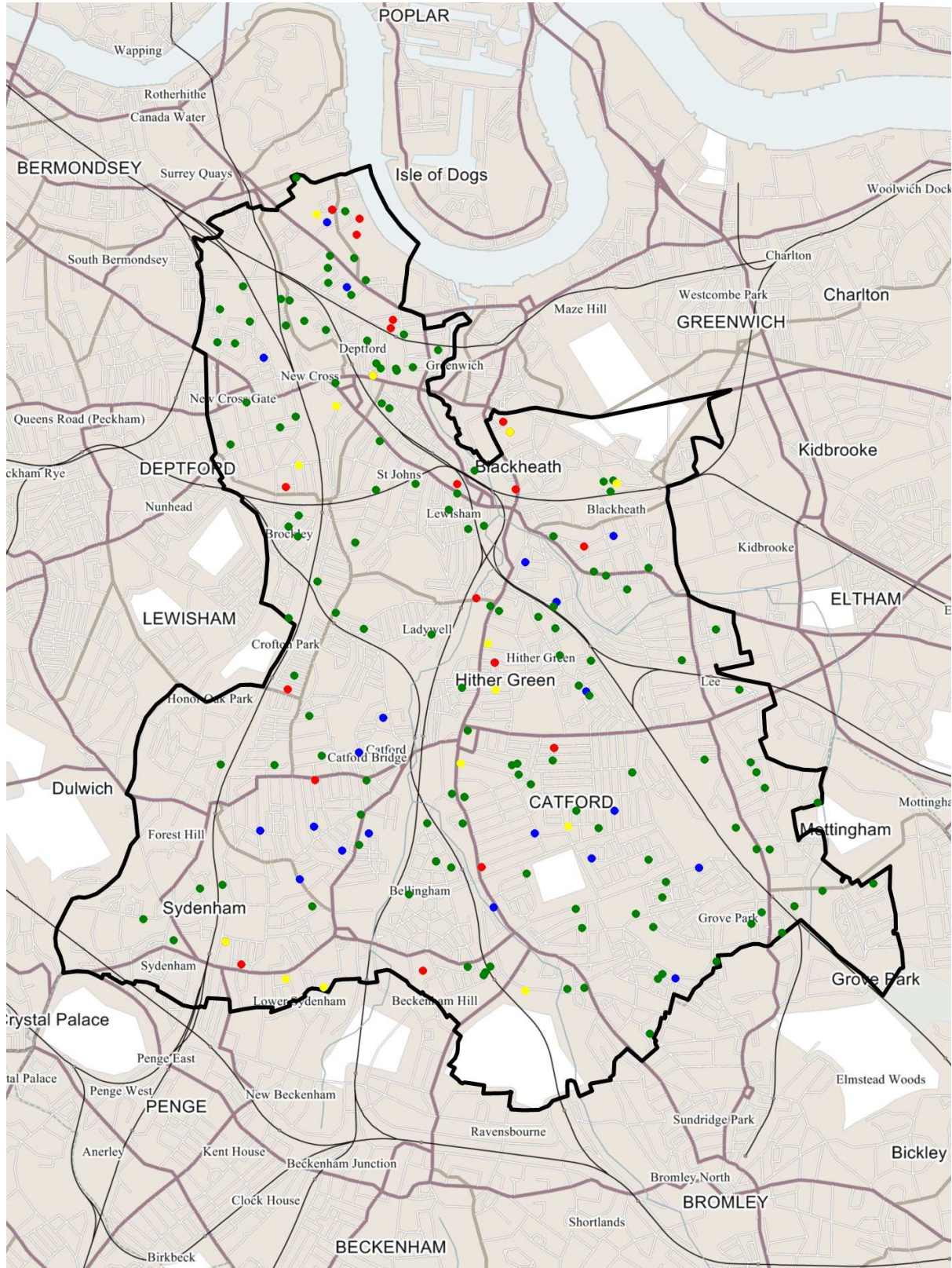
16. Background Papers

- 16.1. See attached appendix – Map of 2010/11 Housing Benefit and Housing frauds.

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 - Lewisham Housing Benefit and Housing fraud statistics for 2010/11



Crown copyright and database rights [2011] Ordnance Survey [100017710]. Property Systems - Datagraphics x48280

Key

- Housing Benefits Stats - Administrative Penalties (23) Blue
- Housing Benefits Stats - Cautions (137) Green
- Housing Benefits Stats - Prosecutions (21) Red
- Housing Fraud (14) Yellow

AUDIT PANEL		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 7
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 22 March 2012

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006:-

8. Closed Minutes
9. Update Report to the Audit Panel on the Payment of Consultants and Senior Interims

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted