



# AGENDA AUDIT PANEL

**Date: WEDNESDAY, 21 NOVEMBER 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 Jenni Clutten  
Councillor Ami Ibitson  
Councillor Dan Whittle  
Councillor Jim Mallory

## **Independent Members**

Paul Dale  
Richard King  
Mike Robinson  
David Webb

**Members are summoned to attend this meeting**

**Barry Quirk  
Chief Executive  
Lewisham Town Hall  
Catford  
London SE6 4RU  
Date: 13 November 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.

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# Agenda Item 1

AUDIT PANEL		
<b>Report Title</b>	<b>MINUTES</b>	
<b>Key Decision</b>		<b>Item No. 1</b>
<b>Ward</b>		
<b>Contributors</b>	<b>CHIEF EXECUTIVE</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 21 November 2012</b>

## Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 19 September 2012 be confirmed and signed.

## LONDON BOROUGH OF LEWISHAM

### Minutes

MINUTES of a meeting of the AUDIT PANEL, which was open to the press and public, held on WEDNESDAY 19 SEPTEMBER 2012 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

### **Present**

Councillors Harris (Chair), Ibitson, Mallory and Whittle

Apologies were received from Paul Dale and Mike Robinson.

### Independent Members

Richard King  
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  
Conrad Hall - Head of Business Management and Service Support  
Richard Lambeth - Group Finance Manager – Accounting and Capital

Minute No.		Action
1.	<u>MINUTES</u>	
	RESOLVED that the Minutes of the meeting of the Panel held on 20 June 2012, which was open to the press and public, be confirmed and signed as a true record of the proceedings.	
2.	<u>DECLARATIONS OF INTERESTS</u>	
2.1	Councillor Mallory declared a personal non prejudicial interest for item 5 as the Chair of the Management Committee of Abbey Manor College.	

3. DISTRICT AUDITOR COMMISSION ANNUAL GOVERNANCE REPORTS ON THE 2011/12 ACCOUNTS

Main Accounts

3.1 Members received a tabled update at the meeting. Sue Exton, District Auditor, Audit Commission introduced the report. She said that she was pleased to report that most of the work on the accounts had been completed, and external auditors were currently awaiting the signed subsidiary accounts for the group accounts and had a few outstanding queries for the main accounts. She added that the quality of the accounts was much improved from the previous year. Ms Exton advised members that a number of amendments have been agreed, as there was still scope for improvement. It was noted that all risks have been identified, and the work completed, with no issues to report.

3.2 Ms Exton informed members that there were two significant weaknesses in asset control:

- in the preparation of bank account reconciliations for some of its bank accounts.
- asset register did not contain all the transactions that had taken place during the financial year.

Ms Exton stated that the Council have identified steps that needed to be taken to address them.

3.3 The Chair asked what the timeframe was to complete the action plan in appendix 6. Members were told the end of October was the deadline. The Head of Business Management and Service Support said that he would give a personal assurance that Bank reconciliations would be addressed as soon as possible. Mr Webb asked why there were no documentation to back the stated figures. The Group Finance Manager said that there were two sets of reconciliations that of payments, and that of income. He added that there were some gaps in the reconciliation of income, and although they were incomplete for part of the year, the figures had not been made up.

3.4 Mr King said that the date for completion was October 2012, and asked whether staff would adhere to this date. The Head of Business Management and Service Support said that he would take responsibility to sign off the reconciliation for the end of September in October. He added that he could not guarantee they would be completed, but he recognised the urgency and would do his best. Mr King asked whether staff had thought of using a weekly process. He also said that given the differences that had been highlighted, staff would not be certain that

fraudulent activity had not taken place. The Head of Business Management and Service Support said that although he was not certain of this, given the nature of the differences it was unlikely fraud was the case.

- 3.5 The Chair said he needed to confirm that reconciliation was now taking place. This was confirmed by the Head of Business Management and Service Support, who said that an update report would be brought to the Panel at their next meeting. ED Res & Regen.

### Pension Fund

- 3.6 Sue Exton introduced the report and stated that although there were problems last year, the quality of the accounts was much improved this time, but there was still scope for improvement. She added that the corrected areas could be found on appendix 2 of the report, with the action plan in appendix 6. Ms Exton informed members that the 3 recommendations in appendix 5 have all been agreed.
- 3.7 Mr King said he had noted the discrepancy in the date of Habourvest Investments which was wrong and asked if this was a common error identified by auditors. Ms Exton said it was not. The Head of Business Management and Service Support said that it was a practice of external custodians, and staff would have discussion with them about reconciling their timetable with that of the Council. The Chair said that this was an important issue if it had resulted in a £2. million difference. The Head of Business Management and Service Support, said that the error would be investigated. Councillor Whittle asked if this issue could be pursued by the Pension Investment Committee. The Chair said this could be done if the Committee was looking at the figures.
- 3.8 Councillor Whittle asked why the Pension Bank Fund Account was not separate from that of the Council. The Head of Business Management and Service Support said that this would be an administrative cost that would add to the Council's oncost. He added that so far they were not aware of any incident of concern. He said that everything was being done to ensure that pension assets do not get mixed up with Council assets.
- 3.9 The Chair asked whether there was not a regulation in place that needed to be followed by the Council, and was told yes, Regulation 2009. Sue Exton said that this weakness had been mentioned before, but there were some Councils who followed the Regulation as stated, and some who do so for some transactions, and not for others. Mr Webb said that this would

not be viewed positively in the Governance report. The Head of Business Management and Service Support, said that he would not be able to justify the extra spending for something that would not be beneficial to the Council, and it was not an urgent priority. The Chair asked for this issue to be considered, he added that he was happy to note that the accounts might be signed on time this year.

RESOLVED that the Annual Governance Reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts be noted.

#### 4. EXTERNAL AUDITOR'S REPORTS ON THE 2011/12 ACCOUNTS

- 4.1 The Group Finance Manager introduced the report. Mr King asked why the system of financial control had been described as good rather than improved. Sue Exton concurred that good was not a term Auditors find easy to use as it was a qualitative judgement, and it would be better to describe the system as an effective system. Mr King then commented that the description of the 2011/12 assurance reviews was a bit confusing, as it stated that there had been improvement, but according to the report the negative level was 7% last year whilst this year it stated 11%. The Interim Head of Audit & Risk informed members that there were two systems, the general internal control framework and specifically the financial control arrangements within these. He added that the audit opinion in June was satisfactory, but the delivery was slightly weaker. Mr King said it would be useful for this to be explained further in the next annual assurance report from internal audit as it maybe confusing to readers. This was agreed.

Int. Head  
of Audit &  
Risk

RESOLVED that the report be noted.

#### 5. INTERNAL AUDIT UPDATE AND PLAN

- 5.1 The Interim Head of Audit & Risk introduced the report, which summarised progress on delivering the internal audit plan since the last Audit Panel report, performance of the Internal Audit contractor, and implementation of internal audit recommendations. Panel members noted that 96% of the recommendations have been implemented. Audit Panel was informed that improvements have been made and the number of overdue recommendations have come down, as constant reminders were being sent out. It was noted that the Principal Accountant was present at the meeting. He updated members on the current position with VAT. The Chair commented that the

## Minute No.

## Action

recommendations were significantly overdue, and that officers should ensure that in future these recommendations are implemented on time. Councillor Mallory added that he could understand that the re-organisation within a section as a result of funding cuts, may have contributed to delays.

- |     |  |                           |
|-----|--|---------------------------|
| 5.2 | Panel members noted that the Head of Resources, CYP sent his apologies for not attending the meeting. The Interim Head of Audit & Risk read out the Children & Young People (CYP) Directorate's update on their outstanding recommendations. The Chair had some questions, and the interim Head of Audit & Risk suggested that the Head of Resources, CYP could be invited back to the Panel's meeting in November. The Chair added that children data could become an issue in future, and Headteachers would need to be made aware of this.  | Int. Head of Audit & Risk |
| 5.3 | David Webb asked what the Audit Panel could do if there was a delay in Headteachers following up their recommendations. The Interim Head of Audit & Risk informed members that influence over Headteachers would be the responsibility of the school's Board of Governors, especially the Chair of the Board.  |                           |
| 5.4 | Panel members asked why the Resources Directorate's target dates for operational risk registers have been changed twice, and Community Mental Health target date changed 7 times. The Interim Head of Audit & Risk said that for the risk recommendation this was partly because of issues around training. It was noted that Lewisham has a specific system and an e-learning course is being documented and would be finalised in November/December. In respect of the SLAM audit this recommendation will be kept open and a new audit scheduled for this area in early 2013 to revisit the controls in place given the delays in management being able to conclude the agreed actions. |                           |
| 5.5 | It was noted that following an update from the Head of Information Management & Technology on Cyber Security, the majority of recommendations have now been addressed, and others were being resolved. The Chair requested an update at the next Audit Panel meeting.  | Int. Head of Audit & Risk |
| 5.6 | Panel members noted that the next full Audit Plan was scheduled to be reported in March 13. It was agreed that the Risk Register should also be reported to the March Audit Panel meeting, and thereafter twice yearly in line with updates at the next Panel meeting..  | Int. Head of Audit & Risk |



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5.7	The Chair stated that the reporting tables were very useful, especially when cross referenced with the Risk Register. He added that it would be useful to bring back the tables when the Risk Register is being considered in March.	Int. Head of Audit & Risk
5.8	In respect of the continuous auditing reports being introduced, David Webb asked whether Panel members were convinced that there was management capacity to use all the information that would be generated. The Interim Head of Audit & Risk stated that it was management responsibility to ensure the process was being adopted, monitor the trend and see if there were exceptions. The Head of Business Management and Service Support said that they were having robust conversation with internal audit, they were aware of the capacity risk, and would ensure that the right information was being generated.	
5.9	Richard King asked why two medium recommendations were not agreed by management, and was told that a cost benefit analysis was done before the decision was taken. The Director of Internal Audit commented that they would not make a recommendation unless they thought it would be beneficial.	
5.10	In respect of the superseded recommendations, Mr King asked whether the Public Transparency Board – Public Data have now being completed. It was noted that it has been implemented and spending data published. Richard King then asked why some recommendations were made if they would not improve service delivery, noting that the customer involvement strategy recommendation was discussed during the section's restructuring, and the team has now been dissolved. Some of the recommendations discussed and agreed were done by people no longer working in the section, and the environment service had gone through reorganisation.	
5.11	Mr Webb commented that the performance of the contractor was still substantially behind the agreed deadline. The Chair asked why the contractor would set a target that could not be met. The Director of Internal Audit said that if they set a lower target they still might not meet it, and because they were trying to improve their performance level, a higher target was necessary. He added that their performance had improved from last year. The Head of Business Management and Service Support stated that there was a balance to be struck, and the Council still maintained the right to hold contractors to account. Following a robust discussion on the performance a higher target was deemed beneficial. The Interim Head of Audit said that the Council have received a rebased audit plan from the contractor to deliver all the	

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	<p>commissioned 2012/13 work by April 13. As a result future updates would be changed, and monitoring undertaken on these revised targets. The Chair said this would be useful.</p>	<p>Int. Head of Audit &amp; Risk</p>
	<p>RESOLVED that the report be noted.</p>	
6.	<p><u>ANTI FRAUD &amp; CORRUPTION TEAM UPDATE</u></p>	
6.1	<p>The Interim Head for Audit presented the report, and highlighted that the team levels of referrals remain high. Councillor Whittle asked how many people were in the team, and was told that there was a total of 12 people including a seconded Police Officer. It was noted that on average for every four cases investigated, one result in action for a proven fraud. Councillor Whittle then asked if the article at the back of the report was published locally. The Interim Head of Audit &amp; Risk said that the team seek to publish a news item for every prosecution on the Council's website, but this and any press take up is a matter for the communications team in managing these and other communication priorities.</p>	
6.2	<p>The Chair asked whether officers were aware of problems that could be faced by authorities who undertake surveillance. The Interim Head of Audit &amp; Risk, said that Lewisham does use surveillance but not external investigators. Furthermore, there are documented procedures and a process to ensure sufficient rationale behind any decision to undertake surveillance. The Council's compliance with these regulations is also monitored externally through inspection by the Office of Surveillance Commissioner. The Chair said that guidance should be followed at all times. The Chair asked how often Surveillance have been used and the Interim Head of Audit &amp; Risk said he would find out and report back.</p>	<p>Int. Head of Audit &amp; Risk</p>
6.3	<p>The Chair requested that the Panel review the Council's whistle blowing policy at the next meeting.</p>	<p>Int. Head of Audit &amp; Risk</p>

RESOLVED that the report be noted.

The meeting ended at 8. 57p.m.

Chair

# Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 21 November 2012

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

## 1 Personal interests

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

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

## 2 Disclosable pecuniary interests are defined by regulation as:-

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

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

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

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

### **(3) Other registerable interests**

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

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

### **(4) Non registerable interests**

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

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

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

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

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

## **(6) Sensitive information**

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

## **(7) Exempt categories**

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

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

16<sup>th</sup> October 2012

Members of London Borough of Lewisham,  
Town Hall  
Catford  
London  
SE6 4RU

**Direct line** 0844 798 2307  
**Email** s-exton@audit-  
commission.gov.uk

Dear Member

## **London Borough of Lewisham Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of London Borough of Lewisham.

### **Financial statements and value for money conclusion**

On 19<sup>th</sup> September 2012 I presented my Annual Governance Reports to the Audit Panel outlining the findings of my audit of the Council's 2011/12 financial statements. In summary the quality of draft 2011/12 financial statements and the working papers to support them were significantly better than the prior year, although there was scope for improvement. My audit testing identified material errors and disclosure improvements which management agreed to correct.

The Council has a strong culture of financial governance and leadership which is critical in meeting the financial management challenges and for securing financial resilience. There is a good track record of meeting budgets, delivering saving, supported by strong budget monitoring arrangements. The Council is now in year two of its four year efficiency strategy to deal with the economic climate and has successfully continued to deliver savings in 2011/12 towards its target of reducing costs by over £88m from Council's expenditure.

Following the Audit Panel on 19<sup>th</sup> September 2012 I:

- issued an unqualified opinion on the Council's 2011/12 financial statements included in the Council's Statement of Accounts on 27<sup>th</sup> September;
- concluded that the Council have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

On 3<sup>rd</sup> October I formally completed the 2011/12 audit by:

- reviewing and reporting to the National Audit Office on the Council's Whole of Government Accounts consolidation pack, and
- issuing my certificate to close the 2011/12 audit, as there are no legal matters or objections outstanding and no matters have been brought to my attention requiring me to consider exercising my formal statutory powers.

Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ  
T 0844 798 1212 F 0844 798 2945 [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

I repeated two recommendations to address significant weaknesses in internal control identified in 2010/11, and only partially implemented in 2011/12 which are to:

- fully implement the fixed asset system and test it to ensure that it is capable of producing timely and accurate information to support the entries in the financial statements,
- ensure that the pension fund bank account is used for all pension fund transactions in line with regulations.

In 2011 /12 I identified a weakness in the bank reconciliation processes and have recommended that the Council:

- carry out a full review of the bank reconciliation procedures to ensure there is a structured process to completing this key control in a timely manner.

Officers are taking action to address these weaknesses, implement my recommendations and will report on progress to the Audit Panel.

### **Grants Certification**

The audit of the grants certification programme is progressing well with four of the six claims already certified. The largest and most complex claim is the Housing Benefit and Council Tax Benefit subsidy claim which I expect to sign off during October well ahead of the audit deadline of 30<sup>th</sup> November 2012.

### **Closing remarks**

I have discussed and agreed this letter with the Chief Executive and Executive Director for Resources and Regeneration. While this has been another challenging year for the Council I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Panel for their support and co-operation during this audit.

Under arrangements made to abolish the Audit Commission the Council's new auditor, Grant Thornton will be responsible for conducting the 2012/13 audit.

Yours sincerely

**Susan M Exton**  
**District Auditor**



AUDIT PANEL		
<b>Report Title</b>	<b>Financial forecasts for 2012/13</b>	
<b>Key decision</b>	<b>No</b>	<b>Item No. 4</b>
<b>Ward</b>	<b>N/A</b>	
<b>Contributors</b>	<b>EXECUTIVE DIRECTOR FOR RESOURCES &amp; REGENERATION</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 21 November 2012</b>

## 1 Summary of the Report

1.1 This report sets out the financial forecasts for 2012/13 as at 31 August 2012. The key areas of concern are:

- The forecast overspend of £1.1m in Customer Services. Whilst this is down from the £1.5m reported at the start of the year this still requires management attention.
- Progress in delivering the capital programme. As at 31 August 2012 £33.5m, or 23%, of this had been spent, which indicates a risk that the programme may be significantly underspent again this year.

1.2 Other key messages are that:

- An underspend of £0.3m against the directorates' net general fund revenue budget is forecast
- The Housing Revenue Account (HRA) is forecast to be spent to budget and the Dedicated Schools Grant (DSG) is forecasting an underspend of £0.2m
- 97% of the £16.6m savings agreed in setting the 2012/13 budget are forecast to be delivered on schedule
- The revised capital programme for 2012/13 is £147m. As at 31 August 2012 £33.5m, or 23%, of this had been spent. It is unlikely that this will be fully spent in the year.
- Council tax collection has improved compared to the same point last year but is slightly behind the expected profiled amount to August. The full year target remains at 95.5%, compared with the actual collection rate of 94.56% achieved last year
- Business rates collection is 3.6% higher than the same period last year. For three consecutive months performance has been substantially above the interim results at the same point last year. After last year's poor results there is now increasing confidence that this performance can be sustained and the target of 98.5% for the year achieved.

## 2 Purpose of the Report

2.1 To set out the financial forecasts for 2012/13.

### 3 Recommendation

3.1 To note the financial forecasts for the year ending 31 March 2013.

### 4 Policy Context

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

### 5 Overall directorate outturn

5.1 The forecasts against the directorates' general fund revenue budgets are shown in the table below. Expenditure controls through Directorate Expenditure Panels (DEPs) remain in place. This tight control helped to deliver an underspend in 2011/12.

5.2 The forecast overspend as at 31 July 2012 was £0.5m, and this has reduced to £0.3m as at 31 August 2012. The key issues are still in the Customer Services directorate, which is forecasting an overspend of £1.1m.

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
CYP (1)	103,935	(38,784)	65,151	(276)
Community Services	164,949	(49,823)	115,125	(329)
Customer Services (2)	93,783	(62,948)	30,835	1,146
Resources & Regeneration	62,645	(14,688)	47,957	(868)
<b>Directorate total</b>	<b>425,312</b>	<b>(127,459)</b>	<b>259,068</b>	<b>(327)</b>
<b>Corporate items</b>			<b>9,441</b>	<b>0</b>
<b>Budget requirement</b>			<b>268,509</b>	<b>(327)</b>

(1) – gross figures exclude £252m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude £236m matching income and expenditure for housing benefits

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

Directorate	Savings agreed for 2012/13	Forecast delivery	Variance	
			£'000	%
CYP	4,394	4,394	0	0
Community Services	4,610	4,610	0	0
Customer Services	3,528	3,128	400	11
Resources & Regeneration	2,954	2,954	0	0
Fees & Charges	1,068	977	91	8.5
<b>Total</b>	<b>16,554</b>	<b>16,063</b>	<b>491</b>	<b>3.0</b>

## 6 Children and Young People's Services

6.1 The forecast underspend for the year is £0.3m, improved from the £0.1m underspend forecast consistently since May 2012.

CYP division	Gross expenditure	Govt grants	Other income	Net budget	Forecast over / (under) spend
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	48,016	(1,059)	(733)	46,224	338
Standards and Achievements	4,769	(332)	(1,889)	2,548	0
School Infrastructure	2,120	0	(15)	2,105	0
Commissioning, Strategy & Performance	3,753	(910)	(342)	2,501	(50)
Access & Support	15,346	(219)	(3,713)	11,414	0
Resources	29,931	(14,508)	(13,738)	1,685	(564)
Schools	0	0	(1,326)	(1,326)	0
<b>Total</b>	<b>103,935</b>	<b>(17,028)</b>	<b>(21,756)</b>	<b>65,151</b>	<b>(276)</b>

6.2 The main budget pressure is £0.9m, in respect of the placements for Looked after Children (LAC). This is net of planned management action to move placements towards lower cost areas such as fostering, where this is appropriate to the needs of the child. There were 486 placements as at 31 July 2012, as against 485 as at 30 June 2012 and 491 at 31 March 2012.

6.3 There are other pressures within the social care budget, including £0.2m for special guardianship orders, £0.1m on adoption allowances and £0.2m in respect of asylum seekers with no recourse to public funds. It is expected that these can be offset by reducing staffing costs by £0.5m over the year through grant substitution and reduction in number of agency staff and savings of £0.7m on supplies and services budgets including short breaks.

6.4 Other services within the directorate operate complex budgets which are nonetheless lower risk than for children's social care. General underspends of £0.5m are expected to be delivered within the Resources area, through continued application of the DEP process and other controls in order to offset the pressures on the placement budget and enable the directorate to forecast a small underspend of £0.3m.

## 7 Community Services

7.1 The forecast underspend for the year is £0.3m, improved from the £0.1m underspend forecast consistently since May 2012.

Community Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Cultural Services	15,757	(6,996)	8,762	798
Adult Services	110,246	(34,171)	76,075	(281)
Community & Neighbourhood Development	8,527	(352)	8,175	(242)
Crime Reduction & Supporting People	27,714	(7,081)	20,633	(630)
Strategy & Performance	2,704	(112)	2,592	(220)
Community Reserves	0	(1,112)	(1,112)	246
<b>Total</b>	<b>164,949</b>	<b>(49,823)</b>	<b>115,125</b>	<b>(329)</b>

- 7.2 The forecast overspend in cultural services of £0.8m reflects pressures within the sports and leisure service:
- £0.2m representing a worst case assumption from the income benchmarking exercise that has been called under the terms of the Downham PFI. This issue was identified in May 2012 and clarity and a resolution are now expected by October.
  - £0.3m representing the difference between the cost of the new leisure contract and the budget in the current year.
  - Additional pressures due to R&M and other works to leisure centres of around £0.4m.
- 7.3 There are other minor underspends of £0.1m on the CEL budget, and some other minor pressures throughout the division.
- 7.4 Adult Social Care is forecast to underspend by £0.3m, after taking into account health funding of £2.4m. It is not yet clear whether this funding will recur in future years, and the risk of it not recurring increases beyond 2014/15. Within the service there are some forecast under and over spends as set out below.
- 7.5 Mental health budgets are forecast to be £0.2m overspent with pressures on salaries, residential care and supported accommodation. Action to contain these pressures has included reducing the number of residential service users from 89 as at 31 March 2012 to 76 as at 31 August 2012.
- 7.6 The picture for older adults is more complex. Since last month, projected costs of residential and nursing care have increased though costs of domiciliary care have reduced. This is a deviation from the recent trend of a movement from residential care to care at home. If sustained this suggests that key cost pressures may be emerging and will need to be managed very carefully.
- 7.7 Budgets for learning disability are still projected to overspend by £0.2m. However, there are offsetting staffing savings of £0.3m in day opportunities and in the modernisation budget which is now projected to underspend by £0.6m.
- 7.8 The Community & Neighbourhood Development budget is forecast to be underspent by £0.2m. This movement is primarily result of budget adjustments that have now been made to account for the Local Assemblies Programme and Locality Fund funding that is being drawn down from Corporate Reserves.
- 7.9 The £0.3m underspend forecast on the voluntary sector grants budget is mainly due to slippage in allocation of the Investment Fund element. The investment fund has taken a developmental approach to working with third sector organisations around priority areas. This approach has required a longer lead in than a traditional grant aid programme and therefore the spend has been profiled over the two and a half year programme with a higher percentage of spend planned to take place in 2013/14. An estimated £0.7m of the investment fund will be spent in 2012/13 made up of £0.5m drawn down from reserves and £0.2m from the 2012/13 budget. All spend on the two and half year programme is currently forecast to be allocated by 31 March 2014.
- 7.10 There are other minor offsetting over and under spends forecast within the division, including in respect of the localities fund.

- 7.11 Within Crime Reduction & Supporting People cost reductions of £0.5m have been achieved through recommissioning of contracts. After taking account of cost pressures in the floating support service an overall underspend of £0.4m is forecast. With an increased underspend on the rehab placement budget in the Drug & Alcohol Service (£0.2m) and a small underspend on the Youth Offending Service budget, Crime Reduction & Supporting People is now projecting an overall underspend of £0.6m.
- 7.12 An underspend of £0.2m is forecast within the strategy and performance division, as a result of tight expenditure controls.

## 8 Customer Services

- 8.1 The Customer Services Directorate's projected overspend has reduced by £0.2m to £1.1m.

Customer Services division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/(under) spend
	£'000	£'000	£'000	£'000
Strategic Housing and Regulatory services	11,509	(8,122)	3,387	0
Environment	42,413	(21,139)	21,274	495
Public Services *	38,089	(33,447)	4,642	669
Strategy & Performance	1,772	(240)	1,532	(18)
<b>Sub-total</b>	<b>93,783</b>	<b>(62,948)</b>	<b>30,835</b>	<b>1,146</b>

\* excludes £236m of matching income and expenditure in respect of housing benefits

- 8.2 Within the Strategic Housing and Regulatory Services division there are spending pressures of £0.2m within the housing needs service, including cases where the cost of provision is above the housing benefit cap. Underspends of £0.1m within business regulatory services and housing strategy largely offset this, with other minor over and under spends bringing the forecast back to budget.
- 8.3 The Environment Division is forecasting an overspend of £0.5m. The principal issues are:
- A forecast overspend of £0.3m on staffing costs within the street management division, similar to the outturn in 2011/12
  - A forecast overspend of £0.2m within strategic waste management, largely as a result of SELCHP fees for waste disposal
  - A forecast overspend of £0.1m in respect of Green Scene budgets, largely in respect of income shortfalls in Beckenham Place Park
  - Staffing underspends of £0.1m within environmental enforcement, pending a staffing reorganisation planned for 2013/14.

The Environment division are currently reviewing all non staffing and non contractual spending commitments with a view to reducing the overspend. To date, savings have been identified in bereavement, waste management and refuse collection. These, however, have been used in part to offset increased costs in green scene arising from the delay in implementing new management arrangements for Beckenham Park Place golf course.

- 8.4 An overall £0.7m overspend is forecast within Public Services. The parking income budgets are forecast to be on budget. Additional resources have been deployed to focus on collection. This is proving to be successful with the projected outturn on fines increasing by £50k for the second month in a row.

Early indications are that this may grow higher but officers are waiting to see the impact of the Olympics, Paralympics and other seasonal variations before increasing the forecast further. It should be remembered that increased fine income collection does incur additional legal fees. These are currently projected to be £0.1m over-budget but this, and the additional collection costs are far outweighed by the amount of additional income raised, currently projected to be £0.7m.

- 8.5 The re-letting of the parking contract was agreed to be delayed, in order to align the re-let with other priorities. As anticipated this gives rise to a forecast overspend of £0.4m, as planned savings will be delivered late. In addition, other contractual costs are forecast to be overspent by £0.2m.

## 9 Resources and Regeneration

- 9.1 The Resources and Regeneration Directorate is forecasting an underspend of £0.9m.

Resources & Regeneration Division	Gross expenditure budget	Gross income budget	Net budget	Forecast over/ (under) spend
	£'000	£'000	£'000	£'000
Audit & Risk	5,529	(2,383)	3,146	(43)
Corp Policy & Governance	3,234	(77)	3,157	(157)
Finance	6,327	(1,152)	5,175	(326)
Executive Office	345	0	345	(81)
Personnel & development	3,838	(283)	3,555	(244)
Legal Services	2,976	(444)	2,532	(77)
Strategy	3,242	(409)	2,833	(90)
IMT	9,737	(1,272)	8,465	296
Planning & Development	4,097	(1,801)	2,296	(119)
Regen & Asset M'gement	22,781	(5,159)	17,622	(31)
Strategy & Performance	539	(61)	478	(93)
Reserve transfers		(1,647)	(1,647)	97
<b>Total</b>	<b>62,645</b>	<b>(14,688)</b>	<b>47,957</b>	<b>(868)</b>

- 9.2 The risks highlighted earlier in the year in the IMT budget have been significantly mitigated. The initial forecast overspend of £0.8m has now been more than halved through focused management action. The remaining forecast overspend of £0.3m, whilst still of significant concern, is planned to be managed down further by continuing printing restrictions. However, contractual obligations in place might prevent the overspend being eliminated in the current year.
- 9.3 The previously forecast overspend within the Regeneration & Asset Management division has now reduced and a small underspend is now reported. However pressures remain and these are principally in respect of repairs and maintenance, energy costs and once off redundancy costs. These are being offset against underspends elsewhere within the division mainly in relation to the highways budgets including street lighting.
- 9.4 Other key underpends include Personnel & Development where an underspend on learning and development is being reported and Finance where there have been fewer calls on the directorate contingency budget. Generally across the directorate there are a number of vacant posts that are being maintained in anticipation of reorganisations that are either planned or underway. These combined with expenditure controls on non salaried expenditure have enabled a forecast underspend of £0.9m to be reported.

## 10 Dedicated Schools' Grant

10.1 The final confirmation of the Dedicated Schools' Grant (DSG) for 2012/13 was received on the 26 June 2012 at £235.0m and together with £9.3m of funding provided by the Education Funding Agency to support post 16 provision in schools and £7.1m of Pupil Premium, the total amount of be grants expected to be received is £251.4m

10.2 The Dedicated School Grant budget is as follows

	Gross Expenditure	Govt Grants	Other Income	Internal Income	Net Budget
	£'000	£'000	£'000	£'000	£'000
Individual Schools Budget	208,060	(208,060)	0	0	0
Central expenditure on education of children under 5s	6,666	0	0	(112)	6,554
Provision for pupils with SEN (including assigned resources)	13,580	(696)	(1,204)	(2)	11,678
Education out of school	7,329	0	(29)	(1,082)	6,218
Capital Expenditure from Revenue (CERA) (Schools)	3,879	0	0	0	3,879
School-specific contingencies	4,595	(36,617)	0	0	(32,022)
Other	2,476	0	(14)	(95)	2,367
Academy Recoupment	6,064	(6,064)	0	0	0
<b>Total</b>	<b>252,649</b>	<b>(251,437)</b>	<b>(1,247)</b>	<b>(1,291)</b>	<b>(1,326)</b>

10.3 The grant is expected to have an underspend at the year end of £0.2m due to fewer independent special school places than expected.

## 11 Corporate Provisions

11.1 Corporate financial provisions include working balances, capital expenditure charged to revenue account (CERA) and interest on revenue balances. Overall, corporate financial provisions are not expected to overspend. The certainty on the outturn of these provisions will only become more apparent towards the end of the financial year.

## 12 Housing Revenue Account

12.1 The Housing Revenue Account is currently projecting very close to budget. A shortfall in hostel rent and service charge income is offset by an increase in tenants rental and service charge income.

	2012/13 net budget	Forecast	Variance
	£k	£k	£k
Customer Services - Housing	8,914	9,220	306
Lewisham Homes & R&M	39,656	39,656	0
Resources	1,766	1,766	0
Centrally Managed Budgets	-50,336	-50,655	-319
<b>Total</b>	<b>0</b>	<b>-13</b>	<b>-13</b>

12.2 The shortfall in hostel rent and service charge income is due to a significantly higher than budgeted void rate. The current rate is 17.6% compared to a

budgeted rate of 5%. Whilst the current void rate is unacceptably high, a review of hostel rents has found that the current budgeted rate is too low and budgets will need to be adjusted to reflect a more realistic rate of 10%. Action is being taken to reduce the level of voids to this rate

- 12.3 The increase in tenants rental and service charge income is as a result of lower than anticipated void rates of 1.55%, compared to a budgeted rate of 2%

### 13 Collection Fund

- 13.1 The Collection Fund is a separate account, required by statute showing the amount of Council Tax, Council Tax Benefit and National Non-Domestic Rates (NNDR) expected to be collected during the financial year. The account also shows how the amount collected, after providing for bad debts and write-offs, is distributed between the Council's General Fund, the Greater London Authority (the Preceptor) in respect of Council Tax and to the Government in respect of NNDR.

- 13.2 As at 31 August 2012, £42.5m Council Tax had been collected, 43.5% of the total amount due for the year of £97.7m. This compares to a year-to-date collection rate of 43.28% collection as at the same point last year. It is, however, 0.17% lower the profiled collection rate of 43.67% if the overall target for the year of 95.5% is to be met.

- 13.3 Business rates collection is at 55.1%, an increase of 3.6% compared to the same period last year. For three consecutive months performance has been substantially above the interim results at the same point last year. After last year's poor results there is now increasing confidence that this performance can be sustained and the target of 98.5% for the year achieved.

### 14 Capital Expenditure

- 14.1 The current position on expenditure, budgets and resourcing is set out in the following tables. The original budgets were updated to fully reflect the 2011/12 Outturn position. A number of funding streams and expenditure profiles have been updated since the last reported position and these are included in the revised budgets shown in the tables.

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
<b>Revised Budgets</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Community Services	3.8	1.7	0.5	0.4	0.4	<b>6.8</b>
Resources & Regeneration	19.5	11.8	3.7	3.0	3.0	<b>41.0</b>
CYP	31.8	4.5	1.2	1.2	1.2	<b>39.9</b>
CYP - BSF	35.8	15.6	4.9	0	0	<b>56.3</b>
Customer Services	3.5	0.3	0	0	0	<b>3.8</b>
Housing (General Fund)	10.4	5.6	3.3	2.1	2.4	<b>23.8</b>
<b>Total General Fund</b>	<b>104.8</b>	<b>39.5</b>	<b>13.6</b>	<b>6.7</b>	<b>7.0</b>	<b>171.6</b>
HRA	42.1	51.0	52.1	53.3	54.4	<b>252.9</b>
<b>Total Expenditure</b>	<b>146.9</b>	<b>90.5</b>	<b>65.7</b>	<b>60.0</b>	<b>61.4</b>	<b>424.5</b>
<b>Resources</b>	<b>146.9</b>	<b>90.5</b>	<b>65.7</b>	<b>60.0</b>	<b>61.4</b>	<b>424.5</b>
<b>(Over) / Under Programming</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



	2012/13 Original Budget	2012/13 Revised Budget	Spend to 31 July 12	Spend to 31 August 12	Proportion spent to date
	£000	£000	£000	£000	%
Community Services	3.8	3.8	1.1	1.4	37
Resources & Regeneration	23.2	19.5	2.4	3.3	17
CYP	30.4	31.8	6.0	6.2	19
CYP - BSF	35.8	35.8	5.0	8.4	23
Customer Services	3.7	3.5	0.2	0.2	6
Housing (General Fund)	9.9	10.4	1.1	1.4	13
<b>Total General Fund</b>	<b>106.8</b>	<b>104.8</b>	<b>15.8</b>	<b>20.9</b>	<b>20</b>
HRA	42.1	42.1	9.2	12.6	30
<b>Total Expenditure</b>	<b>148.9</b>	<b>146.9</b>	<b>25.0</b>	<b>33.5</b>	<b>23</b>

## 15 Treasury Management

- 15.1 With continued concerns about the stability of the banking sector, the Council's chosen treasury management strategy is highly risk averse. The counterparty list is based on industry analysis and is narrow in that it excludes the lowest credit rated counterparties, but includes the part nationalised banks. As at the end of August 2012, the balance stood at £252m. The performance of our internally managed funds is expected to at least perform in line with the benchmark for 2012/13. Performance will continue to be monitored closely by officers throughout the year.

## 16 Financial Implications

- 16.1 This report concerns the financial forecasts for the 2012/13 financial year. However, there are no direct financial implications in noting these.

## 17 Legal Implications

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

## 18 Crime and Disorder Act Implications

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

## 19 Equalities Implications

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

## 20 Environmental Implications

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

## 21 Conclusion

- 21.1 The forecast overspend last month of £0.5m has been further reduced to £0.3m. However, plans are still not in place to tackle the bulk of the substantial overspend in the Customer Services directorate and the lack of progress on the capital programme is a further significant risk.

## **BACKGROUND PAPERS**

None

## **APPENDICES**

None

If there are any queries on this report, please contact Conrad Hall, Head of Business Management and Service Support 0208 3148379.

AUDIT PANEL		
<b>Report Title</b>	<b>Internal Audit update report</b>	
<b>Key Decision</b>	<b>No</b>	<b>Item No. 5</b>
<b>Ward</b>	<b>ALL</b>	
<b>Contributors</b>	<b>Interim Head of Audit &amp; Risk</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 21 November 2012</b>

## 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, and
  - Implementation of internal audit recommendations.

## 2. Recommendations

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

## 3. Background

- 3.1. The Council's Head of Internal Audit reports to the Executive Director for Resources and Regeneration and is supported by an Internal Audit Contract Manager.
- 3.2. This client side of Internal Audit contracts out the Council's Internal Audit Service. Since 2008, and following a competitive tendering process in 2011, this service is provided by RSM Tenon Ltd as the contractor.
- 3.3. The contractor is responsible for completing all the Internal Audit reviews for the Council (non-schools and schools) and any consultancy or grant certification work as directed.
- 3.4. Under a service level agreement the Internal Audit Service also undertakes audits for Lewisham Homes and occasionally for some of Lewisham Council's partners. This work is fully recharged.

## 4. Internal audit progress update

### 2011/12

- 4.1. Of the total programme of 89 audits, as at 31/10/12 one report issued on the 05/11/12 remains draft. It is the HR Thematic review. This is a significant review (80 days) covering both the regulatory compliance and enabling aspects of HR's role.
- 4.2. With the exception of the above audit, all reports have been finalised. The three reports listed below were finalised since the last meeting.

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Implementation of Payroll Systems and HR (Resource Link)	06/09/12	Limited / No	-	11	4
RRE	Regeneration of Lewisham	19/09/12	Substantial	-	-	1
COM	Monitoring of Small Grants	05/0/12	Consultancy	-	4	-

2012/13

- 4.3. The 2012/13 plan has 87 pieces of work; six of these are for advice rather than audit work. These advisory pieces of work do not require draft reports and as such will go straight to final when the advice memo is issued.
- 4.4. The table below shows the status of the audit plan for 2012/13 as at the 31/10/12. It shows that:
- 49% of plan is underway, with
  - 37% of the plan completed to at least draft report stage, and
  - 30% of the plan finalised.

Lead Dir.	Original Plan Work for Year	Extra Audits	Dropped Audits	Current Audit Plan	Final Reports Issued	No of Draft Reports	WIP	Field work not yet started
RRE	27	3	-	30	4	1	6	19
CUS	11	1	(1)	11	2	-	3	6
COM	9	1	-	10	3	-	1	6
CYP	6	-	-	6	-	1	1	4
SCH	29	1	-	30	17	4	-	9
Total	82	6	(1)	87	26	6	11	44

- 4.5. There was one additional piece of work added to the audit plan since the last Audit Panel meeting, and one cancelled audit. They were:

Additional

- Fairlawn School – requested by new Headteacher.

Cancelled

- Post implementation review of ASH Debtors system. System was not implemented.

- 4.6. There have been 16 reports finalised since the last meeting for 2012/13. They are:

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Gifts and Hospitality for Staff	15/10/12	Limited	5	2	-
RRE	Members Expenses and Interests including Key Officers and Members Register of interests	19/10/12	Substantial	-	2	3
RRE	Storage of Major Contracts	16/10/12	Advice	-	-	-
CUS	Dry Recycling Contract	31/10/12	Limited	2	2	1
COM	Community Libraries	28/09/12	Satisfactory	2	-	1
COM	Library Contract	28/09/12	Satisfactory	2	-	1
COM	Personal and Individual Budgets	14/09/12	Limited	-	6	2
SCH	Forest Hill Secondary	27/09/12	Satisfactory	1	-	5
SCH	Holbeach School	27/09/12	Limited	1	5	4
SCH	Adamsrill Primary School	04/10/12	Substantial	-	2	2
SCH	Foster Park School Full Follow-up Rpt	12/10/12	Substantial	-	-	1

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
SCH	Sandhurst Infant School	12/10/12	Substantial	-	2	2
SCH	St Michael's Primary School	09/10/12	Satisfactory	-	4	4
SCH	Edmund Waller Primary School	17/10/12	Satisfactory	-	3	5
SCH	Watergate School	22/10/12	Substantial	-	2	4
SCH	Our Lady and St Philip Neri Primary	23/10/12	Satisfactory	-	2	11

## 5. Limited and No Assurance reports

5.1. Since the last Audit Panel meeting there has been four 'Limited' reports issued and one 'Limited/No' assurance report. There have been no consultancy reports.

- Implementation of payroll systems and HR (2011/12) – Limited / No,
- Holbeach School (2012/13) – Limited,
- New Waste Recycling Contract (2012/13) - Limited
- Personal Budgets and Individual Budgets (2012/13) - Limited, and
- Gifts and Hospitality for Council Staff (2012/13) – Limited

5.2. In respect of the 2011/12 payroll and HR implementation audit there are two opinions as the scope changed during the course of the systems security work (Limited assurance) to include testing of the data migration work (No assurance ) at the time the system implementation in April 2011. The No assurance opinion arose because project records had not been maintained. Nonetheless, the annual key controls payroll system audit completed for 2011/12 was given Satisfactory assurance.

5.3. The Executive Summaries findings for these reports can be found in Appendix 4.

## 6. High or Medium recommendations not agreed

6.1. Since the last Audit Panel meeting, there have been no recommendations that management have not agreed.

## 7. Implementation of internal audit recommendations

### Follow-ups

7.1. 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 31/10/12. There were 11 follow-up reviews completed, with 96% of the recommendations either implemented or in progress.

7.2. Details of the individual follow-ups conducted can be found at Appendix 2.

	Implemented	In progress	Superseded	Not Implemented	Not Due	Total
No.Recs	25	3	-	1	-	<b>29</b>
Rec'ns.	86%	10%	-	4%	-	<b>100%</b>

7.3. The cost required to undertake school follow-ups is felt to be unnecessary and duplicative. This is because:

- it is contrary to the general trend seen for all other matters of governance where there is more ownership taken by the schools,
- the levels of assurance (with few exceptions) in schools have been improving consistently for three years, and

- schools do not use the Council's systems so this is a two step process for C&YP to update the recommendations for schools and then internal audit to follow them up.

7.4. Given these considerations, internal audit will maintain the audit tracking and reporting role but no longer undertake detailed follow-up work, relying instead of the existing monitoring in place between C&YP and schools. The exception will be follow-ups for any Limited or No assurance school opinions.

Superseded

7.5. Detail of the recommendations that have been superseded up to the 31/10/12 are listed below.

Audit		Recommendation superseded		Management comment
Risk Management – Operational Risk Registers 2010/11 RES07	Ltd	The Council should explore the possible RM training options for managers and staff. The programme should improve RM awareness and ensure staff, including new joiners, receive RM training.	Medium	Consulted RMWP to confirm actual RM training needs in Dir. RMWP agreed RM update and P+ training for those managing risk registers and a RM introduction e-learning module for others. RM update and P+ training delivered – confirmed by Internal Audit at follow-up. Introduction to RM e-learning in development. This part of the recommendation was repeated in 2011/12 Risk Maturity audit and is tracked there as due for completion in Nov 12. (see also update to Audit Panel in September 12).
Application Implementation for HR and Payroll 11/12 RRE21	No Ass.	Monitor projects with key project milestones and report / escalate any variances	Medium	Similar recommendations made previously in the RRE 08 2011/12 Project Management review. As such these recommendations were superseded and tracking of implementation will be monitored around the RRE08 2011/12 recommendations.
		Data conversion and migration testing - Project documentation is promptly uploaded to the relevant site to ensure approval of documentation	Medium	
		Authorisation to go live Project documentation is promptly uploaded to the relevant site to ensure approval of documentation	Medium	
Schools Outsourced Pension 10/11 CYP09	Sat.	(Rushey Green) School should retain a copy of their completed Pension notification as evidence it was sent to the Pension fund.	Medium	Recommendation is superseded or unnecessary as it assumes the school has a responsibility that it doesn't.

Implementation of recommendations

7.6. As at the 31/10/12, the table below shows the status of recommendations made by Internal Audit. Details of those recommendations that are either overdue or have multiple changes of implementation date can be found in Appendix 3.

- 7.7. There has been a significant reduction in those recommendations (continuing the good progress of the last six months) that are overdue since the last meeting.

Lead Dir	Previous No. of O/Due Recs.	Current No. of O/due Recs at 31/10/12	Current No. of Recs with 2+ changes	Previous No. of Open Recs at 22/08/12	No of Recs Re-opened since 22/08/12	No. of New Recs From 22/08/12	Closed Recs from 22/08/12	Current Open Recs at 31/10/12
<b>RRE</b>	16	-	1	23	-	18	(18)	<b>23</b>
<b>CUS</b>	2	-	2	8	-	-	(3)	<b>5</b>
<b>COM</b>	18	1	3	12	-	10	(7)	<b>15</b>
<b>CYP</b>	11	3	2	26	-	-	(3)	<b>23</b>
<b>Total N/S</b>	<b>47</b>	<b>4</b>	<b>8</b>	<b>69</b>	<b>-</b>	<b>28</b>	<b>(31)</b>	<b>66</b>
<b>SCH</b>	59	-	3	50	3	15	(35)	<b>33</b>
<b>Total All</b>	<b>106</b>	<b>4</b>	<b>11</b>	<b>119</b>	<b>3</b>	<b>43</b>	<b>(66)</b>	<b>99</b>

#### IMT – system security and business continuity

- 7.8. Having identified a number of recommendations on systems security and business continuity risks, Members at the last Audit Panel requested a written update from the Head of Information Management Technology (IMT) on these two areas. His update is:
- 7.9. In respect of systems business continuity the risks in this area are acknowledged. The Corporate IMT team are responsible for agreeing with system owners disaster recovery timelines and the required resilience and recovery parameters to meet these. Within these disaster recovery timelines the system owner is responsible for having business continuity arrangements in place to enable their service to be delivered until the system is returned to use. The 2012/13 audit plan includes an audit in this area which has been scoped to take a view on how comprehensively and effectively this has been done for the corporate and line of service systems. This audit starts in November and will effectively pull together and assess an overview on the concerns noted from other reports by the Audit Panel. The findings and recommendations from this audit will then drive the action plans for ensuring effective disaster recovery plans and testing of these for the Council's IT systems is in place.
- 7.10. In respect of systems security officers are confident, notwithstanding the internal audit recommendations made, that the Council's systems are adequately secured. The internal audit recommendations to date have principally identified that the Corporate IMT team has not effectively documented the processes and controls in place. This is being addressed and tracked through the actions agreed in the audit reports. The controls in place include: information system risk assessments, active monitoring of data protection risks, and penetration incident reporting. These are now working well and the programmes of work in place will continue to ensure effective system security is maintained.
- 8. Performance of the contractor**
- 8.1. One of the ways that the performance of the contractor is measured is by agreed Performance Indicators (PIs). Following previously reported delays and from September, the audit plan has been rebased to ensure that it will be completed in time with the resources available. As such PIs, 1, 2, 3, and 6 are now measured from September.

No.	Performance Indicator (as at 31/10/12)	Target YTD		Actual YTD to		Variance on target (+/-)	
		%	No.	%	No.	%	No.
<b>1*</b>	Percentage of all draft reports issued against audit plan.	35%	28	35%	28	-	-

No.	Performance Indicator (as at 31/10/12)	Target YTD		Actual YTD to		Variance on target (+/-)	
		%	No.	%	No.	%	No.
2*	Percentage of draft audit reports issued within 15 working days of the exit meeting.	90%	7	100%	9	+10%	+2
3*	Percentage of final reports issued within 10 working days of agreed draft report.	95%	9	100%	10	+5%	+1
4	The average level of client satisfaction. (out of a score of 4).	3		3.6		+0.6	
5	Percentage of High & Medium recommendations made agreed by management.	90%	42	100%	47	+10%	+5
6*	Percentage of follow-up reviews completed to plan (i.e. within nine months of final report)	34%	22	34%	22	-	-

\* Reports target from September.

8.2. All PIs met or exceeded their target. The detail of progress against the plan is included at Appendix 1.

## 9. Corporate risks

9.1. This quarter is an update quarter on the corporate risks as the Panel reviewed the detailed comparison of audit plan to the corporate risks in September.

9.2. Corporate risks are assessed on a five point scale for impact and likelihood. These are then multiplied to give the current risk score. The criteria for the five point scale is provided in Appendix 5.

9.3. The corporate risk register is currently reporting:

Risk	Current score	Current status	Direction of Travel
Failure to maintain minimum service continuity during and quickly recover from a disaster.	12	●	→
Failure of central ICT infrastructure.	12	●	→
Non compliance with Health & Safety Legislation.	12	●	→
Failure to anticipate and respond appropriately to legislative change: <ul style="list-style-type: none"> <li>Localism Act</li> <li>Public Services Act</li> <li>Welfare Reform Bill.</li> </ul>	8	●	→
Financial failure and inability to maintain service delivery within a balanced budget.	8	●	→
Failure to prevent and detect fraud & corruption.	8	●	→
Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.	8	●	→
Loss of income to the Council.	12	●	→
Failure to manage performance leads to service failure.	6	★	→
Multi-agency governance failure leads to ineffective	8	●	→



Risk	Current score	Current status	Direction of Travel
partnership working.			
Failure to manage strategic suppliers and related procurement programmes.	6	★	→
Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition.	16	▲	→
Failure of safeguarding arrangement.	20	▲	→
Loss of constructive employee relations.	20	▲	→
Information governance failure.	9	●	→
Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformational change.	16	▲	→
Loss of service capacity and failure to protect the vulnerable due to extreme environmental circumstances.	8	●	→
Governance failings in the implementation of service changes.	8	●	→

Key: ▲ Red (score 15-25) ● Amber (score 8-14) ★ Green (score 1-7)

- 9.4. The audit planning process for 2013/14 has started as we conclude the assurance mapping exercise. The Assurance Mapping is being finalised with 20 Heads of Service having provided a summary of the key processes in their area and their first, second and third lines of assurance for each process. The first line being assurance from within their team (e.g. performance reports, one to one meetings, exception reports etc.), the second line being assurances from other Council or partner activities (e.g. budget monitoring, HR information, complaints etc.), and the third line assurances from external third parties (e.g. auditors, inspectors, regulators etc.). The assurance map then scores each level of assurance in place for each process to identify where there may be gaps.
- 9.5. Where gaps in our information remain, these will be validated and updated in the ongoing planning discussions. The audit plan will then be shaped to focus on key areas of risk in this framework.

## 10. Legal Implications

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

## 11. Financial Implications

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

## 12. Equalities Implications

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

## 13. Crime and Disorder Implications

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

## 14. Environmental Implications

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

## 15. Background Papers

15.1. 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](mailto:david.austin@lewisham.gov.uk)

**Appendix 1 – Progress on the 2012/13 audit plan.**

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Croydon PFI advice on Governance	May	10/05/12	N/A	25/06/12	N/A	
RRE	Members Expenses and Interests	Apr	09/05/12	06/07/12	19/10/12	Substantial	
RRE	Gifts and Hospitality for Council Staff	May	03/06/12	25/09/12	15/10/12	Limited	
RRE	Storage of Major contracts	Apr	10/09/12	N/A	16/108/12	Advice	
RRE	Third Party Access to IT systems	Apr	14/08/12	30/10/12			Delay by client sponsor
RRE	Assurance Mapping	Apr	06/07/12				
RRE	Procurement Card Expenditure	Jun	25/10/12				
RRE	Budget Control and Monitoring	Sep	12/10/12				
RRE	Main Accounting	Sep	17/10/12				
RRE	Health and Safety	Sep	24/10/12				
RRE	Information Asset Register (IAR)	Sep	15/10/12				
RRE	Criminal Records Bureau checks	Apr					Waiting for 11/12 audit TBC.
RRE	Continuous Auditing	May					
RRE	Land Management, Commercial Properties and Planning	Jul					
RRE	<b>Non Current Assets</b>	Sep					
RRE	<b>Capital Programme, Monitoring and Expenditure</b>	Sep					
RRE	<b>Treasury Management</b>	Sep					
RRE	Maintenance of Assets and Premises	Sep					
RRE	New Oracle Update.	Sep					
RRE	Business Continuity of ICT Infrastructure	Sep					
RRE	IT Strategy	Oct					Management deferred to Oct
RRE	<b>Payroll</b>	Oct					
RRE	<b>Accounts Payable</b>	Nov					
RRE	<b>Pensions</b>	Nov					

**Appendix 1 – Progress on the 2012/13 audit plan.**

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Croydon Lighting PFI Contract	Nov					
RRE	Procure 2 Pay (P2P) benefits	Nov					
RRE	Income forecasting V's Savings Agreed	Nov					
RRE	<b>Risk Maturity</b>	Jan					
RRE	Divisional Risk Registers	Jan					
RRE	Payment by Results Pilot	Jan					
CUS	Advice on Post Office Pay Out Process	May	16/05/12	N/A	15/08/12	N/A	
CUS	New Waste Recycling Contract	Jun	23/07/12	13/09/12	31/10/12	Limited	
CUS	Council Tax	Sep	22/10/12				
CUS	Accounts Receivable	Sep	22/10/12				
CUS	Housing and Council Tax Benefit	Oct	29/10/12				
CUS	Phase 2 of the cashiers	Jul					
CUS	Bereavement Services	Oct					
CUS	Clienting of Lewisham Homes	Oct					
CUS	Private Sector Leasing	Oct					
CUS	<b>Banking</b>	Feb					
CUS	<b>NNDR</b>	Feb					
COM	Personal Budgets & Individual Budgets	Apr	11/06/12	03/08/12	14/09/12	Limited	
COM	Library Contract	Apr	12/07/12	13/09/12	28/09/12	Satisfactory	
COM	Advice on Client Monies Procedures	May	18/05/12	n/a	12/09/12	Advice Only	
COM	Social Care Advice & Information Team and District Nurse Call Centre	Feb	26/09/12				District Nurse Call Centre will be reviewed at a later stage.
COM	Project Advice Board - IAS System	Jun					To attend when needed.
COM	Adult assessment and care management review.	Oct					
COM	<b>Client Contributions for Residential &amp; Domiciliary Care</b>	Nov					

**Appendix 1 – Progress on the 2012/13 audit plan.**

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
COM	<b>Payments to Residential and Domiciliary Care</b>	Nov					
COM	Community Equipment and TSES.	Dec					
COM	National LG Calculations	Jan					
CYP	Looked after Children Payments	Dec	19/09/12	19/10/12			
CYP	Pupil Referral Unit (PRU) - New Full Delegated Powers.	Jul	12/09/12				
CYP	<b>Early Intervention Grant</b>	Apr					Deferred for team changes
CYP	Statutory Maintenance in Estate Management (CYP)	Dec					
CYP	SEN - Pathfinder Scheme and Personal Budgets	Jan					
CYP	Notification Process for Looked After Children (LAC)	Feb					

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**Schools**

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
SCH	St Stephens Primary	Apr	30/04/12	31/05/12	01/06/12	Substantial	
SCH	Clyde Nursery	Apr	19/04/12	23/05/12	13/06/12	Satisfactory	
SCH	Holbeach Primary	Apr	16/04/12	10/07/12	27/09/12	Limited	
SCH	Forest Hill Secondary	Apr	17/04/12	10/07/12	04/09/12	Satisfactory	
SCH	Sandhurst Infant	Apr	25/06/12	16/07/12	12/10/12	Substantial	
SCH	St Mary Magdalene's Primary	May	16/05/12	20/06/12	10/07/12	Substantial	
SCH	Athelney Primary	May	03/05/12	31/05/12	28/06/12	Satisfactory	
SCH	St Josephs Primary	May	24/05/12	20/06/12	10/07/12	Substantial	
SCH	Sedgehill Secondary	May	28/05/12	18/06/12	22/06/12	Substantial	

**Appendix 1 – Progress on the 2012/13 audit plan.**

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
SCH	Sydenham Secondary	May	14/05/12	19/06/12	10/07/12	Substantial	
SCH	Prendergast - Ladywell Secondary	Jun	18/06/12	10/07/12	27/07/12	Substantial	
SCH	Forster Park Primary	Jun	27/06/12	10/07/12	12/10/12	Substantial	Full f/up on 11/12 report
SCH	St Michaels Primary	Sep	11/09/12	26/09/12	09/10/12	Satisfactory	
SCH	Edmund Waller Primary	Sep	11/09/12	16/10/12	17/10/12	Satisfactory	
SCH	Adamsrill Primary	Sep	24/09/12	01/10/12	04/10/12	Substantial	
SCH	Watergate Special School	Sep	10/09/12	27/09/12	22/10/12	Substantial	
SCH	Our Lady & St Philip Neri Primary	Oct	10/10/12	19/10/12	23/10/12	Satisfactory	
SCH	Launcelot Primary	Sep	17/09/12	27/09/12			
SCH	Deptford Green School Secondary	Oct	08/10/12	29/10/12			
SCH	Fairlawn Primary School	Oct	01/10/12	29/10/12			
SCH	Trinity School Secondary	Oct	23/10/12	31/10/12			
SCH	Bonus Pastor RC Secondary	Oct					
SCH	Prendergast - Hilly fields Secondary	Oct					
SCH	Kender Primary	Oct					
SCH	Abbey Manor Secondary PRU	Nov					
SCH	Addey & Stanhope Secondary	Nov					
SCH	Conisborough College Secondary	Nov					
SCH	Prendergast Vale College (Secondary)	Nov					
SCH	Crossways Secondary	May					Cancelled. New date TBC
SCH	Kilmorie Primary	Dec					

**Appendix 2 Follow-up reviews completed.**

Dir.	Audit Name	Audit Opinion	Final Rpt date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Not Due Yet	Total Recs
COM	Personal Budgets	Satisfactory	23/11/11	H						3
				M	3					
RRE	Public Sector Transparency Board	Satisfactory	01/09/11	H						2
				M	2					
CYP	Children's Social Care – Compliance with file Standards	Satisfactory	01/09/11	H						1
				M	1					
SCH	Perrymount Primary School	Satisfactory	23/12/11	H						4
				M	4					
SCH	Street Cleansing	Consultancy	23/09/11	H	1					5
				M	4					
SCH	Childeric Primary Sch	Satisfactory	21/10/11	H						3
				M	1	1		1		
SCH	Ashmead Primary Sch	Substantial	14/11/11	H						2
				M	2					
SCH	St Bartholomew's Sch	Satisfactory	28/10/11	H						3
				M	2	1				
COM	LD Spot Check Review	Substantial	07/03/12	H						2
				M	2					
RRE	Real Asset Management System Security	Satisfactory	15/03/12	H						3
				M	2	1				
SCH	St Winifred's Jnr Sch	Substantial	02/03/12	H						1
				M	1					
<b>Total No.</b>					<b>25</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>29</b>
<b>Percentage</b>					<b>86%</b>	<b>10%</b>	<b>-</b>	<b>4%</b>	<b>-</b>	

**Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date as at 31/10/12**

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
COM	Client Contributions for Residential and Domiciliary Care	24/04/12	-	1	2	One rec date changed 4 and the other 5 times
CYP	Generic Contract Review – Group School PFI	12/04/12	-	3		
<b>Not overdue but with multiple changes of date.</b>						
RES	Risk Maturity -2011/12	31/05/12	-	-	1	Target date changed 2 times. Changes from previous 'Operational Risk Register' audit were carried over into this recommendation.
CUS	Brockley Housing PFI Contract	03/02/2012	-	-	1	Target date changed 4 times.
CUS	Council Tax 2011/12	16/04/2012	-	-	1	Target date changed 2 times.
COM	Community Mental Health (SLAM)	18/12/2009	-	-	1	Target date changed 8 times.
CYP	Social Care Contractual Arrangements – CAMHS	26/05/2011	-	-	1	Target date changed 2 times.
CYP	Payments for Looked After Children 2010/11	04/04/2011	-	-	1	Target date changed 2 times
SCH	Grinling Gibbons School	11/02/2012	-	-	2	Target date changed 2 times. Changes due to delayed f/up.
SCH	New Woodlands School	05/03/2012	-	-	1	Target date changed 2 times. Changes due to delayed f/up.
<b>Total</b>			-	<b>4</b>	<b>11</b>	



## Appendix 4 – Limited, No Assurance and Consultancy Reviews

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

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

Inconsistencies within the Code of Practice and Code of Conduct can be found in Appendix A on page 14.

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

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

### Key Findings that Need Attention

- Compliance with the Code of Practice is not given sufficient prominence within the Council.
- There are inconsistencies between the Employee Code of Conduct which includes a section on Gifts and Hospitality and the Code of Practice for the Receipt of Gifts & Hospitality (G&H).
- There are further inconsistencies between the Employee Code of Conduct and the annual declaration completed by senior officers.
- The emphasis of the Code should be extended beyond the acceptance of Gifts & Hospitality in the tendering environment to encompass the acceptance of Gifts & Hospitality in any scenario that could bring the Council into disrepute.
- Entries in electronic Gifts & Hospitality Registers should be protected from overwriting entries.
- Insufficient information is being recorded in the Gifts & Hospitality Registers in respect of why gifts have been offered, accepted or rejected.
- No monitoring is undertaken in respect of the completion of registers or the nature of gifts accepted.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 12 for definitions and further details. For full risk identified and please see the APS.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. May not be a Clear Code of Practice for Receipt of Gifts and Hospitality.	▲	★	2	1	
Risk 2. May not be Directorate Gifts & Hospitality Registers.	▲	★	1	1	
Risk 3. May not be a nominated Gifts & Hospitality Register Monitoring Officer.	★	▲	1		
Risk 4. The law and penalties associated with Gifts & Hospitality maybe unclear or not communicated.	▲	★			
Risk 5. Inability to demonstrate consistent compliance with the policy for Gifts & Hospitality.	▲	★	1		
<b>Total Number of Recommendations</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>0</b>
<b>Opinion of Design and Compliance</b>	▲	▲			

### Areas of good practice where controls worked well

- There is a corporate Code of Practice for the Receipt of Gifts & Hospitality, which stipulates the potential penalties for non-compliance.
- All Directorates were seen to maintain a Register for the Receipt of Gifts & Hospitality in some format.

### Changes to Scope

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

## Appendix 4 – Limited, No Assurance and Consultancy Reviews

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

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found on page 9.

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

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

### Key Findings that Need Attention

- The school did not have an inventory / asset register.
- The schools financial procedures manual was not up-to-date in relation to the Local Authority's Schools Finance Manual
- The school's own finance manual had not been approved by the governors.
- Up-to-date governor business interest forms are not being maintained and retained in the school.
- The school's lettings policy requires revision.
- The monthly Oracle salaries report is not being consistently signed to confirm acceptance.
- Documentary evidence is not consistent in respect of recruitment procedures.
- Invoices are not consistently certified before payment is made.
- Competitive quotations are not being consistently obtained for expenditure of £3,000 and above.
- Petty cash vouchers are not being consistently authorised before reimbursement is made.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 8 for definitions and further details. For full risk identified and please see the APS on page 9

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Governance	★	★		1	2
Risk 2. Inventory	★	▲	1		
Risk 3. Banking	★	★			
Risk 4. Budget Monitoring	★	★			
Risk 5. Income Controls	★	★			1
Risk 6. Recruitment	★	★			1
Risk 7. Payroll	★	★		1	
Risk 8. Purchasing	★	▲		3	
Risk 9. Data Security	★	★			
<b>Total Number of Recommendations</b>	<b>4</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>4</b>
<b>Opinion of Design and Compliance</b>	★	▲			

### Areas of good practice where controls worked well

As a result of Internal Audit sample testing, it was found that:

- Bank reconciliations were regularly produced.
- Income was banked on a timely basis and intact.
- The budget was monitored and controlled.

### Areas of good practice

The school has devised stickers, which make it clear which purchasing controls are required.

### Changes to Scope

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

### Conduct of the audit

Internal Audit would like to thank the following members of staff who assisted during the course of the audit:

Headteacher  
 School Business Manager  
 Senior Administrative Officer and  
 Administrative Officer

**Appendix 4 – Limited, No Assurance and Consultancy Reviews**

Audit Name, Date of Issue and Opinion	No of Recs. Made		Risks reviewed during the audit	
Implementation of Payroll and HR System. 06/09/12 System implementation – No Assurance  System security – Limited Assurance	High	-	Internal audit assessed the controls to mitigate the follow risks: <ul style="list-style-type: none"> <li>• Failure to include all known risks in operational risk registers. This could result in failure to take appropriate action to mitigate known and recorded risks that have been identified.</li> <li>• Weaknesses in the IT-related controls may compromise the security and integrity of the HR and Payroll systems and data. This can lead to fraud, for example creation of ghost employees or unauthorised payment.</li> <li>• Ineffective data conversion, migration and reconciliation activities to verify the Payroll data loaded into ResourceLink from the Delphi system, could lead to a lack of assurance on the integrity of the database and possible fraud/ financial loss.</li> <li>• Ineffective system implementation leading to a lack of assurance on the integrity of the system, could lead to possible fraud/ financial loss.</li> </ul>	
	Medium	11	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="627 636 2031 687" style="background-color: #cccccc;">Key Findings</th> </tr> </thead> <tbody> <tr> <td data-bbox="627 694 2031 1404"> <ul style="list-style-type: none"> <li>• No risks relating to the ResourceLink system were identified in the operational risk registers for Payroll, HR or IT.</li> <li>• There was no terms of reference for the PHRIS Board.</li> <li>• The agendas for the PHRIS board do not include risk as an agenda item. It appears that a risk register was not maintained after the project manager departed. We are unable to give assurance regarding project governance for the period after the departure of the project manager.</li> <li>• The implemented password and account lockout settings for ResourceLink operator accounts, including MyView administration accounts, and for Business Objects access were not robust.</li> <li>• No processes were established for reporting or reviewing MyView profiles for staff or MyView administrators.</li> <li>• There was no proven Disaster Recovery arrangements for the ResourceLink system.</li> <li>• No data migration plan or strategy was documented for the payroll data in ResourceLink.</li> <li>• There was no evidence that testing and acceptance criteria had been defined in advance for the data migration / reconciliation. Although informed that data quality was assessed during a period of parallel running, there was an absence of comprehensive test results or sign-off of testing completion. There was no evidence that all tests were successful or of resolution of all variations / limitations.</li> <li>• Although we were informed that the ‘go live’ decision was made by the Project Board (Head of Business Management &amp; Service Support, Strategic Adviser (HR Services), Group Manager Pensions, Payroll &amp; Personnel Admin, and the Corporate Technology Manager), at the time of the audit we were not provided with evidence of this.</li> </ul> </td> </tr> </tbody> </table>	Key Findings
Key Findings				
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## Appendix 4 – Limited, No Assurance and Consultancy Reviews

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

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

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

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

### Key Findings that Need Attention

- Monthly client/contractor meetings need to take place.
- Clearer reporting of performance at client/contractor meetings is needed.
- An increase in the level of sampling inspections of tipping and contamination levels should be considered to ensure accuracy of data which has a financial/operational implication.

### Areas of good practice where controls worked well

- The process of monitoring budgets and variance recording is consistent.
- Weighbridge ticket reconciliation is appropriately monitored.
- Income accurately reflects tonnage tipped at Material Recycling Facility (MRF).
- Reporting of National Indicators to DEFRA and tiers of Council Management.
- The process of operational control of the collections rounds.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 5 for definitions and further details. For full risk identified and please see the APS.

### Changes to Scope

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

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Risk Registers	★	★			1
Risk 2. Budget Monitoring	★	★			
Risk 3. Income Controls	●	★		1	
Risk 4. Performance Targets	▲	▲	2	1	
<b>Total Number of Recommendations</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>1</b>
Opinion of Design and Compliance	▲	▲			

## Appendix 4 – Limited, No Assurance and Consultancy Reviews

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

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

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

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

- Submission of formal bank statements in an acceptable format, to prevent the manipulation of monitoring information.
- A full financial monitoring review of all current adult Direct Payment clients has not been performed.
- Care plan assessment and financial reviews are not consistently undertaken on an annual basis.
- The wording of care agreements to be reviewed to ensure third parties is fully aware of their liabilities.
- Freewood are not consistently informed by the Council of changes to client's care plans that would have an impact on payments.
- Direct Payments in respect of Personal Individual Budgets are required to be included in the operational risk register.

D = Design of Controls C = Comply with Controls.

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

Risk Headings	D	C	Recs		
			H	M	L
<b>Risk 1.</b> Failure of the Resource Allocation System	★	★			
<b>Risk 2.</b> Monitoring of Personal and Individual Budgets	●	●		4	
<b>Risk 3.</b> Failure to inform clients of their responsibilities	★	★		2	
<b>Risk 4.</b> Failure to include all known risks.	★	★			1
<b>Risk 5.</b> Office procedures may be out of date.	★	★			1
<b>Total Number of Recommendations</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>6</b>	<b>2</b>
<b>Opinion of Design and Compliance</b>	●	●			

### Key findings that need attention

- A need for better co-ordination between the various services areas involved in adult Direct Payments.
- The appointment of a Direct Payment Co-ordinator has been deferred until completion of the staffing structure and grades. Until such time they will continue to employ a locum Direct Payment monitoring officer.

### Areas of good practice where controls worked well

As a result of Internal Audit sample testing:

- The Direct Payment monitoring process has been significantly improved by the Self-Directed Support (SDS) Development Officer and monitoring assistant.
- All assessments were seen to have been approved by a line manager and then by an Assessment Panel to ensure that the calculated budget was correct.
- All Direct Payment Clients have signed an agreement with the Council that sets out the information the Council will require to enable monthly monitoring.
- A monthly monitoring spread-sheet has been created of all Direct Payment service users to track the receipt of expenditure reports and record the sequence of reminder letters and other follow up action.
- The Council have entered into a contract with Freewood, now a Charity, who can provide a payroll, guidance and support service to the clients.
- A sequence of letters has been devised by the SDS Development Officer to remind clients of their responsibilities to the Council.
- Surplus funds in client's holding accounts and Direct Payment accounts were seen to be monitored, with excessive amounts clawed back.
- The Council receives a quarterly report from Freewood of payroll services provided, showing income/expenditure movements in client accounts, and the balance at the end of each month.
- There is a detailed guidance manual to assist staff.

### Changes to Scope

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

## Appendix 6 – Audit & Risk Service Assurance Map

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

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

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: 21 November 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 last period.

## 2. Recommendations

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

## 3. Special Investigations

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

Summary of special investigations work	2012/13	2011/12	Change		2011/12	2010/11
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	30	84	(54)	-64%	84	
New	50	50	0	0%	61	
Closed	(29)	(63)	(34)	-54%	(115)	(137)
c/f	51	71	(20)	-28%	30	84
Of which						
E'ee cases	15	29	(14)	-48%	53	41
- resulting in action	12	7	5	71%	20	20
Other cases	14	34	(20)	-59%	62	96
- resulting in action	1	6	(5)	-83%	10	9

- 3.2. The majority of the cases classified as "Other" relate to enquiries to assist other organisations or Boroughs with their investigations. Many of which have no direct impact on Lewisham.

- 3.3. The drop off in cases closed (-54%) is compensated for by the higher rate of employee cases closed and resulting in action (71%). This indicates two things; 1) the team is currently working on more complex cases which take longer to conclude, and 2) with such a hit rate the team is working to capacity on a reactive basis only.

### Employee Related cases

- 3.4. Of the 29 cases closed 15 concerned employees. Of these employee cases 12 concluded with action being taken. The form that action took is detailed below:

Analysis of employee fraud	2012/13	2011/12	Change		2011/12	2010/11
	P6 YTD	P6 YTD	Number	%	FY	FY
Dismiss. & Convicted	1	1	0	0%	2	0
Resigned/Dismissed	1	2	(1)	-50%	9	10
Other disciplinary	2	4	(2)	-50%	8	9
Monies repaid	1	0	1	100%	0	0
Management action	4	0	4	400%	1	1
Identity issue cleared	3	0	3	300%	0	0
<b>Total</b>	<b>12</b>	<b>7</b>	<b>5</b>	<b>71%</b>	<b>20</b>	<b>20</b>

- 3.5. In addition to the cases previously reported to Audit Panel, the actions taken against employees included:
- The prosecution of an employee who made false pay claims totalling over £70k. They resigned during the investigation and went onto be sentenced to 16 months in custody. Lewisham is also seeking to recover the defrauded monies.
  - Warning letter issued for receipt of hospitality.
  - Management in two departments to remind staff of the Council's acceptable use of ICT policy following instances of inappropriate use.

- 3.6. A further 51 cases are still in progress, not including Lewisham Homes and pre-employment checks.

#### Lewisham Homes

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

#### Pre-employment Checks

- 3.8. A-FACT support Human Resources by undertaking part of the Council's recruitment checks. Each potential employee of the Council is required to complete a pre-employment check focusing on any issues relating to benefits, council tax, rent and personal business interests which may cast doubt on the individual's integrity or potential conflicts for their work going forward.

Summary of pre-employment checks	2012/13	2011/12	Change		2011/12	2010/11
	P6 YTD	P6 YTD	Number	%	FY	FY
Checks completed	183	131	52	40%	334	279
Action taken	13	10	3	30%	21	

- 3.9. In 13 cases outstanding declarations were highlighted that were subsequently resolved satisfactorily.



## 4 Benefit Investigations

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

Summary of benefit investigations work	2012/13	2011/12	Change		2011/12	2010/11
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	<b>349</b>	381	(32)	-8%	381	416
New	<b>147</b>	115	32	28%	264	591
Closed	<b>(267)</b>	(151)	116	77%	(296)	(626)
c/f	<b>229</b>	345	(116)	-34%	349	381
Sanctions resulting	<b>37</b>	24	13	54%	84	181
Of which						
Admin penalty	<b>4</b>	4	0	0%		
Caution	<b>26</b>	15	11	73%		
Prosecution	<b>7</b>	5	2	40%		
Overpayment value £	<b>294,368</b>	138,107	156,261	113%	640,355	846,022

- 4.2 Since the last report to Audit Panel there has been one successful prosecution. This case was included in a press release (see Appendix 1).
- 4.3 The significant jump in cases closed (77%) to date reflects a clear out in May 2012 of old cases unlikely to result in any further action. The rise in sanctions (54%) reflects more cautions being issued in the first half of the year, which, along with the increased prosecutions, has pushed up the level of overpayment to be recovered.
- 4.4 The DWP estimate is that 0.77% of benefit claims are fraudulent, although a recent report from Westminster City Council suggests this significantly underestimates the real level. On Lewisham's caseload of 35,000 claims with an average annual value of £5,000 one might therefore predict, using the DWP forecast, that there are 270 fraudulent claims with an annual benefit value of £1.35m. Looking to the Benefit investigation team's work for the last two years this means that annually we are finding approximately a third to a half of these. Or to put it another way – if you manage to make a fraudulent claim in Lewisham you have a 30% chance or more of being caught within a year.
- 4.5 Last year we did a benchmarking poll of other London Boroughs to understand our relative productivity. At that time Lewisham was third out of 27 Boroughs in terms of number of sanctions per benefit investigator. We have undertaken the same exercise this year to which ten Boroughs have responded. Of the ten, Lewisham are second in terms of number of sanctions per benefit investigator and eighth in terms number of investigators per 1,000 benefit caseload. This suggests two things; 1) the work of the team is well focused and productive, and 2) we are getting good results from a low base (recognising a diminishing cost benefit return as one goes after a greater proportion of the predicted fraudulent cases).
- 4.6 The precise details of the move to the Single Fraud Investigation Service are still awaited from the DWP but is now unlikely to have a significant impact on service delivery over the next couple of years.

## 5 Housing Investigations

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

Summary Housing investigation work	2012/13	2011/12	Change		2011/12	2010/11
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	<b>48</b>	60	(12)	-20%	72	59
New	<b>28</b>	40	(12)	-30%	66	60
Closed	<b>(21)</b>	(29)	(8)	-28%	(90)	(47)
c/f	<b>55</b>	71	(16)	-14%	48	72
Resulting in action	<b>8</b>	14	(6)	-43%	18	16

5.1 The eight cases resulting in action are made up of four false applications for housing on the basis of Homelessness, one false application under the Council's Cash Incentive Scheme, and three prosecutions.

5.2 The figures show a fall off in the number of cases resulting in action (-43%) but that overall for the year we are approximately half way to where we would expect to be based on the anticipated full year outcome. This is because an unusually a high number of cases concluded in the first half of 2011/12, not any new trend in 2012/13.

5.3 Since the last report to Audit Panel another successful prosecution has concluded resulting in a four month custodial sentence. This case was included in a press release.

## 6 DCLG Housing Bid funding

6.1 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). In 2011/12 the lead was taken by the London Borough of Southwark with Lewisham taking the lead for 2012/13.

6.2 During the period April to September 2012 fifteen tenancies have been recovered - eight for L&Q, four for Regenter B3 / Pinnacle, two decants from Milford Towers, and one for Lewisham Homes.

6.3 Comparative figures are not available for the same period last year as the Lewisham scheme only started in January 2012.

6.4 Overall to assess our relative performance, along with the request for benefit benchmark information (see 4.5 above), we have sought comparable information from other Boroughs. For this exercise we combined our results from Housing and DCLG work (sections 5 & 6 of this report). To date eight Boroughs have responded placing Lewisham fifth equal in terms of frauds identified/properties recovered per investigating officer. We will consider this result in conjunction with the broader counter fraud CIPFA benchmarking exercise currently underway (see 8.2 below).

6.5 At the start of their programme DCLG indicated that future funding may be available for this work in 2013/14 and 2014/15. We are now trying to confirm the likelihood of this actually becoming a reality because, even with the increase in resource directed to identifying housing fraud (within the Council, Lewisham Homes or other RSLs), the number of cases identified continues to remain high. This suggests there is more fraud out there to be tackled to bring the trend down. Not unexpected given the

structural incentive created by the significant difference between full market and social housing rent levels in London.

## **7 Publicity**

- 7.1 A-FACT has issued two press releases during August and September. One relates to an application for housing using false identity documents and the other to a benefit fraud. The release on the benefit fraud case also included an overview of the other work of A-FACT, as requested by the Audit Panel. Copies of the articles are attached as Appendix 1.
- 7.2 A-FACT has also launched it's own page on the Council's website. This includes information on the work undertaken by A-FACT and how to report fraud. The page will continue to be developed over time as we learn what information users want.
- 7.3 A "News for You" release was also posted on the Council's intranet site to encourage reports of fraud. It is too early to say whether this has had any impact.

## **8 Fraud Awareness Training**

- 8.1 A-FACT have not delivered any training since the summer period but are in the process of arranging refresher training for the Council's Recruitment team. This will focus primarily on the forged and counterfeit documents which may be produced by perspective employees.
- 8.2 In addition, the A-FACT manager is on the working party responsible for the CIPFA counter fraud benchmarking survey. This is now out in the field and Lewisham will complete a return to seek to gain a better understanding of our relative strengths and areas for improvement. We will report on the results in a future update.
- 8.3 At the last Audit Panel members requested sight of the Council's whistle blowing policy to be able to consider how it links in with and supports staff specifically and counter fraud efforts more generally. The Council's whistle blowing policy is attached at Appendix 2.

## **9. Metropolitan Police Seconded**

- 9.1. Detective Constable Norris on secondment from the Metropolitan Police to August 2013 continues to effectively contribute and enhance the work of the A-FACT by providing advice, assistance and applying Police powers where appropriate.
- 9.2. He is also an Accredited Financial Investigator and has used his powers under the Police and Criminal Evidence Act to obtain Production Orders for information from Financial Investigations for ongoing investigations.

## **10. Legal Implications**

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

## **11. Financial Implications**

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

## **12. Equalities Implication**

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

## **13. Crime and Disorder Implications**

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

**14. Environmental Implications**

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

**15. Background Papers**

15.1. There are no background papers reported.

If there are any queries on this report, please contact

David Austin at [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk) or on 020 8314 9114, or

Carol Owen at [carol.owen@lewisham.gov.uk](mailto:carol.owen@lewisham.gov.uk) or on 020 8314 7909

## **Jail sentence for woman who used fake documents to get a council home**

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**A woman who used a false passport in order to get a council home she wasn't entitled to has been jailed for four months following a prosecution by Lewisham Council.**

Funmilayo Bolumole Ore, aged 54, told Lewisham Council's housing team that she was homeless when she presented herself at the office in March 2006. As proof of her status in the UK she provided a Home Office letter stating that she had indefinite leave to remain. She also produced a Nigerian passport, an NHS card and a bank statement, all of which appeared to be genuine documents. Miss Ore was housed by the Council as she had a young child at the time.

A regular national data-matching exercise, co-ordinated by the Audit Commission, found that Miss Ore was likely not to have leave to remain in the UK as she had stated and the Council was alerted.

Lewisham Council's Anti-Fraud and Corruption Team undertook an investigation and established that neither the passport nor the Home Office document she had originally provided were genuine. When arrested Miss Ore admitted that all the documents she had provided were false.

On 3 August 2012, Funmilayo Bolumole Ore pleaded guilty to offences under the Counterfeiting and Forgery Act 1981. She was sentenced to four months imprisonment. A Forfeiture of Destruction of the false documentation was also ordered under the Powers of Criminal Courts (Sentencing) Act 2000.

Action is being taken by Lewisham Homes, the Council's ALMO, to recover the tenancy in order that the property can be allocated to a family in housing need.

Lewisham Council's Anti-Fraud and Corruption Team investigates all allegations of fraud against Lewisham Council including fraudulent applications for housing. Suspected fraud can be reported to the Council's fraud hotline. Call 0800 085 0119 or email [reportfraud@lewisham.gov.uk](mailto:reportfraud@lewisham.gov.uk). All calls and emails are treated in the strictest confidence.

Published: 26-September-2012

# Benefit cheat ordered to pay back £10,000

---

A benefit cheat who defrauded over £10,000 has received a Community Order following a prosecution by Lewisham Council.

Noora Sharif, 32, of Edward Street, Deptford in south east London, was sentenced to a 12 month Community Order of 150 hours unpaid work and ordered to pay costs of £200 at Bromley Magistrates Court on 12 September.

Ms Sharif was in receipt of Income Support and Housing Benefit as a single parent but had failed to declare part-time earnings from a job she had at a community centre.

Ms Sharif was prosecuted by Lewisham Council following a joint investigation with the Department for Works and Pensions, which proved she had defrauded a total of £10,200 which she will have to repay.

Between April and July 2012 the Council's Anti-Fraud and Corruption Team took action against 25 people who had committed housing benefit fraud. This included 6 prosecutions, 16 cautions and 3 cases where the claimant had to pay an administrative penalty, similar to a fine. In all cases the individuals will have to repay the money they defrauded.

In the same period, 22 cases of housing related fraud, including subletting and fraudulent applications for social housing, were discovered. Action was taken either to prevent the allocation of housing or recover the property for reallocation to a genuine applicant.

The Council received funding from the Department for Communities and Local Government which enabled it to increase the work undertaken on housing fraud and subletting. As a result, the Anti-Fraud and Corruption Team has been able to work with local housing providers in the borough, such as L&Q and Regenter B3/Pinnacle.

Lewisham Council's Anti-Fraud and Corruption Team investigates all allegations of fraud against Lewisham Council including fraudulent applications for housing. Suspected fraud can be reported to the Council's fraud hotline. Call 0800 085 0119 or email [reportfraud@lewisham.gov.uk](mailto:reportfraud@lewisham.gov.uk). All calls and emails are treated in the strictest confidence.

## Contact

### Report fraud

Tel: 0800 085 0119

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

Published: 26-September-2012

## Appendix 2

### Whistleblowing Policy

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## Whistleblowing Policy

The Council is committed to the provision of the highest quality services for local people and to full accountability for the services it provides. The Council is also committed to the highest standards of conduct and has in place detailed rules, regulations, quality standards and procedures to ensure that these standards are observed. However, sometimes malpractice and wrongdoing may occur. Lewisham is not prepared to tolerate any such malpractice or wrongdoing in the performance of its services.

The Council acknowledges that the greatest deterrent to malpractice or wrongdoing is the probability that it will be discovered, reported and investigated thoroughly and that those responsible will be held to account. This policy is intended to be a clear and unequivocal statement that whenever any malpractice or wrongdoing by the Council, its employees, contractors or suppliers is identified or reported to the Council, it will be promptly and thoroughly investigated and that the alleged malpractice or wrongdoing will be rectified as necessary. The Council will also investigate means of ensuring that such malpractice or wrongdoing can be prevented for the future.


The Council is committed to ensuring compliance with its statutory obligations. This policy is one of a number of corporate policies, including the Lewisham Anti-Bribery Act 2011 policy, which together demonstrates and reinforces Lewisham's commitment to the prevention of malpractice in public life.

### The scope of the whistleblowing policy - The principles

The policy is based upon the overriding principle that the public interest and the needs of service users must come first.

 The Whistleblowing Policy complies with the requirements of the Public Interest Disclosure Act 1998.

### What's covered?

 It is intended that any significant concern which a member of staff, service user, Councillor or member of the public has about

- ▶ any aspect of service provision
- ▶ the conduct of officers or Members of the Council, or
- ▶ the conduct of any other parties acting on behalf of the Council, which may be:
  - ▶ unlawful (including fraud or corruption)
  - ▶ against the Council's Standing Orders or policies
  - ▶ contrary to established professional or other standards, the Council's Member and Employee Code of Conduct or any other established Codes of Practice can be reported under this procedure.

It is not intended however, that this procedure should replace existing processes such as the grievance or disciplinary codes. Instead it may be that once the whistle has been blown, action under other processes (such as the disciplinary code) may ensue.



## **A supplement not a substitute**

Anyone, including Councillors, employees, service users and members of the public are encouraged to raise complaints or matters of genuine concern with the Council. There are already in existence a number of channels available to raise such concerns. Where an appropriate avenue exists to deal with that concern, people are urged to use it. This whistleblowing policy is intended to supplement, rather than replace the existing procedures wherever practicable. These channels are:-

### **▶Service Managers/Directors**

Anyone with a complaint about Council services is encouraged to contact the manager directly responsible for that service or the relevant Executive Director. In most cases where there is concern this avenue will be the first point of reference. If a complaint relates to an Executive Director, it should be referred to the Chief Executive.


### **▶The Council's Complaints Procedures**

The Council has a corporate complaints procedure by which it invites any person to raise a complaint they may have about Council Services. Information about this procedure is available from the Advice and Information Service on extension 48761.

### **▶Local Councillors**

Members of the public are encouraged to refer matters of concern to their local Councillor who can then either identify the best point of contact for them to report the matter or take up the issue on their behalf. Information about how to contact local Councillors is available from Governance Support at Lewisham Town Hall on extension 49455.

### **▶The Council's Grievance Procedure**

 This deals with complaints relating to an individual employee's conditions of employment. The whistleblowing policy is not intended to replace the grievance procedure and should not be used to deal with matters which relate to an individual's contract of employment. If a concern is raised through the whistleblowing policy which would be more properly dealt with through the grievance procedure, it will be referred to Andreas Ghosh, Head of Human Resources.

### **▶Anti-fraud Procedures**

The Council's Anti-Fraud & Corruption Team (A-FACT) investigates all allegations of fraud within and against Lewisham Council and is part of the Audit & Risk Group based within the Resources and Regeneration Directorate. As well as Housing Benefit and Council Tax Benefit fraud the team has specialist officers covering housing fraud, employee fraud, fraud relating to contractors, blue badges etc.

### **▶Internal Fraud**

The Council's Financial Regulations state that it is the responsibility of any employee discovering or having reasonable suspicion of any irregularity, misconduct or fraud immediately to notify the relevant Executive Director or Audit and Risk Manager. When so informed, the Executive Director shall appraise the circumstances and shall notify and discuss the action to be taken concurrently with the Audit and Risk Manager. All information shall be treated in complete confidence.

Reports of suspected fraud may also be made to the suspected fraud, corruption or other financial irregularity can also be made to the Anti-Fraud & Corruption Team Manager who will conduct an investigation and make recommendations for appropriate action. Further information about this procedure can be obtained from Carol Owen ext. 47909.

### ►Benefit Fraud

All allegations of Benefit fraud should be made to Carol Owen, Anti-Fraud & Corruption Team Manager, preferably by email to, [carol.owen@lewisham.gov.uk](mailto:carol.owen@lewisham.gov.uk).

### ►Tenancy Fraud

The Council has a dedicated Housing Investigator who investigates fraudulent applications for housing. They also receive allegations of subletting on behalf of Lewisham Homes and other housing providers. All allegations of housing related fraud should be made to Juliet Bennett, Housing Investigation Practitioner, preferably by email to, [juliet.bennett@lewisham.gov.uk](mailto:juliet.bennett@lewisham.gov.uk)

Any reports of suspected, corruption or other financial irregularity may also be made to [reportfraud@lewisham.gov.uk](mailto:reportfraud@lewisham.gov.uk) or to the team's 24 hour freephone Hotline on 0800 0850119.

### ►Statutory Officers

In addition the officers who have particular responsibility for regulating the conduct of the Council and its activities. They are as follows:

Chief Executive - Head of Paid Service                      Barry Quirk ext 46444

Responsible for overall management of the workforce.

Executive Director for Resources                              Janet Senior ext 48013

Chief Finance Officer - The Council's officer with responsibility for the financial management, audit and financial probity of the Council.

Head of Law - Monitoring Officer                              Kath Nicholson ext 47648

Dealing with advising on the probity and legality of the Council's decision making. The Head of Law, as Monitoring Officer, is the Council's Whistleblowing officer.

Employees with serious concerns about Councillors should in the first instance raise them with the Head of Law.

### ►The Standards Committee

The Council also has a Standards Committee made up of councillors and independent people. It is currently chaired by an independent person, Sally Hawkins. The role of the Standards Committee is to promote the highest standards of ethical conduct amongst members.


### **In the First Place...**

People are primarily encouraged to use any and all of the mechanisms for raising concerns as set out above. For Councillors, public and staff it is likely that the majority of concerns will be dealt with by bringing the matter to the attention of management in the relevant Directorate. Such references are positively welcomed by the Council and once the issue is brought to light the manager will treat the complaint seriously, investigate it promptly and inform the complainant of the outcome. The investigation officer will be expected to interview both the individual raising the complaint and the person complained against, as well as any other individuals as appropriate. If no further action is proposed, the complainant will be given an explanation. If further action is proposed under a separate Council procedure (such as the disciplinary code) the complainant will also be informed.

If a concern is raised by a member of staff, it would be normal for their first reference to be to their direct line manager. However, depending on the nature and sensitivity of the issue, or the identity of the alleged wrongdoer, the line manager may not be the appropriate manager. In such cases it may be more appropriate to raise the issue with a Head of Service or other senior manager. A member of staff may be accompanied by a friend when meeting management to raise a concern. In short, managers within Directorates will adopt a flexible and open approach so that those having concerns feel confident that they may raise them.

### **But if the usual channels aren't appropriate?**

Circumstances may arise where none of the channels above are reasonably available. It may be that the whistleblower fears repercussions for example, or senior members of staff or Councillors may be implicated. Alternatively the whistleblower may have used those channels but still feel that there is real cause for concern. In such circumstances the whistleblower may refer their concern to the Head of Law directly.

 The Head of Law will then ensure that the matter is dealt by her either personally or by a whistleblowing officer nominated by her and operating under her supervision.

### **How will the whistleblowing officer respond?**

Acting under the supervision of the Head of Law the whistleblowing officer will first receive and record the complaint in a register kept specially for the purpose. An initial assessment will then be made to decide what sort of investigation ought to take

In the most serious cases, it may be that a Police enquiry will ensue or an independent investigation may be called for. In some cases the issue will be referred for a management investigation, possibly by the Chief Executive or another officer nominated to act on his behalf. Allegations of fraud, corruption or financial irregularity will be referred to the Special Investigations Manager for investigation.

In other cases however, it may not be appropriate to conduct any further enquiry at all. People are encouraged to raise genuine concerns and do not have to prove them. But understandably they do need to demonstrate that there is a sufficient basis for investigation. This initial consideration will allow the Council to decide on the appropriate method of enquiry and to ensure that resources are not wasted where investigation would be inappropriate.

Unless the issue is raised anonymously then the whistleblowing officer will generally interview the whistleblower as part of this initial assessment. If the whistleblower requests

that his or her identity remains confidential then all possible steps will be taken to respect that wish.

If an investigation is to ensue then the whistleblower will be informed of the fact and given an estimate of the time by when the investigation will be completed. Normally the investigation will be conducted within 28 days, though the time taken to conduct an enquiry will depend on the nature of the concern and its complexity. The whistleblower will be informed of the outcome and this will be noted in the register.

In appropriate circumstances the Head of Law and/or the whistleblowing officer will prepare a report for the Council and for the Standards Committee dealing with the outcome of a particular investigation, the action taken to rectify the situation and prevent a recurrence.

Each year the Head of Law will prepare for the Standards Committee a report dealing with the application of the whistleblowing policy in the previous year, and making suggestions where necessary for changes to improve its efficiency.

Issues raised by Members of the Council or by the public shall be dealt with in a similar manner to those raised by employees, though serious concerns about the conduct of Councillors should in all cases be referred to the Head of Law.

## ***Some General Safeguards***

### **▶ No Victimisation**

The Council recognises that the decision to blow the whistle can be a difficult one to make, not least because there is a fear of reprisal from those who may be perpetrating malpractice or others. The Council will not tolerate any victimisation of a person who raises a concern in good faith and will take appropriate steps to protect them, including where appropriate disciplinary action.

### **▶ Confidentiality and Anonymity**

The Council will, wherever possible, protect the identity of the whistleblower who raises a concern and does not want his/her name to be disclosed. However this may not be possible in all circumstances as the very fact of the investigation may serve to reveal the source of the information and the statement of the whistleblower may be needed as part of evidence against the perpetrator.

### **▶ False and Vexatious Complaints**


Just as the Council will seek to protect those who raise concerns in good faith, so it will seek to protect those against whom claims are made which turn out to be unfounded. A concern which is made in good faith and sincerely expressed may transpire to have no basis in reality. In addition it is possible that vexatious or malicious claims may be made. The Council will take disciplinary action against any employee who makes a vexatious claim. In either case, where it turns out that the claim was without foundation, the Council will use its best endeavours to ensure that any negative impact on the person complained of is minimised. However the Council acknowledges that it may not be able to prevent all such impact in every case.

### ▶ **Alternative methods of complaint**

As well as the initial complaints and whistleblowing procedures set out in this policy, any member of the public who wishes to make a complaint about the Council may contact one of the following organisations:

▶ Local Government Ombudsman - who receives and investigates complaints of mal-administration against the Council. He can be contacted at 21 Queen Ann's Gate, London SW1H 9BU, telephone 020 7915 3210.

▶ The District Auditor - who investigates complaints of financial irregularity or unlawful expenditure leading to financial loss by the Council. To contact the District Auditor write to him at Millbank Tower, 4th Floor, Millbank Road, London SW1P 4QP. Telephone 020 7233 6400.

▶  Further information about this whistleblowing policy can be obtained from Kath Nicholson ext. 47648 or Helen Glass ext. 49968.

# Agenda Item 7

AUDIT PANEL			
Report Title	Pay Arrangements Consultants & Senior Interims		
Key Decision	No		Item No. 8
Ward			
Contributors	The Head of Human Resources		
Class	Part 1	Date: 21 November 2012	

## 1. Purpose

At the meeting held on 22 March, the Audit Panel resolved that an update report should be brought back to the Panel in November 2012 on the current pay arrangements for consultants and senior interims together. The report provides details of the senior interims/consultants engaged together with charge rates, in keeping with the Audit Panel's wish that this information should be available in a non-restricted manner. The report also outlines the Council's proposal regarding the publication of salaries received by senior employees and payments made to consultants/interims.

## 2. Policy Context

The use of senior interim managers and consultants falls within Council's Corporate priority 10 "Inspiring efficiency, effectiveness and equity" by ensuring the delivery of excellent services to meet the needs of the community.

## 3. Recommendation

To note the current pay arrangements for senior interims and consultants within the Council and the Council's proposal regarding the publication of payments relating to senior interims/consultants.

## 4. Background

At the meeting held on 22 March 2012, the Audit Panel received information relating to the engagement and pay arrangements for consultants and interims within the Council. The Audit Panel agreed that a progress report should be provided in November 2012 on the continuing use of senior interims and consultants with greater transparency regarding the disclosure of pay rates, whilst maintaining the protection of individual data and having regard to commercial sensitivity.

The Audit Panel recognised the Council's approach to have a mixed economy with a large core of permanent staff, supplemented by temporary appointments to respond to either scarce skills or where service changes do not warrant the expenditure on permanent staff.

## 5. The use of Consultants & Senior Interims within the Council

The use of senior interims and consultants allows the Council to tap into a highly talented and often very specialised, pool of experts, each with a proven track record of delivery. It also provides greater flexibility to the resourcing of posts/roles.

The nature of their specific and targeted engagement means that, in line with current pay policy, the Council can demand “high level and hard-edged managerial accountability” from the first day of their assignment without having to wait for the incremental productivity improvement associated with new, permanent staff (often described as the “learning curve”).

The consultants currently engaged by the Council cover a range of roles and services. Many work on a part time or on an irregular ‘as and when’ basis with long periods, when they are not used at all. Some of the projects undertaken by the consultants are partly/wholly Government funded.

Executive Directors have been regularly monitoring the tenure of senior interims to satisfy themselves that these arrangements are essential to the running of the business. A number are working on major capital projects some of which will be coming to an end over the next 6 months.

Feedback from managers across the Council is that the specialist skills these individuals bring to Lewisham provides good value for money as the experience and expertise they bring to the Council is not available in-house.

The specialist and specific nature of the roles the individuals perform means that interims and consultants can be 100% focused on delivery.

In 2011, the Chief Executive asked Executive Directors to review their spend on senior interim managers and consultants . This review has resulted in a reduction of the numbers of senior interim managers and consultants, as well as a reduction in individuals rates and hours/days worked .

The table below shows the numbers in both categories (interims and consultants) from January 2011.

	Jan 2011	Sept 2011	Jan 2012	April 2012	End July 2012
Senior Interims	19	19	13	13	17
Consultants	24	13	14	11	11
<b>TOTAL</b>	<b>43</b>	<b>32</b>	<b>27</b>	<b>24</b>	<b>28</b>

## 6. How Consultants and Senior Interims are engaged

As explained at the previous meeting, pay rates for interims are regularly monitored through the agency contract the Council has with Reed Consulting to ensure the Council does not pay above the market rate. Although the costs of engaging permanent staff would typically represent two thirds of the cost of engaging Senior Interims, the Council saves substantially by not having to pay redundancy costs which could be considerable at a time when a number of reorganisations are taking place.

The number of consultants used at any one time fluctuates in line with service demands. As at the end of July 2012 there were 17 senior interims and 11 consultants working for the Council. Pay rates vary according to the role the individual is undertaking.

For senior interim managers, sourced through the Managed Service, the daily pay rates range from £204 to £450 per day. Reed have been tasked with ensuring that the rates the Council pays represents good value for money and are in line with current labour market rates in London. However, some rates will be dictated by the scarcity of individuals in niche skills areas.

For those senior interim managers who are sourced from outside of the Managed Service the range is much wider, from £255 per day to around £850 per day and reflects the more specialist skills required for the roles.

An analysis of the pay rates for senior interim managers shows that around 58.8% are paid less than £500 per day and 41.2% are paid above this rate.

The daily pay rate for consultants varies greatly and ranges between £200 and £600, with 54.5% being paid below £500 per day, and 45.5% being paid above this rate.

The Council continues to review charges levied for interims and consultants in line with market trends and to ensure efficiencies. Accordingly, over the last two years there has been a general reduction in the overall costs to the Council of senior interims and consultants. The Council continues to monitor and review costs on a periodic basis.

As at the end of July 2012, 17 senior interims were engaged within the Council. This represents 10% of the senior management establishment of the Council (SMG & JNC grades). 10 of these individuals are paid below £500 per day, whilst the other 7 are paid above this figure.

At Lewisham the engagement of senior interim managers is managed through the relevant Directorate Expenditure Panel, and is supported by a business case. The Procurement Guidelines on the use of consultants (revised November 2008) exclude consultants from being used to provide or manage mainstream services and specifically state they should not be used for interim or agency roles.

In appointing a consultant for an essential piece of work all managers are required to prepare a business case which is then presented to the relevant Directorate Expenditure Panel for approval.

Managers have justified the long tenure of some senior interims because of the nature of the projects they have been working on i.e. BSF programme, and to disengage such individuals at such a critical time would be inappropriate and harmful to the project outcomes.

## **7. Pay arrangements for current Consultants & Senior Interims**

The table below lists the senior interim managers and consultants engaged by the Council as at the end of July 2012. Since the last report in May 2012, there has been little change in the overall number engaged indicating that the numbers have stabilised at this level from the previous high usage.



Of the senior interims/consultants who were engaged at the end of July 2012, 6 are covering ongoing assignments with no end date, 13 are anticipated to end in the next three months (although some may be extended), 3 are expected to end within six months, 5 will be engaged for up to another 12 months and 1 is required until December 2015 . The main reason for hiring senior interim managers is to cover vacant posts prior to a restructure. Other reasons include covering for the post-holders secondment, long term sickness absence or the managing of a major contract.

## 7.1 Table showing Senior Interim Managers as of July 2012

Directorate	FT/ PT	Job Role Area	How is the Council invoiced?	Is interim paid by PSC via LBL	Projected end date
<b>Charge Rate Band £200 - £300 (inc pay and Oncosts)</b>					
Community	FT	Adults Operations Management	Via Agency	Not applicable	April 2013
Customer	FT	Housing Advice & Review Management	Via Agency	Not applicable	Awaiting date from Mgr
Resources & Regeneration	FT	Human Resources Advisory Team	Via Agency	Not applicable	Aug 2012
<b>Charge Rate Band £301 - £400 (inc pay and Oncosts)</b>					
CYP	FT	Estate Management & Contracts	Via Agency	Not applicable	Oct 2012
Resources & Regeneration	FT	Asset Management	Via Agency	Not applicable	Nov 2012
<b>Charge Rate Band £401 - £500 (inc pay and Oncosts)</b>					
CYP	FT	PFI Contract Management	Via Agency	Not applicable	Ongoing
Community	FT	Adults Performance management	Via Agency	Not applicable	July 2013
Customer	PT	Management – Strategic Housing	Directly	Yes	Ongoing
Resources & Regeneration	FT	Audit & Risk management	Via Agency	Not applicable	Sept 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Consultancy	Not applicable	April 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Directly	Yes	Awaiting date from mgr
Resources & Regeneration	FT	Finance Shared Services management	Via Agency	Not applicable	Dec 2012
<b>Charge Rate Band £501 - £600 (inc pay and Oncosts)</b>					
CYP	FT	Health Commissioning	Via Agency	Not applicable	April 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Interim recruiter	Not applicable	April 2013
Resources & Regeneration	FT	Asset Management	Directly	Yes	Awaiting date from mgr
<b>Charge Rate Band £601 - £700 (inc pay and Oncosts)</b>					
Community	FT	Head of Service	Directly	Yes	Ongoing
<b>Charge Rate Band £801 - £900 (inc pay and Oncosts)</b>					
Resources & Regeneration	FT	Asset Management	Via Consultancy	Not applicable	March 2013
<b>Total 17</b>					

## 7.2 Table showing Consultants as of July 2012

Directorate	FT/PT	Job Role Area	How is the Council invoiced?	Is consultant paid via PSC by LBL?	Projected end date
<b>Charge Rate Band £200 - £300 (inc pay and Oncosts)</b>					
CYP	FT	Teaching	Directly	Not applicable	July 2012
<b>Charge Rate Band £301 - £400 (inc pay and Oncosts)</b>					
Resources & Regeneration	FT	Contract Mgt Support in Facilities Mngmnt	Via Consultancy	Not applicable	Dec 2012
<b>Charge Rate Band £401 - £500 (inc pay and Oncosts)</b>					
CYP	PT	Fire Safety Assessment	Directly	Not applicable	Dec 2012
CYP	PT	Adoption Panel	Directly	Not applicable	Dec 2015
CYP	FT	Schools Infrastructure	Directly	Yes	Nov 2012
Community	PT	Adult Safeguarding	Directly	Not applicable	Sept 2012
Community	FT	Crime Reduction / DAAT	Directly	Yes	Aug 2012
Customer	FT	Housing Benefit subsidies	Directly	Not applicable	Ongoing
<b>Charge Rate Band £501 - £600 (inc pay and Oncosts)</b>					
CYP	PT	Lewisham Childrens Safeguarding Board	Directly	Yes	Ongoing
Community	PT	CEL Department Management Team	Directly	Yes	Ongoing
Customer	PT	Strategic Housing	Directly	Yes	Aug 2012
<b>Total 11</b>					

### Daily Charge Rate Bands - Summary

Daily Charge Rate	Number Engaged
£200 - £300	4
£301 - £400	3
£401 - £500	13
£501 - £600	6
£601 - £700	1
£701 - £800	
£801 - £900	1
<b>Total</b>	<b>28</b>

## **8. Transparency of Senior Pay**

The Council already publishes salary information relating to specific chief officer posts within the Annual Statement of Accounts and an annual Pay Statement outlining the Council's pay strategy and position. In line with the requirement to increase the transparency of senior pay arrangements, the Council has also agreed to publish information on an annual basis with details of salary bands of senior employees earning £75k per annum and above (approx £100k per annum including on-costs). This information which will be published in November will include the job title and job role together with the relevant salary banding for the post.

It is also intended to publish the cost to the Council of those senior interims/consultants who cost the Council the equivalent i.e. £100K per annum and over. This will currently include 6 of the interims/consultants listed in the above tables. This calculation has been used for calculating both permanent and agency salary costs.

## **9. Pay arrangements for Interims/Consultant paid via Personal Service Companies**

In order to minimise the risk to the Council and rationalise pay arrangements, it is proposed that, as far as possible, all interims/consultants should be paid through the Council's Managed Service Provider. With this in mind work is currently being undertaken to transfer the responsibility for senior interims who are paid via Personal Service Companies from the Council to the Managed Service Provider.

As a result of this the classification of consultants and senior interims may change as many of these will be required to be engaged via the Council's Agency Managed Service; and distinctions will also need to be made between consultants, senior interims and other appointments such as panel members.

## **10. Legal Implications**

The Council is required to comply with relevant legislation and Codes of Practice with regard to the publication and transparency of senior pay whilst maintaining individuals rights to privacy and data protection. HMRC Regulations and Guidance must also be followed with regard to the engagement and pay of any workers who are not direct employees of the Council.