



# AGENDA AUDIT PANEL

**Date: TUESDAY, 8 DECEMBER 2015 at 7.00 pm**

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

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

## **COUNCILLORS**

Councillor Helen Klier - Chair  
Councillor Bill Brown  
Councillor Mark Ingleby  
Councillor Jim Mallory  
Councillor Jonathan Slater - Vice Chair  
Councillor Eva Stamirowski

## **Independent Members**

Paul Dale  
Richard King  
2 Vacancies

**Members are summoned to attend this meeting**

**Barry Quirk  
Chief Executive  
Lewisham Town Hall  
Catford  
London SE6 4RU  
Date: 30 November 2015**



INVESTOR IN PEOPLE

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

## ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
1.	Minutes	1 - 6
2.	Declarations of Interests	7 - 10
3.	Sedgehill School Deficit Update	11 - 17
4.	Annual Audit Letter 2014/15	18 - 22
5.	Budget Monitoring Financial Forecasts 2015-2016	23 - 38
6.	Grant Thornton Audit Panel Update	39 - 54
7.	Internal Audit Update	55 - 69
8.	Anti-Fraud & Corruption Update	70 - 75

# Agenda Item 1

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 8 December 2015

## Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 17 September 2015 be confirmed and signed.

# MINUTES OF THE AUDIT PANEL

Thursday, 17 September 2015 at 7.00 pm

PRESENT: Councillors Helen Klier (Chair), Mark Ingleby, Jim Mallory and Jonathan Slater (Vice-Chair)

ALSO PRESENT:

Apologies for absence were received from Councillor Bill Brown, Councillor Eva Stamirowski and Richard King

## 16. Minutes

### Sydenham Hill School Deficit

The Head of Corporate Resources informed the Panel that progress had been made on the investigation, and recommendations done for the school. The Panel would receive feedback at their December meeting.

### **Action >>> Head of Corporate Resources**

### Reconciliations Update

The Head of Financial Services stated that the difficulties around reconciliations which were due to staff changes, had now been addressed, and reconciliations were now being done on a monthly basis. Councillor Mallory asked whether officers were satisfied they now have the right level of personnel, and was told they were doing their best in the circumstances.

### Joint Management Board of the Shared Services Provider of the General Ledger Upgrade

Panel members thought it would be useful for the Audit Panel and the Public Accounts Select Committee to receive a briefing on the Joint Management Board. The Chairs of both Committees would decide the format and time of this briefing.

### **Action >>> Head of Financial Services**

### Commissioning and Procurement Board

Councillor Ingleby said he would request that this item be included in the PASC work programme, subject to approval. The Head of Corporate Resources said they had just produced a handbook which made reference to new regulations, including information on the Commissioning Board. Councillor Ingleby said the handbook would be useful.

### **Action >>> Head of Corporate Resources**

## Independent Panel Members

Councillor Mallory asked whether progress had been made with appointing new Independent Members, and was told that officers were still pursuing this.

### **Action >>> Head of Corporate Resources and Head of Financial Services**

Darren Wells stated that the comments on paragraph 13 fourth paragraph was from the Head of Corporate Resources, this was noted.

RESOLVED that the minutes of the meeting held on 18 June 2015, which was Open to the public, be confirmed and signed as a true record of the proceedings, subject to it be noted that comments on paragraph 13 fourth paragraph was from the Head of Corporate Resources.

### **17. Declarations of Interests**

None received.

### **18. Final Accounts - Grant Thornton's External Audit Reports**

Jamie Bewick, Manager Public Sector Assurance, Grant Thornton introduced the report, which highlighted the significant findings and key matters arising from the audit of Lewisham's financial statements for the year ended 31 March 2015. He informed Panel members that overall it was a good audit, and following some amendments that are yet to be done, it would be given an unqualified conclusion. He added that there were good systems in place, and although the Council was financially challenged there were only few suggestions made.

Councillor Mallory asked about the incorrect classification, and was told that a transaction had been posted in the wrong year. Councillor Mallory asked if this would affect the accounts, and was told it would not. He then asked how many hostels the Council have, and was told 7.

Following some clarifications as requested by Councillor Ingleby he stated that he was pleased to note that this was a good audit for the Council. Jamie Bewick stated that Grant Thornton acknowledged that the Council had done well given the scale of savings it had to make in relation to its deprivation.

The Head of Corporate Resources said last year's plan was slightly late, and officers were working hard to ensure that issues that were highlighted last year were being monitored to avoid any delays. Darren Wells, Director, Grant Thornton said they had not yet seen the evidence, but have discussed recommendations and issues with the Executive Director for Resources & Regeneration, the Head of Financial Services and the Group Finance Manager, Core Accounting.

The Chair commended officers for the improvement, she said although there was room for additional improvement she was pleased to see the report. Councillor Mallory said he was also pleased with the report especially with the current reduction in staff. Councillor Slater asked whether temporary or freelance staff were being used

to assist with the work, and was told that management was keen to see stability and were trying to use permanent staff to do the work.

The Chair asked how officers would cover long term illnesses, and was told that fortunately they had not have any to date. Councillor Slater said temporary staff could be expensive. The Head of Financial Services emphasised that management was trying to ensure that the section was self- reliant, and discouraging single person dependency in any particular job. Councillor Ingleby asked whether the £5m mentioned on the savings plans for new homes bonus money, meant £5m would be spent on new homes. He was told that the money was to fund infrastructure and services which would result during the course of building the new homes.

### Pensions Fund

The Chair said the pensions audit findings were very favourable. Jamie Bewick said there was nothing in particular to bring to the Panel's attention. He added that he did not foresee any problem in signing the opinion, and Grant Thornton proposed to give the Council an unqualified VFM conclusion.

In response to Councillor Ingleby's question as to whether this report would go to the Pensions Board, it was noted that the Pensions Board have no formal role in this process, but at their meeting in July it was agreed that key documents would be forwarded to them.

RESOLVED that the External Auditors reports for the Council's Main Accounts and the Lewisham Pension Fund Accounts 2014/15 be noted.

## **19. LBL Response to Grant Thornton's Findings**

In relation to page 29 of the report, the Chair asked whether Grant Thornton was urging Lewisham to speed up their savings programme. Jamie Bewick said Grant Thornton just made a factual judgement that savings put in the plan was not achieved because of the savings drive. Councillor Mallory asked if Grant Thornton had sought to find out if steps had been taken to address this. Jamie Bewick said this had not been looked at thoroughly. Darren Wells said that the section dealt with robustness and they had noted that planned savings had not been realised as quickly in the year.

The Head of Corporate Resources said Lewisham Futures Program sets out the savings targets, and last year they were slightly optimistic about what they could achieve on some proposals. He said an exercise was done to keep track with these proposals, and currently they were realistic targets. The Head of Corporate Resources said he was confident they would be delivered, albeit later than expected. He said the next monitoring report would be going to the Public Accounts Select Committee in November.

Councillor Mallory asked whether officers were not being realistic, in achieving savings because of the pressures to make them. The Chair said this could be worrying as the savings remained on-going. Councillor Slater said the answer could be income generation and Shared Services. He said at the last Housing Select Committee, members said officers should start to think out of the box and

be innovative. The Head of Corporate Resources said officers were doing all they could, and would continue to do so.

RESOLVED that:

- i. the reports from Grant Thornton, and the covering officer report be noted.
- ii. the letters of representation be approved on behalf of Council.
- iii. the comments from the Panel for Council be finalised by the Chair

## **20. Internal Audit Update**

The Head of Corporate Resources introduced the report. He highlighted that 6 audits have been finalised from 2015/16 audit plan. He informed Panel Members that 9 recommendations had not been agreed by managers. These would be referred to the Internal Control Board (ICB) in November to decide if the recommendations should be implemented or not. The result of this referral would be presented to Panel Members at their next Audit Panel meeting. The Head of Corporate Resources said management sometimes do not agree recommendations because of concerns they may not get the resources needed to implement the recommendations, rather than disagreeing with the intent of the recommendations.

The Head of Corporate Resources said the numbers of overdue recommendations had gone up, and this could become a problem, but auditors would keep it under review. Councillor Slater raised his concerns about recommendations not being carried out on time. The Head of Corporate Resources said the reason why the overdue recommendations have increased could be down to the timing of reminders being sent out, which was during the Summer. This would be monitored and reported at the next Audit Panel meeting.

**Action >>> Head of Corporate Resources to update members on recommendations not agreed, and overdue recommendations at the next meeting.**

RESOLVED that the report be noted.

## **21. Anti-Fraud and Corruption Team Update**

The Head of Corporate Resources introduced the report and reminded Panel Members that the Council no longer did benefits work, although it was a requirement for the Council to work with the Department of Works and Pensions.

The Chair asked whether there had been additions to the number of staff in the antifraud section, and was told there had been a reduction in staff from 10 to 6.5. The Audit Manager said officers were now doing more proactive, and less reactive work to promote efficiency.

The Chair asked whether there had been a noticeable difference following the deployment of benefits to the DWP. It was noted that the figures were roughly the same. Councillor Slater asked whether fraud had gone up after the introduction of the Right to Buy. The Head of Corporate Resources said this was an area where

fraud has been identified in the past and continues to be identified, which supports the ongoing focus on the risk of housing in all its forms in the counter fraud strategy.

RESOLVED that the report be noted.

Meeting ended 8.38pm

Chair.....

# Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 8 December 2015

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)

1. Recommendations and Management Action Plan.

Rec No	Recommendations for the school	School Comments	Due Date/ Completed by	Responsible
<b>Payroll / Establishment</b>				
1	Create and maintain an establishment list of posts in the school and reconcile this monthly to payroll and agency records.	Agreed	Completed October 2015	
2	Ensure that there is sufficient budget prior to recruiting any new staff.  As per the school's own finance policy, the Resource Committee should ensure that there is sufficient budget to recruit any additional resources. The approval should be minuted and evidence of the budget check and other relevant documentation should be kept with the minutes.	A licensed deficit was agreed in June 2015.  The Interim Executive Board was installed January 2015 and replaced all other Governors Committees	Actioned Sept 2015	
<b>Budget Monitoring and Setting and Reporting</b>				
3	When setting the budget at the beginning of the year, ensure that all key annual costs are identified, including those in relation to the PFI charges.  The establishment list could be used to identify the staffing costs.	Agreed  The School IEB has agreed a budget that is consistent with the licence approved by the Council and includes PFI costs.	Done  16 June	
4	The school should contact the SFT (School Finance Team) to confirm the financial information needed if it not received in	Agreed	Completed October	

Rec No	Recommendations for the school	School Comments	Due Date/ Completed by	Responsible
	time to set the budget. This includes PFI charges or any other ad-hoc income or expenditure.		2015	
5	Full budget monitoring should be done on a monthly basis. (The template used for the SFT monitoring returns could be used for this purpose, if the finance system is not able to produce this information).	Agreed A dedicated role appointed by the IEB to this role. Monitoring being completed	September 2015 completed	
6	Monthly budget monitoring reports should be presented to the governors at each meeting. (This could be a standing agenda item).	Agreed Reports are presented to the IEB monthly	Completed 20 November	
7	Regular, timely, and complete reporting on financial matters to staff, Governors and the Council should be undertaken. To help with this, a timetable for the preparation of monthly budget and other financial reports, (including the reports due to the Council), could be created and communicated to Staff and Governors.	Agreed	Completed by Oct / Nov	
<b>Training</b>				
8	Run training sessions on how to use and get the most from the finance system for all staff in the school with financial responsibilities. This includes senior management within the	Agreed A peripatetic bursar has	To be completed	Tim Dolan

Rec No	Recommendations for the school	School Comments	Due Date/ Completed by	Responsible
	school.	been appointed to undertake end of month routines He will undertake the training sessions	End of January 2016	
9	Where appropriate, staff with financial responsibility should have financial training to ensure that they are fully aware of how to conduct budget monitoring and the process to go through if they find something amiss. This includes senior management within the school.	Agreed	Started October 2015	
10	Ensure that governors are provided with training on school finances and how to interpret financial reports presented to them at meetings.	The IEB are experienced Governors who are well versed in financial monitoring in a schools context and in Lewisham.	Done	
<b>Governance</b>				
11	Ensure full records of all Governor meetings are maintained, including documenting any decisions, actions and who is responsible.  This includes any adhoc or extraordinary meetings. Records of actions should then be carried over and reported to future meetings until all are in agreement they have been successfully completed.	Agreed IEB minutes are on a published web site.	Done	

Rec No	Recommendations for the school	School Comments	Due Date/ Completed by	Responsible
12	Senior Management meetings to discuss finances should be minuted. Any actions identified should be followed up until complete. The SBM or other relevant finance staff should attend these meetings.	Agreed	To be completed January 2016	Tim Dolan
13	The school should update the finance policy to ensure that any changes to roles and responsibilities resulting from this report are now included, ensuring all staff are aware of the new changes and their responsibilities.  Governors should approve the policy once updated, and then annually (or sooner if there are any significant changes).		To be completed January 2016	Tim Dolan
14	The school should update (or create) the financial procedures with any changes resulting from this report. For example, any changes to the payroll, recruitment and budget monitoring processes.	Some work underway	To be completed January 2016	Tim Dolan

Rec No	Recommendations for the council	Council Comments	Due Date	Responsible
1	The SFT should confirm their process of escalation if a school does not provide the required documentation on time and make sure it is followed.  This could include emailing governors and heads of school of the	Implemented	Sept 2015	

Rec No	Recommendations for the council	Council Comments	Due Date	Responsible
	delays so all are aware.			
2	<p>Where the SFT has been made aware of schools either having or predicting to have issues with maintaining a balanced budget, closer monitoring should take place until the issue is resolved.</p> <p>This could include asking for additional budget monitoring submissions throughout the year.</p>	Implemented	June 2015	

DRAFT

## APPENDIX A – Terms of Reference

### SEDGEHILL SCHOOL – MARCH 2015 FINANCIAL MONITORING AND CONTROL INVESTIGATION

#### Purpose

To investigate the school's financial records to:

- assess the accuracy of the recently projected £1m overspend for 2014/15,
- consider the reasons for the late recognition of this position, and
- recommend the work required to avoid a repeat in the future.

#### Risks

The investigation is seeking to assess the following risks, all of which have the consequence of the potential for loss of resources and reputational harm adversely impacting the school's primary objective to deliver quality education and pastoral support to the children in its care.

The risks are:

- The school leadership may not have established the expected financial governance arrangements and controls to ensure only legitimate and affordable expenditure was committed to and all income due collected.
- Whether by commission or omission, the school leadership and those with financial responsibilities may not have complied with good financial practices, either on occasion or on a regular basis, to ensure that all expenditure committed to was lawful and provided best value for money.
- The school leadership may not have monitored its financial position effectively on a regular basis to ensure effective record keeping and monitoring and they are able to account for their actions.

#### Approach

The proposed approach to this work is in three phases with the option to extend if required based on the findings and recommendations arising from the initial work. They are:

- Phase 1 – Review the school's governance and control arrangements for managing their finances
- Phase 2 – Assess the financial practice and records against the required controls and financial position against expected outturn. The financial position will be assessed from a review of the underlying records to check their reasonableness and completeness. To ensure all expected income and expenditure is captured and reported the review will:
  - Check completeness of the financial records (e.g. monthly payroll etc..)
  - Triangulation of records underpinning expected financial outturn (e.g. bank account, finance system, payroll records, procurement commitments etc..)
  - Analytical review of reported position compared to expected position, and
  - Comparison and Benchmarking financial position and records to other similar schools.
- Phase 3 – Take stock and summarise findings and recommendations. And, if necessary, instigate further more targeted investigation or other corrective action.

This approach assumes that the work to address recommendations arising, setting the school's budget, and any required recovery plan for 2015/16 will be part of a separate

piece of work by CYP Finance that is starting now and will run in parallel with this investigation.

### **Timetable**

It is recognised that as the school and Council approach the end of the financial year that this investigation is urgent. The intention is to have completed Phases 1 and 2 and outlined draft recommendations by the end of March. Finalising the recommendations and any further work will then be continued after Easter and a timeframe agreed once the scale of required work is known.

### **Records required**

#### School

- Governors' Board and Finance Committee (or equivalent) agenda, papers and minutes
- Register of interests for governors and senior staff with financial responsibilities
- Finance policy and financial accounts for last three years (from 2012/13)
- Budget for last three years (from 2012/13)
- Bank account records and supporting bank reconciliations
- Payroll reports
- Procurement records (i.e. purchase orders, invoices, good received notes)
- Contract and asset registers
- Access to the finance system

#### London Borough of Lewisham

- Financial monitoring sheets for last three years (from 2012/13)
- Instructions and timetable for schools financial monitoring
- Records of the school's financial returns received and outstanding for the last three years (from 2012/13)
- Correspondence requesting, and if required, chasing financial monitoring returns
- Financial journals / bank transfers for the school

### **Contacts**

#### School

IEB member – Robert Ellis  
Head Teacher – Ken Mackenzie  
Bursar – Grainne Hylton  
Payroll provider –

#### London Borough of Lewisham

CYP Finance - Dave Richards  
CYP Finance - Hayden Judd

### **Reviewers**

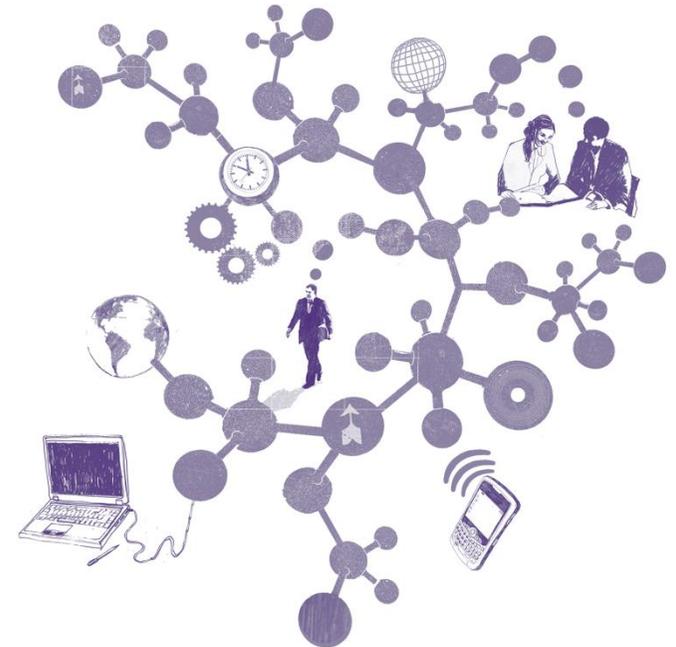
Nicola Maslin, LBL Finance 020 8314 6531  
David Austin, LBL Head of Corporate Resources 020 8314 9114  
Alan Docksey, LBL Head of CYP Resources 020 8314 8490

# The Annual Audit Letter for London Borough of Lewisham

Page 18  
Year ended 31 March 2015  
October 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work we have carried out at the London Borough of Lewisham('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with our Audit Plan that we issued to you in June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## Financial statements audit (including audit opinion)

Page 19

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 17 September 2015 to the Audit Panel. The key messages reported were:

- The financial statements presented for audit were of a good quality overall. We did not identify any misstatements affecting the Council's net expenditure position
- We identified a number of classification and disclosure issues regarding the Council's accounting for property plant and equipment, including the accounting treatment of schools. This led to some material amendments to the financial statements which were accepted by the Audit Panel
- We also highlighted a number of other classification and disclosure errors which were corrected in the statement of accounts approved by the Audit Panel on 17 September
- We highlighted a number of areas to strengthen in the Council's systems of internal control.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the financial position and of the income and expenditure recorded by the Council.

# Key messages continued

<p><b>Value for Money (VfM) conclusion</b></p>	<p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We therefore issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>The Council faces significant challenges in respect of its arrangements for financial strategy, governance and control. The Council incurred significant budget overspends at service level in 2014/15 and a similar pattern is forecast for 2015/16. While the Council was able to mitigate the overspends in 2014/15, this outcome adds to the recurring pressure on future years' budgets and is unlikely to be sustainable in the longer term. The Council has been able to increase its total level of useable reserves in each of the past two years strengthening its ability to use reserves to manage financial shocks, including budget pressures and the risk of savings plans not being delivered. However, the total level of reserves remains low in comparison to other councils of a similar size and demographic profile. The Council drew on £6.3m of one-off reserves and provisions and £10m of reserves to set a balanced budget for 2014/15 and 2015/16 respectively. The use of reserve is a managed process and the Council has not yet had to resort to a significant unplanned drawdown of reserves. However, if significant budget overspends continue for 2015/16 and beyond reserve levels are likely to decrease in future years. Based on current planning assumptions, the Council needs to identify and realise savings of some £45m in 2016/17 and subsequent years to maintain a resilient financial position.</p> <p>Overall our view is that the Council is managing risks appropriately and has adequate arrangements for securing financial resilience.</p>
<p><b>Whole of Government Accounts</b></p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p><b>Objections from the public</b></p>	<p>An elector has raised objections to the 2013/14 financial statements regarding bailiff fees and other parking related matters. We are awaiting a formal response from the Council. Until the outcome of the objection has been determined, we can not issue an audit closure certificate for 2013/14 and 2014/15.</p>
<p><b>Certification of housing benefit grant claim</b></p>	<p>Our work on the Council's 2014/15 housing benefit grant claim is in progress but largely complete. We will provide a summary of the main issues from our work separately to the Council later in the year.</p>
<p><b>Audit fee</b></p>	<p>Our audit fee for 2014/15 has yet to be finalised but is not expected to differ significantly from the planned audit fee of £255,044, excluding VAT. We will notify you separately of the certification fee for 2014/15 on completion of our work. Further detail is included within Appendix A.</p>

# Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Planned fees 2014/15 £	Actual fees 2014/15 £	Actual fees 2013/14 £
Council audit	255,044	TBC *	255,044
Housing benefit grant certification fee	39,980	TBC **	29,043
Pension fund	21,000	21,000	21,000
<b>Total audit fees</b>	<b>316,024</b>	<b>TBC</b>	<b>305,087</b>

\* An additional fee of £6,000 has been agreed with officers. Public Sector Audit appointments still have to confirm this fee variation

\*\* to be confirmed at the conclusion of the grant certification work

## Fees for other services

Service	Fees £
<b>Audit related services</b> *** estimated fee as work in progress	15,000 ***
<b>Non-audit related services</b>	10,000

## Reports issued

Report	Date issued
Audit Plan	June 2015
Audit Findings Report	September 2015
Certification Report	Expected December 2015
Annual Audit Letter	October 2015



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# Agenda Item 5

<b>Audit Panel</b>			
<b>REPORT TITLE</b>	<b>Financial Forecasts 2015/16 as at 30 September 2015</b>		
<b>KEY DECISION</b>	<b>No</b>	<b>Item No.</b>	<b>5</b>
<b>WARD</b>	<b>N/A</b>		
<b>CONTRIBUTORS</b>	<b>Executive Director for Resources and Regeneration</b>		
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>8 December 2015</b>

## 1. EXECUTIVE SUMMARY

- 1.1 This report sets out the financial forecasts for 2015/16 as at 30 September 2015 and makes comparisons to the first report which presented financial monitoring information to the end of May 2015. The key areas to note are as follows:
- i. There is a forecast overspend of £8.1m against the directorates' net general fund revenue budget as at 30 September 2015. This is set out in more detail in sections five to nine of this report. This compares to a forecast overspend of £8.6m as at the end of May 2015. It should be noted that the Council recorded a final outturn of £5.2m for 2014/15 which resulted after applying £3.9m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.1m for that year.
  - ii. For the Dedicated Schools Grant (DSG) there are three schools which are expected to report and apply for a licensed deficit by the year end. This is set out in more detail in section 11 of this report.
  - iii. The Housing Revenue Account (HRA) is projecting a £2.3m surplus. This surplus is expected to be transferred to reserves at the end of the year to ensure that there are sufficient resources available to fund the current housing programme over the medium term. This is set out in more detail in section 12 of this report.
  - iv. As at 30 September 2015, council tax collection is 0.3% lower than this year's profile and 0.2% lower than this time last year. Business rates collection is 1.8% higher than the same period last year and is 0.1% lower than the required profile collection to achieve the target of 99% for the year. This is set out in more detail in section 13 of this report.
  - v. The Capital Programme overall spend to 30 September 2015 is £44.8m, which is 39% of the revised budget of £116.2m. Further details are given in section 14 of this report. The comparable figure last year was 26% of the revised budget of £147.3m, with the final outturn being 89% of the revised budget of £137.3m.

## 2. PURPOSE

- 2.1 The purpose of this report is to set out the financial forecasts for 2015/16 as at the end of September 2015, projected to the year end.

### 3. RECOMMENDATIONS

3.1 The Audit Panel is asked to:

3.3.1 Note the current financial forecasts for the year ending 31 March 2016 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

### 4. POLICY CONTEXT

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

### 5. DIRECTORATE FORECAST OUTTURN

5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £8.1m is being reported as at 30 September 2015. At the same time last year, an overspend of some £10.6m was forecast. Members should note that for 2015/16 there is a sum of £3.2m held corporately for managing 'risks and other budget pressures' which emerge during the year. The Executive Director for Resources and Regeneration will give due consideration as to when it might be appropriate to apply this sum to alleviate budget pressures. This will happen towards the end of the financial year, after assessing the progress which has been made to manage down the current forecast overspend.

**Table 1 – Overall Directorate position for 2015/16**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend September 2015	Forecast over/ (under) spend May 2015
	£m	£m	£m	£m	£m
Children & Young People (1)	68.9	(17.8)	51.1	6.5	4.7
Community Services	<b>171.3</b>	<b>(75.0)</b>	96.3	(0.2)	2.0
Customer Services (2)	91.8	(48.2)	43.6	3.6	3.0
Resources & Regeneration	43.6	(13.9)	29.7	(1.8)	(1.1)
<b>Directorate Totals</b>	<b>375.6</b>	<b>(154.9)</b>	<b>220.7</b>	<b>8.1</b>	<b>8.6</b>
Corporate Items	25.5	0.0	25.5	0.0	0.0
<b>Net Revenue Budget</b>	<b>401.1</b>	<b>(154.9)</b>	<b>246.2</b>	<b>8.1</b>	<b>8.6</b>

(1) – gross figures exclude £279m Dedicated Schools' Grant expenditure, pupil premium expenditure £18m, Post 16 Funding £7m, and universal free meals expenditure £2m and all the matching grant income

(2) – gross figures exclude approximately £240m of matching income and expenditure for housing benefits.

5.2 The financial forecasts at this stage of the year are usually higher than the resulting outturn for various reasons. However, similar to the scale of the variances projected last year, the current overspending projections are significantly greater than those in recent earlier years. The council continues to face significant budget pressures.

- 5.3 Directorate Expenditure Panels (DEPs) operated throughout 2014/15, with the Corporate Expenditure Panel (CEP) becoming operational in October 2014. Both continue to operate in 2015/16, and following a review of the operation of these panels, it has been confirmed that the CEP will continue until at least the end of the financial year. This will ensure that a regular corporate oversight of the council's financial spending position remains in place.
- 5.4 Delivering a large package of revenue budget savings for 2015/16 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would result in overspends within the year. As a result, officers will take a greater focus on monitoring the progress of savings being implemented.
- 5.5 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the Table 1. The details and reasons for variances against the forecast delivery are set out in each of the directorate summaries in section six to nine.

**Table 2 – Forecast Savings Delivery**

Directorate	Savings Agreed for 2015/16	Forecast Delivery	Variance	
	£m	£m	£m	%
Children & Young People	6.8	5.6	1.2	18
Community Services	14.6	11.6	3.0	20
Customer Services	3.9	3.2	0.7	18
Resources & Regeneration	2.8	2.7	0.1	3
Corporate	3.3	3.3	0.0	0
Corporate Budget Adjustment	(3.2)	0.0	(3.2)	0
<b>Total</b>	<b>28.2</b>	<b>26.4</b>	<b>1.8</b>	<b>6</b>

## 6 CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of September 2015, the Children and Young People's directorate is forecasting an overspend of £6.5m. At the same time last year, the year-end forecast was an overspend of £9m, with the actual year-end outturn being an overspend of £9.9m.

**Table 3 – Children & Young People Directorate**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Children's Social Care Services	40.0	(1.1)	38.9	4.3
No Recourse to Public Funds	3.6	0.0	3.6	1.0
Standards & Achievements	2.8	(1.9)	0.9	0.0
Education Infrastructure	0.1	0.0	0.1	0.0
Partnerships/Targeted Services	15.0	(3.1)	11.9	1.3
Resources & Performance	7.4	(10.4)	(3.0)	(0.1)
Schools	0.0	(1.3)	(1.3)	0.0
<b>Total</b>	<b>68.9</b>	<b>(17.8)</b>	<b>51.1</b>	<b>6.5</b>

\* The government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

- 6.2 The most significant cost pressures for the directorate fall within the *children's social care and no recourse to public funds* service areas and together amount to £5.3m. The key issues pertaining to the pressures are set out in the following paragraphs.
- 6.2.1 For clients with no recourse to public funds, there is a cost pressure of £1m. These are families who seek support from the local authority under Section 17 of the Children's Act because they claim to have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. There are currently 214 clients with no recourse to public funds compared to a peak of 286 in June 2014. The estimated cost to the end of year of the current clients is £4.8m.
- 6.2.2 The pilot team has been working with the Home Office to get code 1a (entitlement to mainstream benefits) granted for cases the council is supporting. In total, 129 cases have been granted this status change since the pilot team began operating. The full year impact, once all of these cases have been transitioned is a cost reduction of £2.8m per annum. There are 54 clients, who have been changed to code 1a status which the council continue to make payments to. It is anticipated that on average it will take four to five months to ensure a comprehensive re-settlement process which will also reduce the likelihood of representations back to our housing needs service. On average there continues to be between four to 10 cases per week that are being converted to 1a status. Within the forecast, there is a saving of £0.6m which has been built into the figures to reflect the savings that will be made on these clients. When the full year impact of this is seen in 2016/17, it is expected that the spend will be within the current budget level of £3.6m.
- 6.2.3 Over the course of the year, there will be some new clients who present themselves to the council. Some will result in costs, but it is anticipated there will be a reduction in spend as support is ceased to other non code 1a clients. Officers are undertaking further work on the likely profile of new clients and clients which the council cease to support. Therefore, the forecast will be adjusted appropriately over the coming months.
- 6.2.4 The placement budget for *looked after children* is currently forecast to overspend by £1.7m with the current number of looked after children totalling 466. Total revenue budget savings on the placement budget of £1.5m were agreed by the Mayor for 2015/16. The work to implement these savings has been delayed due to staff changes. It is expected that some savings will be generated, but only toward the end of the financial year, with the full year effect likely to come through in 2016/17. The shortfall for 2015/16 is estimated to be in the region of £1.2m and this is included in the above overspend figure.
- i. *Children leaving care* is currently forecast to overspend by £1.7m. The number of clients is now 98, whereas the average for last year was 74.
  - ii. There is an additional pressure on the *Section 17* unrelated to no recourse to public funds of £0.2m and on salaries and wages which show a forecast overspend of £0.7m. This has mainly been created by greater use of agency of the last three months.
- 6.3 The key unit costs and activity levels within children's social care are summarised in the following table.

**Table 4 – Fostering Client Numbers**

Placement type	Average weekly unit costs		Client numbers
	September 2015 (£)	September 2014 (£)	September 2015
Local Authority fostering	402	380	206
Agency fostering	902	873	180
Residential homes	3,492	3,205	53

- 6.4 The unit cost information set out in the table above demonstrates the importance of the directorate's strategy for shifting the balance of provision towards fostering, as well as reducing costs. As an example, every client moving from agency to local authority fostering results in a saving of around £26k per annum and around £135k for every movement from a residential placement to agency fostering.
- 6.5 The only other budget pressure in the rest of the directorate is on schools' transport within the *partnerships and targeted services* area. The final outturn on schools' transport at end of 2014/15 was an overspend of £1.1m. The number of children transported has stayed similar to last term, but the contract costs has increased as there has been a greater number of taxis journeys. The total extra costs being £0.3m. The forecast has been subsequently reduced to £1.3m and there has been progress on the increased use of independent travel and direct payments. A major transport review is underway.

## 7 COMMUNITY SERVICES

- 7.1 As at the end of September 2015, the Community Services directorate is forecasting an underspend of £0.2m. At the same time last year, the year-end forecast was an overspend of £0.2m, with the actual year-end outturn being an underspend of £2.3m.

**Table 5 – Community Services**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Adult Services Division	117.7	(44.2)	73.5	0.3
Cultural and Community Development	19.9	(7.0)	12.9	0.2
Public Health	12.4	(15.1)	(2.7)	0.3
Crime Reduction & Supporting People	19.5	(8.4)	11.1	0.1
Strategy & Performance	1.8	(0.2)	1.6	(0.1)
Community Reserves – transfers from reserves				(0.9)
<b>Total</b>	<b>171.3</b>	<b>(74.9)</b>	<b>96.4</b>	<b>(0.2)</b>

- 7.2 These forecasts assume no community services spend on budgets transferred to other directorates as part of reorganisations of business support, strategy and

performance. The overall position for Community Services now assumes the drawdown of £0.9m from earmarked reserves in respect of the following areas - Public Health £0.25m, adult social care – health transfer section 256 of £0.3m, local assemblies £51k, community sector grants £0.2m, youth offending service-IT £0.06m and The Broadway Theatre equipment £0.05m.

- 7.3 The *adult services* division is forecast to overspend by £0.3m (£1.9m, May 2015). This projection assumes achievement later in the year of revenue budget savings of £1.7m in addition to savings already achieved and includes use of non-recurrent funding totalling £2.4m. At the end of the last financial year, adult services overspent by £2m. The projection is a reduction on May's position reflecting reductions in projected spend on implementation of the Care Act and delayed award of home care contracts including payment for travel time.
- 7.4 There are a number of over and underspends forecast against individual services within adult social care. The key issues for members to note are as follows:
- i. The largest overspends are on budgets for packages and placements where current forecasts are for an overspend of up to £1.9m.
  - ii. Although there are some demographic pressures, these overspends are largely as a result of delayed achievement of savings proposals. Savings totalling £7.5m were agreed for adult social care for 2015/16 and these are in addition to the revenue budget savings of £6.8m agreed for 2014/15. In most cases, these budget savings have been implemented, but the full impact will take some months to come through because it requires a review of individual packages.
  - iii. In two cases, the implementation is considered complex and is yet to be started.
    - A2i Learning disability supported accommodation. A new framework was approved by Mayor & Cabinet (Contracts) on 15 July 2015 and implementation is now proceeding
    - A3 Re-configuration of day care including transport. Proposals were agreed by Mayor & Cabinet on 15 July 2015.
  - iv. The following revenue budget savings will not be achieved until 2016/17:
    - Meals – £0.25m – contract expires in 2016/17
    - Support Services (sheltered housing, linkline etc.) – £0.25m
  - v. The impact of delayed achievement has been partially offset in 2015/16 by use of non-recurrent funding received from health of £1.25m. The underlying overspend, excluding this one-off support, is £2.4m.
  - vi. Overall, underachievement of £2.7m against the savings target is forecasted this year.
  - vii. The forecast currently assumes underspends against some elements of the Better Care Fund supporting local authority budgets but that the Fund will be reallocated to other Council budgets . Over the course of the next few weeks

officers will be doing further work on spend estimates for the Fund, as there are some early indications that underspends on the schemes overall could be up to circa £4m. For specific grants paid in 2015/16 for implementation of the Care Act, the delay in government reforms means that there is no need to do the assessments for self-funders. An underspend of some £500k has been projected.

- viii. The forecasts in this report do not include the effect of transitions from children's social care.
- ix. The forecasts assume an in year underspend of £1.4m against the growth allocated for the increase in London living wage, payment of travelling time etc. New home care contracts, expected to be in place by February 2016, will include travel time and the growth sum is expected to be fully committed in 2016/17.

7.5 The *cultural and community development division* is still forecasting an overspend of £0.2m. This compares to an underspend of £1.6m at 2014/15 outturn. However, transfers from earmarked reserves will reduce this overspend down to a balanced budget position for the division. The voluntary and community sector grants budget is forecasting an overspend of £0.2m. However, this variance will be fully offset by the agreed use of earmarked reserves set aside to cover the cost of additional once off grant allocations for 2015/16. There will also be a managed underspend of £0.1m on the leisure management lifecycle and dilapidations budget and an underspend of £0.1m Community and Neighbourhood Development budget team core staffing budget due to staff vacancies. These variances will be used to offset the potential overspend of £0.2m resulting from slippage on the implementation of the 2015/16 savings proposals on the Broadway Theatre.

7.6 The potential variance of £0.08m on the Deptford Lounge budget resulting from a combination of low levels of income generated from third party room hire and the increasing cost of reactive maintenance on the building will now be contained within the overall budget for the Libraries Service. The Broadway Theatre budget is forecasted to overspend by £0.28m due to slippage against the delivery of 2014/15 and 2015/16 savings and the need to fund essential equipment and technical works. This will be reduced, however, by transfers from reserves to fund the equipment and technical works (£0.05m). The remaining financial pressure of £0.22m on the Broadway Theatre will be contained within the overall divisional budget.

7.7 An underspend of £0.1m on the Local Assemblies Fund devolved budget was carried forward to 2015/16 through an earmarked reserve. This expenditure will show as an overspend on the service budget, but this will be fully funded by a drawdown from the reserve.

7.8 The Adult Learning Lewisham (formerly Community Education Lewisham) service is almost entirely funded from a combination of grant from the Skills Funding Agency (SFA) and student fee income. The curriculum delivery plan for the 2015/16 academic year will be set in line with available resources and the service is currently expected to spend to budget.

- 7.9 An overspend of £0.1m is forecast for *crime reduction and supporting people*, this is £.1m down on last month due to a reduction in the potential overspend on the *Crime, Enforcement and Regulation Service*. This compares to an underspend of £1.4m in 2014/15. The agreed saving of £0.8m resulting from the review of the *crime, enforcement and regulatory services* functions is now expected to be largely fully delivered despite the implementation date for the new service being delayed until 3 August 2015. A combination of some staff leaving earlier than expected and recruitment drag on posts left vacant by the restructure means the budget is now projecting a small variance of just £30k. The full costs of the redundancies arising from the service restructure will be funded centrally following the agreement to transfer £0.2m to reserves from the service underspend in 2014/15. The supporting people budget is projecting a small underspend of £0.05m resulting primarily from the reimbursement of contract costs incurred in the 2014/15 financial year.
- 7.10 At this stage, an overspend of £0.05m is projected on the budget for secure remand placements within the *youth offending service*. This comes as a result of a reduction in the 2015/16 grant paid by the Ministry of Justice to part fund the cost of secure remand placements in young offenders' institutes. The current overspend of £0.1m represents the loss of grant and currently assumes similar remand activity levels to 2015/16. However, this can be a volatile area of spend which is not entirely controllable in that costs are driven by the number of local young people ordered into secure remand by the courts, the severity of their offences and hence how long they are held pending the court process. Additionally, £0.05m will be spent in 2015/16 to fund the replacement of the current youth offending information system. This is the data management system specific to youth justice providers across England and Wales. This will also represent an overspend against the service budget, but will be funded by a transfer from an earmarked reserve created at the end of 2014/15 for this purpose.
- 7.11 In the 2015/16 budget process, savings totalling £2.7m were agreed on the budgets for *public health* and funded by public health grant. Eligible spend has been identified elsewhere in the council, so the council can retain the grant. However, budgets have not yet been moved to reflect this. Therefore, as at end of June 2015, the public health division had a net credit budget of £2.7m. There has been some delay in reallocating these budgets, but officers will ensure that the reallocation is completed by the end of November 2015.
- 7.12 Similarly, savings were agreed on drugs & alcohol budgets funded by public health budgets within *crime reduction & supporting people* and these services currently have budgets with a credit value of £0.5m. These will also be reallocated within the same timescale.
- 7.13 Not all of the public health savings have yet been achieved with particular problems with renegotiation of contracts with LG Trust. So although at this stage an overspend is indicated, it is expected that these savings will be delivered in full in 2016/17 and in the current financial year will be supported by use of a £250k carry forward of 2014/15 public health grant. The reported position does not include the possible in-year reduction to Public Health Grant.
- 7.14 The *strategy, improvements and partnerships division* is projecting a small underspend against the budget.

## 8. CUSTOMER SERVICES

- 8.1 As at the end of September 2015, the Customer Services directorate is forecasting an overspend of £3.6m, an increase of £0.6m from the reported position as at the end of May 2015. At the same time last year, the year-end forecast was an overspend of £1.9m, with the actual year-end outturn being an overspend of £3.6m.

**Table 6 – Customer Services**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Strategic Housing	13.9	(10.0)	3.9	2.7
Environment	38.0	(19.2)	18.8	0.5
Public Services*	31.4	(17.6)	13.8	0.5
Technology and Change	8.5	(1.4)	7.1	(0.1)
<b>Total</b>	<b>91.8</b>	<b>(48.2)</b>	<b>43.6</b>	<b>3.6</b>

\* - excludes £240m of matching income and expenditure in respect of housing benefits

- 8.2 The *strategic housing service* is projecting an overspend of £2.7m, an increase of £0.3m compared to the position as at the end of May 2015. This relates solely to nightly paid temporary accommodation, more commonly referred to as bed and breakfast.
- 8.3 The number of bed and breakfast tenancies as at end of September 2015 was 583, compared to 586 reported in May. This compares to 509 at the same time in 2014, and is an increase of 24 on the figure of 559 at the end of 2014/15.
- 8.4 Prior to August, numbers had reached a relative level of stability compared to the sharp increases experienced during the last financial year, which saw numbers peak at 616 in February 2015. Numbers increased by 64 between July and August 2014 suggesting that the increase this month is potentially a seasonal blip.
- 8.5 In recent months, a review of practices and a staffing reorganisation have led to a more rigorous approach to both prevention methods and decision making in respect of accepting a homelessness duty. As this settles down, numbers are expected to reduce, assuming that numbers of applications remain at their current levels.
- 8.6 Officers are also focusing on income collection, either by ensuring those that are entitled to benefits have claimed them or by improving rent collection from those that are not entitled. If successful, this will lead to a reduction in the bad debt provision required and a subsequent reduction in the forecasted overspend.
- 8.7 In an effort to control accommodation costs, the council is participating in a pan London scheme intended to restrict the ability of providers to charge excessive rates to boroughs procuring accommodation across London. The impact this scheme is having will be reported through to members as part of the financial forecast report in due course.

- 8.8 Significant investment has also been made in procuring additional temporary accommodation units. The majority of these will not become available until early 2016, so will impact mainly on the 2016/17 position.
- 8.9 The projection assumes that resources will be identified to cover unachievable savings in respect of hostels income (£0.2m) and expected reduced costs in Housing Needs in respect of moving the service to Holbeach. The former did not get the required consent of the Secretary of State and the latter move did not take place after a revision of the accommodation plan.
- 8.10 The *environment division* is forecasting an overspend of £0.5m. This is an increase of £0.4m compared to the figure reported in May.
- 8.11 The overspend has arisen in the Green Scene and Strategic Waste Management departments within the division. The former relates to the savings proposal to increase community and voluntary sector engagement in the maintenance of small parks. When approving the proposal, members requested that additional consultation with park stakeholders should take place. This resulted in a later than planned implementation date which has subsequently slipped back further. This has resulted in a projected overspend of £0.2m.
- 8.12 As with the Council's previous dry recycling provider, some months into agreement, the current provider is claiming excessive levels of contamination and have invoiced the council for the additional costs of processing in disposal. The increased charges, significantly higher than those charged for the disposal of residual waste, will cost the council an estimated £0.3m in a full financial year. Officers are continuing to negotiate with the contractor, but it is likely that the council will incur additional costs this year.
- 8.13 The division is also showing a £0.1m overspend in street management. Changes in contractual arrangements with JC Decaux have resulted in an increase in the cost of providing automated public conveniences. As the contract has produced savings elsewhere within the council, a request will be submitted for this overspend to be covered by corporate resources.
- 8.14 The *public services division* is forecasting an overspend of £0.5m arising from delays in the implementation of the new business support service, agreed as a part of the 2015/16 budget savings process. The service is now expected to be established and operational from October 2015, the effect of which is that only half of the proposed saving of £0.9m will be achieved in the current year.
- 8.15 An underspend of £0.1m is being forecast in the technology and change division. This is as a result of higher than anticipated savings arising from the new photocopying contract.

## **9. RESOURCES AND REGENERATION**

- 9.1 As at the end of September 2015, the Resources and Regeneration directorate is forecasting an underspend of £1.8m. At the same time last year, the year-end forecast was an underspend of £0.5m, with the actual year-end outturn being an underspend of £2.1m.

**Table 7 – Resources and Regeneration**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Corporate Resources	5.0	(2.3)	2.7	0.0
Corporate Policy & Governance	3.8	0	3.8	(0.5)
Financial Services	5.4	(1.2)	4.2	(0.4)
Executive Office	0.2	0	0.2	0
Human Resources	3.0	(0.3)	2.7	(0.3)
Law	3.0	(0.4)	2.6	0
Strategy	2.5	(0.5)	2.0	(0.2)
Planning	3.3	(1.6)	1.7	(0.8)
Regeneration & Asset Management	17.3	(7.3)	10.0	0.4
Reserves	0.0	(0.3)	(0.3)	0.0
<b>Total</b>	<b>43.5</b>	<b>(13.9)</b>	<b>29.7</b>	<b>(1.8)</b>

- 9.2 The *corporate resources* division is forecasting a nil variance. This division includes the insurance budget which, as highlighted in previous years, may change once the outcome of the annual actuarial valuation is known (towards the end of the year) which recommends any necessary contributions to provisions and reserves.
- 9.3 The *corporate policy & governance* division is forecasting an underspend of £0.5m. This is mainly in respect of staffing costs where the outcome of the staffing reorganisation has resulted in a number of vacant posts plus a number of secondments to other areas of the council.
- 9.4 The *financial services* division is forecast to underspend by £0.4m. This partly relates to the contingency for the directorate that is held within this division. There is also underspending due to vacant posts, and additional income receivable from schools and the pension fund.
- 9.5 The *human resources* division is forecast to underspend by £0.3m. This is mainly due to vacant posts across the division.
- 9.6 The *legal services* division is currently forecasting a nil variance.
- 9.7 The *strategy* division is forecasting an underspend of £0.2m. This is mainly due to reduced recruitment of apprentices in this year's cohort, and a staffing underspend due to vacant posts in the communications unit.
- 9.8 The *planning* division is forecasting an underspend of £0.8m. This forecast is based on exceptionally high levels of planning fee income received during the first six months of the year, along with receipt of £0.1m of New Burdens Grant relating to land charges search fees restitution claims. The high levels of planning fee income currently being received is the main reason for the Directorate underspend increasing significantly from the position at the end of May.
- 9.9 The *regeneration & asset management* division is forecasting an overspend of £0.4m. There are a number of under and overspends in this area, which include increased income from commercial rents and underspending on staffing costs

being offset by reduced network management income from utility companies and the costs of managing the corporate estate.

## 10 CORPORATE PROVISIONS AND TREASURY MANAGEMENT

- 10.1 The Corporate financial provisions include working balances, *capital expenditure charged to the revenue account* (CERA), and interest on revenue balances. These provisions are not expected to overspend although, with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear towards the end of the financial year.
- 10.2 With continued concerns about the stability of the banking sector, the council's treasury management strategy continues to be focused on avoiding risk, wherever possible. With investment returns still at historically low levels, albeit with indications of modest rate rises possible early next year, there is little opportunity to seek higher returns. However, the council continues to keep its strategy under review and assess alternative investment strategies to find the appropriate balance in the trade off between return and risk. Members should note that similar to last year, a sum of £3.2m is being held corporately to help manage 'risks and other pressures' during 2015/16.

## 11 DEDICATED SCHOOLS' GRANT

- 11.1 The current level of the Dedicated Schools Grant (DSG) is as follows:

**Table 8 – Dedicated Schools Grant**

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	214.607	188.140
Early years block	21.196	21.196
High needs block	43.588	42.624
Total additions for non-block funding	0.052	0.052
<b>Total DSG allocation</b>	<b>279.443</b>	<b>252.012</b>

**Note:** The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), and Universal Free School Meals Grant (£2m).

### Schools Budget Plans

- 11.2 The Council have now received budget returns from all schools.
- 11.3 There are two secondary schools with deficit budgets. These are Sedgemoor and Deptford Green schools. There is also one primary school, which is All Saints.
- 11.4 The school budget plans are indicating a total carry forward for all Lewisham schools at the end of 2015/16 of some £5m. Traditionally, the actual year end carry forward is somewhat different from the budget plans of schools. Usually the year end position is two to two and a half times higher than budget plans. In past years' the budget plans have shown a carry forward of around £6m.

- 11.5 As at the end of last year, the overspend position on High Needs pupils was higher than expected. This was caused by more placements being made to providers outside of Lewisham. These placements were not in the independent sector but in further education colleges, other local authorities maintained schools and academies. The full year impact of these placements results in a shortfall in the funding this year of £2m. This can be met out of the contingency for 2015/16. The High Needs sub group of the Schools Forum will consider how the budget can be balanced in the long term, they will report back with their recommendations to the full Forum on the 10 December 2015. This is the date the Forum will set next year's budget.

## 12. HOUSING REVENUE ACCOUNT

- 12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2015/16. An underspend of £2.3m is being reported, compared to the balanced position reported at the end of May 2015.

**Table 9 – Housing Revenue Account**

	Expenditure Budget	Income Budget	2015/16 Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services - Housing	12.1	(3.0)	9.1	0
Lewisham Homes & R&M	35.7	0	35.7	(1.0)
Resources	2.1	0	2.1	0
Centrally Managed Budgets	50.8	(97.7)	(46.9)	(1.3)
<b>Total</b>	<b>100.7</b>	<b>(100.7)</b>	<b>0</b>	<b>(2.3)</b>

- 12.2 Lewisham Homes manages certain budgets on behalf of the council in addition to those formally delegated to them. Following two years of significant underspending, the repairs and maintenance budget is expected to underspend again this year. This in part reflects the continued investment in the decent homes programme, which has tended to reduce demand for day to day repairs and maintenance as properties are brought up to standard. An underspend of £1.0m is projected in the current year.
- 12.3 A review of asset management spending requirements has been undertaken and officers are currently considering the outcome. It is envisaged that any underspend in repairs and maintenance will be reinvested in revised asset management priorities arising from the review.
- 12.3 Overall, the HRA is expected to make a surplus on its activities during 2015/16. It will continue to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term.
- 12.4 In addition to the underspend in repairs and maintenance budgets, the current projected surplus of £2.3m includes £1.3m arising from increased tenants' rental and leaseholder service charge income. The former has arisen due to of lower

than budgeted void rates in respect of tenanted properties. The additional leaseholder income is as a result of major works income.

- 12.5 After transfers to reserves, the HRA is expected to report a balanced budget position.

### 13. COLLECTION FUND

- 13.1 As at 30 September 2015, £56.1m of council tax had been collected, 50.9% of the total amount due for the year of £110.2m. This is the slightly below the profiled rate required of 51.2% if the overall target of 96% is to be met. The rate being achieved at this time last year was 51.1%

- 13.2 Business rates collection is at 64.6%, an increase of 1.8% compared to the same period last year but 0.1% lower than the profiled collection rate required if the overall target rate for the year of 99% is to be achieved.

### 14. CAPITAL EXPENDITURE

- 14.1 The overall spend to 30 September is £44.8m, which is 39% of the revised budget of £116.2m, and below the profile figure expected if the programme is to be delivered in full. However, the year end expenditure is forecast to be the same as the revised budget. The revised budget shows a decrease to the budget figure in May 2015 of £154.8m. This is mainly as a result of re-profiling the HRA capital budgets. The comparable expenditure figure last year was 26% of the revised budget of £147m, with the final outturn being 89% of the revised budget of £137.3m. The following table gives a breakdown of the budget and spend to date.

**Table 10 – Capital Programme**

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 30 September 2015	Spend to Date (on Revised Budget)
	£m	£m	£m	%
Community Services	0.4	0.7	0.2	33
Resources & Regeneration	9.0	17.1	3.0	18
CYP	23.5	32.8	28.1	86
Customer Services	0.2	1.0	0.1	9
Housing (Gen Fund)	29.3	25.7	2.0	8
<b>Total General Fund</b>	<b>62.4</b>	<b>77.4</b>	<b>33.4</b>	<b>43</b>
HRA - Council	22.3	6.8	0.4	5
HRA - Lewisham Homes	47.9	32.0	11.1	35
<b>Total HRA</b>	<b>70.2</b>	<b>38.8</b>	<b>11.5</b>	<b>29</b>
<b>Total Expenditure</b>	<b>132.6</b>	<b>116.2</b>	<b>44.8</b>	<b>39</b>

- 14.2 The table below shows the current position on the major projects in the 2015/16 general fund capital programme (i.e. those over £1m in 2015/16).

**Table 11 – Major Capital Projects**

<b>2015/16 Capital Programme</b>	<b>Original 2015/16 Budget (Per 2015/16 Budget Report)</b>	<b>Revised Budget</b>	<b>Spend to 30 September 2015</b>	<b>Spend to Date (on Revised Budget)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	4.5	6.0	0.9	16
Primary Places Programme	15.7	17.0	23.2	137
BSF – Sydenham	4.8	4.9	1.6	32
BSF – Brent Knoll	0.0	1.7	1.5	90
Other Schools Capital Works	3.1	7.9	2.3	28
Disabled Facilities / Private Sector Grants	1.3	1.3	0.5	41
Asset Management Programme	2.5	2.7	0.1	5
Acquisition – Hostels Programme	2.8	6.0	0.2	3
Grove Park Streetscape Improvements		1.2	0.0	0
Brookdale Club - Freehold Property Purchase		1.2	0.3	21
Property Acquisition – LH	20.0	11.0	0.0	0
Highways and Bridges (TfL)	2.0	4.7	0.1	2
Highways and Bridges (LBL)	3.5	4.0	1.6	41
Other Schemes less than £1m	2.2	7.8	1.1	14
<b>Grand Total</b>	<b>62.4</b>	<b>77.4</b>	<b>33.4</b>	<b>43</b>

- 14.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. £8.6m of usable receipts have been received so far this year, comprising £2.8m in respect of previous year's housing stock transfers, £3.1m (net) from housing Right-To-Buy sales and £2.7m from other sales.

## **15 FINANCIAL IMPLICATIONS**

- 15.1 This report concerns the financial forecasts for the 2015/16 financial year. However, there are no direct financial implications in noting these.

## **16 LEGAL IMPLICATIONS**

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

## **17 CRIME AND DISORDER ACT IMPLICATIONS**

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

## **18 EQUALITIES IMPLICATIONS**

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

## **19 ENVIRONMENTAL IMPLICATIONS**

19.1 There are no environmental implications relevant to this report.

## **20 CONCLUSION**

20.1 The report presents the half year position of the council financial position and shows that officers have continued to apply sound financial controls. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2015/16 and beyond.

## **BACKGROUND PAPERS AND APPENDICES**

<b>Short Title of Report</b>	<b>Date</b>	<b>Location</b>	<b>Contact</b>
Financial Forecasts 2015/16	22 July 2015 (M&C)	3 <sup>rd</sup> Floor Laurence House	Richard Lambeth
Financial Outturn for 2014/15	3 June 2015 (M&C)	3 <sup>rd</sup> Floor Laurence House	Richard Lambeth
2015/16 Budget	25 February 2015 (Council)	3 <sup>rd</sup> Floor Laurence House	Shola Ojo

For further information on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932

# Audit Committee Update

## London Borough of Lewisham

Year ended 31 March 2016

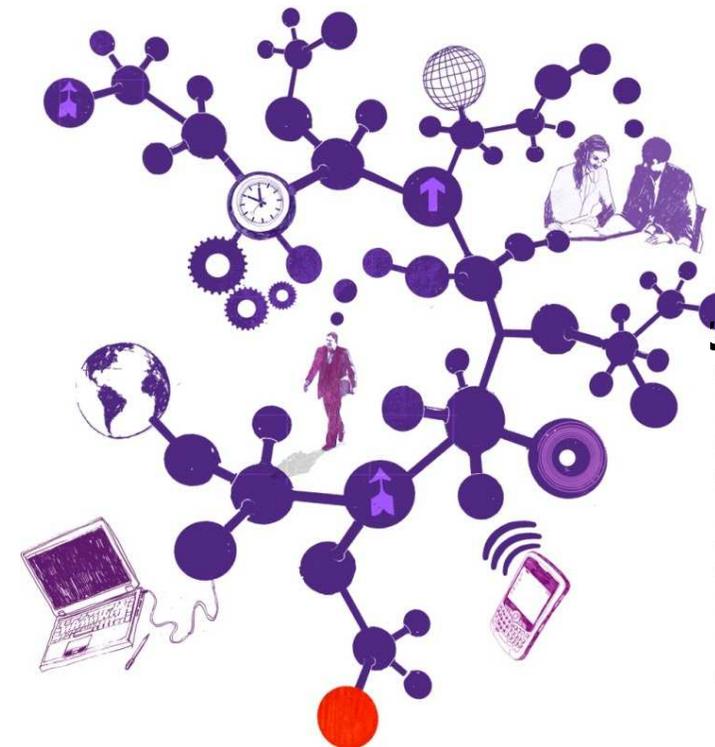
November 2015

Page 39

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Agenda Item 6

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at November 2015	5
Emerging issues and developments	7

**Page 41**

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

# Progress at November 2015

Work	Planned date
<b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan setting out our proposed approach in order to give an opinion on the 2014-15 financial statements.	Spring 2016
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <ul style="list-style-type: none"><li>• updating our review of the control environment</li><li>• updating our understanding of financial systems</li><li>• review of Internal Audit reports on core financial systems</li><li>• early work on emerging accounting issues</li><li>• early substantive testing</li><li>• early work on Value for Money conclusion.</li></ul>	January 2016
<b>2015-16 final accounts audit</b> Including: <ul style="list-style-type: none"><li>• audit of the 2015-16 financial statements</li><li>• proposed opinion on the accounts</li><li>• proposed Value for Money conclusion.</li></ul>	July –September 2016

# Progress at November 2015

Work	Planned date
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2015-16 VfM conclusion comprises focusing on significant risks regarding:</p> <ul style="list-style-type: none"> <li>• <i>informed decision making</i></li> <li>• <i>resource deployment</i></li> <li>• <i>working with partners</i></li> </ul>	<p>Spring 2016</p>
<p><b>Grant claims 2014/15</b></p> <p><b>Housing Benefit &amp; Council Tax Benefit claim</b></p> <p>This claim is expected to be certified in November, it will be subject to both amendment and qualification.</p> <p><b>Teachers' pension</b></p> <p>This claim has been certified, there were no significant issues.</p> <p><b>Pooling of Housing Capital Receipts</b></p> <p>This claim is expected to be certified in November, there were no significant issues.</p> <p><b>GLA Decent Homes Backlog Fund</b></p> <p>Our work is in progress and this claim is expected to be certified in December</p>	<p>November/December 2015</p>

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# Emerging issues and developments

Page 45

# Making devolution work: A practical guide for local leaders

## Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

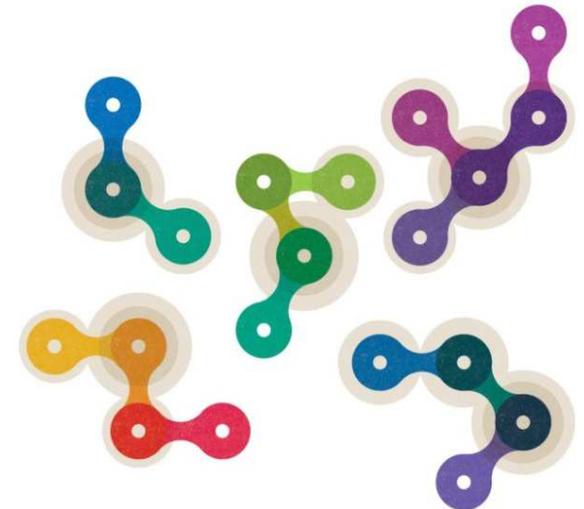
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

Hard copies of our report are available from your Engagement Lead and Audit Manager



# Turning up the volume: The Business Location Index

## Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

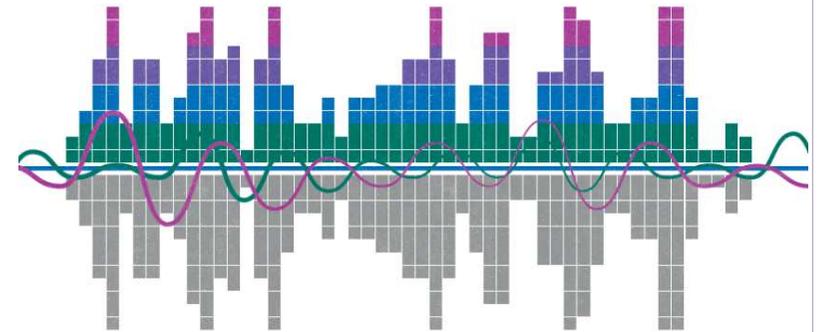
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager



# Knowing the Ropes – Audit Committee Effectiveness Review

## Grant Thornton

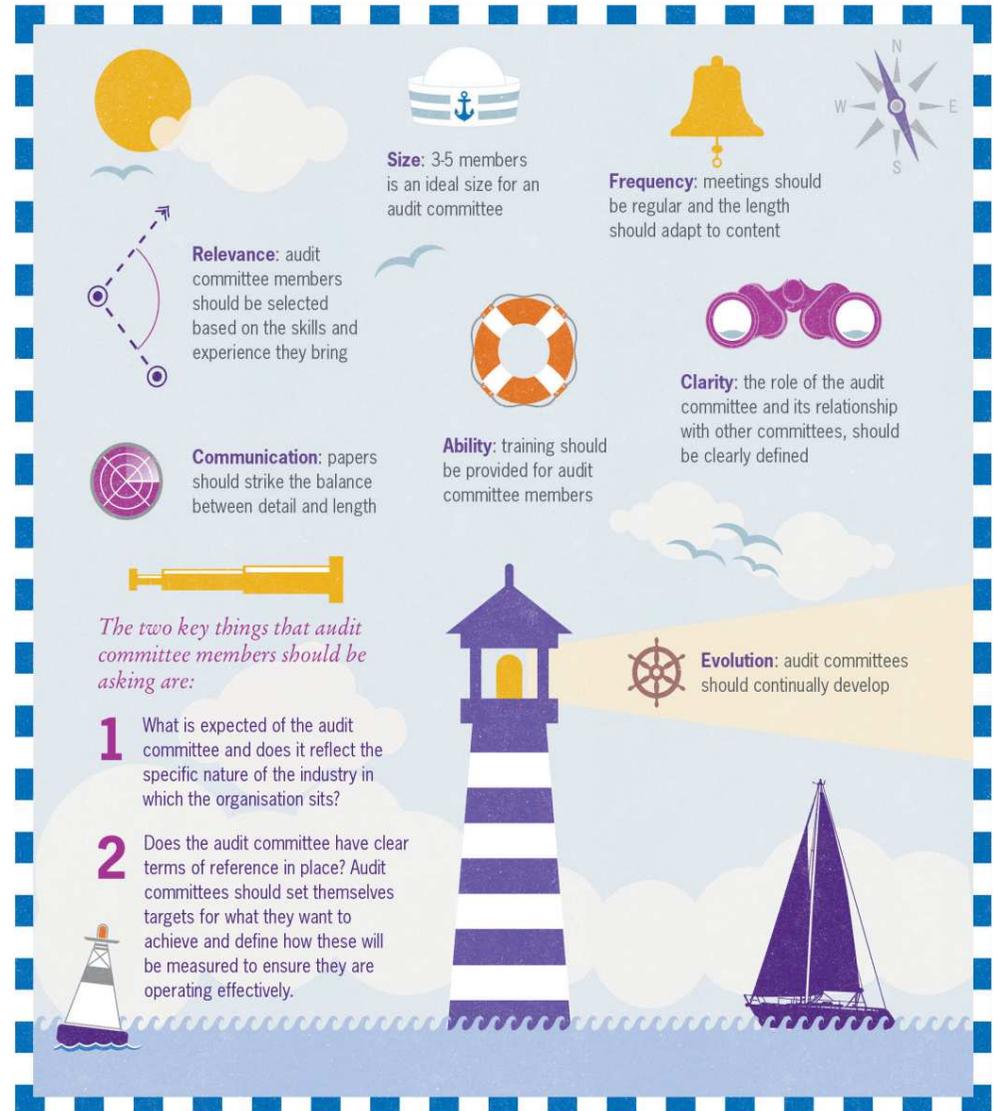
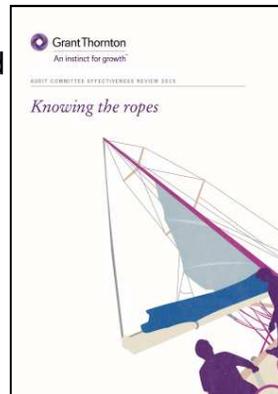
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



# George Osborne sets out plans for local government to gain new powers and retain local taxes

## Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

### Challenge question

Have members:

- been briefed on the Chancellor's "devolution revolution" announcement and its likely impact on the Council?

# Councils must deliver local plans for new homes by 2017

## Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

### Challenge question

Have members:

- been briefed on the government's new homes announcements and their likely impact on the Council?

# Improving efficiency of council tax collection

## Local government issues

DCLG have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax. The consultation is aimed specifically at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closes on 18 November.

The Government proposes to extend the data-sharing gateway which currently exists between HMRC and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor. The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

### Challenge question

Have members:

- been briefed on the government's council tax collection consultation and the Council's response to it?

# Code of Audit Practice

## National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

# Supporting members in governance

## Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

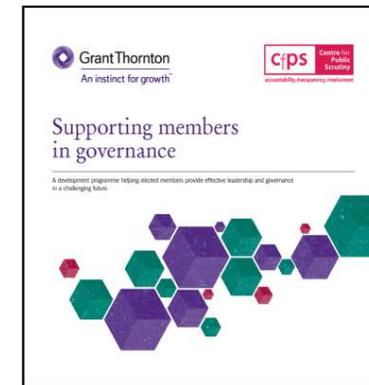
Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





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AUDIT PANEL		
<b>Report Title</b>	<b>Internal Audit update report</b>	
<b>Key Decision</b>	<b>No</b>	<b>Item No. 7</b>
<b>Ward</b>	<b>ALL</b>	
<b>Contributors</b>	<b>Head of Corporate Resources</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 8 December 2015</b>

## 1. Purpose of the report

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

- Progress of the 2015/16 internal audit plan, and
- Progress of implementation of internal audit recommendations.

## 2. Recommendations

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

## 3. Background

3.1. Internal Audit is a statutory service that provides management and members with independent assurance on control environment within the Council.

3.2. Currently, internal audit is resourced by both external private and public internal audit services.

3.3. At the time of writing this report, the in-house team consisted of the Head of Corporate Resources (Head of Internal Audit) and the Internal Audit Contract Manager.

## 4. Executive Summary

- **Internal audit progress update - 2015/16 audit plan** - The plan is under way with 11 audits finalised since the last meeting. The majority of core financial audits have also started as planned in quarter three.
- **Limited , No Assurance and Consultancy reports** - There were no Limited, No Assurance or Consultancy reports finalised since the last report.
- **High or Medium recommendations not agreed** – The Internal Control Board reviewed the six recommendations that were not agreed. Five they agreed with the internal audit recommendation and for one noted management’s response and requested an update from internal audit as part of their next annual audit.
- **Progress on the implementation of recommendations** - There are 35 non-school and 57 school recommendations overdue. There are a number of recommendations with multiple changes, (16 non-schools and 2 schools). There were no follow-ups issued since the last meeting.

- **Restructure of the Internal Audit Service** – As previously reported, the 2015/16 plan is resourced, and we continue to review options to strengthen the service.
- **Any other business (AOB)** – The risk based internal audit planning work for 2016/17 is underway and the independent internal audit review will conclude in January.

## 5. Internal audit progress update - 2015/16 audit plan

- 5.1. The last audit, SharePoint, from the 2014/15 plan was finalised on the 13/10/15 with a 'Satisfactory' audit opinion. It had one 'High' and five 'Medium' recommendations.
- 5.2. The requested Rangefield School - Procurement Audit has not been finalised by the school. The Internal Control Board agreed not to finalise the report as it is nearly a year old. A full school audit will take place in during 2016/17 when the controls that needed improving in the procurement report will be looked at again.
- 5.3. As planned, the core financial audits are under way with 10 out of the 17 audits terms of references issued and fieldwork in progress.
- 5.4. It is expected that most of the core financial audits will be completed to at least draft report by January 16. Internal Audit have agreed to start the Pensions and Payroll Core financial audits in Qtr. 4, as they are currently busy processing the voluntary severance scheme. In Qtr. 4 the plan is to concentrate resources to complete the non-core financial audits.
- 5.5. There have been four non-school pieces of work, and seven school audits finalised, since the last report. The table below lists these audits.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Corporate Health and Safety Framework	23/09/15	Satisfactory	-	4	5
CUS	Recycling and Incineration Arrangements -Contract Management	10/11/15	Satisfactory	-	4	-
CUS	Registrars	16/10/15	Satisfactory	-	3	1
CYP	Troubled Families Claim 1 - Phase 2	29/09/15	Grant Claim	N/A		
SCH	Sydenham Secondary School	27/11/15	Substantial	-	6	7
SCH	Trinity All Through School	13/11/15	Satisfactory	2	6	2
SCH	Chelwood Nursery	22/10/15	Satisfactory	1	12	3
SCH	St Michael's CE Primary	19/10/15	Substantial	-	4	8
SCH	Deptford Green Secondary	15/10/15	Satisfactory	-	8	4
SCH	Conisborough College (Colfe's Associated School)	15/10/15	Substantial	-	2	13
SCH	Fairlawn Primary	02/10/15	Substantial	-	4	-

5.6. As expected, there will be changes to the plan during the year. These changes can include additional audits, change of directorate and dropped or deferred audits. Since the last meeting there were some changes, the details listed below:

Additional Audits

- Child Social Care Data / Section 47 Referrals - Requested by the Executive Director for Community Services.

Change of Directorate

- Client Contributions for Care Provision (core financial) - From COM to CUS.

Dropped Audits

- Anti-Social Behaviour Service - COM to be cancelled as service no longer an individual service.

5.7. In addition to the above, there are four audits that were to be allocated to the new in-house auditor. As the restructure is not yet in place, we will ask the contractor in Qrt 4 to complete them by the end of March 16 if possible and certainly by May 2016 (in line with the internal audit year July – June). If there is insufficient resources, then they will be consider for the 2016/17 audit plan. They are:

- Appointeeships, Deputyships and Safeguarding of Clients Assets (both Physical and Financial) - CUS
- School Policies - Thematic review – CYP
- Archiving - CYP
- School Improvement Inspection Reports - CYP

5.8. The table below shows the number of audits and the status, and takes into account the changes to the plan above. The plan is now 23% complete, with an additional 18% of the plan underway.

5.9. The whole of the 2015/16 audit plan can be found in appendix 1. It shows the due date or date Terms of Reference issued, dates of reports issued, assurance opinion and number and categories of recommendations made.

Lead Dir.	Original Plan	Addtn. Audits	Dropped Audits	Current Plan	Final Reports	Reports at Draft	ToR* Issued	Not Started
RRE	16	1	(4)	13	1	-	4	8
CUS	17	2	-	19	2	-	7	10
COM	14	-	(6)	8	-	-	1	7
CYP	12	4	(3)	13	2	-	2	9
Sub	59	7	(13)	53	5	-	14	35
SCH	26	-	-	26	14	-	-	12
Total	85	7	(13)	79	19	-	14	46

\*fieldwork started for schools.

## **6. Limited , No Assurance and Consultancy reports**

- 6.1. There were no 'Limited', 'No Assurance' or Consultancy Reports issued since the last meeting.

## **7. High or Medium recommendations not agreed**

- 7.1. Following a review by the Executive Director for Resources and Regeneration (as requested at the previous Internal Control Board) there have been six high or medium recommendations not agreed by management from four audits. These were presented to the Internal Control Board for their review.
- 7.2. The Internal Control Board agreed that five of the six recommendations should be implemented as recommended by internal audit. These will now be include, tracked and reported in the usual manner. For the other one, from the Direct Payments audit, the Internal Control Board noted management's explanation of the work and changes in this area. They agreed this should not be implemented as recommended by internal audit and requested an update on internal audit's view at the annual audit.

## **8. Progress on the implementation of recommendations.**

### Follow-ups

- 8.1. Non-school reviews with High or Medium recommendations are followed-up within nine months of the final report. School audits with a negative assurance opinion (i.e. 'Limited' or 'No assurance') also receive a follow-up review.
- 8.2. There were no follow up reviews completed since the last report. There were two follows due, which have now been given to the contractor to perform. These are currently underway and will be reported at the next meeting.

### Superseded

- 8.3. Since the last Audit Panel meeting, management have superseded eight recommendations. They were:
  - Adamsrill primary School 12-13- SCH (1)  
Recommendation - The school should perform the annual inventory check. The reviewer should sign the annual inventory check as completed, and the Head teacher should sign it to confirm acceptance  
Management Update - Recommendations in new audit supersedes this recommendation (issued August 15 - Limited Assurance).
  - Capital Expenditure 14-15 - RRE (1)  
Recommendation - As a minimum reporting requirement, and in line with the Project Management Handbook, Project Managers should be reminded to provide monthly progress information in the form of Highlight Reports using the current corporate template. Non-submission of reports should be escalated

Management Update - The AMS system is still under development as is now being developed by Corporate IMT. A new SharePoint site for the Regeneration and Capital Delivery Board has been created - all project highlight reports are loaded to this site. The board meets bi-monthly and Highlight reports are reviewed

- ONEOracle ERP System 14-15 - CUS (1)

Recommendation - Management should establish a formally defined training programme for users of One Oracle ERP system

Management update - As previously stated resources do not exist for formal training to be delivered. Procedure notes and best practice guides are being refreshed and will be circulated to key users

- Project Management - Governance and Project Review Group 13-14 - RRE (1) -

Recommendation - Project Managers should be reminded of the necessity to complete Highlight Reports with all required financial information, on a monthly basis, including changes to the expenditure profile

Management update - The PRG has now been cancelled. All projects are now reviewed at the Regeneration and Capital Delivery Board that meets bi-monthly (see also capital expenditure point above)

- Security of File Sharing Servers - CUS (4)

Recommendations

No. 1) Document a policy/security standard covering the management, use and access control for shared drives. This should include the design, structure and ownership of departmental file shares

No. 2) Define standard role templates for privileges each role should have on network file shares.

No. 3) Document the requirement for periodic reviews to verify that access to the shared drives is limited to staff with a business need.

No. 4) Management should:

- Document security event monitoring procedures, outlining the process and requirement to capture and proactively monitor network shared drive access/activity;
- Define and implement regular periodic checks of the logs, to detect accidental or malicious activity; and
- Retain documented evidence of security monitoring reviews, such as meeting minutes or actions coming out of said reviews.

Management update for all recommendations - these actions will be superseded by the new infrastructure design work. When this audit took place we did not know that we would be doing the infrastructure upgrade with Brent. This project will change the way we deliver IT and the way information is accessed and so we will now be waiting for this work to start and will address file sharing as part of it.

Implementation of recommendations

8.4. The table below shows the status of high and medium recommendations made by Internal Audit as at the 30/11/15.

Lead Dir.	Previous o/due recs.	Current o/due recs at 30/11/15	Current recs with 2+ changes	Previous no. of open recs at 31/08/15	Recs re-opened since 31/08/15	New recs since 31/08/15	Rec closed since 31/08/15	Current open recs at 30/11/15
RRE	7	5	1	24	-	4	(16)	12
CUS	15	19	11	44	-	9	(10)	43
COM	6	9	-	20	-	-	(7)	13
CYP	4	2	3	11	-	-	(2)	9
Tot	32	35	15	99	-	13	(35)	77
SCH	63	57	3	100	-	64	(71)	93
Tot	95	92	18	199	-	106	(106)	170

8.5. For both open school and non-school recommendations, the percentage of overdue recommendations to open ones is 54%, up from 48% in the last report. This is broken down by:

- Schools overdue to open recommendations 61%. This is slight decrease from the 63% reported last time.
- Non-schools overdue to open recommendation 45%. This is an increase on the 32% reported at the last meeting.

8.6. The Internal Control Board looked at this in more detail to identify the proportion of overdue recommendations that are long overdue. And asked that a focus be put on resolving those more than two months overdue, starting with those more than four months overdue. The overdue recommendations due dates for non-schools are broken down as follows:

- Before Jun 15 = 6 rec's / 17%
- Between Jul 15 to Sept = 13 rec's / 37%
- From Oct 15 = 16 rec's / 46%

## 9. Restructure of the Internal Audit Service

9.1. The provision of internal audit services continues to operate drawing on resources from the Royal Borough of Greenwich, London Borough of Croydon internal audit framework, and the in-house team.

9.2. As noted at the previous update these arrangements have been confirmed for 2015/16. It is still the intention to recruit and strengthen the in-house team and we continue to review shared service options with other London Boroughs to help achieve economies of scale, access to specialist skills, and provide service resilience.

## **10. Any other business**

- 10.1. The main focus of the internal audit service in December and January, beyond completion of the 2015/16 audit plan, is the audit planning work for 2016/17. This has begun with a review of corporate and directorate risk registers and available service plans. This will be reviewed in discussion with all Heads of Service and then presented to the Executive Director for Resources and Regeneration and Directorate Management Teams. The draft plan will then be put forward to the Internal Control Board and for Audit Panel agreement at their March meeting.
- 10.2. The five yearly independent internal audit review, as required by the Public Sector Internal Audit Standards (PSIAS), will be undertaken by NHS Barts in December / January and the results reported to the next Audit Panel.
- 10.3. In November an all members finance briefing was held. This included an overview of the corporate risks and how the risk management framework operates. An action from this was to compare how the Council's risk profile and appetite had changed from 2010 to 2015. This will be done and used to consider any changes to governance and control risks that result or may follow for future years as public austerity continues

## **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. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

## **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 specific environmental 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, Head of Corporate Resources, on 020 8314 9114, or email him at: [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

**Appendix 1 -2015/16 Audit Plan Status**

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
RRE	Corporate Health and Safety audit framework	07/07/15	22/09/15	23/09/15	Satisfactory	-	4	5
RRE	Budget Monitoring 15-16 (Core Financial Audit)	09/10/15						
RRE	Main Accounting 15-16 (Core Financial Audit)	06/10/15						
RRE	Risk Management	15/09/15						
RRE	PFI monitoring	04/08/15						
RRE	Capital Expenditure 15-16 (Core Financial Audit)	Qrt 3						
RRE	Non-Current Assets 15-16 (Core Financial Audit)	Qrt 3						
RRE	Payroll 15-16 (Core Financial Audit)	Qrt 3						
RRE	Pensions for LGPS 15-16 (Core Financial Audit)	Qrt 3						
RRE	Treasury Management 15-16 (Core Financial)	Qrt 3						
RRE	Anti-fraud and Corruption Team (AFACT)	TBC						
RRE	Adherence to the Local Government Transparency Code 2014	TBC						
RRE	Commissioning and Procurement Board	TBC						
CUS	Contract Management - Recycling & Incineration Arrangements	20/07/15	20/10/15	10/11/15	Satisfactory	-	4	-
CUS	Registrars	24/08/15	16/10/15	16/10/15	Satisfactory	-	3	1
CUS	Client Contribution for Care Provision 15-16 (Core Financial) (now CUS from COM)	10/11/15						
CUS	Housing Benefit & CTRS 15-16 (Core Financial)	06/11/15						
CUS	NNDR 15-16 (Core Financial Audit)	30/10/15						
CUS	Banking 15-16 (Core Financial Audit)	27/10/15						

**Appendix 1 -2015/16 Audit Plan Status**

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
CUS	Accounts Payable 15-16 (Core Financial Audit)	16/10/15						
CUS	Accounts Receivable 15-16 (Core Financial)	19/10/15						
CUS	Council Tax 15-16 (Core Financial Audit)	Qrt 3						
CUS	Mobile / home working access (IT audit)	TBC						
CUS	Monitoring of breaches, spam mail, malware and denial of service attacks(IT Audit)	TBC						
CUS	Housing Register and offers	TBC						
CUS	Private Sector Housing Agency (PHSA)	TBC						
CUS	Housing - Bed and Breakfast, Hostels and temporary accommodation	TBC						
CUS	DPA and FOI compliance audit	TBC						
CUS	Disaster Recovery / BCP	TBC						
CUS	Private Sector Network Compliance	TBC						
CUS	In-house bailiff service / Enforcement Agency	TBC						
CUS	Appointeeships, deputyships and safeguarding of clients assets (both physical and financial)	Allocated to In-house						
COM	Direct Payments 15-16 (Core Financial Audit)	Qrt 3						
COM	Payments to Adult Care Providers 15-16 (Core Financial Audit)	Qrt 3						
COM	Public Health - Statutory services and providing services back to the NHS and CCG	TBC						
COM	Voluntary and Community Sector Contracts	TBC						

**Appendix 1 -2015/16 Audit Plan Status**

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
COM	Better Care Fund Framework	TBC						
COM	IT backup and BCP for Adult Social Care System	TBC						
COM	Environmental Health	TBC						
COM	Contract management	TBC						
CYP	Troubled Families Programme - Last claim for phase 1	N/A	N/A	22/05/15	Grant	N/A		
CYP	Troubled Families Programme - grant claims	N/A	N/A	29/09/15	Grant	N/A		
CYP	Processes for Payment to Main Providers	16/10/15						
CYP	Children's Social Care Data and Section 47s	TBC						
CYP	Payments to Care Provider and Foster Carers for Looked After Children 15-16 (Core Financial Audit)	Qrt 3						
CYP	Special Educational Needs and Disability Service - post reorganisation	TBC						
CYP	Contract Management - Employer Agents: Pupils Places Programme	TBC						
CYP	Arrangements for 18+ Children in Care	TBC						
CYP	Children's Social Care - Children Centre Contracts	TBC						
CYP	Monitoring of ad-hoc payments to children in care and providers (non-key controls)	TBC						
CYP	School Policies - thematic review	Allocated to in house						
CYP	Archiving	Allocated to in house						

Page 64

**Appendix 1 -2015/16 Audit Plan Status**

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
CYP	School Improvement Inspection Reports	Allocated to in house						
SCH	Trinity CE Through School	Oct 15	29/10/15	13/11/15	Substantial	2	6	2
SCH	Chelwood Nursery	Sep 15	16/10/15	19/10/15	Satisfactory	1	12	3
SCH	Sydenham Secondary	Nov 15	13/11/15	27/11/15	Substantial	-	6	7
SCH	St Michael's CE Primary	Oct 15	16/10/15	19/10/15	Substantial	-	4	8
SCH	Deptford Green Secondary	Sep 15	08/10/15	15/10/15	Satisfactory	-	8	4
SCH	Conisborough College	Sep 15	25/09/15	15/10/15	Substantial	-	2	13
SCH	Fairlawn Primary	Sep 15	24/09/15	02/10/15	Substantial	-	4	-
SCH	Edmund Waller Primary	Jul 15	04/08/15	18/09/15	Satisfactory	-	11	10
SCH	Abbey Manor College	Jul 15	02/09/15	16/09/15	Satisfactory	1	8	-
SCH	Addey and Stanhope Secondary	Jun 15	26/06/15	19/08/15	Substantial	-	2	2
SCH	Adamsrill Primary	Jun 15	14/07/15	26/08/15	Limited	1	15	6
SCH	Watergate	Jun 15	23/07/15	11/08/15	Limited	1	12	10
SCH	Kender Primary School	May 15	08/06/15	06/07/15	Satisfactory	-	7	2
SCH	St Mary Magdalen's Catholic	May 15	26/06/15	02/07/15	Substantial	-	5	1
SCH	Holbeach Primary	Sep 15						
SCH	Kilmorie Primary	Oct 15						
SCH	Launcelot Primary	Oct 15						
SCH	Athelney Primary	Nov 15						

**Appendix 1 -2015/16 Audit Plan Status**

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
SCH	Bonus Pastor Catholic College	Nov 15						
SCH	Forster Park Primary	Dec 15						
SCH	Forest Hill Secondary	Jan 16						
SCH	St Joseph's Catholic Primary	Jan 16						
SCH	Prendergast Hilly Fields College (Secondary)	Jan 16						
SCH	Sedgehill Secondary	Feb 16						
SCH	Prendergast Ladywell Fields College (Secondary)	Feb 16						
SCH	Prendergast Vale College (Secondary)	Mar 16						

**Appendix 2 - Status of Recommendations**

Dir.	Name of Audit	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring recs core audits only	Comment
RRE	Capital Expenditure 14-15	Satisfactory	24/06/15	1				
RRE	Main Accounting 14-15	Satisfactory	18/06/15	1	1			Changed 2 times
RRE	Procurement 14-15	Satisfactory	24/07/15	1				
RRE	Pension Fund 14-15	Satisfactory	31/03/15			1		
RRE	Treasury Management 14-15	Satisfactory	11/06/15	1				
CUS	Accounts Payable 14-15	Limited	11/06/15	4	2			Changed 3 times
CUS	Accounts Receivable 14-15	Limited	18/06/15	1	1			Changed 2 times
CUS	Banking 13-14	Substantial	28/05/14	1	1			Changed 2 times
CUS	Business Continuity Plans - ICT and Telephony	Satisfactory	06/07/15	1				
CUS	Commercial Waste Service 13-14	Satisfactory	27/06/15	-	2			Changed 6 times
CUS	Decent Homes - Client Management	Satisfactory	20/08/15	2				
CUS	Disaster Recovery for ICT Infrastructure	Limited	19/04/13		3			Changed 2 times
CUS	Housing Grants and Handyman Service	Satisfactory	20/07/15	4				
CUS	IT Strategy	Consultancy	27/03/15	4				
CUS	Parking Contract	Substantial	10/07/14	-	1			Changed 3 times
CUS	Payments Centre	Satisfactory	26/09/13		1	1		Changed 4 times
CUS	Translation, Interpretation and	Satisfactory	14/07/15	2				

## Appendix 2 - Status of Recommendations

Dir.	Name of Audit	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring recs core audits only	Comment
	Transcript Service – Contract Management							
COM	Client Contributions for Res and Dom care 14-15	Limited	30/06/15	1				
COM	Personal and Individual Budgets 13/14	Substantial	11/04/14	1				
COM	Public Health Contracts	Satisfactory	31/08/15	4				
COM	South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15	3				
CYP	Estate Management Statutory Maintenance	Satisfactory	06/12/13	-	1			Changed 6 times.
CYP	Payments for 2-4 year olds	Substantial	24/06/15	2				Changed 2 times
CYP	School Catering Contract - client monitoring	Satisfactory	09/07/14		1			Changed 3 times
CYP	Payments to Care Providers and Foster Carers 14-15	Satisfactory	09/06/15		1			
SCH	Adamsrill Primary School 15/16	Limited	26/08/15	3				Follow up due Jun 16
SCH	Addy and Stanhope 15/16	Substantial	30/06/15	2				
SCH	All Saints Primary 14-15	Satisfactory	11/03/15	1				
SCH	Brentknoll Special School	Satisfactory	19/12/14		1			Changed 2 times
SCH	Chelwood Nursery 15-16	Satisfactory	22/10/15	5				
SCH	Coopers Lane Primary 14-15	Substantial	26/02/15	1				

**Appendix 2 - Status of Recommendations**

Dir.	Name of Audit	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring recs core audits only	Comment
SCH	Deptford Park Secondary School	Satisfactory	15/10/15	3				
SCH	Edward Waller 15-16	Substantial	20/09/15	2				
SCH	Elfrida Primary School 14-15	Limited	05/03/15	1				Follow-up due Dec 15
SCH	Grinling Gibbons 14-15	Satisfactory	30/11/15	1				
SCH	Lucas Vale School 13-14	Satisfactory	22/11/13	1	1			Changed 2 times
SCH	St Bartholomew's CE School 14-15	Limited	15/09/14	5				Follow up completed
SCH	St James Hatcham 14-15	Satisfactory	26/02/15	9				
SCH	St Mary Magdalen's Catholic Primary 15-16	Satisfactory	02/07/15	2				
SCH	St Michael's Cof E Primary School	Substantial	30/11/15	3				
SCH	St Saviours RC Primary School 14-15	Substantial	30/04/15	2				
SCH	Torridon Junior School 13-14	Substantial	07/04/14	1				
SCH	Trinity Through School 15-16	Satisfactory	13/11/15	4				(Just issued in Nov )
SCH	Turnham Primary School 13-14	No Assurance	31/07/14	9				
SCH	Watergate Special School	Limited	11/08/15	2				Follow up due Jun 16
<b>Total</b>				<b>92</b>	<b>18</b>	<b>1</b>	<b>1</b>	

# Agenda Item 8

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 8
Ward	ALL	
Contributors	Head of Corporate Resources	
Class		Date: 8 December 2015

## 1. Purpose of the Report

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

## 2. Recommendations

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

## 3. Special Investigations

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

Summary of Special Investigations work	2015/16	2014/15	Change		2014/15	2013/14
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	45	30	15	50%	30	41
New	59	40	19	48%	97	79
Closed	-70	-28	42	150%	-82	-91
c/f	34	42	-8	-19%	45	30
Of which						
E'ee cases	9	4	5	125%	19	27
- resulting in action	5	1	4	400%	10	16
Other cases	61	24	37	154%	63	64
- resulting in action	12	8	4	50%	31	22

- 3.2. "Other Cases" include applications for support by those who have No Recourse to Public Funds and claims for Direct Payments for Care as well as other non employee related fraud and enquiries to assist other organisations or Boroughs with their investigations. The seven cases successfully concluded in the most recent period included

- Two cases where evidence gathered for a No Recourse to Public Funds case was key to not only stopping payments but also helped defend a judicial review that was bought against the Council.
- Evidence provided for an investigation into a child that was failing to attend school. This will assist Lewisham in taking further action against the parent.

### Employee Related cases

- 3.3. Of the 70 cases closed in the last six months nine concerned employees and five resulted in action. These cases are included in the year to date figures shown below.

Analysis of employee fraud	2015/16	2014/15	Change		2014/15	2013/14
	P6 YTD	P6 YTD	Number	%	FY	FY
Dismissed/resigned & Convicted	0	0	0	0%	0	1
Convicted & recommended disc. Action	0	0	0	0%	2	5
Resigned/Dismissed incl. agency staff	2	1	1	100%	1	6
Other disciplinary (incl. not employed)	2	0	2	200%	2	0
Monies repaid	0	0	0	0%	2	2
Management action	0	0	0	0%	2	2
Identity issue cleared	1	0	1	0%	1	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>400%</b>	<b>10</b>	<b>16</b>

- 3.4. The three cases where action was taken in the last period were:
- Two instances were Pre-employment checks found issues with potential employees. The first case had Council Tax arrears of over £6,000 which they had made no effort to address and in the second case it was found that they had been dismissed from the Council several years previously. This had not been declared on their application.
  - One case where an agency employee was found not to have declared a significant conflict of interest. Their contract was terminated with immediate effect.
- 3.5. 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.

### Lewisham Homes

- 3.6. A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement which has now been extended for 2015/16. This to just under 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

- 3.7. 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	2015/16	2014/15	Change		2014/15	2013/14
	P6YTD	P6YTD	Number	%	FY	FY
Checks completed	124	151	-32	-18%	270	274
Action taken	15	18	-3	-17%	25	20

- 3.8. The eleven cases in the last three months that were flagged for further action were
- Six cases where business interests were identified but there was no conflict of interest so the appointment could go ahead.
  - Two cases where Council Tax Single Person Discount was removed as the council had not been aware that more than one person was resident.
  - In one case the applicant was required to make an arrangement to repay their council tax arrears of just over £700.
  - A potential employee failed to declare that they had been previously dismissed from the council's service. His provisional offer of employment was withdrawn.
  - There was another case where employment could not be confirmed as the applicant had arrears in excess of £6,000 which they had made no reasonable attempt to repay over a number of years.

## **4 Housing Investigations**

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 Housing App Investigations	2015/16	2014/15	Change		2014/15	2013/14
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f	42	39	3	8%	38	76
New	13	18	-5	-28%	46	67
Closed	-17	-45	-29	62%	-65	-107
c/f	38	12	26	217%	19	36
Resulting in action	6	35	-29	-83%	42	50

- 4.1 Whilst there has only been one successfully concluded case in the current period it should be noted that this officer has been engaged in a number of detailed investigations on behalf of Lewisham Homes and that these are not included in our returns. The successful case established that an application for housing was fraudulent as the applicant already had housing in another borough.

4.2 Work is also being undertaken on matches produced as part of the National Fraud Initiative. The results of these will be shown in the next quarter results.

4.3 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 and prevented tenancies being wrongly allocated in six cases so far this year, representing a saving of £108,000 plus ensuring that decant applications were for the correct size property.

## 5 DCLG Housing Bid funding

5.1 Since January 2012, grants from the DCLG have funded an investigator based within A-FACT to work with local housing partners to tackle fraud related to social housing.

Summary of DCLG Housing Investigations work	2015/16	2014/15	Change		2014/15	2013/14
	P6	P6	Number	%	FY	FY
b/f	176	33	143	433%	33	9
New	41	147	-106	-72%	269	111
Closed	180	105	75	71%	-126	-83
c/f	37	75	-38	-51%	176	37
Tenancies recovered	12	22	-10	-45%	38	33
Breakdown by RSL						
L & Q	1	14	-13	-93%	20	19
Pinnacle	7	3	4	133%	10	6
Brockley Co-Op	2	0	2	200%	1	4
Lewisham Homes	0	1	-1	-100%	3	2
Hexagon	2	3	-1	-33%	3	1
Family Mosaic	0	1	-1	-100%	1	1

5.2 In the last period six tenancies were recovered including a three bedroom flat with full disabled adaptations (wet room, hoists etc). The other properties are a three bedroom house, a three bedroom flat, and three two bedroom properties, one of which was subject to an active Right to Buy application which was prevented.

5.3 One of the cases detailed above required civil possession proceedings to be taken in order to recover the tenancy. Not only did the court award outright possession to Pinnacle Housing but they also granted an Unlawful profit order of £8,638 against the tenant. Both these decisions were based on the evidence provided from the A-FACT investigation. An unlawful profit order is granted on the basis that the tenant had profited from the subletting, the order requires that this is repaid to the landlord.

5.4 A-FACT are in the process of risk assessing the 275 new build cases mentioned in the last report. These are being logged as new investigations only if they are accepted for further investigation.

5.5 On the basis of the Audit Commission figures for the value of social housing as detailed in para 5.3. The recovery of the twelve tenancies to date equates to £216,000 plus the right to buy that was prevented (£103,900 discount saved).

## **7 Publicity**

7.1 There have been no cases suitable for investigation in this period.

## **8 Fraud Awareness Training**

8.1 In this period A-FACT have delivered three Fraud Awareness Sessions. This included training front line staff from other boroughs who are working in partnership with Lewisham to tackle fraudulent claims by those with No Recourse to Public Funds .

## **9 Projects**

9.1 In late 2014/15 A-FACT were successful in securing one off funding for 15 months for four counter fraud projects. There were in the areas of procurement, training, housing, and no recourse to public funds. Results from this work will be reported in future updates as they come through.

## **10 Metropolitan Police Seconded**

10.1 Detective Constable Norris is on secondment to A-FACT from the Metropolitan Police.

10.2 As Lewisham A-FACT have become more proficient in securing prosecutions, we have 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 we 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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