



# AGENDA AUDIT PANEL

**Date: TUESDAY, 6 DECEMBER 2016 at 7.00 pm**

**Committee Room 2  
Civic Suite  
Lewisham Town Hall  
London SE6 4RU**

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

## **COUNCILLORS**

Councillor Jonathan Slater (Chair)  
Councillor Helen Klier (Vice-Chair)  
Councillor Chris Barnham  
Councillor Bill Brown  
Councillor Mark Ingleby  
Councillor Joyce Jacca

## **Independent Members**

Paul Dale  
Ian Pleace  
Stephen Warren

**Members are summoned to attend this meeting**

**Barry Quirk  
Chief Executive  
Lewisham Town Hall  
Catford  
London SE6 4RU  
Date: Date Not Specified**



INVESTOR IN PEOPLE

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

## ORDER OF BUSINESS – PART 1 AGENDA

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# Agenda Item 1

AUDIT PANEL		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 6 December 2016

## Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 8 June 2016 be confirmed and signed.

# MINUTES OF THE AUDIT PANEL

Tuesday, 13 September 2016 at 7.00 pm

PRESENT: Councillors Jonathan Slater (Chair), Helen Klier (Vice-Chair), Bill Brown, Mark Ingleby and Mr Ian Pleace

Apologies for absence were received from Councillor Chris Barnham, Paul Dale and Stephen Warren

## 10. Minutes

### Minutes 7 – Annual Assurance Report

The Head of Corporate Resources said the Council's procurement practice was still work in progress as the recruitment process had started following voluntary severance due to restructuring. He said that further update would be brought to the December meeting.

Panel members were informed that meetings had taken place between the Executive Director for Resources and Regeneration and relevant officers and Contractors to address the issue with Marzars Company.

The Head of Corporate Resources said he would arrange to meet with Councillor Brown to discuss the Council's Internal Control system.

### Minutes 8 – Internal Audit Update

The Chair stated that the self assessment tool proposal would be discussed as part of item 5 of the agenda.

Councillors Ingleby and Brown raised concerns about whether this assessment was mandatory as the minutes was unclear on this issue. They were told the assessment was not mandatory.

RESOLVED that the minutes of the meeting held on 8 June 2016, which was open to the Press and Public, be confirmed as a correct record subject to paragraph 8.2 be amended to read:

“ The Chair said he would be happy to meet with the Internal Audit Manager sometime in September, and Audit Panel Members would consider whether they would want to complete the proposed self assessment” .

## 11. Declarations of Interests

None received.

## 12. External Audit Reports on 2015/16 Accounts

The report was introduced by Darren Wells, Director, Grant Thornton. He informed the Panel that they had anticipated giving the Council an unqualified opinion for the financial statements and an unqualified opinion on the Council's Value for Money Conclusion.

Panel members were informed that the audit had not yet been finalised but all housing benefit work had been completed. Grant Thornton felt they had to extend the task because of the Head of Audit opinion. It was noted that as control staff numbers continued to decrease, some of the duties had to be examined, this highlighted some weaknesses, and Grant Thornton decided to have an indepth look into this issue.

Darren Wells stated that there were some errors identified, as property plant and equipment valuations had been an area of concern in the past, Grant Thornton thought this would be a good area to concentrate on. Panel Members were told that even though the accounts were not completed by the end of July, more work had been done, compared to the same time last year.

Darren Wells said he was aware that Grant Thornton needed to tighten up it's timetable, and noted that the lack of human resources within the section had also impacted on the Council's Finance Department.

During the discussion it was highlighted that in an environment where a number of staff had left and others have had to take on additional responsibilities segregation of duties would be very important. Officers stated that they needed to be mindful of dilution of duties, and regular checks were being carried out to ensure procedures were up to date, and there was protection for both the staff and the Council.

Jamie Bewick, Manager Public Sector Assurance, Grant Thornton said Grant Thornton had done a lot of checks and a larger sample had been looked at in this area in comparison to previous years. Councillor Klier commented that various problems had been identified in connection with the Council's IT Contract with Brent, some as a result of some individuals having excessive access levels. It was noted that this issue was with the 6 Boroughs Contract, and that it was significant enough to include in the risk list.

Panel Members commented that if concerns were being raised over the lack of segregation of duties, then the Council have to be mindful of ongoing restructuring and reduction of staff, as this would create this kind of environment and increase the risk of fraud.

Panel Members asked whether Grant Thornton was satisfied that the Council was putting systems in place to better manage the risks posed by the 6 Borough Contract. Darren Wells stated that it would be difficult to change things within the contract at this stage without the consent of the other Partners. The Head of Financial Services said the contract would come to an end in 2018 and it was likely that group members would do things differently going forward.

The Chair said because the Council had to reduce its budget, there would be reduction in staff, which in turn might mitigate risk because smaller workforce would be supporting services. He asked what advice Grant Thornton would give to Executive Directors going forward. Darren Wells responded saying they had

started discussions with the Executive Director for Resources and Regeneration about revisiting the control environment, as the key controls would need to be re-established. Also the people working with these key controls would need to understand their work. He added that Internal Audit would be responsible to do this work.

The Head of Corporate Resources informed Panel Members that discussions had taken place and Managers were looking at activities and updating controls. He stated that although the Internal Audit workforce had shrunk to half its size this was an opportunity to do advisory work once things had stabilised. The Head of Corporate Resources said he would update Panel members on progress and key financial controls at the next Audit Panel Meeting.

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

Ian Pleace asked if there was anything in Grant Thornton's written representation that they would want to highlight to Panel Members. Darren Wells response was that Grant Thornton had asked the authority to sign a standard representation letter and there was no element of concern they would want to raise with Panel Members.

#### Pension Fund

Jamie Bewick introduced the report and stated there were no significant issue to highlight. He said they had a successful audit, which had to be done in a shorter time, it was completed by end of July. There were some minor errors as listed in the report. Jamie Bewick commented that there were some control issues which were the same as in the main audit and the Council has to be mindful of this.

Following a question from Councillor Klier about the effect of a high number of staff taking their pension early, the Head of Corporate Resources said the change from final salary to career average earning had made a difference. He stated that the Pension fund was on track with a 10% increase in value, with 72% liability. The Head of Corporate Resources said the Pension Fund was currently better funded than anticipated.

RESOLVED that the report be noted.

#### **13. External Auditor's Report on 2015/16 Accounts - LBL Response to Grant Thornton's Findings**

The Acting Group Finance Manager-Core Accounting introduced the report and highlighted the main points. The Head of Financial Services added that the Council was in agreement with Grant Thornton's Audit findings. He said there were some errors which were as a result of the reduction of staff, and experienced staff leaving the section.

The Head of Financial Services said there had been some positives, the draft audit was completed at the end of May, bank reconciliations have been kept up to date and officers continued to have reviews with Grant Thornton to discuss ways of improving the team, and relationship between the two parties. The Head of

Financial Resources said resources continued to be an issue, and officers were focusing on how they could meet their targets effectively in their current situation.

Ian Pleace asked whether the Panel could receive an update on the progress of the audit recommendations. The Head of Financial Services said the update would be brought to the next Audit Panel meeting on 6 December 2016.

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

RESOLVED that the report be noted.

**14. Internal Audit Update**

The Head of Corporate Resources introduced the report. He highlighted that all last year's audits had been completed, together with the audits officers aimed to finish in June. He informed Panel members that in the past by this time 90% of the audit recommendations would have been completed, but to date about 80% had been completed. He said these were not serious and would be monitored. The Head of Corporate Resources said nearly half of those overdue were from community service care, and with the permission of the Chair the Director could be invited to the next meeting to explain the situation. The Chair said he would like to see that happen.

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

The Head of Corporate Resources said that although the self assessment tool was not statutory it was good practice, and a governance tool for any committee board. He added that there were a number of examples in the public sector and an example from the NHS was attached to the report.

The Chair read out comments from Steven Warren, Independent Panel member who sent his apologies to the meeting. The Head of Corporate Resources said he would contact Mr Warren with the response to his queries.

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

The Head of Public Services informed Panel Members that some of the outstanding recommendations in appendix 5 of the report had now been implemented. He said there were problems with the Oracle system because of some deficiencies and also because of the pressure of working with limited resources. He added that the Council had also been waiting for procedure notes from its partners which were not forthcoming. The Council had now decided to implement its own.

The Head of Public Services said he was reviewing the negative assurance reports with his front line managers. He said he had met with the Executive Director for Resources and Regeneration to give her an update. He assured her that things were progressing well, and officers hope to complete the work as soon as possible, albeit a lot had to be done.

Councillor Ingleby asked whether there had been delays in debt recovery and was told yes, but officers were reviewing the debt collection process and were in discussion with Brent with an aim to improve this by the end of the year.

Responding to a question from Panel Members about the relevance of the self assessment tool, the Head of Corporate Resources informed Panel Members that although this was not a statutory requirement it was deemed as being good practice designed for senior managers and Councillors. The Chair asked the External Auditors whether they were aware of other local authorities that had used this tool, and was told that although it was common practice in the Public Health Sector, they did not think it was common in local authorities. Following further discussion Panel Members agreed that it was not the best fit for Audit Panel Members as the Panel was member led, and members had been elected to represent their constituencies irrespective of their skills, hence skilled Independent Members had been appointed as part of the make up to enhance the Panel's strength.

RESOLVED that the report be noted.

## **15. Anti-Fraud & Corruption Team Update**

The Head of Corporate Resources introduced the report.

Councillor Ingleby commented that if £75k was the amount of savings for every recovered social tenancy, then the officers would be making a lot of money for the Council with the number of tenancy recovered. The Head of Corporate Resources responded that this was a notional figure. The Head of Corporate Resources said the impact would be on the housing waiting list as properties become available for legitimate tenants.

Councillor Klier said she was surprised only 1 blue badge case was reported as she gets complaints about blue badge fraudsters every week. The Head of Corporate Resources said it could be very difficult to catch a blue badge fraudster as surveillance and monitoring would be necessary, and this was very time consuming. He said some complaints come through the hot lines, they are always investigated. Councillor Brown said the complainant would need the blue badge number to assist the investigation.

Ian Pleace stated that fraud covered a lot of Council activities, he asked about the Council's fraud awareness training provision. The Head of Corporate Resources said the Council had gone cashless which helps to limit cash fraud, and there were various training courses available to frontline officers. He said that managers were working constantly to keep key controls up to date, and they monitor output and feedback regularly.

RESOLVED:

- I. that the report be noted.
- II. that the proposed approach to KPI's be agreed.

Meeting ended: 8:45pm

Chair.....



# Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 6 December 2016

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)

# Agenda Item 3

AUDIT PANEL		
<b>Report Title</b>	Annual Audit Letter for year end 31 March 2016	
<b>Key Decision</b>	No	<b>Item No. 3</b>
<b>Ward</b>	All	
<b>Contributors</b>	Executive Director for Resources and Regeneration	
<b>Class</b>	Part 1	<b>Date:</b> 6 <sup>th</sup> December 2016

## 1. SUMMARY AND PURPOSE

- 1.1. This annual audit letter provides a summary of the key findings arising from the work carried out at the London Borough of Lewisham for the year ended 31 March 2016.

## 2. RECOMMENDATION

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

## 3. ANNUAL AUDIT LETTER

- 3.1. The council was given an unqualified opinion on the council's accounts on 26<sup>th</sup> September 2016 in advance of the national deadline of 30<sup>th</sup> September 2016. Grant Thornton has already reported on the key issues from their audit of the council's accounts to the council's Audit Panel on 13<sup>th</sup> September 2016.
- 3.2. This audit letter provides a commentary on the results of the auditor's work to the council and its external stakeholders, and to highlight issues that they wish to draw to the attention of the public.

## 4. IMPLICATIONS

- 4.1. There are no financial, legal, crime and disorder, equalities or environmental implications directly arising from this report.

## 5. FURTHER INFORMATION

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

# The Annual Audit Letter for London Borough of Lewisham

Year ended 31 March 2016

October 2016

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**Darren Wels**

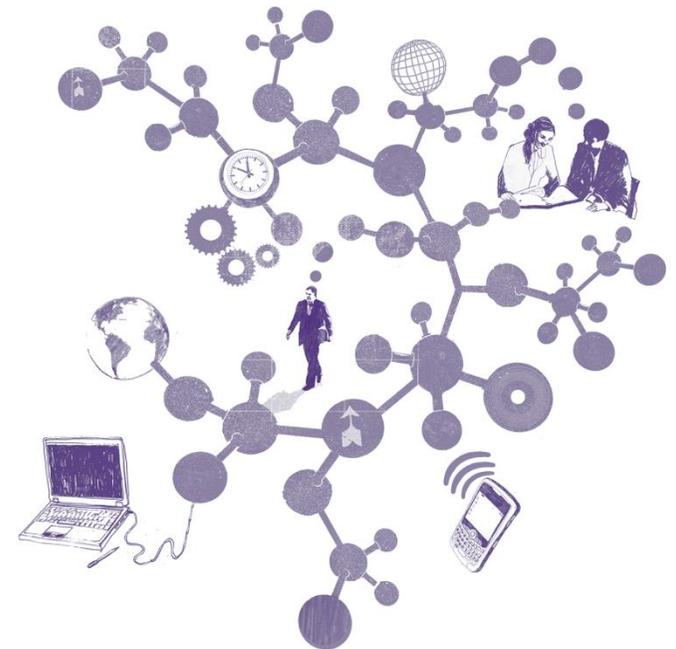
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A Reports issued and fees

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# Executive summary

## Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at London Borough of Lewisham (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office's (NAO) Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Panel as those charged with governance in our Audit Findings Report on 13 September.

## Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## Our work

### Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 26 September 2016.

### Value for money conclusion

We concluded that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 26 September 2016.

### Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 14 October 2016.

### Certificate

We certified the completion of the audit of the accounts of London Borough of Lewisham in accordance with the requirements of the Code on 20 October 2016.

### Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit Panel in our Annual Certification Letter.

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## **Working with the Council**

We are continuing to work with the Council management as they look to improve the accounts closedown process in line with the earlier accounts deadlines, which come into force in 2018.

We will also continue to work with the Council as it looks to improve its financial control environment and achieve greater efficiencies and financial sustainability through service transformation.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2016**

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# Audit of the accounts

## Our audit approach

### Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £18,558,000, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas, namely cash and senior officers remuneration disclosures.

We set a lower threshold of £927,000, above which we reported errors to the Audit Panel Committee in our Audit Findings Report.

### Pension Fund

For the audit of the Lewisham Pension Fund accounts, we determined materiality to be £10,426,000, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality for certain areas namely cash and related party transactions. We set a threshold of £521,000 above which we reported errors to the Audit Panel.

## The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>Valuation of property, plant and equipment</b>            The Code requires the Council to ensure the carrying value at the balance sheet date is not materially different from current value.            The Council considers the current value of its PPE assets annually, undertaking revaluations where deemed necessary to ensure that the PPE balance is fairly stated. This represents a significant estimate by management in the financial statements.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 18</p>	<p>We completed the following work:</p> <ul style="list-style-type: none"> <li>• Review of the competence, expertise and objectivity of any management experts used;</li> <li>• Walkthrough the system for PPE valuation;</li> <li>• Review of management's processes and assumptions for the calculation of the estimate;</li> <li>• Review of the instructions issued to valuation experts and the scope of their work;</li> <li>• Discussions about the basis on which the valuation is carried out and challenge of the key assumptions;</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register;</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p><b>The draft financial statements contained a number of significant errors in the accounting treatment of valuations, which management corrected in the final version of the accounts.</b></p>
<p><b>Operating expenses</b>            Operating expenses understated.</p>	<p>We completed the following work:</p> <ul style="list-style-type: none"> <li>• Walkthrough of operating expenses system, updating our understanding;</li> <li>• Review and test the year end creditors control account reconciliation;</li> <li>• Test a sample of transactions at the year end to confirm they are accounted for in the correct period (cut-off testing);</li> <li>• Review of the accruals policy and confirm that it has been properly applied.</li> </ul> <p><b>We tested an extended sample of operating expenditure and creditors in response to control weaknesses identified by internal audit during the year. We identified a number of errors in our testing, however these were not material to our opinion.</b></p>

# Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk
<p><b>Valuation of level 3 investments</b> Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• carried out walkthrough tests of the controls identified in the cycle;</li> <li>• tested a sample of private equity investments by obtaining and reviewing the latest audited accounts for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31s March with reference to known movements in the intervening period;</li> <li>• reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached;</li> <li>• reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li> </ul> <p><b>Our work did not identify any issues in respect of the risk identified.</b></p>
<p><b>Valuation of pension fund net liability</b> The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>We completed the following work:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and sufficient to mitigate the risk of material misstatement;</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation;</li> <li>• completed procedures to confirm the reasonableness of the actuarial assumptions made;</li> <li>• reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p><b>Our work did not identify any issues in respect of the risk identified.</b></p>

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# Audit of the accounts

## Audit opinion

We gave an unqualified opinion on the Council's accounts on 26 September 2016, in advance of the 30 September 2016 national deadline.

## Issues arising from the audit of the accounts

We reported the key issues from our audit of the Council's accounts to the Council's Audit Panel on 13<sup>th</sup> September 2016.

We identified a number of significant adjustments affecting the Council's Comprehensive Income and Expenditure statement and balance sheet. None of these errors affected the overall performance against the Council's revenue budget, although there are several which affect reported income and expenditure and asset values. The main categories of errors were as follows.

- Errors in the Council's accounting treatment of Property, Plant and Equipment, leading to some significant adjustments;
- The Council had not accounted correctly for NNDR in the collection fund; This required multiple adjustments affecting all of the primary financial statements.
- There were several errors in the accounting treatment of grant income.

## Internal financial controls

We also had due regard in our testing strategy to the control weaknesses raised by internal audit and in the Head of Internal Audit opinion, particularly in relation to the accounts payable system which received a "no assurance" opinion. To mitigate this risk we tested a larger sample of expenditure, with a focus on the robustness of the supporting evidence.

Although ours was not specifically an audit of controls, our observations during the audit were consistent with those of internal audit. We noted weaknesses in access, separation of duties and authorisation. The number of staff in the finance team has reduced significantly in recent years. Additionally the Council moved to a shared financial services system in 2014. It is not clear that the Council has maintained a full and compliant system of internal control following these changes. The Council should re-evaluate its control framework and ensure new ways of working are understood and complied with by staff.

## Closedown arrangements

From 2017/18 all councils in England will be required to publish their audited financial statements by 31<sup>st</sup> July (currently 30 September). For an organisation as large and complex as the London Borough of Lewisham this will be a significant challenge, requiring a major review of working arrangements.

In early 2016 we discussed this issue with the whole finance team and agreed to treat the 2015/16 audit as a 'dry run' for the earlier closedown. The Council successfully produced draft financial statements by 31 May, in line with the timetable agreed with management. Working papers were made available either at the start of our audit or when requested. By the end of July the audit was substantially further advanced than in the previous year.

However the target of completing the audit by the end of July was not achieved and some work had to be deferred to September. This was because of the volume of issues which arose and the Council's limited capacity to deal with the audit work in the shorter timescale. We have been in discussions with the finance team over lessons learned from this dry run and in particular how more capacity can be added to the finance team to complete the audit in a shorter and earlier timescale. Additional finance capacity during the audit would enable the Council to respond more quickly to queries, enabling the audit team to complete its work in a more efficient manner.

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# Audit of Accounts

## **Pension fund accounts**

We also reported the key issues from our audit of accounts of the Lewisham Pension Fund to the Council's Audit Panel on 13 September. The Pension fund financial statements were of a good standard. Management responded promptly to our audit queries.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided and with our knowledge of the Council.

## **Whole of Government Accounts (WGA)**

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider.

## **Other statutory duties**

We have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not exercise any of these powers or duties in 2015/16.

# Value for Money conclusion

## **Background**

We carried out our value for money review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

A recurring theme in our discussions with management was the challenge of freeing management capacity to deal with significant transformational change. As part of our Audit Findings report agreed with the Council in September 2016, we agreed a recommendations to address this finding.

## **Overall VfM conclusion**

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 2016.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p>Health &amp; Social Care Integration - The Council is working with partners in the local health economy towards greater health and social care integration. However the health economy is in significant financial difficulty which could create cost pressures for the Council and affect the Council's plans and assumptions around the Better Care Fund, social care funding and public health.</p>	<p>We reviewed the Council's plans and assumptions around health and social care integration particularly concerning the Better Care Fund. We considered how the Council is managing associated cost pressures through working in partnership with local health bodies.</p>	<p>The Council is a relatively high spender on Adult Social Care according to its own benchmarking information. The Council has been working closely with local health services, particularly around the Better Care Fund monies allocated to social care. The Council has made good progress in developing defined savings schemes. The schedule of developed savings schemes for 2017/18 presented in the budget, included almost £3 million of the £5.9million required from social care for the year 2017/18. The remainder are being developed for further review and approval and officers expect them to be fully developed by the time the budget is signed off in February 2017.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>
<p>Financial control - the Council transferred to a financial shared service provider in 2014/15 and also to a new internal audit provider. At the same time there have been staffing reductions within the Council. IA have issued a number of limited or no assurance reports and the Head of IA opinion gave limited assurance.</p>	<p>We considered the Council's arrangements to maintain a sound financial control environment during a period of significant change. We also considered working arrangements with the shared service provider. We reviewed how the Council is responding to issues raised by its internal auditors.</p>	<p>While acknowledging there have been significant control issues in 2015/16 we have not identified material errors in our 2015/16 audit resulting from those control issues. Additionally management are responding to the issues raised.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>
<p>Maintaining quality of service provision - The Council has had to implement significant reductions in staff numbers over the last three years as a result of significant reductions in external funding. There is a risk that these impact on service quality and continuity.</p>	<p>We considered the Council's arrangements to minimise the impact of cuts on service provision. We did this through:</p> <ul style="list-style-type: none"> <li>-discussions with management</li> <li>-review of reports or comments, if any, from external regulators</li> <li>-review of benchmarking data of Council performance against other similar organisations</li> </ul>	<p>The Council has reported mixed performance against achieving its corporate priorities as at the 31 March 2016 year end. However none of these areas of weaker performance can be directly attributed to the impact of savings plans implementation. From our benchmarking data we noted that neighbouring councils are affected by similar trends</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

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# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p>In year financial management and monitoring - the Council overspent against its 2015/16 budget and had to draw on reserves, which is not sustainable in the long term. The Council faces similar budget pressures in 2016/17</p>	<p>We reviewed the cost pressures facing the Council in the current year, its response to these and its arrangements for managing them. We considered the Council's intentions, approach and strategy towards its use of reserves.</p>	<p>There was an overspend on service budgets in 2015/16 of £6.3 million, which was in line with forecasts. However, as in past years the corporate finance team has implemented planned mitigating action to maintain a balanced financial position overall. The Council recognises that despite the resilience provided by reserves and budgeted contingencies, it cannot continue to incur budget overspends indefinitely.</p> <p>The Council has adequate reserves set aside to provide a buffer against budget overspends, and only a fraction of these were used in 2015/16.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>
<p>Medium term financial planning - The Council estimates that it needs to achieve £45 million of recurring savings or additional recurring income over the next three years. This is a significant challenge following on from efficiencies already made.</p>	<p>The Council presented its budget and savings proposals in July. We reviewed these proposals, considered how realistic they are and considered the arrangements that are in place to implement them. We considered the Council's plans for commercialisation and how these are contributing to the financial strategy.</p>	<p>The Council has a good track record of delivering cost efficiencies. As noted above, the Council has significant reserves set aside to provide a buffer against budget overspends, and in addition, there are a number of areas of discretionary spend that could be used if alternative schemes can not be found. Therefore the Council has financial resilience to set a balanced budget for the foreseeable future.</p> <p>Management believe that future savings will have to focus much more on service transformation, rather than efficiency savings. Management acknowledge that service managers do find it difficult to free up time for thinking and developing ideas, from business as usual demands.</p> <p>To support the established work of the Lewisham Future Programme in 2015 the Council adopted its Lewisham 2020 strategy, which was developed around a large scale consultation with the community (the Big Budget Challenge). This focuses on four themes for transformation and enabling approaches to support the implementation of service reductions, which are summarised in the efficiency plan.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

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# Working with the Council

## Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit 3 days before the deadline. By the end of July the audit was substantially further advanced than in the previous year. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Improved financial processes – during the year we discussed how you should respond to weaknesses in your systems of control identified by internal audit.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need to create management capacity to effect transformational change.

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included, Knowing the Ropes – Audit Committee; Effectiveness Review, Making devolution work, Reforging local government]. We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of audit related services.

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	193,233	193,233	255,044
Statutory audit of Pension Fund	21,000	21,000	21,000
Housing Benefit Grant Certification	25,569	TBC	39,980
<b>Total fees (excluding VAT)</b>	<b>239,802</b>	<b>TBC</b>	<b>316,024</b>

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Housing capital receipts	<b>3,000</b>
• Teachers Pension return	<b>6,000</b>
<b>Non-audit services</b>	<b>Nil</b>

Variations to the planned fee are subject to approval by Public Sector Audit Appointments Ltd.

## Reports issued

Report	Date issued
Audit Plan	April 2016
Audit Findings Report	September 2016
Pension Fund Audit Findings Report	September 2016
Annual Audit Letter	October 2016



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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. 4</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: 6 December 2016</b>

## 1. Purpose of the report

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

- Progress against the internal audit plan; and
- Progress of implementation of internal audit recommendations.

## 2. Recommendations

2.1. It is recommended that the Audit Panel note this report and the attached report to Schools' Forum.

## 3. Background

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

3.2. Internal audit service consists of an in-house team that is supported by external service providers.

3.3. The in-house team consists of the Head of Corporate Resources (Head of Internal Audit), the Internal Audit Contract Manager, and three principal auditors.

## 4. Executive Summary

4.1. Internal audit progress update - 2016/17 - 42 out of the 67 planned corporate audits are work in progress, with ToR agreed and fieldwork scheduled or underway. There was one additional audit added to the plan and one dropped since the last meeting.

4.2. The schools' audit plan is also underway with six finalised and 13 draft report for review stage.

4.3. Limited, No Assurance and Consultancy reports - there was one 'Limited' audit report issued since the last meeting.

4.4. High or Medium recommendations not agreed – management agreed all high and medium recommendations made.

4.5. Follow up reviews - There were two corporate follow-up reviews completed since the last meeting. Of the six recommendations reviewed, 67% were either implemented or in progress. This is lower than usual, usually above 90%. However, the number of audits / recommendations is low and may not reflect the true outcome / trend.

- 4.6. Management progress against recommendations made - The percentage of overdue to open recommendations for corporate reports is 24%, which is an improvement on last time, which was 32%.
- 4.7. The schools percentage of overdue recs to open recs is 61% which is an increase on the 42% from last time, and was raised with Schools Forum in October.
- 4.8. Management superseded three recommendations, details of which are provided.
- 4.9. Annual Schools' Forum Report – At the request of the Overview and Scrutiny Business Panel, the schools forum report is presented to the Audit Panel for their consideration. The information in the report collates that already presented to the Audit Panel based on the 2015/16 schools audits.
- 4.10. Any other business – The annual audit planning process has started with meeting with Heads of Service booked in for December and January.

## 5. Progress against the audit plan for 2016/17

### Corporate audits

- 5.1. The table below provides a summary of the status of the corporate part of the internal plan. It shows that 63% of the work is at least to the Terms of Reference (ToR) / Fieldwork stage with final reports expected in January.
- 5.2. Of those audits not yet started, eight have had a pre-audit meeting and fieldwork will start in December. The rest of the audits will be conducted in Qrt 4.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Yet Started	ToR / Field work stage	Reports at Draft	Final Reports
68	5	(6)	67	25	32	3	7

- 5.3. Detailed below are the final reports issued since the last meeting.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Financial Regulations in the Constitution	14/10/16	Substantial	-	-	3
Payroll 2016-17	22/11/16	Substantial	-	1	-
BACS testing	01/11/16	Satisfactory	-	3	-
Payment Card Industry Data Security Standards (PCI- DSS)	05/09/16	Limited	1	1	-
Virtual Private Network / Mobile Working	31/10/16	Satisfactory	-	6	-
Licensing (Alcohol, Gambling)	21/09/16	Satisfactory	-	7	7

- 5.4. As expected, the audit plan changes throughout the year. Below is a list of the changes to the corporate plan since the last meeting:

#### Additional audits

- Pre-payment cards - Expenses Audit (non-core financial) split into two.

Cancelled audits

- Sundry Debtors System - Consultancy audit cancelled as new IT debtor system due to be put into place.

5.5. School Audits

The table below provides a summary of the status of the schools' part of the internal audit plan.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Started	Field-Work stage	Draft Reports	Final Report
27	-	-	27	8	13	-	6

- 5.6. There were four school reports issued since the last meeting, all with a positive opinion.

Audit (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Good Shepherd Catholic School	11/11/16	Substantial	-	3	1
Clyde Nursery	25/11/16	Satisfactory	-	8	-
Brindishe Green Primary	20/10/16	Substantial	-	3	3
Brindishe Manor Primary	20/10/16	Substantial	-	3	-

- 5.7. There were no changes to the schools' part of the audit plan.

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

Corporate Audits

- 6.1. There was one corporate 'Limited' opinion report issued since the last meeting.

- Payment Card Industry Data Security Standards (PCI- DSS)

The executive summary for this report is in appendix 2.

- 6.2. There were no consultancy or 'No Assurance' reviews issued since the last meeting.

School Audits

- 6.3. There were no Limited or No Assurance reports for schools issued

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

- 7.1. Since the last meeting, management have agreed all High or Medium recommendations made by internal audit prior to finalisation.

**8. Follow up reviews**

Corporate follow-up reviews

- 8.1. Corporate audits with High or Medium recommendations are normally followed-up within nine months of the final report. The exception to this are the core financial audits which are followed-up at the next annual audit.

8.2. There were two corporate follow-up reviews completed since the last report. The summary of the status of the recommendations are in the table below. The 67% implemented or in progress is low and consistent with the previously reported trend. However, given this result only includes two audits and six recommendations the position will continue to be monitored before drawing any firm conclusions.

8.3. Details of the individual follow-ups are in appendix 3.

Implemented	In Progress	Superseded	Not Implemented	Total Recs
3	1	-	2	6
50%	17%	-	33%	100%

School follow up reviews

8.4. School audits with a negative assurance opinion (i.e. ‘Limited’ or ‘No assurance’) also receive a follow-up review.

8.5. There were no school follow up reviews completed in this period.

**9. Management progress against recommendations made**

Corporate Recommendations

9.1. The table below shows the status of the High and Medium recommendations as at the 25/11/16 for corporate recommendations.

9.2. The percentage of overdue to open recommendations is 24%, which is an improvement on the 32% reported at the last meeting. It is also closer to the expected performance of 80:20 split of ‘in time’ v. ‘overdue’ recommendations.

Month of meeting	Current no. of open recs	No. of overdue recs	No. of open recs with 2+ changes	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Dec 16	107	26	18	10	13	24%
Sept 16	139	44	16	11	18	32%
Jun 16	118	37	16	10	11	31%

9.3. As well as timeliness, from a control point of view the recommendations internal audit are monitoring closely are the re-occurring ones as these relate to core financial controls and those that need to be re-opened to ensure the business is implementing the action from the recommendations they have agreed to.

9.4. To accompany the table above, appendix 4 lists the audits with recommendations that are either:

- Overdue (due date has passed)
- Two or more changes have been made to the due date,
- Re-occurring core financial recommendations, or
- Recommendations were re-opened at the time of the follow-up

9.5. There were three corporate superseded recommendations since the last meeting.

Audit name	Recommendation	Reason for super
Children's Centre Contract Management 15/16	Recommendation - The Contract Manager should liaise with the Service Providers to ensure that Common Assessment Frameworks (CAFs) are completed and logged onto the Council's CAF database.	This recommendation is no longer relevant as a new Early Help system is in place.
Pensions 2015-16	Efforts should be intensified to resolve the scanning of documentation for electronic records. In the interim, external options can be considered. In line with current procedure, all documentation relating to pensions should be scanned and retained electronically on a site restricted to pensions staff	Further to discussion at R&R DMT, it was agreed that this action is now part of the Digital Transformation work programme. It should therefore be monitored through that work and not via the Pensions team. If identified again as an on-going issue at the next annual audit this should be noted but not formerly recommended in the pensions report.  This will be taken up as part of the audit planning for 2017/18 to ensure the risk is not lost.
Risk Management 2015/16 -	The Performance Plus (P+) system owner should update the manual to provide adequate guidance on the process of setting up and managing risk registers on P+. Management should consider the need for additional training on P+ where required.	Following the refresh of how directorate and corporate risk registers will be prepared this is no longer required. Registers are now held as word documents. The exception is the corporate register which is also on P+ for the management report. However, this is for the performance and insurance teams to produce and does not justify a revised manual.

### School Recommendations

- 9.6. The table below shows the status of open High and Medium school recommendations as at the 25/11/16. The percentage of overdue to open recommendations is 61%. This is an increase from the 43% reported last time. The detail is reported in appendix 4 and was raised with Schools Forum as the main responsibility rest with Governors and Head Teachers.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Dec 16	95	58	61%
Sept 16	154	67	43%
June 16	116	84	72%

## 10. School Forum Report

10.1. At the request of the Overview and Scrutiny Business Panel, the annual internal audit report to Schools Forum, presented to them in October 2016, should also be presented to the Audit Panel for review (see appendix 6).

10.2. The report includes information that has already been presented to Audit Panel in the form of the quarterly reports during 2015/16 and the Council wide annual assurance report. As such, while there is no new information to note, the Audit Panel's attention is drawn to:

- the consistent areas of control weakness identified – governance, procurement and assets;
- the agreed action to highlight this through the assurance opinions for 2017/18 audits; and
- that Schools Forum will be writing to all schools emphasising the importance of effective financial controls in managing their school budgets.

## 11. Any other business

11.1. The audit planning process will soon be under way. Meeting with the Heads of Service to assess emerging areas of risk will take place in December and January. This will ensure that the draft internal audit plan is in place prior for members to approve at their March 2017 meeting.

## 12. Legal implications

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

## 13. Financial implications

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

## 14. Equalities implications

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

## 15. Crime and disorder implications

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

## **16. Environmental implications**

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

## **17. Background papers**

17.1. 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 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

Corporate audit sorted by type Key = Core Financial= **CF**, IT = **IT**, Contract= **CT**, General = **GN**, and Grants= **GR**.

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Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Accounts Payable 16-17	→									
CF	Accounts Receivable 16-17	→									
CF	Banking 16-17	→									
CF	Budget Monitoring 16-17	→									
CF	Business Rates 16-17	→									
CF	Capital Expenditure 16-17	→									
CF	Client Contribution for Care Provision 16-17	→									
CF	Council Tax 16-17	→									
CF	Direct Payments 16-17										
CF	Housing Benefit and Council Tax Reduction Scheme 16-17	→									
CF	Main Accounting 16-17	→									
CF	Non-Current Assets 16-17	→									
CF	Payments to Adult Care Providers 16-17										
CF	Payments to Care Provider and Foster Carers for Looked After Children 16-17										

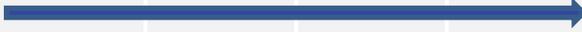
**Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Payroll 16-17						22/11/16	Substantial	-	1	-
CF	Pensions 16-17										
CF	Treasury Management 16-17										
IT	BACS testing						01/11/16	Satisfactory	-	3	-
IT	Business Continuity Plans for ICT and the LB of Brent										
IT	Compliance with the Code of Connection (CoCo) and Public Sector Network (PSN).										
IT	Data Breaches - detection, reporting and Network Security										
IT	ICT Governance Arrangements with Brent										
IT	IT and Digital Strategy										
IT	Payment Card Industry Data Security Standard (PCI DSS)						31/10/16	Limited	1	1	-
IT	PayPal Project (Advice only)										
IT	Virtual Private Network (VPN) / Mobile Working						31/10/16	Satisfactory	-	6	-
CT	Flagship Care Scheme for Older People accommodation										

**Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CT	Minor Works Programme (Schools)										
CT	Mobile Devices (Contract Monitoring)										
CT	Public Health - Target based payments to GPs										
CT	Pre contract and Tendering										
CT	Regeneration and Capital Programme Boards										
CT	Schools' Catering Contract										
CT	Supporting People										
GN	Adult Learning Lewisham										
GN	Apprenticeships, Graduates and other Professional Training Schemes										
GN	Better Care Fund										
GN	Blue Badges, Freedom Passes, Discretionary Passes and Taxi cards										
GN	Budget Savings and Decision Making Framework										
GN	Building Control Approval										

**Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Business Continuity Plans for Adult Social Care Providers										
GN	Community Budget with Southwark and Lambeth										
GN	Expenses reimbursed by payroll										
GN	Financial Regulations / Constitution						14/10/16	Substantial	-	-	3
GN	Gifts and Hospitality and Declaration of Interests - Officers and Members										
GN	Home Care Provision										
GN	House in Multiple Occupation (HMO)										
GN	Income Generation Scheme / Project										
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.										
GN	Lewisham Website and Intranet Content Usability										
GN	Licensing						21/09/16	Satisfactory	-	7	7
GN	Local Support Scheme										
GN	Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DOLS)										

**Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Monitoring of Child Care Providers										
GN	Monitoring of Lewisham Homes Management Agreement										
GN	No Recourse to Public Funds (NRPF) Case Framework	➔									
GN	Ofsted Framework Rolling Plan - Children looked after and achieving permanence (Adoption / Experiences and progress of care leavers) -										
GN	Ofsted Framework - Rolling Plan Leadership Management and Governance -										
GN	Ofsted Framework Rolling Plan - Children who need help and protection -										
GN	Pre-Payment Cards										
GN	Procurement Card Expenditure	➔									
GN	Project Management Review Framework and Training	➔									
GN	Risk Maturity Review	➔					28/07/16	Risk Managed	-	6	-
GN	Safe Guarding and Assurance Adults - Proactive Monitoring of Referrals										
GN	Street Trading (Forecourt)	➔									

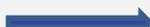
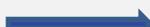
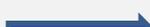
## Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside										
GT	Troubled Families Programme Grant Submission	<b>Ongoing grant claim verification</b>									

### School audits sorted by name

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Brindishe Green Primary			20/10/16	Substantial	-	3	3
Brindishe Manor			20/10/16	Substantial	-	3	-
Clyde Nursery			25/11/16	Satisfactory	-	8	-
Dalmain Primary							
Deptford Park Primary							
Drumbeat School (Special)							
Good Shepherd Catholic School			11/1/16	Substantial	-	3	1
Holy Cross Catholic Primary			07/07/16	Substantial	-	3	2
Horniman Primary							
John Stainer Primary							
Lucas Vale Primary							
Marvels Lane Primary							

**Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'**

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Myatt Garden Primary							
Rangefield Primary							
Rathern Primary							
Rushey Green Primary			22/07/16	Satisfactory	-	10	5
Sandhurst Infant							
Sandhurst Junior							
St Augustine's Catholic Primary							
St Joseph's Catholic Primary							
St Mary's CE Primary							
St Stephen's CE Primary							
Stillness Infant							
Stillness Jnr							
Torridon Infant							
Torridon Junior							
Turnham Primary							

## Appendix 2 - Executive Summaries from Limited, No Assurance or Consultancy Reviews



### Executive Summary for PCI DSS Compliance

Internal Audit Assurance Opinion	▲ Limited	Risk Headings	H	M	L	
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).		▲	1. PCI DSS compliance requirements	1	1	-
		<b>Total</b>		<b>1</b>	<b>1</b>	<b>-</b>

#### Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR), which can be found on page 7. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

#### Key findings that need attention

- The Council is currently not PCI DSS compliant. The following key tasks related to the compliance process have not been completed:
  - Submission of Self -Assessment Questionnaire (SAQ) for PCI DSS compliance for the current year;
  - PCI DSS oriented Network Penetration Test; and
  - Annual reviews of policies and procedures.

Failure to undertake the above tasks in a timely manner could result in the Council being charged penalties for non compliance. Additionally non compliance status could negatively affect the Council's reputation.

- As the Council has not yet submitted its SAQ, post submission work that is associated with compliance continuation is still to be carried out. This includes quarterly external PCI Approved Scanning Vendors (ASV) and internal scans which are aimed at proactively identifying weaknesses in the network and computer systems.

#### Follow-up

The followup for this audit will take place within nine months from the date of the final report.

Management are required to update the progress any High or Medium recommendations on the Recommendations SharePoint site.

#### Changes to the scope

This audit was conducted in line with the agreed Terms of Reference.

#### Areas that worked well

- Management is aware of its non-compliance status and have taken steps to address this issue. A draft SAQ has been prepared and work is being done to finalise it before submission.
- The Council has managed to get penalties waived by the main acquirer, Woldpay, and this has led to Council's other acquirer, Global Payments, granting waivers for penalties as well.
- The Council has obtained a Public Sector Network (PSN) accreditation, which is however conditional, but shows progress being made to address technical issues that could lead to non-compliance which may have an impact on PCI as well.

**Appendix 3 - Follow up results**

<b>Audit Followed Up (Corporate)</b>	<b>Opinion</b>	<b>Final Rpt Date</b>	<b>F/up Rpt Date</b>	<b>Impl'd</b>	<b>In Progress</b>	<b>Supers'd</b>	<b>Not Impl'd</b>	<b>Total</b>
Recycling and Incineration Arrangements - Contract Management	Satisfactory	10/11/15	03/10/16	3	1	-	-	4
Translation, Interpretation and Transcription Service - Contract Management	Satisfactory	14/07/16	08/09/16	-	-	-	2	2
			<b>Total</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>6</b>

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Corporate Health and Safety	Satisfactory	23/09/15		1			Changed 3 times
Main Accounting 14-15	Satisfactory	18/06/15		1			Changed 5 times
Non-Current Assets 15-16	Satisfactory	20/05/16				1	
Pensions 2015/16	Satisfactory	01/04/16	1				
PFI Monitoring - School 15-16	Satisfactory	11/08/16	1				
Accounts Payable 15-16	No Assurance	11/06/15	1	4	1	3	Changed 2 and 3 times
Accounts Receivable 15-16	Limited	15/01/16		2		2	Changed 2 and 4 times
Client Contributions for Care Provisions 15-16	Limited	01/04/16		3		1	Changed 2 and 3 times
Compliance with the DPA	Satisfactory	04/05/16		1			Changed 2 times
Housing - Temp Accommodation	Limited	06/06/16		2			Changed 2 times
Payments Centre	Satisfactory	26/09/13		1	1		Changed 6 times
Public Access to Information	Satisfactory	04/05/16		1			Changed 2 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Recycling and Incineration Arrangements - Contract Management	Satisfactory	12/11/15			1		
Registrars 15-16	Satisfactory	30/06/16		1			Changed 4 times
SharePoint 14-15	Satisfactory	13/10/15			2		
Translation, Interpretation and Transcript Service	Satisfactory	14/07/15			2		
Virtual Private Network	Satisfactory	31/10/16	1				
Better Care Fund	Limited	27/05/16	2				
Direct Payments 15-16	Satisfactory	24/05/16	1			1	
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	1				
Licencing - Gambling and Alcohol	Satisfactory	21/09/16	6				
Payments to Adult Care Providers 15-16	Limited	27/05/16	3			1	
Public Health - Statutory Services	Satisfactory	31/12/15			1		
Youth Offending Service	Satisfactory	02/07/15		1	1		Changed 2 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Leaving Care 18+	Satisfactory	07/06/16	4				
Payments to Care Providers and Foster Carers 15-16	Satisfactory	27/05/16	4			4	
Youth Service	Satisfactory	01/07/15	1		1		Changed 2 times
		<b>Total</b>	<b>26</b>	<b>18</b>	<b>10</b>	<b>13</b>	

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Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Abbey Manor College 15-16	Satisfactory	16/09/15		3		
Adamsrill Primary School 15/16	Limited	26/08/15	1		1	Follow up complete
All Saints Primary 14-15	Satisfactory	11/03/15	1	1		

Appendix 4 - Status of Managements' Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Althelney Primary 15/16	Satisfactory	10/03/16	1			
Brent Knoll Special 14/15	Satisfactory	19/12/14		1		Changed 2 times
Brindishe Green School 16-17	Substantial	20/1/16	1			
Brindishe Manor School 16-17	Substantial	20/10/16	1			
Deptford Park Secondary School	Satisfactory	31/10/16	1	1		
Elfrida Primary School 14-15	Limited	05/03/15	1	1	1	
Forster Park Primary	Substantial	27/01/16	1			
Holbeach School 15-16	Satisfactory	03/02/16		1		
Kilmorie School 15-16	Satisfactory	06/07/15	5			
Launcelot Primary	Satisfactory	23/02/16	2			
Our Lady and St Philip Neri 16-17	Satisfactory	04/02/15	1			
Prendergast - Hilly Fields 16-17	Satisfactory	29/07/16	9			
Prendergast - Ladywell 16-17	Satisfactory	29/07/16	9			
Prendergast - Vale 16-17	Substantial	29/07/16	3			
Rushey Green 16-17	Satisfactory	22/07/16	2			
Sedgehill 15-16	Satisfactory	30/04/16	6			
St Mary Magdalen's Catholic Primary 15-16	Satisfactory	02/07/15		1	1	
Trinity Through School 15-16	Satisfactory	13/11/15	4		1	
Turnham Primary School 13-14	No Assurance	31/07/14	9			

Appendix 4 - Status of Managements' Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Watergate School 15-16	Limited	11/08/15				
			58	9	4	

<b>AUDIT PANEL</b>		
<b>Report Title</b>	Internal audit report for the School Forum for 2015/16	
<b>Key Decision</b>	No	Item No. 6
<b>Ward</b>	All	
<b>Contributors</b>	Head of Corporate Resources	
<b>Class</b>	Part 1	Date: 6 October 2016

**1. Purpose of this report**

- 1.1. This report presents members of the Schools' Forum with a summary of the 2015/16 (fiscal year) internal audit work in schools.

**2. Recommendations**

- 2.1. That the Schools' Forum
- Note this report and the proposed change to include an assurance opinion on the key risks of governance, procurement and assets for 2017/18.
  - Request officers write to schools highlighting the main recommendations in the report.

**3. Background**

- 3.1. All schools under the responsibility of the Council have an internal audit every three years. Members' agree the schools' audit plan around February / March for the following fiscal year (April to March). The Royal Borough of Greenwich conducted all of the school audits during 2015/16 under a Service Level Agreement (SLA).
- 3.2. Internal audit use the same scope for testing at each school. The scope covers nine high-risk (non-teaching) areas which include; Procurement (purchasing), Governance, Asset Management, Banking, Budget Monitoring, Income, Recruitment, Payroll, and Data Security (DPA).
- 3.3. Internal audit assesses the controls in these risk areas and provides an opinion on the effectiveness of them to Governors, School Senior Management, and Senior Management at Lewisham Council. The overall assurance opinion categories are Substantial, Satisfactory, Limited and No Assurance.
- 3.4. Where appropriate internal audit will make recommendations to help management improve these controls to minimise the risks. Recommendations are ranked using three levels, High, Medium and Low.

**4. Audit assurance opinion**

- 4.1. In 2015/16 26 schools had an internal audit. The number of schools with a Limited or No assurance opinion remains low, with only two schools having a Limited opinion (one primary and one special). The rest of the schools had either a Substantial (8) or Satisfactory (16)

assurance opinion. The definitions of the assurance opinions and the categories of the recommendation are in Appendix 2.

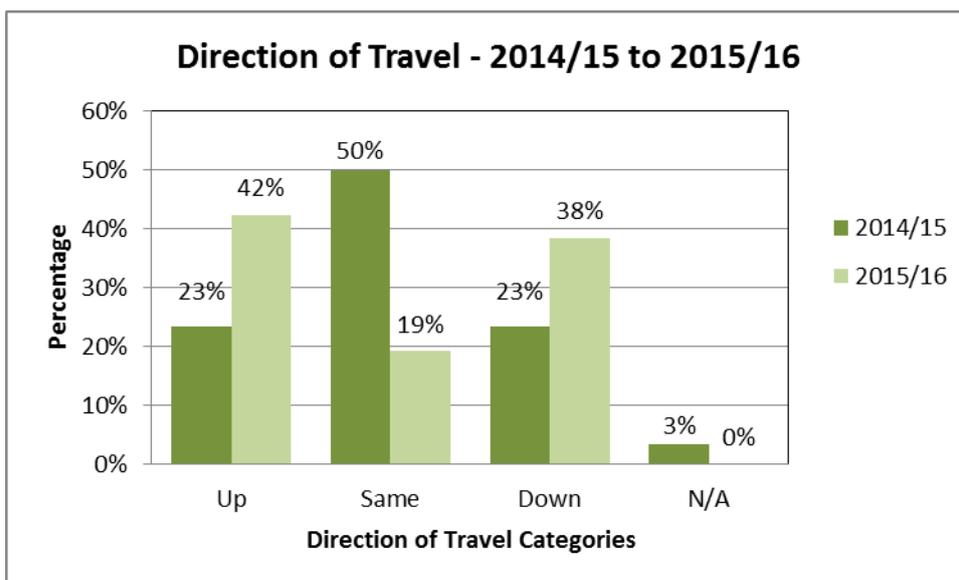
4.2. The overall assurance opinion for the year for all the schools' is Satisfactory. This is consistent with the previous year. Councillors were informed of this opinion in the annual assurance report presented to them at the June 2016 Audit Panel meeting. The annual assurance report feeds into the Annual Governance Statement (AGS), which forms part of the Council's financial accounts.

4.3. A list of the schools that had an audit can be found in Appendix 1. It details the audit opinion, number of recommendations made, and the date of the final report.

**5. Direction of travel**

5.1. In addition to providing an assurance opinion, internal audit also notes the direction of travel for each school. It compares the audit assurance opinion from the last audit (normally three years earlier) to the current assurance opinion.

5.2. The graph below show the direction of travel for 2015/14 compared to 2014/15. It shows that 38% of the audits have a lower audit opinion than last time. This does not necessarily mean they have a negative opinion. They could have moved from Substantial to Satisfactory, which are both positive opinions. In addition, 42% of schools audit opinions have improved since the last audit, which is a step in the right direction.



**6. Follow-up reviews**

6.1. Where a school has had a negative assurance opinion, (Limited or No Assurance), internal audit will conduct a formal follow-up review, normally nine months after the final report. This allows time for the agreed actions to be implemented and assessed.

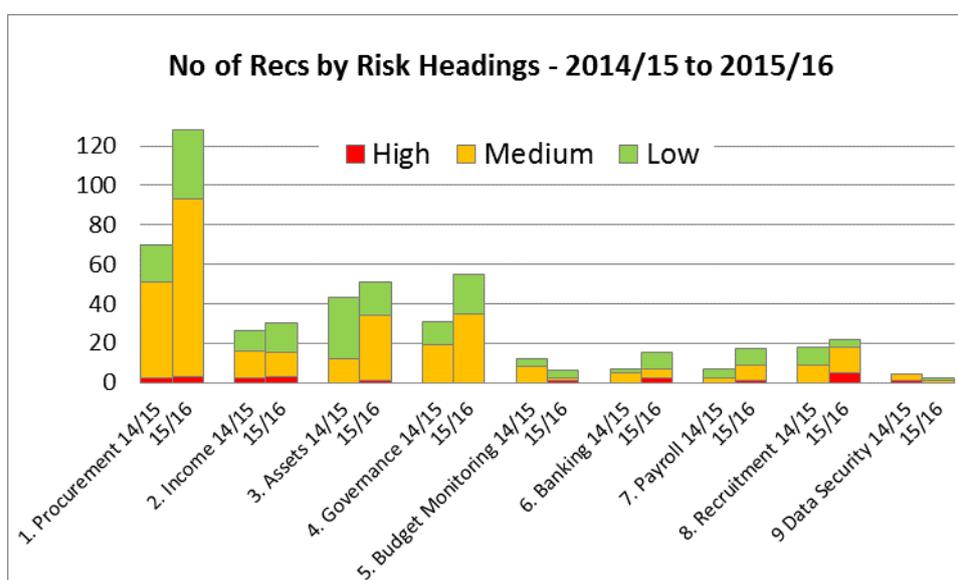
6.2. During the internal audit review, the auditor will review the status of all the agreed High and Medium recommendations made and provide a brief report to Senior Management at the school, Chair of Governors and relevant Senior Management at the Council. These follow-up reviews are in addition to any updates provided by the school to the CYP Directorate.

6.3. For 2015/16, the two schools that had negative opinions had their follow up reviews done in April and May 2016. The status of the recommendations at the time of the follow-up are set out in the table below.

Audit Followed – Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Not Implem-ented	Total
Adamsrill Primary	Limited	26/08/15	26/04/16	9	5	2	16
Watergate Special	Limited	11/08/15	09/05/16	11	1	1	13

## 7. Recommendations

7.1. The auditor will make recommendations where improvements to controls are required. A comparison to the number of recommendations made for the previous year can be seen in the graph below.



7.2. As you can see, the main areas where the majority of recommendation are made are Procurement, Governance, and Assets. This is a consistent theme. There has been an increase of medium recommendations in Procurement compared to last year. There does not seem to a particular reason for this. However, the majority of secondary schools were audited in 2015/16 so this may account for the increase.

7.3. The main findings in Procurement are:

- Non-compliance with the procurement levels set by the Council, EU regulations and the school's own procurement levels.
- Purchase Orders (PO) not being raised (and therefore commitment to spend not approved).
- POs not completed prior to purchasing the goods or receiving the invoice.
- Lack of separation of duties in the procurement process.
- Not obtaining authorisation from the Council's payroll department to pay individuals from the schools bank account (rather than through payroll).
- Purchasing alcohol, gift vouchers, payment to staff social events and leaving / birthday presents out of schools main bank account.

7.4. The main findings in Governance:

- Lack of approval from Governing body for finance policy and / or local scheme of delegation.
- Finance policy not being updated with key changes.

- Register of interest forms not completed by governors or staff with financial responsibility (or staff that can influence spend).
- Governors not declaring invoiced work at the school they are a governor at.
- Voluntary Fund / School Fund not audited and presented to governors for approval.
- Changes to the schools website regarding governors not being done in a timely manner.

7.5. The main findings for Assets Management:

- Lack of segregation of duties - the officer who maintains the asset register also completes the stock take.
- Asset register not in place or not containing all the appropriate assets.
- Annual stock take not done.
- Write off policy not in place.
- Write off of assets not documented or authorised.
- Assets not appropriately security marked.

7.6. In light of these same key risks – governance, procurement and assets - continuing to be the ones on which internal audit raise significant recommendations, for the next three year review cycle starting in 2017/18 internal audit will revise their assurance reporting. In addition to providing the assurance opinion from the audit, as part of this a specific assurance opinion on these three key risks will also be given (using the same scales).

## 8. Conclusion

8.1. Overall, although the assurance opinions remain positive for the majority of schools the same types of recommendations continue to be made in a significant proportion of schools in the same areas - governance, assets and procurement. For the next round of audit reviews an assurance opinion on these three risks will be provided, as well the overall one for the audit.

8.2. To improve controls in schools and avoid the financial and reputational risks associated with any failure for these reasons, internal audit recommends that the Governors consider including a review of recommendations from internal audit and/or other reports as a regular agenda item. This will enable them to monitor the progress of actions to address recommendations and respond to any issues that may arise.

## 9. Financial implications

There are no financial implications arising directly from this report.

## 10. Legal implications

There are no legal implications arising directly from this report.

## 11. Crime and disorder implications

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

## 12. Equalities implications

There are no equalities implications arising directly from this report.

## 13. Environmental implications

There are no environmental implications arising directly from this report.

**14. 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 - Schools' audited in 2015/16

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Watergate	Limited	1	12	10	Procurement, Banking, Budget Monitoring, Governance, Recruitment, Payroll, DPA, Income and Asset Management	11/08/15
Adamsrill School	Limited	1	15	6	As above	26/08/15
Abbey Manor College	Satisfactory	-	11	10	As above	16/09/15
Athelney Primary School	Satisfactory	-	7	1	As above	10/03/16
Bonus Pastor RC College	Satisfactory	1	8	10	As above	15/12/15
Chelwood Nursery	Satisfactory	1	12	3	As above	22/10/15
Deptford Green Secondary	Satisfactory	-	8	4	As above	15/10/15
Edmund Waller Primary	Satisfactory	1	8	-	As above	18/09/15
Forest Hill Secondary	Satisfactory	-	11	5	As above	25/02/16
Holbeach Primary	Satisfactory	-	10	1	As above	03/02/16
Kender Primary	Satisfactory	-	7	2	As above	06/07/15
Launcelot Primary	Satisfactory	-	7	4	As above	23/02/16
Our Lady and St Philip Neri RC Infant and Jnr	Satisfactory	3	9	9	As above	04/02/16
Trinity All Through CE Secondary	Satisfactory	2	6	2	As above	13/11/15

Appendix 1 - Schools' audited in 2015/16

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Sedgehill Secondary	Satisfactory	3	7	-	As above	26/04/16
Kilmorie Primary	Satisfactory	1	11	1	As above	22/04/16
Prendergast Hilly Fields College (Secondary)	Satisfactory	1	9	-	As above	29/07/16
Prendergast Ladywell Fields College (Secondary)	Satisfactory	1	9	1	As above	29/07/16
Addey & Stanhope Secondary	Substantial	-	2	2	As above	19/08/15
Conisborough College - (Colfe's Associated School)	Substantial	-	2	13	As above	15/10/15
Fairlawn Primary	Substantial	-	4	-	As above	02/10/15
Forster Park Primary	Substantial	-	5	10	As above	27/01/16
St Mary Magdalen's Catholic	Substantial	-	5	1	As above	02/07/15
St Michael's CE Primary	Substantial	-	4	8	As above	19/10/15
Sydenham Secondary	Substantial	-	6	7	As above	27/11/15
Prendergast Vale College (Secondary)	Substantial	-	3	1	As above	29/07/16

Level	Definition
Substantial Assurance ★	A strong framework of controls is in place to ensure that the service area is more likely to meet their objectives. In addition, the controls in place are continuously applied or with only minor lapses.
Satisfactory Assurance ●	A sufficient framework of controls is in place, but could be stronger to improve the likelihood of the service area achieving its objectives. In addition, the controls in place are regularly applied, but with some lapses.
Limited Assurance ▲	There are limited or no key controls in place. This increases the likelihood of the service area not achieving its objectives. Where key do controls exist, they are not regularly applied.
No Assurance ■	There is no framework of key controls in place. This substantially increases the likelihood that the service area will not achieve its objectives. Where key controls do exist, they are not applied.

Definitions of Category of recommendations.

<b>High</b>	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
<b>Medium</b>	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
<b>Low</b>	Implementation of this recommendation would enhance control or improve operational efficiency.

# Agenda Item 5

AUDIT PANEL		
Report Title	ANTI FRAUD AND CORRUPTION TEAM (A-FACT) UPDATE	
Key Decision	NO	Item No. 5
Ward	ALL	
Contributors	Head of Corporate Resources A-FACT Group Manager	
Class		Date: 6 December 2016

## 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	2016/17	2015/16	Change		2015/16	2014/15
	P6 YTD	P6 YTD	Number	%	FY	FY
b/f (corrected 2016 b/fwd figure)	8	45	-37	-82%	45	30
New	60	59	1	2%	102	97
Closed	49	70	-21	-30%	-136	-82
c/f	19	34	-15	-44%	11	45
Of which						
E'ee cases	7	9	-2	-22%	17	19
- resulting in action	4	5	-1	-20%	10	10
Other cases	42	61	-19	-31%	119	63
- resulting in action	20	12	8	67%	27	31

- 3.2 There was only two employee cases that resulted in action in the last quarter.

- Employee initially failed to declare possible conflict of interest. This was corrected following receipt of information but a thorough review found no reason to preclude the activity or take any action against the employee.
- A-FACT raised concerns about the employment of an individual due to their employment history. The service area reviewed the circumstances and decided to go ahead with the appointment.

- 3.3 "Other Cases" include applications for support by those who have No Recourse to Public Funds, Blue Badge fraud, Council Tax fraud and reviews of operational processes to prevent or deter fraud. The actions taken are summarised in the table below.

Analysis of Non Employee Cases	Total Cases	Fraud Proven	Evidence provided to assist assessment	Action taken	Occ. Check	Info verified	NFA
No Recourse to Public Funds	14	2	7		2		3
Blue Badge	3	1					2
False ID/Doc verification	4	1				3	
Council Tax Fraud	6	2					4
Proactive/Process review	2			2			
Enquires for other orgs. etc..	8						8
Declarations of interest checked	2					2	
Applications for support	2		2				
Fraud alerts issued	1			1			
<b>Total</b>	<b>42</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>17</b>

3.4 A-FACT are continuing to assist the No Recourse to Public Funds team with their work by undertaking visits and gathering evidence. However, there may be considerable delay in a final assessment being made due to legal challenge etc. Therefore rather than keep investigation cases open for extended periods it has been decided to report on all cases where significant evidence is provided to assist an assessment.

### 3.5 Pre-employment Checks

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 Council tax, benefits, rent and personal business interests which may cast doubt on the individual's integrity or potential conflicts for their work going forward. This process also applies to agency staff.

Summary of pre-employment checks	2016/17	2015/16	Change		2015/16	2014/15
	P6 YTD	P6 YTD	Number	%	FY	FY
Checks completed	117	151	-34	-23%	317	270
Action taken	5	18	-13	-72%	35	25

3.6 The five cases in the year to date were four instances of business interests either not being declared or requiring further review to ensure that no conflict of interest existed, and one case of an agency employee who had their contract terminated due to irregularities with the information provided.

## Lewisham Homes

- 3.7 A-FACT continues to undertake investigation work on behalf of Lewisham Homes under a Service Level Agreement which has now been extended for 2016/17. This is 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.

## 4 Housing Application Investigations

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

Summary of Housing App Investigations	2016/17	2015/16	Change		2015/16	2014/15
	P6 YTD	P6 YTD	Number	%	FY	FY
Corrected 2016 b/fwd figure	13	42	-29	-69%	19	38
New	45	13	32	246%	28	46
Closed	-33	-17	16	94%	-46	-65
c/f	25	38	-13	-34%	1	19
Resulting in action	15	6	9	150%	25	42

- 4.2 The 15 successful cases resulted in 14 cancelled applications for housing. Based on current Cabinet Office figures each represents an indicative savings of £18k. In total a value of £252k. The remaining case related to a leaseholder who was claiming to be resident in their property on a decant scheme. Our investigations proved that they were not a resident and therefore the value of their compensation was reduced by approximately £6k.

## 5 DCLG/ RSL Partnership Cases

- 5.1 Since January 2012 A-FACT have worked with local housing partners to tackle fraud related to social housing.

Summary of Housing App Investigations	2016/17	2015/16	Change		2015/16	2014/15
	P6 YTD	P6 YTD	Number	%	FY	FY
Corrected 2016 b/fwd figure	8	176	-168	-95%	176	33
New	68	41	27	66%	76	269
Closed	-47	-180	133	74%	246	126
c/f	29	37	-8	-22%	6	176
Resulting in action	11	12	-1	-8%	16	38

- 5.2 There were 11 successful cases, including 10 tenancies recovered. The Cabinet Office have stated that the notional value of a social tenancy is now £75,000, on that basis this equates to a total saving to the Council of £750,000. The remaining case found that annual Council Tax Single Person discount of £268.07 had been falsely claimed. This has now been removed based on the evidence gathered.

6 **Other Progress in the period**

- 6.1 The new case management system is operating well and continues to be developed to support the work of the team.
  
- 6.2 Two of the two year fixed term vacant posts in A-FACT funded by one off grant from the Department for Communities and Government and monies recovered on a housing case in 2015/16 have now been filled. One dealing with housing and the other general corporate issues. This will enable our pro-active plan of work to progress especially in the areas of procurement and temporary accommodation. The work we have undertaken to date on identifying key fraud risks – consistent with the CIPFA counter fraud strategy recommendations - will also be developed and fraud reviews undertaken where appropriate.
  
- 6.3 Fraud awareness and document verification training has been delivered to 30 front line housing staff in this quarter. This has helped encourage an increased number of good quality referrals in this area.
  
- 6.4 In addition following the national fraud awareness campaign and using the opportunity of national fraud awareness week in November newsletters were published on the Council's corporate intranet.

END