



# **AGENDA AUDIT PANEL**

**Date: WEDNESDAY, 27 MARCH 2013 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**

**Membership to be Determined  
after the AGM on 20 March 2013**

## **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: 19 March 2013**



INVESTOR IN PEOPLE

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

## ORDER OF BUSINESS – PART 1 AGENDA

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# Agenda Item 1

AUDIT PANEL			
Report Title	ELECTION OF CHAIR AND VICE CHAIR		
Key Decision			Item No. 1
Ward			
Contributors	CHIEF EXECUTIVE		
Class	Part 1	Date: 27 March 2013	

## Recommendation

It is recommended that a Chair and Vice Chair of the Audit Panel be appointed for the municipal year 2013/14

# Agenda Item 2

AUDIT PANEL			
Report Title	MINUTES		
Key Decision			Item No. 2
Ward			
Contributors	CHIEF EXECUTIVE		
Class	Part 1	Date: 27 March 2013	

## Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 21 November 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 21 NOVEMBER 2012 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7:00p.m.

### **Present**

Councillors Peake (Vice Chair in the Chair for the meeting), Harris (Chair), and Mallory.

Apologies for lateness were received from Councillor Harris and apologies for absence were received from Councillors Clutten and Ibitson.

### **Independent Members**

Richard King  
Paul Robinson  
David Webb

### **Officers**

David Austin  
Robert Mellors  
Alan Docksey  
Andreas Ghosh

Interim Head of Audit & Risk.  
Group Finance Manager – Community Services.  
Head of Resources, Children & Young People.  
Head of Personnel and Development.

Minute No.	Action
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1. **MINUTES**

RESOLVED that the Minutes of the meeting of the Panel held on 19 September 2012, which was open to the press and public, be confirmed and signed as a true record of the proceedings.

2. **DECLARATIONS OF INTERESTS**

Councillor Peake declared a personal interest in paragraph 4.5 of Item 5 as his daughter was a pupil at Fairlawn.

Councillor Mallory declared a personal interest in Item 5 as Chair of the Management Committee at Abbey Manor.

3. **ANNUAL AUDIT LETTER 2011/12**

Robert Mellors, a Group Finance Manager, introduced the report and noted the letter reported that the quality of work was significantly better.

RESOLVED that the Annual Audit Letter be received.

4. FINANCIAL FORECASTS FOR 2012/13

4.1 Robert Mellors, a Group Finance Manager, introduced the report

4.2 Mr King and Councillor Mallory both observed that the information shown in the report was considerably dated. Councillor Mallory suggested the cycle of Audit Panels should be reviewed when the 2013/14 calendar was considered. The Interim Head of Audit & Risk said some Panel meetings were fixed to key dates for considering and approving the Annual Accounts but that officers would examine the schedule to see if adjustments could be made that allowed for more timely financial monitoring.

4.3 Mr Robinson asked to be provided with more information about the capital programme underspend and was told by the Group Finance Manager Community Services that he would circulate further information. to the Panel.

4.3 Mr Webb questioned the Customer Services overspend and was informed that the overspend connected to parking would be eradicated, while the overspending in environmental services was because of structural problems which would be adjusted via savings targets.

4.4 Councillor Peake asked for clarification on the Community Services figurers and was informed the report should be considered in the context of year on year savings and they represented efficiency improvements related to holding back spending with little, if any, impact on service provision.

RESOLVED that the financial forecasts for the year ending 31 March 2013 be noted.

5. INTERNAL AUDIT UPDATE

5.1 The Interim Head of Audit & Risk introduced the report, and then introduced Alan Docksey, Head of Resources, Children & Young People, who reported on school performance in terms of audit assurance.

5.2 Councillor Mallory pointed out the fifth line of Appendix 1 concerning the Abbey Manor Pupil Referral Unit contained an error as the governors had not assumed full delegated powers. The Interim Head of Audit and Risk promised the error would be

corrected.

- 5.3 Councillor Harris asked for more information on the limited assurance reported in Appendix 4 on Personalised Budgets. The Group Finance Manager – Community Services said this was a relatively new area involving large sums being devolved to clients and that audit had been hampered by staff sickness but that three of the six medium risks had been implemented and the other three would be tackled in the forthcoming month.

- 5.4 Councillor Harris asked if annual assessment was enough for a vulnerable client group and was assured audit only assessed the validity of claims and not the appropriateness of care. Furthermore the Directorate undertook monthly budget checks and there was a range of mechanisms for Social Workers and other staff to feedback on any problems encountered.

- 5.5 Mr King queried the fieldwork dates in Appendix 1 which were later than the plan period. The Interim Head of Audit & Risk said work had commenced to a new Plan and the dates had not yet been updated.

RESOLVED that the report be noted.

## 6. ANTI FRAUD & CORRUPTION TEAM UPDATE

- 6.1 The Interim Head of Audit & Risk introduced the report and said a conscious effort had been made to depict information in table form rather than by narrative. Panel members queried the small size of some of the text and were told officers would investigate possible causes and seek remedies for the future.

Interim  
Head of  
Audit/Head  
of  
Committee

- 6.2 Mr Robinson asked if 30% was a reasonable success rate in regard to paragraphs 4.4 and 4.5 of section 4. The Interim Head of Audit & Risk said he was surprised the detection figure was actually so high and that perhaps further efforts would lead to diminishing returns as doing and spending more would not necessarily improve detection.

- 6.3 Councillor Harris praised the safeguards shown at the end of the whistle blowing policy and suggested they figure at the front of the policy.

RESOLVED that the report be noted.

Minute No.

Action

7 PAY ARRANGEMENTS CONSULTANTS & SENIOR INTERIMS

7.1 The Head of Personnel and Development introduced the report and explained the context.

7.2 Councillor Harris said the report represented a big step forward and would help assuage fears given the attention given to the area because of general expenditure cuts.

7.3 Councillor Mallory mentioned the general concern felt upon employees having their wages paid to Public Service Companies which were widely regarded as tax avoidance mechanisms. The Head of Personnel and Development said all payments, whether to individuals or Public Service Companies were being reviewed and options for the future of either payroll or agency registration would be introduced. Councillor Mallory asked that the Panel be updated on the next stage of the review. The Head of Personnel and Development said each Directorate would review appointments over the next 12 months and a comprehensive report would be ready after the end of the 2012/13 financial year.

Head of Personnel

RESOLVED that 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 be noted.

The meeting ended at 8.48p.m.

Chair



# Agenda Item 3

AUDIT PANEL			
Report Title	DECLARATIONS OF INTEREST		
Key Decision			Item No. 3
Ward			
Contributors	Chief Executive		
Class	Part 1	Date: 27 March 2013	

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)



## LONDON BOROUGH OF LEWISHAM

### AUDIT PROGRESS REPORT - MARCH 2013

Work	Progress
<b>Audit fee letters</b>	<p>In November 2012 we issued our audit fee letter for 2012/13. The scale fee represents a 40 per cent reduction compared with the previous year. The letter is on today's agenda.</p> <p>We plan to issue our 2013/14 fee letter in April 2013.</p>
<b>Audit Plan</b>	<p>In January 2013 our audit team was on site to carry out planning work in preparation for our audit of your 2012/13 accounts. This work consisted of gaining an understanding of your key financial systems and processes. We also followed up progress with issues that arose in the 2011/12 audit.</p> <p>We are currently in discussion with management to resolve a small number of outstanding queries. We will document the findings of our work in our audit plan and we shall present this to the next meeting of the Audit Panel.</p>
<b>Letter to the Chair of the Audit Panel</b>	<p>We are required by auditing standards to gain an understanding of the role of the Audit Panel in relation to the accounts and internal control. The letter is on today's agenda, for discussion with you.</p>
<b>Audit of accounts</b>	<p>We plan to commence our accounts audit in July 2013 and we shall present our annual governance report to the Audit Panel in September 2013.</p> <p>We have been in regular discussion with management regarding technical accounting issues affecting the accounts. We have also been undertaking some early testing in selected areas.</p>
<b>Grant Thornton technical accounts workshops</b>	<p>The CIPFA Finance Advisory Network (FAN) ran its annual Accounts Closedown workshops in February and March 2013. For this year the FAN worked in partnership with Grant Thornton, so bringing together the key accounting issues and audit considerations for the 2012/13 accounts in one combined programme. The workshop was attended by delegates from the London Borough of Lewisham.</p>

<b>Value for money conclusion</b>	<p>We have also commenced our work to support the value for money conclusion. Our review is based on the criteria specified by the Audit Commission, which are that the Council has proper arrangements for:</p> <ul style="list-style-type: none"> <li>- securing financial resilience; and</li> <li>- challenging how it secures economy, efficiency and effectiveness.</li> </ul> <p>We will report our findings in our Annual Governance Report, and also in a separate report on financial resilience.</p>
<b>Grant claims</b>	<p>On today's agenda we present our report on the grant certification work undertaken by the previous audit team in 2011/12. Overall the claims preparation process showed a considerable improvement compared to the previous year.</p> <p>Certification fees for 2011/12 were significantly less than in the previous year. This was due to a reduction in the number of claims requiring certification and to an improvement in the quality of the remaining claims.</p> <p>Your 2012/13 claims require certification between September and November 2013.</p>
<b>Grant Thornton national publications – "Towards a Tipping Point"</b>	<p>In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'.</p> <p>This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced.</p> <p>The report provides a summary of the key issues, trends and good practice emerging from the review.</p>

<p><b>Grant Thornton national publications – "Improving council governance – a slow burner"</b></p>	<p>Councils are facing continued, intense pressure to reduce spending and implement organisational change, while maintaining services and introducing alternative delivery models. There is also an increased public demand for greater transparency in decision-making and performance.</p> <p>The second of our annual reviews into local government governance focuses on both the public face and the behind-the-scenes process of governance. Our analysis demonstrates that council annual accounts and associated documents are often not user-friendly and transparent in communicating key governance messages to the public and other stakeholders. We believe there is a compelling case for councils to produce annual reports.</p> <p>This year, survey responses suggest that funding reductions and other demands are placing increased pressure on governance systems, for example:</p> <ul style="list-style-type: none"> <li>• 40% of senior officers and members do not believe the scrutiny function demonstrates added value</li> <li>• confidence has fallen in audit committee ability to respond to risk and to annually evidence the value it brings to council governance</li> <li>• there is concern that not all members have the skills – or profile – to help drive effective governance</li> <li>• at a time when councils are placing increasing reliance on external providers to deliver services 21% do not believe that roles and responsibilities are clear when working in partnership, up from 11%.</li> </ul> <p>The report provides some practical advice on considerations that will improve the likelihood of achieving best practice in reporting to the public and in ensuring the effectiveness of the governance arrangements that support performance.</p>
<p><b>Other Grant Thornton national publications</b></p>	<p>We are happy to provide copies of our relevant publications to Audit Panel Members.</p> <p>Also, Members can find further useful material on our website <a href="http://www.grant-thornton.co.uk">www.grant-thornton.co.uk</a>, where we have a section dedicated to our work in the public sector. Here you can download copies of our relevant publications</p>

**Grant Thornton UK LLP**

**March 2013**

Janet Senior  
Executive Director of Resources and Regeneration  
London Borough of Lewisham  
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28 November 2012

Dear Janet

### **Planned audit fee for 2012/13**

We are delighted to have been appointed by the Audit Commission as auditors to the London Borough of Lewisham (the Council) and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of your audit fee along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. Your scale fee for 2012/13 is £255,044, which compares to the audit fee of £425,074 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission’s website at: [www.audit-commission.gov.uk/scaleoffees1213](http://www.audit-commission.gov.uk/scaleoffees1213).

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and

#### **Chartered Accountants**

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- our work on your whole of Government accounts return.

### **Value for money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the value for money conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our value for money conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

### **Certification of grant claims and returns**

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee for grant certification for the Council is £78,750. This assumes that no additional testing will be required on any grant claim and return.

### **Pension Fund audit**

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £21,000. Our work on the pension fund will be undertaken in July to September 2013.

### **Billing schedule**

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
December 2012	127,522
March 2013	63,761
June 2013	63,761
<b>Total main audit fee</b>	<b>255,044</b>
<b>Grant Certification</b>	
June 2013	78,750
<b>Total</b>	<b>333,794</b>
<b>Pension Fund audit</b>	
September 2013	21,000

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the value for money conclusion will be completed in September 2013 as well as our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of your accounts and value for money.
Final accounts audit	June to September 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and value for money work for the consideration of those charged with governance.
Value for money conclusion	January to September 2013	Report to those charged with governance	As above
Financial resilience	January to September 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of Government accounts	September 2013	Opinion on the Whole of Government accounts return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2012/13 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554 130	Darren.J.Wells@uk.gt.com
Engagement Manager	Jamie Bewick	01293 554 138	Jamie.N.Bewick@uk.gt.com
Support Audit Manager	Ade Oyerinde	020 7728 3332	Ade.O.Oyerinde@uk.gt.com
Audit Executive	Stephen Richards	020 7728 3340	Stephen.J.Richards@uk.gt.com

**Additional work**

The scale fee excludes any work requested by you that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner ([Paul.Dossett@uk.gt.com](mailto:Paul.Dossett@uk.gt.com)) .

Yours sincerely



Darren Wells  
For Grant Thornton UK LLP

## **London Borough of Lewisham**

Certification work report 2011-12

February 2013

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
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## Appendices

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, as your auditors and acting as agents of the Audit Commission, are required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 Six claims and returns were certified for the financial year 2011-12 relating to expenditure of £330 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to matters arising in relation to individual claims.

## Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

## Key messages

- 1.6 It should be noted that most of the certification work described in this report was completed by the Audit Commission prior to our appointment as your auditors from November 2012. Since our appointment we carried out further follow up work on the Housing and council tax benefits claim, which was requested by the Department for Work and Pensions. We are also responsible for the overall reporting of the results of the certification programme to the Audit Commission and to the Council. The detailed findings set out in this report therefore represent the results of your previous auditor's work.
- 1.7 A summary of the claims and returns subject to certification and details of the certification fees are provided at Appendix B. The key messages from this review are summarised in Exhibit One, and set out in detail in the next section of this report.

### Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

## Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	The Council submitted five of the six claims on time. The audit team certified all six claims within the deadlines set by the relevant Government departments.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p>Amendments were required to four of the six claims and returns certified by the audit team. Two of the amendments were presentational rather than numeric, and none of the amendments had a significant impact on the amount of subsidy due to the Council.</p> <p>However all amendments to claims and returns require additional time and resources of officers and of the auditor and can result in higher certification fees. There is therefore some scope to further improve arrangements for the compilation of claims and returns.</p> <p>The Housing and Council Tax Benefits claim was subject to a qualification in 2011/12.</p>
Supporting working papers	Supporting working papers for the majority of claims and returns were of a good standard overall. There were some issues with the supporting evidence for the Housing and Council tax benefit claim and the Teachers' pension claim. We set out these issues in the body of this report.

### The way forward

- 1.8 We have made four recommendations to assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant or additional certification fees.

### Acknowledgements

- 1.10 We would like to take this opportunity to thank Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2013

## 2 Results of certification work

### Key messages

- 2.1 Six claims and returns were certified for the financial year 2011-12 relating to expenditure of £330 million. The audit team certified all six claims within the deadline set by the relevant Government department.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

### Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
<b>Total claims/returns</b>		<b>6</b>		11		
Number of claims submitted on time	100%	5	83	5	45	→
Number of claims certified with amendment	0%	4	66	2	18	↓
Number of claims certified with qualification	0%	1	17	4	36	↑

- 2.3 This analysis of performance shows that:
- The number of grant claims has decreased from 11 to six because of changes to national grant funding regimes and because there were fewer single programme grants in 2011/12. This has made the grant preparation and certification process less onerous for the Council.
  - Five claims were submitted on time for certification, which is the same as last year.
  - There was one qualification in 2011/12, which was in respect of the housing and council tax benefit claim. This represents an improvement in performance compared with 2010/11, when four claims were qualified.
  - Four of the six claims certified by the audit team required amendment (although two of these amendments were presentational only). Although the values of amendments were relatively small, this indicates there is some further scope for improving arrangements for compiling the claims and ensuring compliance with the requirements of the grant paying bodies.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.



- 2.5 Where we have identified opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 Your previous auditors the Audit Commission, charged a total fee of £69,247 against an indicative budget of £105,000. Details of fees charged for specific claims and returns are included at Appendix B.
- 2.7 Additionally we plan to charge a fee of £8,153. This relates to additional work requested by the Department of Work and Pensions, in respect of your housing benefits qualification. Of this, £3,990 relates to the overall reporting of the results of claims certification work to the Council and to the Audit Commission.
- 2.8 Overall appendix B shows that your certification fees have considerably reduced compared with 2010/11. This is indicative of an improvement in quality and a reduction in the number of qualification issues arising. There was also an improvement in the level of help, cooperation and speed of officers dealing with audit queries which has contributed to significantly reduced fees.

### Findings

- 2.9 Specific issues relating to individual claims were as follows.

#### **Certification of housing and council tax benefit scheme**

- 2.10 The claim was submitted to the audit team on 30 April 2012 in line with the timetable. The claim was amended by £42,000 and was also qualified. Fewer errors were identified during the 2011/12 certification, indicating an improvement in the data quality of benefits and the overall compilation of the claim. However there were still a number of classification errors found in overpayments and extended payments and in some cases the supporting documentation was missing.
- 2.11 The qualification of the claim was largely due to the Council's policy of disposing of all benefits documents which are more than six years old from the document imaging system. Because of this issue the Department for Work and Pensions (DWP) also requested that we carry out further work on your claim. That additional work required investigating the cases reported to the DWP, to provide them with additional information and assurances regarding those cases. No further issues arose.
- 2.12 We are not aware of other councils having a similar policy of disposing of records relating to continuing cases after six years. The reason previously given by Council officers is that it is due to the additional cost of retaining the records. In our view there is also a cost implication to not retaining the records. A considerable amount of officer and auditor time is taken every year in qualifying the benefits claim and responding to questions from the Department of Work and Pensions, where there is a lack of evidence to support older cases. In our view the Council should consider the cost of this and also whether this issue has the potential to put its grant funding at risk.
- 2.13 The claim was certified on 25 October 2012, over a month before the deadline, reflecting the high level of help, cooperation and speed of dealing with audit queries.

#### **Certification of Teachers' pensions return**

- 2.14 The claim was submitted to the audit team on 29 June 2012 which is within the required date of 30 June 2012. The claim presented for certification did not initially agree to

underlying records and the certification of the claim was delayed because the evidence requested in support of audit testing was not provided promptly. Many figures in the claim had to be amended to agree to the underlying records of the Council. However the net effect on the amount payable was relatively small.

# A Approach and context to certification

## Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	246,727k	Yes	42,000	Yes	69,618	44,317	The amount of additional testing required has been less this year due to the reduced level of errors identified within individual claim cells. In addition, Council officers have undertaken all additional testing, whereas in prior periods this work was shared between the Auditor and Council officers. This has resulted in a significantly reduced fee.
National non-domestic rates return	45,309k	Yes	Nil	No	9,771	7,476	A comprehensive audit trail was provided to show transactions included within each line of the claim. However the claim submitted to the auditor in June 2012 was only a photocopy of an earlier submission in May 2012 which was not given to the auditor. Hence the claim had to be amended and re-signed before certification.

Claim or return	Value (£)	Amen- ded?	Amendment Amount (£)	Qualified ?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Teachers' pensions return	17,517k	Yes	2,000	No	19,226	7,778	There were a number of discrepancies between the original claim and the underlying records presented to the auditors. Consequently the claim had to be amended. Although the net effect was only £2k this increased the amount of time needed to certify the claim. .  The quality of supporting records was also an issue in 2010/11.
Housing Revenue Accounts Subsidy	15,145k	No	Nil	No	5,310	3,127	Working papers were of a high standard and there were no issues
Pooling of housing capital receipts	5,265k	No	Nil	No	4,032	3,487	Working paper were of high standard and there were no issues.
Single programme grant	200k	Yes	Nil	No	14,068	3,062	There was only one claim in 2011/12 resulting in significantly reduced fees. Only part A testing was required because the claim was only £200k. A presentational error was found by the auditor requiring amendment and recertification.

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified ?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Subsequent queries and overall management and reporting of the certification programme (Grant Thornton)						£8,153	Additional work responding to queries from the Department of Work and Pensions and the overall reporting of the grant certification programme to the Council and to the Audit Commission. (note 1)
Total	£330,163k		£44,000		£122,025	£77,400	(note 2)

(note 1) – overall management and reporting costs were not separately identified in the 2010/11 grants certification report from the Audit Commission

(note 2) – the comparison excludes grants from 2010/11 which are no longer subject to certification

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
All claims	Review and improve management arrangements over the quality of grant claims preparation, to comply with the requirements of the grant paying body, to support an efficient and cost-effective certification and to reduce the number of amendments required.	M	Agreed, but this needs to be seen in the context of further planned reductions to the cost of the Finance function and practical implementation will not include adding additional layers of management review.
Housing and council tax benefit scheme	Review the Council's policy of disposing of all information on the document imaging system which date back to more than six years.	M	The Council has reviewed its requirements in this area thoroughly and does not plan to alter its policy on documentation in this regard.
Teachers' pension return	Quality assure the working papers supporting the Teachers' pension return, to ensure that the claim agrees to the underlying records.	M	Agreed
Teacher's pension return	Respond promptly to auditor queries on the Teacher's pension return, to facilitate an efficient and cost effective audit.	M	Agreed

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13 February 2013

Dear Michael

**Financial statements for the year end 31 March 2013 - Understanding how the Audit Panel gains assurance from management**

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Panel gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me with your responses to the following questions. Please note that these questions cover both the main financial statements, and the pension fund financial statements.

- 1 How does the Audit Panel oversee management's processes in relation to:
  - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
  - identifying and responding to the risk of breaches of internal control
  - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
  - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Audit Panel gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements.

**Chartered Accountants**

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5 How does the Audit Panel satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please could you provide a response by April 2013 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Jamie Bewick  
Manager  
For Grant Thornton UK LLP

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AUDIT PANEL			
Report Title	UPDATE ON 2012/13 CLOSING OF ACCOUNTS AND EXTERNAL AUDIT		
Key Decision	NO		Item No. 5
Ward	ALL		
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION		
Class	PART 1	Date: 27 MARCH 2013	

## 1. SUMMARY AND PURPOSE

- 1.1. This report provides an update to Audit Panel Members on the preparations for the 2012/13 Closing of Accounts and statutory External Audit.

## 2. RECOMMENDATION

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

## 3. 2012/13 EXTERNAL AUDIT

- 3.1. Grant Thornton were appointed as the Council's external auditors following the Audit Commission's national procurement process from 1<sup>st</sup> November 2012.
- 3.2. Senior Council finance staff met with senior Grant Thornton staff in December to identify the issues which will be covered by the external audit. Since then, the Council's staff responsible for Closing of the Accounts have had constructive monthly professional discussions with Grant Thornton staff in order to ensure that the external audit is successful. Details are given in Grant Thornton's report "Audit Panel Update" (see elsewhere on this agenda).
- 3.3. In January 2013, Grant Thornton undertook their Interim Audit and the feedback has been broadly positive in respect of internal systems of financial control. Again, further details are set out in their "Audit Panel Update" report. They will shortly commence their substantive work auditing the council's annual accounts.

## 4. 2012/13 STATEMENT OF ACCOUNTS

- 4.1. The Statement of Accounts is produced in accordance with the CIPFA Code of Practice on Local Authority Accounts, developed by CIPFA. The Pre-Audit Statement of Accounts is required to be produced by the end of June 2013, and the Audited Statement of Accounts by the end of September 2013. Both of these Statements will be submitted to the Audit Panel before these deadlines.

## 5. 2012/13 CLOSING OF ACCOUNTS

- 5.1. The 2012/13 Closing of Accounts timetable has again been reviewed and a number of deadlines have been added or brought forward in order to reduce

pressure later on. The specific deadlines added concern Accounting Policies, the Explanatory Foreword, loans, investments and the asset register.

- 5.2. The main items which have been brought forward in the timetable are as follows;
- |                                  |                               |
|----------------------------------|-------------------------------|
| Capital Programme and Resourcing | - End April to mid April      |
| Capital Accounting               | - Mid May to end April        |
| Interest and Capital Financing   | - End May to mid May          |
| Directorate Revenue Outturn      | - mid May to start of May     |
| Draft Statement of Accounts      | - Start of June to end of May |
- 5.3. A number of workstreams have been improved including simplifying recharges, earlier resolution of capital resourcing and asset classification issues, and clarification of Balance Sheet code responsibilities and reconciliation.
- 5.4. The 2011/12 audit of accounts identified weaknesses in our bank reconciliation processes. A full review of this area was recommended and has been undertaken and a structured process is now in place to ensure this key control is completed in a timely and accurate manner. Other recommendations concerning the usage of the Pension Fund bank account and the full implementation of the fixed asset register system have also been addressed.
- 5.5. There are no major changes in accounting for 2012/13.

## **6. IMPLICATIONS**

- 6.1. There are no financial implications directly arising from this report.
- 6.2. There are no legal implications directly arising from this report.
- 6.3. There are no crime and disorder implications directly arising from this report.
- 6.4. There are no equalities implications directly arising from this report.
- 6.5. There are no environmental implications directly arising from this report.

## **7. CONCLUSION**

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

## **BACKGROUND PAPERS**

<b>Title of Document</b>	<b>Date</b>	<b>File Location</b>	<b>Contact</b>	<b>Exempt Information</b>
2011/12 Statement of Accounts	29/09/12	3rd <sup>rd</sup> Floor, Laurence House	Richard Lambeth	

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

AUDIT PANEL			
Report Title	Internal Audit update report		
Key Decision	No		Item No. 6
Ward	ALL		
Contributors	Interim Head of Audit & Risk		
Class	Part 1	Date: 27 March 2013	

## 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 2012/13 plan since the last Audit Panel report,
  - Implementation of internal audit recommendations,
  - Performance of the Internal Audit contractor, and
  - The draft annual 2013/14 internal audit plan.

## 2. Recommendations

- 2.1. It is recommended that the Audit Panel:
- Note the content of this report, and
  - Approve the 2013/14 audit plan.

## 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. One report issued on the 05/11/12 remains draft. It is the HR Thematic review. The headline issues from the draft report are already being addressed. The three key areas from the draft report for improvement are: 1) refresh of HR policies and procedures; 2) corporate CRB process; and 3) availability of management information. The report itself is pending a clearance meeting with the contractor to finalise.
- 4.2. With the exception of the above audit, all reports have been finalised.

### 2012/13

- 4.3. The 2012/13 plan comprises 85 pieces of work. Six of these are for advice rather than audit work, of which four have been completed at 28/02/13. These advisory pieces of work do not require draft reports and as such will go straight to final. The detail of the plan and a record of progress by review is provided at Appendix 1.
- 4.4. The table below shows the status of the audit plan for 2012/13 as at the 28/02/13. It shows that:
- 80% of plan is underway, with
  - 68% of the plan completed to at least draft report stage, and
  - 61% 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	(1)	29	12	3	5	9
CUS	11	1	(2)	10	3	2	3	2
COM	9	2	(1)	10	5	1	1	3
C&YP	6	1	(1)	6	2	-	1	3
SCH	29	1	-	30	30	-	-	-
Total	82	8	(5)	85	52*	6	10	17

\* includes four advisory reports.

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

#### Additional

- Domiciliary Care Panel review – COM, and
- Management of CRB / Disclosing and Barring Service (DBS) – C&YP.

#### Cancelled

- Adult assessment and care management review – COM,
- Private Sector Leasing – CUS,
- Statutory Maintenance in Estate Management (C&YP), and
- Criminal Records Bureau checks – RRE.

- 4.6. There have been 26 reports finalised since the last meeting. They are:

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Budget Control and Monitoring	30/11/12	Substantial	-	2	2
RRE	Treasury Management	05/02/13	Substantial	-	1	2
RRE	Main Accounting	08/01/13	Substantial	-	2	3
RRE	Payroll	23/01/13	Substantial	-	-	3
RRE	Health and Safety	09/01/13	Satisfactory	-	7	5
RRE	Procurement Card Expenditure	29/11/12	Substantial	-	1	2
RRE	Assurance Mapping	30/11/12	N/A - Consultancy			
RRE	Information Asset Register (IAR)	13/02/13	Satisfactory	-	4	2
CUS	Banking 2012/13	20/02/13	Substantial	-	2	1
COM	Client Contributions for Residential & Domiciliary Care	01/02/13	Substantial	-	1	-
COM	Social Care Advice & Information Team	05/12/12	Consultancy	1	3	4
C&YP	Looked after Children Payments	12/02/13	Substantial	-	1	2
C&YP	Pupil Referral Unit (PRU) – Review of financial procedures	05/02/13	Consultancy	2	1	-
SCH	Abbey Manor Secondary PRU	29/01/13	Substantial	-	-	3
SCH	Kender Primary	18/01/13	Limited	3	3	3
SCH	Kilmore Primary	28/01/13	Satisfactory	-	2	7
SCH	Launcelot Primary	01/11/12	Satisfactory	1	1	3
SCH	Addey and Stanhope School	27/11/12	Substantial	-	1	2
SCH	Bonus Pastor RC Secondary	07/01/13	Substantial	-	-	3
SCH	Conisborough College Secondary	28/01/13	Substantial	-	-	4
SCH	Crossways Secondary	31/01/13	Limited	2	-	2
SCH	Deptford Green School Secondary	23/11/12	Substantial	-	-	4
SCH	Trinity School Secondary	23/11/12	Substantial	-	1	2
SCH	Prendergast - Hilly fields Secondary	16/11/12	Substantial	-	1	2
SCH	Prendergast - Vale College (Secondary)	16/11/12	Substantial	-	-	1
SCH	Fairlawn School	14/11/12	No Assurance	7	9	7

## 5. Limited and No Assurance reports

5.1. Since the last Audit Panel meeting two 'Limited' reports, one 'No' assurance report, and two consultancy reports have been issued. They are:

- Kender Primary School – Limited,
- Crossways Secondary School – Limited,
- Fairlawn Primary School – No Assurance,
- Assurance Mapping – Consultancy, and
- PRU review of financial procedures – Consultancy.

- 5.2. With the exception of Assurance Mapping, the Executive Summaries findings for these reports can be found in Appendix 4. The Assurance Mapping work, as previously discussed, forms part of the audit risk assessment and planning process (see also sections 9 & 10).

## 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 28/02/13. There were 20 follow-up reviews completed, with 94% of the recommendations either implemented, superseded or in progress.

Implemented	In progress	Superseded	Not Implemented	Not Due Yet	Total
66	8	8	5	-	87
76%	9%	9%	6%	-	<b>100%</b>

- 7.2. Taking into consideration the superseded recommendations and progress with implementing recommendations on a timely basis (see below) this maintains a reasonable performance. Details of the individual follow-ups conducted can be found at Appendix 2.

### Superseded

- 7.3. Detail of the recommendations that have been superseded up to 28/02/13 are listed below.

Audit		Recommendation superseded		Comment
Brockley Housing PFI Contract CUS 05	Ltd.	The Council should implement their contractual options to increase measures for contractor monitoring upon identification of underperformance by the Contractor.	Medium	Since the Internal Audit review there has been no significant underperformance by the Contractor and hence additional measures to increase monitoring have not been applied.
		The Council should undertake spot checks to ensure no changes have been made to formulas used in the spreadsheet to calculate performance information.	Medium	This spot check is not required as access to the spreadsheet is password protected and can only be accessed by the relevant staff in the Council.
		The Council should continue to hold workshops with the Contractor to finally resolve any issues with the	Medium	The Council have introduced a benchmarking and market testing process to measure performance. This has superseded the



Audit		Recommendation superseded		Comment
		contractually agreed KPI reporting framework. The introduction of regular audit checks and spot checks should be added to the existing agenda.		requirement to run workshops at present.
Highways – contract review RRE 01	Ltd.	A formal contingency plan should be produced to ensure the continuance of road maintenance in the event of the contractor being unable to deliver the contracted service.	Medium	This is an accepted risk at present. The Council have legal and procurement options they can pursue in the event of a default.
		The Highways Client Division should undertake a review to determine if efficiencies and cost savings have been achieved through use of the Contractor's asphalt recycling plant.	Medium	The client team cannot obtain the relevant commercially sensitive information to undertake this review so the Council must bear this risk.
		The Highways client team should also set specific requirements on how the use of the asphalt plant will achieve wider intangible environmental and social benefits to the Council	Medium	This is not considered feasible under the current contractual arrangements. However, it may be considered as part of the re-tendering process.
		The Highways client team should develop a customer involvement strategy and communication plan.	Medium	Due to current resource constraints this is not considered and priority so a plan will not be developed
Procurement & Budgetary Control  RES 26	Ltd.	Any further repairs should be undertaken by the IT contractor and not the original supplier to ensure compliance with the Authority's IT security standards.	Medium	The core issue here is that a Corporate Policy document that covers this area is not in place. This was confirmed by the Corporate Technology Manager.

#### Implementation of recommendations

- 7.4. As at the 28/02/13, the table below shows the status of recommendations made by Internal Audit. Details of those recommendations that are either overdue or with two or more implementation date changes can be found in Appendix 3.

Lead Dir	Previous No. of O/Due Recs	Current No. of O/Due Recs at 28/02/13	Current No. of Recs with 2+ changes	Previous No. of Open Recs at 31/10/12	No of Recs re-opened since 31/10/12	No. of New Recs From 31/10/12	Closed Recs from 31/10/12	Current Open Recs at 28/02/13
<b>RRE</b>	-	1	1	<b>23</b>	5	20	(21)	<b>27</b>
<b>CUS</b>	-	-	1	<b>5</b>	-	5	(5)	<b>5</b>
<b>COM</b>	1	-	1	<b>15</b>	-	5	(17)	<b>3</b>
<b>CYP</b>	3	18	1	<b>23</b>	-	4	(5)	<b>22</b>
<b>Total N/S</b>	<b>4</b>	<b>19</b>	<b>4</b>	<b>66</b>	<b>5</b>	<b>34</b>	<b>(48)</b>	<b>57</b>
<b>SCH</b>	-	32	4	33	1	38	(11)	<b>61</b>
<b>Total All</b>	<b>4</b>	<b>51</b>	<b>8</b>	<b>99</b>	<b>6</b>	<b>72</b>	<b>(59)</b>	<b>118</b>

- 7.5. Having managed to get to a position of very few overdue recommendations at the last report the trend has reversed for the Children & Young People (C&YP) Directorate in respect of both Council (non-Schools) and Schools recommendations. This was a point discussed at the February Internal Control Board and importance of completing agreed recommendations in a timely manner agreed.
- 7.6. To support management in this Internal Audit provide the Directorate Management Teams with a summary of their open internal audit recommendations each month.

## 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 with assurances from the Contractor that it will be completed in time with the resources available. As such PIs, 1, 2, and 6 are now measured from September.

No.	Performance Indicator (as at 28/02/12)	Target YTD		Actual YTD to		Variance on target (+/-)	
		%	No.	%	No.	%	No.
<b>1*</b>	Percentage of all draft reports issued against audit plan.	81%	66	65%	54	(16)%	(12)
<b>2*</b>	Percentage of draft audit reports issued within 15 working days of the exit meeting.	90%	49	98%	53	+8%	+4
<b>3</b>	Percentage of final reports issued within 10 working days of agreed draft report.	95%	51	98%	53	+3%	+2
<b>4</b>	The average level of client satisfaction. (out of a score of 4).		3.0		3.5		+0.5
<b>5</b>	Percentage of High & Medium recommendations made agreed by management.	90%		100%		+10%	
<b>6*</b>	Percentage of follow-up reviews completed to plan (i.e. within nine months of final report)	83%	50	72%	43	(11)%	(7)

\* Reports target from September.

8.2. All PIs met or exceeded their target with the exception of the following.

- **PI 1** for delivery of draft reports, since being rebased in September 2012, the contractor has not met the target in December, January or February. The position was masked in the period September to November as the large number of schools audits were completed. Schools audits typically require half to a third of the audit resource to complete as the Council's non-school audits. For this reason this KPI will be split for 2013/14. At the end of February the Contractor had delivered two thirds of the annual audit plan to draft report stage in the context of the annual target to deliver 95% of the whole plan to draft report stage by the end of March. The 2012/13 performance will also have a knock on effect by delaying when the 2013/14 work can start.
- **PI 6** for delivery of follow-up reports, since being rebased in September 2012, has not met the target in January and February. At the end of February the Contractor had delivered 72% of the planned follow-ups for the year. For 2013/14 it is planned for the contractor to only complete the core financial audit follow-ups. The client side will complete all other follow-ups.

## **9. Proposed Audit plan for 2013/14**

### Approach taken in preparing the plan

9.1. The draft 2013/14 Audit Plan for approximately 800 days (compared to 950 in 2012/13) has now been prepared – see Appendix 7. It was compiled taking into account information from the following sources:

- Meetings with the Heads of Service and Directorate Management Teams,
- Review of Service Plans and the Corporate and Directorate risk registers,
- Assessment of the outcomes and scope of recent (last two years) internal audit work,
- Horizon scanning, professional guidance, technical updates, and
- Consideration of the risk areas identified in the 2013/14 budget process.

9.2. As in prior years the plan includes requirements for general financial and non-financial audit work, some IT technical skills, and in certain areas (e.g. procurement and contracts) some specialist support.

9.3. In addition, to stretch the reach of the assurances sought with the resources available the plan includes resource to progress continuous auditing, more compliance checks, follow-up work, and a limited contingency to respond to 'events' in-year.

9.4. Linkages between internal audit plan and other sources of assurance

9.5. In preparing the 2013/14 plan we have further developed our assurance mapping approach. In discussion with each Head of Service we identified all the operational processes (audit universe) they are responsible for and the assurances they have for each process. This assurance mapping identified the management information relied by the services, either prepared by themselves or provided by others in the Council (e.g. HR and Finance).

9.6. In addition, the assurance mapping then also identified what other 'independent' or 'third party' assurances were available for each process. These included, but were not limited to:

- The Audit Commission's external audit, grant claim and value for money work,
- Lewisham Homes internal audit work as it impacts the Housing Revenue Account,
- Corporate Health & Safety audit work and their incident investigation activities,
- Business Continuity Management and their incident investigation activities,

- External inspections by other third parties (e.g. CQC, OFSTED, etc.),
- Counter fraud work by the in-house team,
- Performance and risk management information (in particular qualitative measures), and
- Management assurances identified to support the Annual Governance Statement.

9.7. The combination of these three levels of increasingly robust assurance were then reviewed by process in discussion with the Heads of Service to identify the key risks requiring internal audit in the coming year.

## 10. Corporate risks

10.1. The Panel requested an update on the Corporate risks every six months. 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.

10.2. In addition to the summary corporate risk register provided below a detailed comparison of draft 2013/14 internal audit plan to the corporate risks is provided at Appendix 6. 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 partnership working.	8	●	→
Failure to manage strategic suppliers and related procurement programmes.	6	★	→

Risk	Current score	Current status	Direction of Travel
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	●	→
Relocation of health services out of borough.	12	●	New

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

## 11. Legal Implications

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

## 12. Financial Implications

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

## 13. Equalities Implications

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

## 14. Crime and Disorder Implications

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

## 15. Environmental Implications

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

## 16. Background Papers

16.1. 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	Assurance Mapping	Apr	06/07/12	n/a	30/11/12	Consultancy	
RRE	Procurement Card Expenditure	Jun	25/10/12	29/11/12	29/11/12	Substantial	
RRE	Budget Control and Monitoring	Sep	12/10/12	21/11/12	30/11/12	Substantial	
RRE	<b>Main Accounting</b>	Sep	17/10/12	29/11/12	08/01/13	Substantial	
RRE	Health and Safety	Sep	24/10/12	13/12/12	09/01/13	Satisfactory	
RRE	Information Asset Register (IAR)	Sep	15/10/12	18/01/13	13/02/13	Satisfactory	
RRE	<b>Treasury Management</b>	Sep	27/11/12	11/01/13	05/02/13	Substantial	
RRE	<b>Payroll</b>	Oct	19/11/12	17/01/13	23/01/13	Substantial	
RRE	Third Party Access to IT systems	Apr	14/08/12	30/10/12			Delay by client sponsor
RRE	<b>Capital Programme, Monitoring and Expenditure</b>	Sep	10/12/12	22/02/13			
RRE	Business Continuity of ICT Infrastructure	Sep	12/11/12	28/02/13			
RRE	Land Management, Commercial Properties and Planning	Jul	20/12/12				
RRE	<b>Non Current Assets</b>	Sep	11/02/13				
RRE	New Oracle Update.	Sep	22/02/13				
RRE	<b>Risk Maturity</b>	Jan	14/02/13				
RRE	IT Strategy	Oct	08/02/13				Management deferred to Oct
RRE	Continuous Auditing	May					
RRE	Maintenance of Assets and Premises	Sep					
RRE	<b>Accounts Payable</b>	Nov					
RRE	<b>Pensions</b>	Nov					
RRE	Croydon Lighting PFI Contract	Nov					
RRE	Procure 2 Pay (P2P) benefits	Nov					
RRE	Income forecasting V's Savings Agreed	Nov					
RRE	Divisional Risk Registers	Jan					

**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	Payment by Results Pilot	Jan					
CUS	Phase 2 of the cashiers	Jul	22/01/13	07/02/13			
CUS	Housing and Council Tax Benefit	Oct	19/11/12*	28/02/13			
CUS	Council Tax	Sep	05/11/12*				*date changed from 22/10
CUS	Accounts Receivable	Sep	22/10/12				* date changed from XX
CUS	<b>NNDR</b>	Feb	18/02/13				
CUS	Bereavement Services	Oct					
CUS	Clienting of Lewisham Homes	Oct					
CUS	<b>Banking</b>	Feb	07/11/12	24/01/13	20/02/13	Substantial	
COM	Social Care Advice & Information Team and District Nurse Call Centre	Feb	26/09/12	28/11/12	05/12/12	Consultancy	District Nurse Call Centre will be reviewed at a later stage.
COM	<b>Client Contributions for Residential &amp; Domiciliary Care</b>	Nov	20/11/13	10/01/13	01/02/13	Substantial	
COM	<b>Payments to Residential and Domiciliary Care</b>	Nov	29/01/13	27/02/13			
COM	Domiciliary Care Panel	Feb	15/02/13				
COM	Project Advice Board - IAS System	Jun					To attend when needed.
COM	Community Equipment and TSES.	Dec					
COM	National LG Calculations	Jan					
CYP	Looked after Children Payments	Dec	19/09/12	19/10/12	12/02/13	Substantial	
CYP	Pupil Referral Unit (PRU) - New Full Delegated Powers.	Jul	12/09/12	11/01/13	05/02/13	Consultancy	
CYP	Notification Process for Looked After Children (LAC)	Feb	11/02/13				
CYP	Early Intervention Grant	Apr					Deferred for team changes
CYP	Management of CRB / Disclosing and Barring Service (DBS)	Feb					

**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
CYP	SEN - Pathfinder Scheme and Personal Budgets	Jan					

**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	Launcelot Primary	Sep	17/09/12	27/09/12	01/11/12	Satisfactory	
SCH	Deptford Green School Secondary	Oct	08/10/12	29/10/12	23/11/12	Substantial	
SCH	Fairlawn Primary School	Oct	01/10/12	29/10/12	14/11/12	No Assurance	
SCH	Trinity School Secondary	Oct	23/10/12	31/10/12	23/11/12	Substantial	
SCH	Bonus Pastor RC Secondary	Oct	10/12/12	21/12/12	07/01/13	Substantial	
SCH	Prendergast - Hilly fields Secondary	Oct	15/10/12	09/11/12	16/11/12	Substantial	
SCH	Kender Primary	Oct	13/11/12	23/11/12	18/01/13	Limited	
SCH	Abbey Manor Secondary PRU	Nov	19/11/12	29/11/12	29/01/13	Substantial	
SCH	Addey & Stanhope Secondary	Nov	07/11/12	16/11/12	27/11/12	Substantial	
SCH	Conisborough College Secondary	Nov	28/11/12	21/12/12	28/01/13	Substantial	
SCH	Prendergast Vale College (Secondary)	Nov	12/11/12	16/11/12	16/11/12	Substantial	
SCH	Crossways Secondary	May	17/12/12	10/01/13	31/01/13	Limited	
SCH	Kilmorie Primary	Dec	04/12/12	21/12/12	28/01/13	Satisfactory	



**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
RRE	Building Security Generic Monitoring Review	Limited	26/01/12	H	4					10
				M	6					
SCH	St James Hatcham	Substantial	06/01/12	H						2
				M	2					
SCH	St Winifred's Inf Sch	Satisfactory	04/01/12	H						3
				M	3					
SCH	Grinling Gibbons School	Satisfactory	11/06/12	H						6
				M	3	1		2		
SCH	New Woodlands	Satisfactory	05/03/12	H						4
				M	4					
RRE	Consultancy Planning Framework	Substantial	28/02/12	H						1
				M		1				
SCH	Gordonbrock School	Satisfactory	06/03/12	H						3
				M	2	1				
SCH	St Saviour's School	Substantial	27/03/12	H						2
				M	1			1		
CUS	Brockley Housing PFI Contract	Limited	03/02/12	H	3	1				12
				M	5		3			
SCH	Kelvin Grove School	Substantial	07/03/12	H						1
				M	1					
RRE	Main Accounting	Substantial	15/05/12	H						2
				M	2					
RRE	Highways – Generic Review	Limited	16/12/11	H	3					17
				M	9	1	4			

**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
RRE	Procurement of Goods	Limited	06/12/11	H	2					9
				M	4	1	1	1		
RRE	Performance Indicators	Consultancy	25/04/12	H						1
				M				1		
RRE	Pensions (11/12)	Substantial	18/04/12	H						1
				M	1					
COM	Client Contributions to Res and Dom Care (11/12)	Satisfactory	24/04/12	H	1					4
				M	2	1				
CUS	Banking (11/12)	Satisfactory	23/05/12	H	1					2
				M	1					
CUS	Housing and Council Tax Benefits (11/12)	Substantial	11/05/12	H						1
				M	1					
CUS	Council Tax (11/12)	Satisfactory	16/04/12	H						5
				M	5					
RRE	Accounts Payable (11/12)	Substantial	02/05/12	H						1
				M		1				
			Total No.		66	8	8	5	0	87
			Percentage							

### Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date as at 28/02/13

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
RRE	Procurement Card and Expenditure	29/11/12		1		Due 28/02/13
CYP	ContrOCC	18/05/12		4		All due 31/10/12.
CYP	Generic Contract Review - Group School PFI	12/04/12	1	5		2 Med, 1 High due 31/12/12 3 M due 30/9/12
CYP	School Data Handling Controls	15/05/12	1	7		All due 31/10/12
SCH	Addey and Stanhope School 12-13	27/11/12		1		Update provided 13/2/13. Due 26/11/12. MA - Waiting for evidence from school
SCH	Athelney School 12-13	28/06/12		2		Update provided 19/2/13. Due 31/10/12. MA - Waiting for evidence from school.
SCH	Clyde Nursery 2012/13	13/05/12		1		Update provided 13/02/13. Due 31/12/12. 1 different rec changed 2 times.
SCH	Fairlawn School 12-13	14/11/12	6	9		1 Med, 2 High due 31/12/12 8 Med, 4 High due 31/01/12
SCH	Gordonbrock School	06/03/12		1		Due 28/02/13
SCH	Grinling Gibbons Primary School	11/02/12		3	1	All due 31/10/12. Date changed 2 times
SCH	Kilmorie Primary School 12-13	24/01/13		1		Update provided 13/02/13. Due 05/12/12. MA - Waiting for evidence from school
SCH	Launcelot School 12-13	01/11/12	1	1		1 Med due 31/10/12, 1 High due 30/09/12
SCH	Sandhurst Infant School	12/10/12		2		Both due 31/01/13
SCH	St Bartholomew's School	28/12/11		1		Due 31/12/12
SCH	St Saviour's School	27/03/12		1		Due 31/12/12
SCH	Watergate School 12-13	22/10/12		2		Both due 30/12/12
Not overdue but with multiple changes of date.						
RES	Highways - Generic Contract Review	16/12/11			1	Target date changed 2 times
CUS	Brockley Housing PFI Contract	03/02/12	-	-	1	Target date changed 5 times.

### Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date as at 28/02/13

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
COM	Client Contribution for Res and Com Care 2011-12	24/04/12	-	-	1	Target date changed 5 times.
CYP	Social Care Contractual Arrangements – CAMHS	26/05/11	-	-	1	Target date changed 2 times.
SCH	Childeric Primary School	21/10/11	-	-	2	Target date changed 2 times.
SCH	All Saints School	30/03/12			1	Target date changed 2 times.
Total			9	42	7	

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

Key to Audit report dashboards that follow in this appendix.

### Explanations for Assurance Opinion and Design of Controls and Comply with Controls.

Each internal audit assurance review gives an opinion on the controls in place based on the fieldwork conducted. We also define whether the recommendations made will help with the design of the control or help with compliance with the control. See table below to explaining these opinions.

Level	Design of Controls Framework	Comply with Controls Framework
Substantial Assurance ★	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
Satisfactory Assurance ●	Sufficient framework or key controls for objectives to be achieved but could be stronger.	Controls are applied with some lapses.
Limited Assurance ▲	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.
No Assurance ■	System of control not in place. Absence of basic controls resulting in inability to meet objectives.	Fundamental controls are not complied with.

### Definition of Category of Recommendation

We also rate each recommendation made. This gives management an indication of the importance of the recommendation and urgency for action. Implementation of the recommendation is so that management can mitigate risks to the achievement of their service objectives.

High	Action is imperative to ensure that the objective for the area under review is met. The recommendation must, where possible, be implemented within three months.
Medium	Requires action to avoid exposure to significant risk in achieving the objective for the area under review. The recommendation should be implemented within six months.
Low	Action is advised to enhance control or improve operational efficiency. This is a recommendation that would enhance control within the service and therefore should be considered for implementation within six months.

### Limitations to the scope of the audit:

Our work does not provide any guarantee against material errors, loss, or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

### Contact Details

Here are our contact details in the event you have any queries or would like any advice.

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If you are having difficulty in reading this report in this print size, please contact us and we will be happy to help to you.

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

London Borough of Lewisham

Executive Summary

Abbey Manor College (PRU) Financial Procedures for April 2013

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

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](#).

The findings for this review, along with any recommendations made, can be found in the Findings and Recommendations section on page 2.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 6 for definitions and further details.

Risk Heading	D	C	Recs		
			H	M	L
<b>Risk 1.</b> The College's Management Committee may not have introduced effective financial management procedures to enable it take on fully delegated powers, which could result in financial loss and failure to meet service objectives.	3	0	2	1	0
<b>Total Number of Recommendations</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>Opinion of Design and Compliance</b>	<b>N/A</b>	<b>N/A</b>			

### Key Findings that Need Attention

From our review of the current financial procedures for the College, the key findings are as follows;

- The role and responsibilities of the revised Management Committee and the Executive Head Teacher regarding the financial management of the College have not been defined and incorporated into the financial procedures in readiness for delegated budgets in April 2013.
- The financial procedures do not incorporate a procedure for the operation of the bank account and cheque facility since its introduction in September 2012.

### Areas of good practice where controls worked well

From the review of the current financial procedures for the College, controls were found to work well in the following areas;

- The Management Committee has set up a Working Group to ascertain the implications of the changes in the financial and governance arrangements for PRUs and other government recommendations

### 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 19.

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.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 18 for definitions and further details. For the full risks identified please refer to the APS.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Governance	★	★			1
Risk 2. Inventory	★	●			3
Risk 3. Banking	★	●		1	1
Risk 4. Budget Monitoring	▲	▲	5		
Risk 5. Income Controls	●	●		3	2
Risk 6. Recruitment	★	▲	1		
Risk 7. Payroll	★	★			
Risk 8. Purchasing	★	▲	1	5	
Risk 9. Data Security	★	★			
<b>Total Number of Recommendations</b>	<b>8</b>	<b>15</b>	<b>7</b>	<b>9</b>	<b>7</b>
<b>Opinion of Design and Compliance</b>	■	■			

### Changes to Scope

This review was requested by the new Executive Head Teacher and was conducted in line with the original scope for school audits as agreed in the APS.

### Key Findings that Need Attention

- The authorised signatory list and bank mandate was not up to date.
- Monthly budget monitoring had not been performed since January 2012.
- As per the minutes of the Finance Committee, Governors had approved the budget and had discussed budget issues. However, no financial reports or supporting documents was found to support any decisions made or discussed.
- A difference of minus £464k from the approved budget (£2,488k) compared to the current budget (£2,024k) could not be explained.
- £68,051 of income entered in the Financial Management System (FMS) as 'Income from Fund Raising' for 2012/13 could not be confirmed as for school funds or any other funding raising activity.
- One lettings contract and two income invoices could not be found.
- There was no policy for the recovery and write off of dinner money.
- Pre-employment checks (not including CRB checks) had not been consistently performed.
- Payments to suppliers were paid on statements and not invoices.
- Commitments for expenditure were not put on the Financial Management System (FMS).
- Quotations were not always obtained for the supply of goods and services in accordance with the Schools Finance Manual.
- Invoices had not been consistently authorised for payment.
- There was no evidence of tendering arrangements or a contract for school meals.
- A list of contracts could not be traced.

### Areas of good practice where controls worked well

- A Declaration of Interest was signed by all members of the Governing Body.
- Starter forms (EDUC1) had been raised for staff and retained on personnel files.
- Payroll reconciliations had been performed, signed by the Office Manager and checked as evidence of review by the Executive Head Teacher.
- CRB checks had been performed for staff and disclosures are recorded. The school is registered with the Information Commissioner.



## 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, is 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.

D = Design of Controls C = Comply with Controls.

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

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Governance	★	★			
Risk 2. Inventory	★	★			2
Risk 3. Banking	★	▲	3		
Risk 4. Budget Monitoring	★	★			
Risk 5. Income	★	★		1	
Risk 6. Recruitment	★	★			
Risk 7. Payroll	★	★			
Risk 8. Purchasing	★	▲		2	1
Risk 9. Data Security	★	★			
<b>Total Number of Recommendations</b>	<b>0</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Opinion of Design and Compliance</b>	★	▲			

### Key Findings that Need Attention

The school has experienced operating problems with its finance system E1 Finance and has not been able to process its financial transactions, bank reconciliations and returns on time. The system was fully operational in October 2012 and the backlog of financial transactions for 2012/13 has subsequently been loaded on to the system. The school has made considerable progress and in December 2012 the Head Teacher confirmed that the backlog of bank reconciliations and returns have been made to the Local Education Authority.

- Bank reconciliation statements have not been performed for the 2011/12 and 2012/3 financial years.
- Quarterly returns had not been made to the Local Education Authority for the 2012/3 financial year. A year-end return was made for 2011/12.
- There is un-reconciled balance of £15,600 between the school's financial system and bank statements at the end of September 2012 that has not been investigated and resolved.
- Verbal orders had not been consistently backed with official orders.
- Official orders where appropriate had not been consistently raised for internet purchase of goods and services.
- Card payments were not consistently supported with receipts and invoices.

### Areas of where controls worked well

From the sample of testing undertaken;

- The school has updated Financial Procedures which have been approved by the Governing Body.
- Updated declaration of interest forms for the school's management and governors had been completed.
- The school's budget for 2012/13 has been approved by the Governing Body, is being appropriately monitored and has been correctly uploaded onto the finance system.
- Payroll documentation for starters and leavers had been appropriately authorised and pre-employment/CRB checks undertaken for staff.
- The school is registered under the Data Protection Act.

### 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

London Borough of Lewisham

Executive Summary

Crossways Sixth Form SCH30

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 6.

The findings for this review, along with any recommendations made, can be found in the Findings and Recommendations section on page 2.

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 on page 6.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Governance	★	★			1
Risk 2. Inventory	★	★			1
Risk 3. Banking	★	★			
Risk 4. Budget Monitoring	★	▲	1		
Risk 5. Income Controls	★	★			
Risk 6. Recruitment	★	▲	1		
Risk 7. Payroll	★	★			
Risk 8. Purchasing	★	★			
Risk 9. Data Security	★	★			
<b>Total Number of Recommendations</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Opinion of Design and Compliance</b>	★	★			

### Key Findings that Need Attention

- The school's predicted deficit for 2012/13 has increased from £160,974 to £254,071.
- The school did not always obtain 2 references for new starters before recruiting them.

### Areas of good practice where controls worked well

- Bank reconciliations were produced regularly.
- Income was banked on a timely basis and intact.
- Salary payments were found to be accurate.
- Official orders had been consistently raised where expected.
- Invoices were certified for payment.

### Changes to Scope

This 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
- Acting Director of Corporate Services
- Finance Officer

## Appendix 5 – Corporate risk register assessment criteria

<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

## Appendix 6 – Mapping of draft internal audit plan to Corporate risk register

Ref	Risk	Current status	2013/14 Internal Audit Plan	Dir.
A	Failure to maintain minimum service continuity during and quickly recover from a disaster.	●	(Business continuity coordination group)	
B	Failure of central ICT infrastructure.	●	ORACLE Pensions system implementation SharePoint 2010 Housing & Council Tax key parameters NNDR key parameters Web payments	RRE RRE RRE CUS CUS CUS
C	Non compliance with Health & Safety Legislation.	●	(H&S annual assurance programme – full audits and self assessment audits)	RRE
D	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>	●	Council Tax reductions scheme Payment centres Housing Options Centre	CUS CUS CUS
E	Financial failure and inability to maintain service delivery within a balanced budget.	●	Budget control and monitoring Accounts payable Main accounting VAT Banking Housing & Council Tax Benefit	RRE RRE RRE RRE CUS CUS
F	Failure to prevent and detect fraud & corruption.	●	(A-FACT investigations reported on to Internal Control Board and Audit Panel) Personal budgets, individual budgets and direct payments	RRE COM
G	Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.	●	(Insurance programme) Payments to RES & DOM care Looked after Children payments to providers Children's disability payments Adoption, fostering and residential orders	RRE COM C&YP C&YP C&YP
H	Loss of income to the Council.	●	Treasury management Council Tax Accounts receivable NNDR – key controls Client contributions for RES & DOM care	RRE CUS CUS CUS COM

## Appendix 6 – Mapping of draft internal audit plan to Corporate risk register

Ref	Risk	Current status	2013/14 Internal Audit Plan	Dir.
I	Failure to manage performance leads to service failure.	★	Non current assets Continuous auditing Youth Offending Team Supporting People Programmes	RRE RRE COM COM
J	Multi-agency governance failure leads to ineffective partnership working.	●	(Internal Audit work for Lewisham Homes) South London and Maudsley (possibly defer to 14/15)	RRE COM
K	Failure to manage strategic suppliers and related procurement programmes.	★	Transport (Highways) contracts Facilities management contract Capita IT contract management Trade Waste contract review Parking contract Fusion Leisure contract Block nursing contract	RRE RRE RRE CUS CUS CUS COM
L	Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition.	▲	Capital programme, monitoring and expenditure Property asset management Estates Management	RRE RRE C&YP
M	Failure of safeguarding arrangement.	▲	Safeguarding (adults) Leaving Care (children)	COM C&YP
N	Loss of constructive employee relations.	▲	Payroll Pensions	RRE RRE
O	Information governance failure.	●	Review data scanning and storage	RRE
P	Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformational change.	▲	Forefront identity manager	RRE
Q	Loss of service capacity and failure to protect the vulnerable due to extreme environmental circumstances.	●	(Business continuity coordination group)	
R	Governance failings in the implementation of service changes.	●	Project management Enforcement Adult Social Care – new ways of working NEETs targets and outcomes Pathfinder SEND	RRE CUS COM C&YP C&YP
S	Relocation of health services out of borough.	●	(New risk – being considered at the strategic level)	

## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month Due to Start	Scope
RRE	Budget Control and Monitoring	12	Oct	Key Controls (Assurance)
RRE	Non Current Assets	15	Oct	Key Controls (Assurance)
RRE	Capital Programme, Monitoring and Expenditure	15	Nov	Key Controls (Assurance)
RRE	Treasury Management	10	Nov	Key Controls (Assurance)
RRE	Accounts Payable	14	Dec	Key Controls (Assurance)
RRE	Main Accounting	17	Dec	Key Controls (Assurance)
RRE	Payroll	15	Oct	Key Controls (Assurance)
RRE	Pensions	16	Nov	Key Controls - to include new automatic enrolment. (Assurance)
RRE	Review Data Scanning and Storage	10	Jul	Review new contract for off site storage and retrieval (Assurance)
RRE	Forefront Identity Manager (FIM)	8	Sep	Review of the management processes for user network access. Forefront Identity Manager will replace SMAL system. (Assurance)
RRE	Oracle	15	Oct	Review of there new oracle upgrade to ensure that it is fit for purpose. Review how maintenance and upgrades to the system are managed, security of data and governance. (Assurance)
RRE	Project Management	20	Jul	Review of project management across the council to include PRG and Training. (Assurance)
RRE	Pensions System Implementation	8	Jul	Review of the new pensions system. To include: security, controls, transfer of data from old system and the normal implementation testing that is expected of a new system. (Assurance)
RRE	Transport (Highways) Contract	10	Apr	Review of the Clienting arrangements for the transport contract (highways maintenance) particularly valid in light of staff restructure. (Assurance)
RRE	Facilities Management Contract	10	Apr	Review of Clienting arrangements for the Facilities Contract. (Assurance)

## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month Due to Start	Scope
RRE	Property Asset Management	10	Jul	Review of the operation and process for managing property asset. (Assurance)
RRE	SharePoint 2010	8	Sep	Review security access, project management of SP2010. (Assurance)
RRE	Continuous Auditing	40	N/A	To run and provide quarterly reports (Assurance)
RRE	Capita - IT Contract Management	10	Oct	To review the contract management process (Assurance)
RRE	VAT	8	Apr	To review the process of input and output tax. (Assurance)

Lead Dir.	Name of Audit	Total Days	Month due to start	Scope
CUS	Banking	10	Oct	Key Controls (Assurance)
CUS	Council Tax	18	Nov	Key Controls (Assurance)
CUS	Accounts Receivable	14	Dec	Key Controls (Assurance)
CUS	Housing and Council Tax Benefit - Key controls	16	Nov	Key Controls (Assurance)
CUS	NNDR - Key controls	12	Oct	To include parameters and new regs etc. (Assurance)
CUS	NNDR - IT parameters	5	Oct	Review initial controls, parameters prior to Key audit. (Assurance)
CUS	Housing and Council Tax Benefit - IT parameters	5	Apr	Review initial controls, parameters prior to Key audit. (Assurance)
CUS	Council Tax Reduction Scheme Operation	5	Nov	Review initial controls, parameters prior to Key audit. (Assurance)
CUS	Trade waste - contract review	10	Jul	Review the Clienting arrangement for trade waste (not dry recycling). (Assurance)
CUS	Web Payments	10	Apr	Review the security and resilience of the online payment systems that has taken over from the cash office (Assurance)

## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month due to start	Scope
CUS	Payment Centres	10	Jul	Review of the new payment centres in terms of role allocation and automation. (Assurance)
CUS	Parking Contract	15	Apr	Review the monitoring of the new contract, including payments, recovery, KPI and partnership working. To include how personal information is shared between parties. (Assurance)
CUS	Housing Options Centre	20	Jan	Review of the decision making process, management of service, meeting of objectives and application process. (Assurance)
CUS	Enforcement	10	Jan	To review the efficiency & productivity of the team. (Assurance)

Lead Dir.	Name of Audit	Total Days	Month due to start	Scope
COM	Client Contributions for Residential & Domiciliary Care	14	Oct	Key controls (Assurance)
COM	Payments to Residential and Domiciliary Care	14	Nov	Key controls (Assurance)
COM	Safeguarding (Adults)	10	Jan	Review the structure and process of the new Safeguarding Adults team. (Assurance)
COM	Fusion Leisure Contract	10	Oct	Review the monitoring of the contracts, KPIs and H&S, and benefits of outcomes.
COM	South London and Maudsley (SLAM)	15	N/A	Review the governance and operational management in respect of LBL interest in relation to SLAM (Assurance)
COM	Personal Budgets. Individual Budgets and Direct Payments	25	Jan	To review all three areas - including, assessing, monitoring, allocation and outcomes (Assurance)
COM	Block Nursing Contract	10	Apr	Review the block nursing contract monitoring and outcomes / savings (Assurance)

## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month due to start	Scope
COM	Adult Social Care - new ways of working	30	Jan	To be advised.
COM	Youth Offending Team	10	Jul	To review the objectives and outcomes of the service. (Assurance)
COM	Supporting People Programmes	10	Jul	To review the objectives and outcomes. Including working with the Penrose organisations. (Assurance)

Lead Dir.	Name of Audit	Total Days	Month Due to start	Scope
CYP	Looked after Children Payments to Providers	10	Oct	Key controls (Assurance)
CYP	Estates management	15	Jul	In light of the reorganisation, review of estates management and their statutory maintenance procedures in line with agreed SLA with schools (Assurance)
CYP	NEETs Targets and outcomes (previously Re-organisation of Youth Service)	10	Apr	Review of the targets set and outcomes in relation to NEET (Not in Education, Employment or Training). (Assurance)
CYP	Childrens' Disability Payments	10	Oct	Review of the process for the administration, application, assessment & payment. (Assurance)
CYP	Pathfinder SEND	20	Jul	Review of the process for the administration, application, assessment & payment relating to SEND. (Assurance)
CYP	Leaving Care	10	Jan	Review the objectives and outcomes of the support of children leaving care. (Assurance)
CYP	Adoption, fostering and residential orders	10	Apr	Individual reviews process and payment reviews to be performed on a 3 year rolling basis (Assurance)



## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month Due to start	Scope
SCH	Brindishe Green Jnr.	4	TBC	Standard School Testing Programme
SCH	Dalmain Jnr.	4	TBC	Standard School Testing Programme
SCH	Deptford Park Jnr.	4	TBC	Standard School Testing Programme
SCH	Good Shepherd Jnr.	4	TBC	Standard School Testing Programme
SCH	Holy Cross RC Jnr.	4	TBC	Standard School Testing Programme
SCH	Horniman Jnr.	4	TBC	Standard School Testing Programme
SCH	John Stainer Jn.r	4	TBC	Standard School Testing Programme
SCH	Lee Manor Jnr.	4	TBC	Standard School Testing Programme
SCH	Lucas Vale Jnr.	4	TBC	Standard School Testing Programme
SCH	Marvels Lane Jnr.	4	TBC	Standard School Testing Programme
SCH	Myatt Garden Jnr.I	4	TBC	Standard School Testing Programme
SCH	Rangefield Jnr.	4	TBC	Standard School Testing Programme
SCH	Rathfern Jnr.	4	TBC	Standard School Testing Programme
SCH	Rushey Green Jnr.	4	TBC	Standard School Testing Programme
SCH	Sandhurst Jnr	4	TBC	Standard School Testing Programme
SCH	St Augustines Jnr.	4	TBC	Standard School Testing Programme
SCH	St Marys Jnr.	4	TBC	Standard School Testing Programme
SCH	Stillness Inf.	4	TBC	Standard School Testing Programme
SCH	Stillness Jnr.	4	TBC	Standard School Testing Programme
SCH	Torridon Inf.	4	TBC	Standard School Testing Programme
SCH	Torridon Jnr.	4	TBC	Standard School Testing Programme
SCH	Turnham Inf.	4	TBC	Standard School Testing Programme

## Appendix 7 – Proposed Internal Audit Plan for 2013/14

Lead Dir.	Name of Audit	Total Days	Month Due to start	Scope
SCH	Drumbeat School (Spec)	5	TBC	Standard School Testing Programme

Follow-ups for Key audits = 24 days

Planning = 10 days

### In-house

Follow-ups = 50 days

Compliance testing = 50 day

Assurance mapping = 20 days

Regenta = 5 days

Contingency = 50 days

AUDIT PANEL			
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE		
Key Decision	NO		Item No. 7
Ward	ALL		
Contributors	Interim Head of Audit & Risk		
Class		Date: 27 March 2013	

## 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.

3.2.

Summary of special investigations work	2012/13	2011/12	Change		2011/12	2010/11
	P9 YTD	P9 YTD	Number	%	FY	FY
Brought forward	30	84	(54)	-64%	84	
New	78	77	1	1%	61	
Closed	(70)	(90)	(20)	-22%	(115)	(137)
Carried forward	38	71	(33)	-46%	30	84
Of which						
E'ee cases	29	38	(9)	-24%	53	41
- resulting in action	16	14	2	14%	20	20
Other cases	41	52	(11)	-21%	62	96
- resulting in action	7	11	(4)	-36%	10	9

- 3.3. 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.
- 3.4. Since last year A-FACT has tried to focus on those cases where they are more likely to achieve a result. This has reduced caseload to a more manageable number and already more (approximately half) employee cases are resulting in action taken.

#### Employee Related cases

- 3.5. Of the 70 cases closed 29 concerned employees. Of these employee cases 16 concluded with action being taken. The form that action took is detailed in the table below:

Analysis of employee fraud	2012/13	2011/12	Change		2011/12	2010/11
	P9 YTD	P9 YTD	Number	%	FY	FY
Dismiss & Convicted	1	2	-1	-50%	2	0
Resigned / Dismissed	3	8	-5	-63%	9	10
Other disciplinary	3	4	-1	-25%	8	9
Monies repaid	1	0	1	100%	0	0
Management action	5	0	5	500%	1	1
Identity issue cleared	3	0	3	300%	0	0
Total	16	14	2	14%	20	20

- 3.6. Quarterly reports continue to be issued to each Executive Director with a summary of all cases being dealt with by Special Investigations in their Directorate. This ensures that the risk of fraud is considered in the context of the demands of the service, priorities are agreed, and progress on investigations communicated.

#### Other Cases

- 3.7. A lengthy investigation by East Lothian Council and Lothian & Borders Police was successfully concluded with support from AFACT. The fraudster was jailed for a year and the amount defrauded from Lewisham (£13,917) has already been repaid.
- 3.8. There have been two successful prosecutions relating to the misuse of Lewisham Blue Badges. In both cases the drivers pleaded guilty. It is estimated by the National Fraud Authority that a Blue badge has a notional value of £825 per year.
- 3.9. A benefit claimant had alleged that a member of staff was intercepting his money. Investigations were able to prove that the money had been paid to the account provided by the claimant and prove there was no dishonesty by any member of staff.
- 3.10. A-FACT have been working closely with the Direct Payments team in Community Services to both identify and resolve suspect cases. In one case an investigation cast doubt on the clients needs. The client was offered the alternative of having their needs met by the Council but this was declined. Community Services are seeking to recover £19,368 and have calculated that the annual saving to the public purse is £40,005 due to other monies also being paid. A-FACT are working on a number of similar cases and developing a proposal to look at more cases in the coming months.

#### Lewisham Homes

- 3.11. 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

- 3.12. 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
	P9 YTD	P9 YTD	Number	%	FY	FY
Checks completed	<b>214</b>	200	14	7%	334	279
Action taken	<b>15</b>	13	2	15%	21	

- 3.13. In 15 cases where action was required to confirm the declarations made all were subsequently resolved satisfactorily.
- 3.14. The pre-employment vetting process developed by A-FACT has been included (Nov 12) as a good practice example in a staff vetting guide "Slipping Through the Net". The guide published by CIFAS in collaboration with the National Fraud Authority.

#### 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
	P9 YTD	P9 YTD	Number	%	FY	FY
Brought forward	<b>349</b>	381	-32	-8%	381	416
New	<b>218</b>	176	42	24%	264	591
Closed	<b>326</b>	208	118	57%	-296	-626
Carried forward	<b>241</b>	349	-108	-31%	349	381
Sanctions resulting	<b>61</b>	46	15	33%	84	181
Of which						
Admin penalty	<b>5</b>	6	-1	-17%		
Caution	<b>42</b>	27	15	56%		
Prosecution	<b>14</b>	13	1	8%		
Overpayment value £	<b>489,574</b>	261,811	227,763	87%	640,355	846,022

- 4.2 Since the last report to ICB there has been seven prosecutions. One of which has been subject to a successful press release (see Appendix 1).
- 4.3 The DWP have now confirmed that as from April 2013 all work on Benefit Fraud Investigations undertaken by the DWP, HMRC and Local Authorities will be branded as the Single Fraud Investigation Service (SFIS). Rollout of the final SFIS design including IT solutions will commence in 2014/15. There are four pilots currently underway which aim to inform the final rollout process. No further detail is available on what this will mean in practice for the Lewisham team.

## 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
	P9 YTD	P9 YTD	Number	%	FY	FY
Brought forward	48	72	-24	-33%	72	59
New	96	56	40	71%	66	60
Closed	38	47	-9	-19%	-90	-47
Carried forward	106	81	25	31%	48	72
Resulting in action	16	17	-1	-6%	18	16

- 5.1 The large increase in the number of cases is due to additional workload from the decant schemes and a specific project looking at new applications for housing on the basis of overcrowding.
- 5.2 Since the last report eight cases have been successfully concluded. These relate to four fraudulent housing applications, one Cash Incentive scheme payment, one fraudulent Housing register application, and two cases where applications under decant schemes have found to be false.
- 5.3 The Audit Commission have stated that there is a significant value associated with recovering tenancies and preventing fraudulent applicants from being housed. They estimate that the average cost of temporary accommodation for a family for a year is £18,000. On this basis A-FACT have either recovered or prevented tenancies being wrongly allocated in 14 cases, representing a saving of £252,000. The team have also prevented two payments under the Cash Incentive Scheme worth up to £60,000.
- 5.4 The bill to make tenancy fraud a criminal rather than civil offence has cleared the House of Lords and is expected to become law in May 2013. This will also enable Courts to award landlords any profit the tenant has made from subletting.
- 5.5 Lewisham hosted a South East London Housing Partnership (SELHP) event on the 5<sup>th</sup> March 2013 to launch the new Prevention of Social Housing Fraud Act.

## 6 DCLG Housing Bid funding

- 6.1 Since January 2012 the DCLG have funded an investigator based within A-FACT to work with local housing partners to tackle fraud related to social housing. Work is being directed by Strategic Housing (Customer Services) and delivered by A-FACT working in Lewisham and with the SELHP.
- 6.2 During the period April to December 2012 nineteen cases have been successfully concluded - ten for L&Q, five for Regenter B3/Pinnacle, three decants from Milford Towers, and one for Lewisham Homes.
- 6.3 On the basis of the Audit Commission figures for the value of social housing as detailed in paragraph 5.3. The recovery of 19 tenancies equates to £342,000.
- 6.4 Comparative figures are not available for the same period last year as the Lewisham scheme only started in January 2012.
- 6.5 DCLG ran a bidding cycle for future funding of this work in 2013/14 and 2014/15. The Council has submitted a bid and the result is expected in March 2013. If little or no funding is forthcoming A-FACT will work with SELHP to develop an affordable provision for the Registered Social Landlords to buy in intelligence/investigation services from one or two key boroughs, likely to be either Lewisham or Southwark.

## **7 Publicity**

- 7.1 A-FACT has issued two press releases between October and December. One relates to benefit fraud and the other the successful prosecution of two cases where Lewisham Blue Badges were being used by drivers who weren't disabled.
- 7.2 The Council's News brief ran the story, see 3.7 above, from the East Lothian Courier.
- 7.3 A "News for You" item was posted on the intranet reminding all staff that they must not use Council resources for personal use. This followed several cases where staff used the Council's postal system for personal items.

## **8 Fraud Awareness Training**

- 8.1 A-FACT have delivered two training sessions in the last quarter. One for the Recruitment Team on the verification of identity documents, the other a general Fraud Awareness session for new employees at their induction event.
- 8.2 AFACT are also delivering more document fraud training to SELHP on a chargeable basis. Refresher training for the Housing Options Team has also been requested.
- 8.3 A-FACT will be introducing a new Fraud e-Learning course to promote general fraud awareness information for staff at all levels to help further embed a counter fraud culture and aid the deterrence, prevention and detection of fraud across the Council.

## **9 CIPFA Counter – Fraud Benchmarking Exercise**

- 9.1 Having been a member of the steering committee, AFACT participated in the CIPFA benchmarking exercise across 45 public bodies looking at their counter fraud and investigation arrangements. The following results are taken from the comparator report against 10 other London Boroughs.
- 64% of the boroughs had one corporate investigation team (incl. Lewisham)
  - Lewisham staff cost per FTE was £47k compared to the average of £46k.
  - Lewisham has a higher level of internal referrals of fraud than average but a much lower level of referrals from external sources.

Initial Contacts	Internal Referrals		External Referrals	
	Lewisham	Average	Lewisham	Average
Housing Benefit	62%	48%	38%	58%
All others	89%	55%	11%	45%

- 9.2 This referral rate suggests that Lewisham staff have a good level of awareness of the risk of fraud and how to report concerns. However, more work could be done to publicise A-FACT to the general public.
- 9.3 Lewisham's percentage of cases completed that led to prosecution/sanction was 27%, the same as the average of the other boroughs.
- 9.4 Lewisham was the only borough not estimating the annual total of fraud uncovered or amount saved. This is being addressed, starting with the numbers included in this report.
- 9.5 The Benchmarking group will continue to meet to discuss the outcomes of the exercise and suggest improvements for future exercises.

## **10 Metropolitan Police Seconded**

- 10.1 A-FACT continue with the secondment of a Detective Constable from the Metropolitan Police, at least until August 2013.
- 10.2 As Lewisham A-FACT have become more proficient in securing prosecutions, it has started to uncover more sophisticated frauds which require the powers of arrest and search in order to be addressed effectively. The Police Seconded continues to enable the team to deal with cases that A-FACT wouldn't otherwise be able to progress.

## **11 Legal Implications**

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

## **12 Financial Implications**

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

## **13 Equalities Implication**

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

## **14 Crime and Disorder Implications**

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

## **15 Environmental Implications**

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

## **16 Background Papers**

- 16.1 There are no background papers reported.

If there are any queries on this report, please contact

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## **Appendix 1**

### **LONDON BOROUGH OF LEWISHAM**

Media Release: 26 October 2012  
MR161

#### **Benefit cheat must repay £12,000**

A benefit cheat who defrauded over £12,000 has received a suspended jail sentence and a curfew order following a prosecution by Lewisham Council.

Fatama Bangura, 40, of Harmon House in Deptford, was sentenced on 3 October 2012 to 10 week's imprisonment suspended for two years. She was also made the subject of a curfew order for two months (between 8.00pm and 6.00am) by Bromley Magistrates Court following the prosecution by Lewisham Council. She must pay £100 as a contribution towards costs as well as having to repay the defrauded monies.

The fraud was identified as part of a regular national data-matching exercise, co-ordinated by the Audit Commission. Miss Bangura had failed to declare that she was working full time as a nurse, and over a two-year period starting in December 2009 she fraudulently obtained over £12,000 of benefits. This was made up of £6,659.70 housing benefit, £1,118.93 in council tax benefit and £4,632.40 in income support.

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

The investigation was undertaken jointly by Lewisham Council and the Department for Works and Pensions (DWP).

Lewisham Council's Anti-Fraud and Corruption Team investigates all allegations of fraud against Lewisham Council including fraudulent applications for benefit. 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.