



AGENDA AUDIT PANEL

Date: TUESDAY, 21 MARCH 2017 at 7.00 pm

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

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

COUNCILLORS

Councillor 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

**This is an open meeting and all items on the open agenda may be audio recorded
and/or filmed**

**Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Monday, 13 March 2017**



INVESTOR IN PEOPLE

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: 21 March 2017

Recommendation

It is recommended that the Minutes of the meeting of the Audit Panel, which was open to the press and public, held on 6 December 2016 be confirmed and signed.

MINUTES OF THE AUDIT PANEL

Tuesday, 6 December 2016 at 7.00 pm

PRESENT: Councillors Jonathan Slater (Chair), Helen Klier (Vice-Chair), Bill Brown, Mark Ingleby, Joyce Jacca, and Paul Dale, Ian Pleace and Stephen Warren

Apologies for absence were received from Councillor Chris Barnham

16. Minutes

Minutes 12 – External Audit Reports on 2015/16 Accounts

The Head of Corporate Resources informed Panel Members that Heads of Services have been advised of the new systems that would be put in place in the New Year

Minutes 13 – External Auditor's Reports on 2015/16 Accounts – LBL Response to Grant Thornton's Findings

The Head of Financial Services informed Panel members that 3 new administrators had been appointed. Officers would continue to look at alternative ways of recruiting additional resources through the Apprenticeship and Graduate Trainee schemes. He said a written update would be circulated to the Panel before the Christmas break.

Action >>>>> Head of Financial Services

Minutes 14 – Internal Audit Update

The Head of Corporate Resources informed the Panel that the number of overdue recommendations have been reduced significantly, and on that basis he had not brought in the Manager responsible for Community Service Care, as requested at the last meeting. The Head of Corporate Resources said he was not clear whether he could use his discretion based on developments once a request had been made by Panel Members.

The Chair said Panel Members expected officers to flag up issues of concern for the Panel to decide whether a request would be made to summon the officer to explain to the Panel why the recommendations were not being addressed. Councillor Brown said it was important that when a request had been made by Panel Members it should be carried out, if for any reason a change occurred, Panel Members should be informed before the meeting.

Mr Pleace said it would be helpful if Segregation of Duties become a standing item on the agenda as this issue was of great importance. This was agreed by the Panel.

Action >>>>> Head of Financial Resources/ Clerk to the Panel

RESOLVED that the minutes of the meeting held on 13 September 2016 that was open to the press and public, be confirmed as an accurate record subject to the following amendments:

Minutes 12, paragraph 14 second sentence to read:

“ He stated that the Pension fund was on track with a 10% increase in value , with 72% of funding liability”.

Minutes 14, paragraph 2 second sentence to read:

“He added that there were a number of examples in the public health sector and an example from the NHS was attached to the report”.

17. Declarations of Interests

None received.

18. External Audit Letter 2015/16

Geoffrey Bannister, Audit Manager, Grant Thornton introduced the report. He highlighted that the Council had been issued unqualified opinion for both the Council's Accounts and Pension fund. He added that the Housing Benefit subsidy claim findings would be reported to the next Audit Panel meeting.

Ian Pleace asked if lessons had been learnt from past experience, and would officers now ensure the valuation of property, plant and equipment be kept current. The Head of Financial Services said additional controls have been put in place and the quality checks had increased to get things right. He added that with additional capacity, by next year these issues would be fully addressed.

Paul Dale said with the number of staff being made redundant controls would be affected. He stated that managers would need to look at duties of staff who had left and put in place segregation of duties.

Councillor Ingleby asked if Grant Thornton would give members some advice on investments for the future with the ongoing savings programme. The Audit Manager, Grant Thornton said he would speak to his colleagues to send some investment information to Panel Members.

Action >>>>> Grant Thornton

Councillor Ingleby asked officers what plans they had put in place to ensure they meet the new closedown arrangements, since the dry run was not successful. Stephen Warren said it would be very important for Panel Members to consider a report containing the plans for the closedown arrangements so weaknesses could be identified and addressed. The Head of Financial Services said the close of accounts occurred earlier this year than in previous years. He said officers were looking to do things differently to improve the process.

Action >>>>> Head of Financial Services

The Audit Manager, Grant Thornton said some authorities were already doing the early closedown and Lewisham could learn from them. He added that it would be helpful if officers started doing early income takings to reduce the peak from debtors. Councillor Klier asked why the closedown was moved back to July and was told that central government had decided they need the information earlier to make better use of their accounts. The Audit Manager, Grant Thornton said the Public Health Sector's closedown was in May.

Councillor Ingleby commented that the value for money risks identified was a catch 22 situation. The Head of Corporate Resources said the situation was challenging as the Council continues to run business as usual, officers were finding it difficult to come up with transformational ideas. He said the Council was trying to deliver as many services as before, which put a lot of pressure on resources, and savings were not being delivered. He said officers were doing their best looking at different ways of delivering services. Paul Dale said this problem was being experienced by all London Local authorities, and was exacerbated by the Social Care Transformation.

RESOLVED that the Report be noted.

19. Internal Audit Update

The Head of Corporate Resources introduced the report. He highlighted that as recommended by the Overview and Scrutiny Business Panel, the Annual Schools' Forum Report was being reported to the Audit Panel. This was because of their concerns about the deficits in the accounts of some secondary schools. The Audit Manager added that the audit work had progressed well this year.

Following a question from Paul Dale about the Council not being PCI DSS compliant, the Head of Corporate Resources said the Council operated a credit card system with the Royal Bank of Scotland. Mr Dale said the Council could be penalised for non compliance. Mr Pleace asked if this issue could be resolved easily and was told by the Head of Corporate Resources that it could easily be done with more focus and that security training and a review of practices would be done as soon as possible. Mr Pleace said this could incur a financial penalty.

Following a question from Councillor Ingleby the Head of Corporate Resources explained that the New Housing Act now provided Local Authorities the power to license accommodation below and above shops, as opposed to just above shops. The Audit Manager said audit officers were going to do some work around this but decided not to at this time because of work pressures. In the meantime Lewisham Homes would be dealing with this.

Councillor Ingleby also raised concerns about non-compliance in Procurement on the Schools Forum report. The Head of Corporate Resources said the report was last year's and officers have agreed with Schools Forum to continue to monitor this going forward. He added that in terms of the Council procurement work an update would be coming to the Panel in March 2017.

Stephen Warren said from experience not having digital copies of data was a real concern. He said although scanning documents could be time consuming it was important to have a record of information in the electronic system. The Head of Corporate Resources said the Council do have records and had started scanning documents into the electronic system, but discovered that some bits of information were missing, and also the system was not robust enough to do the work. This is a risk that would be considered as part of the internal audit planning for 2017/18

The Head of Financial Services said the Council was working towards being digital, but it would take some time. He added that the absence of some record was also making the work difficult.

The Chair asked officers how they intended to address the deficit in Sedgehill's budget and was told that finance officers were working closely with the Schools Forum to support the school deal with the problem. Also emphasis would be placed on training for schools finance staff to help them identify and address weaknesses earlier. The Head of Corporate Resources emphasised that internal audit recommendations should help schools put in place key controls which would give schools a clearer overview of their financial options and a clearer focus on key risks. He added that officers were redesigning the school audit report to help do this.

The Head of Financial Services said financial training programmes would be set up for staff and Governors to ensure improvement of skills. Bursars would be given support within the range of existing experiences. Mr Warren said the Executive Director should speak to the Headteacher, about support and additional full time resources for the school. Following a question from Panel Members it was noted that the School's Forum comprised of Headteachers, Governors, and other professionals. Mr Warren said he was glad of the wide representation.

Councillor Klier said she heard Forest Hill School had some financial problems too and was told by the Head of Financial Services that officers were aware of this and were engaging with schools with financial problems, and work was ongoing to address the licensed deficits/loans.

Resolved that the report was noted.

20. Anti-Fraud and Corruption Update

The Head of Corporate Resources introduced the report. He asked Panel Members whether they would prefer to receive this update annually instead of at every meeting as there was not a lot to report. This was largely because of the reduction in activities following the move of Housing Benefits to the DWP. Panel Members agreed they would prefer to have the update annually.

Councillor Ingleby asked whether cases were slowing down, and was told that there was always pressure within Adult Social Care. Mr Pleace asked whether Grant Thornton could be asked to do a data analysis to look for fraudulent activities within the Council. The Head of Corporate Resources said this could be done by internal staff.

Councillor Brown said Grant Thornton could be asked to do this work as part of their current duties. It was noted that this work could be done when Grant Thornton are doing their audit plan. Officers responded that it could be useful as they could learn from it, but added that there might be some problem with data protection. It was also noted that the Council would be expected to pay for the additional service. The Head of Corporate Resources said this activity would be a specification of the Council's next financial system.

RESOLVED that the report be noted.

Meeting ended 8:10

Chair

Agenda Item 2

AUDIT PANEL		
Report Title	DECLARATIONS OF INTEREST	
Key Decision		Item No. 2
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 21 March 2017

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)

AUDIT PANEL		
Report Title	Update on 2016/17 Closing of Accounts and External Audit	
Key Decision	No	Item No. 3
Ward	All	
Contributors	Executive Director for Resources and Regeneration	
Class	Part 1	Date: 21 March 2017

1. SUMMARY AND PURPOSE

- 1.1. This report provides an update to members of the Audit Panel on the preparations for the 2016/17 closing of accounts and statutory external audit.

2. RECOMMENDATION

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

3. 2016/17 EXTERNAL AUDIT

- 3.1. Grant Thornton began as the Council's external auditors on 1 November 2012. Therefore, the forthcoming external audit will be the fifth one to be carried out by them. Senior management and senior accountants in the Financial Services Division have met regularly with senior representatives of Grant Thornton since the conclusion of the 2015/16 external audit. This will ensure that the next external audit is equally successful.
- 3.2. Grant Thornton continue to progress with their interim audit. This was started in January 2017 and is expected to be completed by April 2017. The areas which are currently being covered as part of this interim process include: updating their review of the council's control environment, updating their understanding of the financial statements and doing some early work on emerging accounting issues.
- 3.3. Grant Thornton will begin their substantive work auditing the Council's annual accounts in June 2017.

4. 2016/17 CLOSING OF ACCOUNTS

- 4.1. The 2016/17 Closing of Accounts timetable, guidance notes and reporting deadlines have again been reviewed and updated. Members should note that the Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31st May and 31st July, respectively

by 2017/18 financial year. In anticipation of these forthcoming changes, officers will be working with the external auditors to enable them to substantially complete the audit of the financial statements by 31st July 2017 as a 'dry run' for discussion in August and sign-off in September.

5. 2016/17 STATEMENT OF ACCOUNTS

- 5.1. The Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounts, as agreed by the Department for Communities and Local Government. The pre-audit Statement of Accounts is required to be completed and submitted for external audit by no later than the end of June 2017. The audited Statement of Accounts is required to be completed and approved by full Council by the end of September 2017.
- 5.2. As in previous years, both of these Statements will be submitted to the Audit Panel before the required deadlines. It is planned that the pre-audit Accounts will be submitted to the meeting of the Audit Panel on 15 June 2017. The audited Accounts will be submitted to the Audit Panel on 12 September 2017 and Council on 20 September 2017.

6. IMPLICATIONS

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

7. CONCLUSION

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

For further information on this report please contact:

Selwyn Thompson, Head of Financial Services, on 020 8314 6932
Paul Calnan, Acting Group Finance Manager – Accounting, on 020 8314 6167

Audit Panel
London Borough of Lewisham
Progress Report and Update
Year ended 31 March 2017

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March 2017

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



Introduction

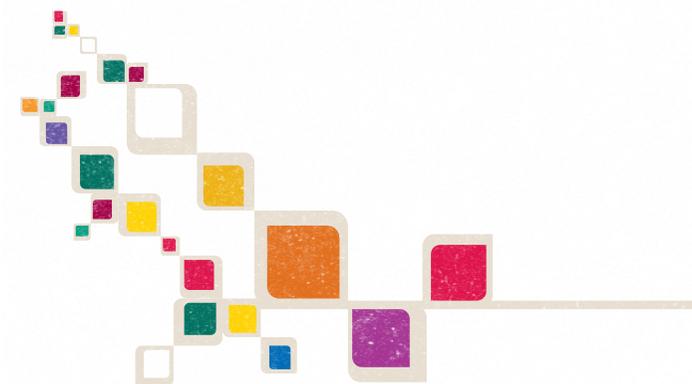
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Panel can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

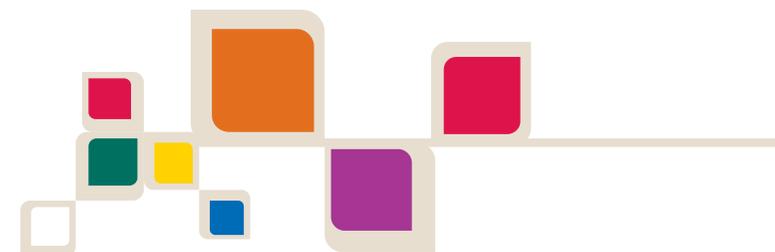
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

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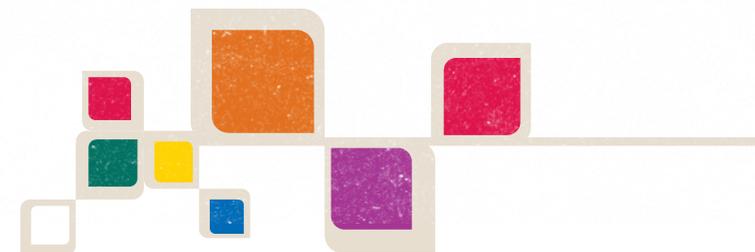


Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	yes	
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.</p>	April 2016	In progress	We will report our audit plan to the May meeting of the Internal Control Board before presenting to the Audit Panel in June. We will present our pension fund audit plan to the same meeting.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January – March	In progress	We have completed the planning stage of our audit of both the main accounts and the pension fund. We are currently carrying out early testing in line with a timetable agreed with the finance team.

Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> audit of the 2016/17 financial statements proposed opinion on the Council's accounts proposed Value for Money conclusion review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June 2017	No	We have agreed a timetable for this work with the Council. On 13 March we gave a presentation to the finance team setting out our approach to the audit in 2017.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties 	June 2017	No	We are currently carrying out our risk assessment to inform our value for money review .
<p>Other areas of work</p> <p>Housing benefits, other grant claims, Whole of Government Accounts</p>	Autumn 2017	No	This work is scheduled to take place later in the year

Technical Matters

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Technical update

Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Sector issues and developments

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Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published.

http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

Paul Dossett Head of Local Government in Grant Thornton LLP has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

National developments

"Social care precept changes will not help those living in more deprived areas"

"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members

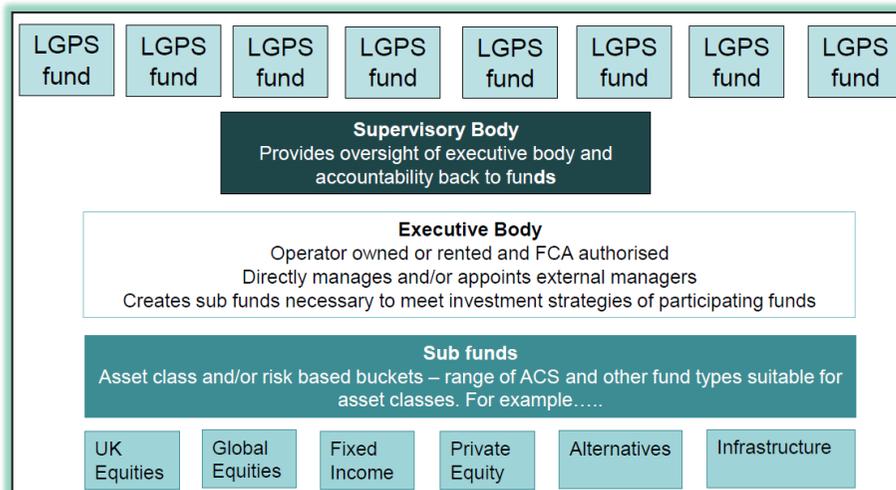
Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

CIPFA in the recent article [Clear pools: the future of the LGPS](http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps) highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

Link:
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool

Page 22

Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

For local authorities, the government is:

- offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure;
- will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
- is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

National developments

Consultation on the White Paper will begin on 7 February 2017. The consultation will run for 12 weeks and will close on 2 May 2017.

The White Paper is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications



Grant Thornton



Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class 1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Off-payroll working and salary sacrifice in the public sector

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “*consistency, certainty and simplicity*”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

Grant Thornton update

Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit/planning-the-future-shaping-the-debate>

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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Agenda Item 4

AUDIT PANEL		
Report Title	Certification of work for London Borough of Lewisham for year ended 31 March	
Key Decision	No	Item No. 4
Ward	All	
Contributors	Executive Director for Resources and Regeneration	
Class	Part 1	Date: 21 March 2017

1. SUMMARY AND PURPOSE

- 1.1. This report provides an update on the certification work for the London Borough of Lewisham for year ended 31st March 2016.

2. RECOMMENDATION

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

3. CERTIFICATION WORK

- 3.1. The external auditors are required by the Public Sector Audit Appointments Limited (PSAA) to certify certain claims and returns submitted by Lewisham Council. This certification typically takes place six to nine months after the claim period and represents a final, but important part of the process to confirm the Council's entitlement to funding.

4. IMPLICATIONS

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

For further information on this report please contact:

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January 2017

Dear Janet

Certification work for London Borough of Lewisham for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by London Borough of Lewisham ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for housing benefits certification guidance (HB COUNT) issued by the Audit Commission in February 2015

We certified the housing benefits claim on 23rd November 2016 for the financial year 2015/16, relating to expenditure of £230.4 million. Further details of the claims certified are set out in Appendix A.

Overall we are satisfied that the Council has appropriate arrangements to compile a complete, accurate and timely benefit claim for audit certification. However, as in previous years the claim was amended and qualified. The issues arising from our certification work were consistent with similar issues reported in previous periods. The most common categories of errors were:

- Incorrect classification of cases.
- Incorrect classification of overpayments
- Incorrect calculation or input of income (earnings, tax credits, pension) leading to under or overpayments of benefits

In accordance with the Department of Work and Pensions approach (HBCOUNT), where we identify errors we are required to carry out extended testing. There were 12 extended samples during 2015/16 compared to 14 in 2014/15 and nine in 2013/14 (this is base year which PSAA uses to set the indicative fee). The Department requires extended testing as a basis to quantify and extrapolate errors on a consistent basis.

Extended testing is usually required where we have identified errors in the previous year's claim, to address the risk of systemic weaknesses which could still be present in the current year's claim. This is the main reason for the level of extended testing in 2015/16.

We found the quality of data in 2015/16 had improved compared with the previous year. If the Council continues to improve the quality of its data this should result in less certification work in future.

As previously observed and reported, the Council has a policy of disposing of records after six years meaning that in some cases the council no longer holds information to support the assessment performed and so is not able to demonstrate that benefit was correctly calculated. This related specifically to one case during 2015/16 and we reported this fact to the DWP. Similar findings have been reported each year since 2011/12 and the Department of Work and Pensions has to date taken no action.

Our proposed fee for 2015/16 is £35,458. This compares with a final fee of £54,980 in 2014/15 and £36,262 in 2013/14. The proposed fee is £9,889 more than the indicative scale fee set by PSAA for the Council for 2015/16 (£25,569). The indicative fee is based on 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The amount of work required in 2015/16 was more than in the base year, requiring more audit time than envisaged. There were 12 extended samples during 2015/16 compared to nine during 2013/14.

Further details of the claim and our audit fees are given in appendix A and appendix B.

We would like to thank officers in the benefits team , who were extremely helpful during the certification process and responded promptly to all our queries. This enabled us to certify the benefits claim a week ahead of the deadline.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	230,457,738	Yes	£(65,990)	Yes	<p>Error types were consistent with prior periods, although the frequency of errors has reduced since 2014/15.</p> <p>The errors were predominantly misclassifications of cases in the claim and incorrect assessments of income.</p> <p>Overall around 11 per cent of all cases we reviewed contained an error.</p>

Appendix B: Fees for 2015/16 housing benefits certification work

Claim or return	2013/14 fee (£)	2014/15 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	36,262	54,980	25,569	35,458	9,889	The data quality of the cases tested has improved compared with 2014/15. Twelve samples of additional testing were required in 2015/16 compared with fourteen in 2014/15 and nine in 2013/14.
Total	36,262	54,980	25,569	35,458	9,889	

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 21 March 2017

1. Purpose of the report

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

- Progress against the internal audit plan;
- Progress of implementation of internal audit recommendations; and
- Audit Plan for 2017/18.

2. Recommendations

2.1. It is recommended that the Audit Panel

1. note this report, and
2. approve the draft Internal Audit Plan for 2017/18.

3. Background

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

There were 13 audits finalised since the last meeting. The corporate plan is expected to have the fieldwork completed on all audits by the end of March. The service was reminded of the importance of this by the Internal Control Board so reports can be finalised in April.

The schools' in the audit plan have all now been or are being audited. They will be completed to draft report stage by the end of March.

4.2. Limited, No Assurance and Consultancy reports

Two reports issued with a Limited assurance opinion since the last meeting:

- Compliance with the Code of Connection (CoCo) and Public Sector Network.
- Project Management Review Framework

4.3. Types of controls / recommendations made

At the request of the Audit Panel, a review of recommendations in respect of Segregation of Duties findings is to become a regular agenda item. As well as identifying these, three in the last period, internal audit are proposing to classify all High and Medium recommendations by the common types of control to extend this analysis for the 2017/18 work.

4.4. High or Medium recommendations not agreed

All High and Medium recommendations were agreed.

4.5. Follow-up reviews

There were six corporate follow-up reviews completed, 81% of the recommendation were either implemented or in progress.

There were no school follow-up reviews completed.

4.6. Management progress against recommendations made

There were 123 open corporate recommendations open at the end of February. Of these 26 (21%) were passed their due date (overdue). This is an improvement from the last meetings. Management also superseded four recommendations.

4.7. Aged analysis report

Internal audit presented the Internal Control Board (ICB) with an aged analysis report showing the time taken to implement recommendations from the final report, with 20% of recommendations still open after more than one year.

4.8. Internal Audit Plan for 2017/18

The draft plan for 2017/18 has been prepared based on meetings with all Directors and Heads of Service with reference to recent audit work, other assurances in some areas (e.g. external inspections), reference to the available risk registers, and anticipated changes in service plans.

The audit plan commits approximately 1,000 days of internal audit across all areas – core financial, IT, services, advisory and schools in 100 pieces of work. See App 5.

4.9. Any other business

An overview of the work underway with the new Service Level Agreement to support procurement activities across the Council is presented at section 12

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 86% of the work is at least to the Terms of Reference (ToR) / Fieldwork stage as at the end of February.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Yet Started	ToR / Field work stage	Reports at Draft	Final Reports
68	6	(10)	64	9	23	11	21

5.2. Of the nine audits where a ToR has not yet been sent out, two have had pre-audit meetings, with the others audits booked up. These outstanding audits are to be completed by both the in-house team and contractors.

It is still the plan to have all the fieldwork completed on the majority of the audits by the end of March, which means the reports will be out and finalised by the end of April.

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
Housing Benefit 16-17 (Core Financial Audit)	28/02/17	Satisfactory	-	3	1
Street Trading - Licensing (Forecourt)	20/02/17	Satisfactory	-	7	5
Building Control Approval	20/02/17	Satisfactory	2	4	1
Compliance with the Code of Connection (CoCo) and Public Sector Network (PSN).	01/02/17	Limited	1	2	-
Expenses reimbursed by payroll and Procurement card.	30/01/17	Satisfactory	-	4	1
Project Management Review Framework and Training	26/01/17	Limited	2	4	-
Better Care Fund 16-17	23/01/17	Satisfactory	-	4	1
Procurement Card Expenditure	12/01/17	Satisfactory	-	7	2
Treasury Management 16-17 (Core Financial Audit)	29/12/16	Substantial	-	0	1
Main Accounting 16-17 (Core Financial Audit)	29/12/16	Satisfactory	-	4	1
Lewisham Website and Intranet Content Usability	22/12/16	Satisfactory	-	9	-
Regeneration and Capital Programme Boards	15/12/16	Satisfactory	-	5	1
Gifts and Hospitality and Declaration of Interests - Officers and Members	28/11/16	Satisfactory	-	3	1

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

- Vulnerable Clients Monies New Monitoring Process - requested by Head of Corporate Resources

Cancelled audits

- Denial of Liberty (DOL) and Mental Capacity Act (MCA) – recently subject of a peer review so an audit would be duplication at this time.
- Income Generation – this is subject to separate work being overseen by the Public Accounts Committee involving external resources
- Follow-up on areas noted from OFSTED inspection - three audits now combined as one audit as part of the rolling plan.

5.5. School Audits

The table below provides a summary of the status of the schools' part of the internal audit plan. There are only seven audits yet to be issued as a draft report. As with the corporate audits, it is expected to have all the fieldwork completed by the end of March.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Started	Field-Work stage	Draft Reports	Final Report
27	-	-	27	-	7	3	17

5.6. There were 10 school reports issued since the last meeting, all with a positive opinion.

Audit (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Sandhurst Infant	28/02/17	Substantial		8	7
St Joseph's Catholic Primary	10/02/17	Satisfactory	-	9	8
Rangefield Primary	06/02/17	Satisfactory	-	6	12
John Stainer Primary	03/02/17	Satisfactory	-	7	1
Rathern Primary	20/01/17	Substantial	-	4	3
Dalmain Primary	20/01/17	Satisfactory	1	5	-
Myatt Garden Primary	05/01/17	Substantial	-	4	3
St Mary's CE Primary	23/12/16	Substantial	-	3	7
Deptford Park Primary	21/12/16	Satisfactory	-	6	2
St Stephen's CE Primary	15/12/16	Satisfactory	-	11	2

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 were two corporate 'Limited' opinion reports issued since the last meeting.

- Compliance with the Code of Connection (CoCo) and Public Sector Network (PSN).
- Project Management Review Framework

6.2. The executive summary for this report is at Appendix 2. They are quite distinct areas but the one common recommendation was procedure notes/manual being out of date.

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

School Audits

6.4. 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 six corporate follow-up reviews completed since the last report. The summary of the status of the recommendations are in the table below. Of these, 81% were either implemented, in progress or superseded. The change, noted by the Internal Control Board (ICB) was that one are in progress rather than implemented which suggest delays or stress of managers to complete all their actions. To help monitor this the ICB have asked for an age analysis report of recommendations to be prepared quarterly for their review (see detail in section 9 below).

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

Implemented	In Progress	Superseded	Not Implemented	Total Recs
9	7	1	4	21
43%	33%	5%	19%	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. 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 28/02/17 for corporate recommendations.

9.2. The percentage of overdue to open recommendations is 21%, which continues the trend for improvement over the last year but still high.

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
Mar 17	123	26	18	8	9	21%
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. There were nine open at the end of this period.
- 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 four corporate superseded recommendations since the last meeting. Two of these, both in Community Services, have been made without supporting explanation from the responsible manager. This will be reported to ICB and an explanation sought to ensure the risk of not implementing the agreed action has been duly considered and taken by senior management.

Audit name	Recommendation	Reason for superseding
Payments Centre 2013/14	Within the Semi-automated payment systems the completion of pertinent payment reference number fields should be mandatory to ensure that payment entry cannot be progressed if an attempt is made to include wrong or incomplete information.	This action is not possible with the existing system set up.
Accounts Payable 2015-16	A review of the workflow for processing changes to supplier details should be undertaken. Management should liaise with the Oracle Partnership and Cap Gemini for implementation. Access permissions should	The recommendation has been applied as far as possible within the service area - implementation of new Oracle procedure notes. Closed

Audit name	Recommendation	Reason for superseding
	allow for adequate segregation of duties or mitigating controls put in place. Furthermore, a process should be put in place for the periodic review of access privileges	To implement the partnership supplier amendment procedures requires the system to be reconfigured by CapG. This has financial implications and the decision is being made by the One Oracle board.
Better Care Fund 15-16	The Partnership Board should ensure that an Issues and Risk Register/Risk Log is put in place to detail risks for the implementation of the Better Care Fund (BCF). (This would help ensure that mitigation and, where appropriate, recovery plans are in place in for identified risks and arising issues and also to monitor the implementation of such plans.) The Partnership Board should consider implementing an annual risk assessment	Nothing noted by manager.
Payments to Adult Care Providers 2015-16	The budget setting process and the underlying data used to formulate the budget for the 'Older Adults Residential' and the 'Older Adults Home Care' cost centres should be critically reviewed to help ensure that the budget agreed for 2016/17 is appropriate	Nothing noted by manager

Aged analysis report

- 9.6. ICB requested an aged analysis report on open recommendations. It is intended to provide management with an overview of how long recommendations are taking to implement from the date of the final report.
- 9.7. This age analysis is worked out by using the current due date for each recommendation from the date the final report was issued.

No. of recs under 3 mths	No of recs 3 to 6 mths	No of recs from 6+ to 9 mths	No. of rec 9+ to 12 mths	No of recs 12+ to 18 mths	No of recs over 18+ mths
30	27	12	31	19	6
24%	22%	10%	24%	15%	5%

- 9.8. At December 2016, the table above shows that 20% of open recommendations have been open for over one year and remain to be completed.
- 9.9. It should be noted that a very small number of these recommendations would have an extended due date which is acceptable. For example, a recommendation stating that they should sign future contracts before service commences, could have a due date that would be a year or more in advance.
- 9.10. The Internal Control Board (ICB) has decided that recommendations that are 12 months or over, should be circulated for review at monthly DMT meetings.

School Recommendations

- 9.11. The table below shows the status of open High and Medium school recommendations as at the 28/02/17. The percentage of overdue to open recommendations is 38%. This is an improvement from the 61% reported last time. The detail is reported in Appendix 4.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Mar 16	107	41	38%
Dec 16	95	58	61%
Sept 16	154	67	43%
June 16	116	84	72%

10. Types of controls / recommendations made

- 10.1. At the last meeting, the Audit Panel requested that Segregation of Duties (SoD) should become a regular agenda item. An initial review of the 13 finalised reports in the last review suggest that in three of these there was one recommendation related to SoD or the need for evidence of regular review or authorisation. These were for the Housing Benefit, Street Trading, and Expenses reimbursed by payroll – all with Satisfactory opinions.
- 10.2. Internal audit have considered the best way to present this information as there are other types of control as important as SoD. It is proposed that audits conducted in next year's plan (17/18) will record the types of recommendations made by category and report them to ICB and the Audit Panel. The proposed categories, with the examples of expected controls and risks are listed below :

- Separation / Segregation of Duties (SoD)

- Expected controls - not one person responsible for the whole process.
Risks - theft, misappropriation, process open to abuse, errors not picked up.
- Reconciliation
Expected Controls - To reconcile (financial or non-financial) information with other source information
Risks - financial loss, budget overspends, errors not found.
 - IT
Expected Controls - IT system or process is fit for purpose and secure
Risks - unusable management information, loss of data.
 - DPA
Expected Controls - Personal and sensitive data is held securely, only used for what it is intended for. Data disposed of securely.
Risks - Abuse of personal or sensitive information (i.e. use bank details / create false identities), non-compliance of the DPA act, fines, damage to reputation.
 - Procedures
Expected controls – procedure notes are in place, up to date and fit for purpose.
Risks - No consistency in process, officers not following correct workflows, process missing fundamental controls
 - Policies
Expected controls – policies are in place, reviewed, authorised where appropriate, and fit for purpose.
Risks - No clear objectives, service area or process missing fundamental controls, no consistency in decision-making.
 - Compliance / Legislative
Expected controls - Adherence to local (e.g. council regulations), national / statutory guidance / regulations (e.g. child / vulnerable a protection acts).
Risks - legal or financial penalties, misappropriation of resources, damage to the council's reputation.
 - Authorisation
Expected Controls - authorising appropriate financial and non-financial processes.
Risks - financial loss, budget overspends, non-financial process not overseen.
 - Governance
Expected controls - No one person in overall charge, regular meetings and documentation of minutes retained and fit for purpose.
Risk - no clear objectives, incorrect decisions made, lack of evidence of action plans.
 - Other - those recommendations that do not fall in to the above categories.

11. Internal Audit Plan for 2017/18

- 11.1. The working draft of the audit plan for next year is shown at Appendix 5. This has been prepared based on meetings with all Directors and Heads of Service with reference to recent audit work, other assurances in some areas (e.g. external inspections), reference to the available risk registers, and anticipated changes in service plans.

- 11.2. The audit plan commits approximately 1,000 days of internal audit across all areas – core financial, IT, services, advisory and schools in 100 pieces of work. The need for pre-implementation and advice work has been discussed at the Audit Panel this year and included in the planning considerations for 2017/18. This is to address the risks from a high level of change still being effected in the delivery of Council services to meet agreed savings and other improvements.
- 11.3. A number of the pieces of work are for projects the dates for which have yet to be finalised. This will be monitored as the plan is reviewed by DMTs once the service planning work, currently underway by senior management, is completed in April. This will provide an update on priorities and timing for 2017/18. The plan will therefore be reported again at the June meeting of the Audit Panel to report on any changes to the audits or their scopes.

12. Any other business

- 12.1. The Audit Panel requested an update on procurement activities in the Council. This is an area that was reviewed by the Lewisham Future Programme Board and the decision taken to continue to operate a model of devolved accountability for procurement (consistent with the Council's approach to budget responsibility), overseen by a Commissioning and Procurement Board (CPB) with representation from each Directorate. The CPB introduced a three gate process: 1) strategy; 2) procurement; and 3) contract management.
- 12.2. Following the voluntary severance of a number of the procurement team two years ago the remaining officers joined legal services team to sit alongside the contract lawyers. Following three failed recruitment drives and some short term agency cover it was recognised that an alternative approach was needed. The lack of a core corporate procurement team in this period also meant that the formal work of the CPB stopped as there was limited management information to enable them to drive the three gate process.
- 12.3. The Council approached its neighbours and has been pleased to secure a Service Level Agreement (SLA) for procurement support with the London Borough of Lambeth from November 2016. At the same time the CPB has been working on a more informal basis, responding to procurement queries and advising on strategic questions. These questions in the main have been in respect of routes to market, accessing frameworks, the balance of price v quality in tenders, and the best price evaluation models to use. The support from legal services has also continued, supporting managers with compliance with the Council's procurement requirements and on matters relating to contract terms.
- 12.4. The SLA has bedded in since November and is now working reasonably well. The support from Lambeth is ensuring that all service managers leading on procurement exercises have access to the general procurement advice on how to undertake a procurement in compliance with Lewisham's procurement regulations and scheme of delegation. This is as set out in the procurement handbook, updated in February. Furthermore, on some more significant or challenging procurements, this support also means Lewisham officers have access to specialist category management input provided by the Lambeth procurement team. The team are in the process of refreshing the procurement library, replacing any old guidance on the intranet.
- 12.5. The joint work of Lewisham legal and Lambeth procurement have already concluded a number of procurements and are currently (end of February 2017) supporting 34

procurements at various stages from considering strategic options to finalising contracts.

12.6. The CPB is meeting again in April to agree revised terms of reference and an updated operating model that will allow more flexible, frequent and targeted support to managers undertaking procurement work. Once the CPB is up and running again in 2017/18, the next steps are to focus on:

- tracking the pipeline of procurement through analysis of supplier spend (on Oracle), tendering information (on Due North), company information (on Credit Safe), and the contract register (on Bravo held by London Councils) to ensure strategic decisions to procure are well targeted and offer value for money;
- continuing to ensure compliance with the route to market and tender process, in particular to challenge on price and quality, reduce extensions, and maximise the economies of scale from frameworks where appropriate;
- introducing more peer review of contract management to ensure the areas for improvement highlighted by internal audit are addressed and lessons for future procurement are learnt; and
- communicating and offering training to continue to promote the advice and guidance on procurement available and ensure managers are confident when going to market to secure works, goods and services from third parties.

13. Legal implications

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

14. Financial implications

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

15. Equalities implications

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

16. Crime and disorder implications

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

17. Environmental implications

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

18. Background papers

18.1. 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

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**.

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	Housing Benefit and Council Tax Reduction Scheme 16-17						28/02/17	Satisfactory	-	3	-
CF	Main Accounting 16-17						29/12/16	Satisfactory	-	4	1
CF	Payroll 16-17						22/11/16	Substantial	-	1	-
CF	Accounts Payable 16-17										
CF	Banking 16-17										
CF	Budget Monitoring 16-17										
CF	Business Rates 16-17										
CF	Non-Current Assets 16-17										
CF	Payments to Adult Care Providers 16-17										
CF	Accounts Receivable 16-17										
CF	Client Contribution for Care Provision 16-17										
CF	Council Tax 16-17										
CF	Direct Payments 16-17										
CF	Pensions 16-17										

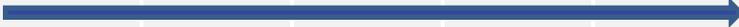
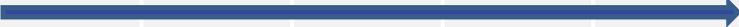
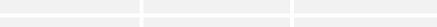
Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

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	Treasury Management 16-17	→									
CF	Capital Expenditure 16-17	→									
CF	Payments to Care Provider and Foster Carers for Looked After Children 16-17	→									
IT	BACS testing	→					01/11/16	Satisfactory	-	3	-
IT	Compliance with the Code of Connection (CoCo) and Public Sector Network (PSN).	→					01/02/17	Limited	1	2	-
IT	Payment Card Industry Data Security Standard (PCI DSS)	→					31/10/16	Limited	1	1	-
IT	Virtual Private Network (VPN) / Mobile Working	→					31/10/16	Satisfactory	-	6	-
IT	Business Continuity Plans for ICT and the LB of Brent	→									
IT	Data Breaches - detection, reporting and Network Security	→									
IT	ICT Governance Arrangements with Brent	→									
IT	PayPal Project	→									
IT	IT and Digital Strategy	→									
CT	Regeneration and Capital Programme Boards	→					15/12/16	Satisfactory	-	5	1

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	Schools' Catering Contract											
CT	Flagship Care Scheme for Older People accommodation											
CT	Mobile Devices (Contract Monitoring)											
CT	Supporting People											
CT	Minor Works Programme (Schools)											
CT	Public Health - Target based payments to GPs											
CT	Pre contract and Tendering											
GN	Better Care Fund						23/01/17	Satisfactory	-	4	1	
GN	Building Control Approval						20/02/17	Satisfactory	2	4	1	
GN	Expenses reimbursed by payroll						30/01/17	Satisfactory	-	4	1	
GN	Financial Regulations / Constitution						14/10/16	Substantial	-	-	3	
GN	Gifts and Hospitality and Declaration of Interests - Officers and Members						28/11/16	Satisfactory	-	3	1	
GN	Licensing						21/09/16	Satisfactory	-	7	7	
GN	Procurement Card Expenditure						12/01/17	Satisfactory	-	7	2	

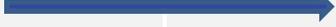
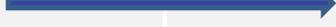
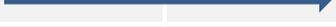
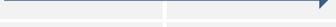
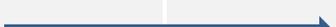
Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

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	Project Management Review Framework and Training						26/01/17	Limited	2	4	-
GN	Risk Maturity Review						28/07/16	Risk Managed	-	6	-
GN	Street Trading (Forecourt)						20/02/17	Satisfactory	-	7	5
GN	Pre-Payment Cards										
GN	Adult Learning Lewisham										
GN	Budget Savings and Decision Making Framework										
GN	House in Multiple Occupation (HMO)										
GN	Lewisham Website and Intranet Content Usability										
GN	Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside										
GN	Community Budget with Southwark and Lambeth										
GN	Business Continuity Plans for Adult Social Care Providers										
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.										
GN	Monitoring of Child Care Providers										

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	No Recourse to Public Funds (NRPF) Case Framework										
GN	Vulnerable Clients Monies - New monitoring process										
GN	Monitoring of Lewisham Homes Management Agreement										
GN	MASH (CYP) New Arrangements										
GN	Safe Guarding and Assurance Adults - Proactive Monitoring of Referrals										
GN	Apprenticeships, Graduates and other Professional Training Schemes										
GN	Blue Badges, Freedom Passes, Discretionary Passes and Taxi cards										
GN	Home Care Provision										
GN	Local Support Scheme										
GT	Troubled Families Programme Grant Submission	Ongoing grant claim verification									

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
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			20/01/17	Satisfactory	1	5	-
Deptford Park Primary			21/12/16	Satisfactory	-	6	2
Good Shepherd Catholic School			11/1/16	Substantial	-	3	1
Holy Cross Catholic Primary			07/07/16	Substantial	-	3	2
John Stainer Primary			03/02/17	Satisfactory	-	7	1
Myatt Garden Primary			05/01/17	Substantial	-	4	3
Rangefield Primary			06/2/17	Satisfactory	-	6	12
Rathern Primary			20/01/17	Substantial	-	4	3
Rushey Green Primary			22/07/16	Satisfactory	-	10	5
Sandhurst Infant			28/02/17	Substantial	-	8	7
St Joseph's Catholic Primary			10/02/17	Satisfactory	-	9	8
St Stephen's CE Primary			15/12/16	Satisfactory	-	11	2
Stillness Infant			27/02/17				
Torridon Infant			13/01/17	Satisfactory	-	8	7
St Augustine's Catholic 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
St Mary's CE Primary							
Horniman Primary							
Lucas Vale Primary							
Sandhurst Junior							
Drumbeat School (Special)							
Stillness Jnr							
Torridon Junior							
Turnham Primary							



Executive Summary for PSN – 2016/17

Internal Audit Assurance Opinion	▲ Limited	Risk Headings	H	M	L
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).		● 1. PSN compliance requirements	1	2	-
		Total	1	2	-

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

- Security Policies and Procedures have not been refreshed for at least two years (Also raised in the Virtual Private Network 2016/17 audit);
- Migration of Windows 2003 Server machines and replacement of Windows XP devices have not been completed; and
- With regards to the Management of the PSN compliance processes, no progress reports were made available to quantify the progress of the IT Infrastructure Refresh project. As a result, our audit opinion is based on the fact that we have not been able to substantiate the actions being undertaken to address the outstanding compliance tasks. However, it is possible that CSG may view this differently and grant the accreditation.

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

- User authentication and access control is well configured and managed. This includes two-factor authentication for remote access;
- Access to PSN zone is restricted and granted only to managed devices;
- Security testing in the form of IT Health Checks (ITHC) has been done as per PSN requirements; and
- Network perimeter is clearly defined and secured by firewalls.

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

Executive Summary for Project Management Framework – 2016/17



Internal Audit Assurance Opinion	Risk Headings			H	M	L
<p>★ Substantial ● Satisfactory ▲ Limited ■ No Assurance (See glossary for definitions).</p> <p>Introduction</p> <p>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 10. 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.</p> <p>Key findings that need attention</p> <ul style="list-style-type: none"> - The Project Management Handbook is not up to date (Also raised in the Regeneration and Capital Programme Development Board 2016/17 audit); - There were no approved Project Initiation Documents (PIDs) in place for four out of a sample of ten programmes/projects sampled; - Expenditure codes were assigned to four programmes/projects that did not have approved PIDs in place; - Risk Registers were not in place for seven out of ten programmes/projects sampled; - There were only 37 Highlight Reports prepared of a total of 111 required in the period under review (September 2015 – August 2016); and - Project Closure Reports are not prepared and reviewed as required. <p>Areas that worked well</p> <ul style="list-style-type: none"> - The Project Management Framework is defined; - The roles of the Regeneration and Capital Programme Development Board (RCPDB), Senior Responsible Officers and Project Managers are defined; and - Templates for Project Management documentation are available on the RCPDB SharePoint site. 	▲ Limited	●	1. Project Governance	-	1	-
		▲	2. Project Execution and Control	1	2	-
		▲	3. Monitoring and Reporting	1	1	-
			Total	2	4	-

Follow-up

The follow up 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.

Appendix 3 - Follow up results

Audit Followed Up (Corporate)	Opinion	Final Rpt Date	F/up Rpt Date	Impl'd	In Progress	Supers'd	Not Impl'd	Total
Main Accounting 15-16	Satisfactory	16/02/17	29/12/16	1	-	-	-	1
Treasury Management 15-16	Substantial	09/02/16	29/12/16	2	-	-	-	2
Domiciliary Care Agencies Contract	Satisfactory	22/02/16	20/02/17	1	2	1	1	5
Housing Benefit and CTRS	Satisfactory	21/04/16	28/02/17	3	1	-	-	4
Housing Register and Offers	Satisfactory	11/04/16	27/02/16	2	1	-	-	3
Adherence to the Local Government Transparency Code 2014	Limited	03/05/16	20/02/17	-	-	-	3	3
In-house Bailiff Service / Enforcement Agency	Substantial	01/03/16	20/02/17	-	1	-	-	1
OneOracle ERP System	Satisfactory	22/07/16	05/12/16	-	2	-	-	2
Total				9	7	1	4	21

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	1			Changed 3 times
Expenses Reimbursement by Payroll 16/17	Satisfactory	30/01/17	1				
Gifts and Hospitality and Declaration of Interests	Satisfactory	28/11/16	3				
Main Accounting 14-15	Satisfactory	18/06/15		1			Changed 6 times
Main Accounting 16-17	Satisfactory	29/12/16				1	
Non-Current Assets 15-16	Satisfactory	20/05/16	1			1	
Payroll 16-17	Substantial	22/11/16	1				
Pensions 2015-16	Satisfactory	01/04/16	1				
Accounts Payable 15-16	No Assurance	11/06/15		2		1	Changed 4 times
Accounts Receivable 15-16	Limited	15/01/16		2		2	Changed 2 and 4 times
Appointeeship and Deputyship 15-16	Satisfactory	07/06/16		2			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
BACS 16-17	Satisfactory	01/11/16		2			Changed 2 times
Client Contributions for Care Provisions 15-16	Limited	01/04/16		2			Changed 2 and 3 times
Housing - Temp Accommodation	Limited	06/06/16		2			Changed 2 times
In-house Bailiff Service	Substantial	01/03/16	1				
ONEOracle ERP System	Satisfactory	22/07/15	2		2		
Public Access to Information	Satisfactory	04/05/16		1			Changed 2 times
Public Sector Network 16-17	Limited	01/02/17	2				
Recycling and Incineration Arrangements - Contract Management	Satisfactory	12/11/15	1	1	1		Changed 2 times
Registrars 15-16	Satisfactory	30/06/16		1			Changed 5 times
SharePoint 14-15	Satisfactory	13/10/15			2		
Virtual Private Network	Satisfactory	31/10/16	1				
Direct Payments 15-16	Satisfactory	24/05/16		1		1	Changed 3 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
Domiciliary Care Agencies	Satisfactory	22/02/16			2		
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	1				
Payments to Adult Care Providers 15-16	Limited	27/05/16	2			1	
Public Health - Statutory Services	Satisfactory	31/12/15	1		1		
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15	1				
Leaving Care 18+	Satisfactory	07/06/16	4				
Payments to Care Providers and Foster Carers 15-16	Satisfactory	27/05/16	2			2	
		Total	26	18	8	9	

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Appendix 4 - Status of Managements' Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	Comment
Abbey Manor College 15-16	Satisfactory	16/09/15	1	
Clyde Nursery 16-17	Satisfactory	25/11/16	1	
Dalmain School 16-17	Satisfactory	20/01/17	2	
John Stainer School 16-17	Satisfactory	03/02/17	4	
Kilmorie School 15-16	Satisfactory	06/07/15	2	
Our Lady and St Philip Neri 16-17	Satisfactory	04/02/15	1	
Prendergast - Hilly Fields 16-17	Satisfactory	29/07/16	6	
Rangefield Primary 16-17	Satisfactory	06/02/17	6	
Rathern Primary 16-17	Substantial	22/07/16	4	
St Joseph's School 16-17	Satisfactory	28/02/17	1	
St Mary Magdalen's Catholic Primary 15-16	Satisfactory	02/07/15	1	
Trinity Through School 15-16	Satisfactory	13/11/15	3	
Turnham Primary School 13-14	No Assurance	31/07/14	9	
			41	

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
Budget Monitoring 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Budget monitoring of individual budget holders •Virements •Budget setting
Capital Expenditure 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Project management of capital projects / programmes •Payments accuracy / authorisation etc •Budget monitoring •Governance of corporate project board, •Expenditure monitored for closed projects.
Main Accounting 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Feeder systems •Reconciliations •Suspense / holding accounts •Access / separation / limits etc of the financial system. •Journals •Changes to budgets •Exception reports •Virements •Final Accounts reconciliation
Non-Current Assets 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Additions, depreciations, valuation and Verification of assets •Right to buy and other disposals •Reconciliations •Leases •Transfer of assets to community
Payroll 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Benefits (maternity, paternity etc) entitlement / payments / Sickness •Statutory regulations (i.e. P60, P45) •Deductions from salaries for third parties, council purposes and statutory purposes. •Overpayments •Payments - including amendments, honorarium, petty cash claims •BACS and non-BACS payment controls •Starters / Leavers •Reconciliations •Exception reports / Monitoring
Pensions for LGPS and TPS 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Contributions (including AVC) •Benefits payable (including abroad and benefits paid to dependents) - •Auto enrolment - 2nd round of auto enrolment due in 16/17 for current employees •Transfers in or out of the scheme •Investments •Management Fees •Governance of the Scheme (PSP Act 2013) including the pension board

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
	<ul style="list-style-type: none"> •DPA •Teachers pension scheme, to include schools with own payroll / contracted out.
Treasury Management 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Review investment transactions for completeness, accuracy, compliance etc. •Reconciliations to GL •Forecasting •Cash flow •Borrowing •Investments •Performance monitoring •Monitoring of broker contract •Strategy
Payments to Care Provider and Foster Carers for Looked After Children 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Calculations/ Assessment/ Authorisation / Recording / Amendments / Annual review (if applicable) / of invoices - payments •Budget monitoring •DPA Compliance between the council and care providers (both foster parents and care providers in the framework. •Monitoring of exception reports (invoices).
Accounts Payable 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •New suppliers and bank amendments •Payment of invoices (both PO and Non PO) •Late interest payments •Monitoring of Pis •Reconciliations •Exception Reports •Queries, complaints monitoring and processes •BACS and Non BACS payments •Authorisation / separation of duties / cash limits •DEP/ CEP adherence (Local Expenditure Panel)
Accounts Receivable 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Raising of accounts / invoices •Recovery of debts, including debt collection agencies, legal process, charges, reminders, •Write off / statute of limitations use •Access to system •Reconciliations
Banking 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •NEW - Might be doing recurring card payments in 16/17 •Review process for non-cash payments coming in by post / in person •Suspense / holding accounts •Cheque printing and security •Bank Reconciliations •Access to the receipting / recording feeder system.

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
	<ul style="list-style-type: none"> •Reconciliations of Paye.net, PayPoint, internet card payments, Bar-coded post office payments, SMS card payments and pre-paid cards. •Direct Debit Payments and Authorisation (assuming they do it in this section)
Client Contribution for Care Provision 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Calculations/ Assessment/ Authorisation / Recording / Amendments / Annual review / of contributions. •DPA compliance and Boarder Agency Checks. Evidence of Power of Attorney/ Third Party Agreements (or similar). •Recovery of Client contributions. •Information about help with contributions (i.e. Publications, website etc), how the resident is informed about the charges. Easiness of how to complete and read the form. •Deferred contribution scheme - how it is implemented and monitored (if applicable). •Legal Charges on Properties. •Access to system.
Council Tax 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Calculations of bills •Arrears procedures and adherence, including summons, arrears collections / arrangements, bailiff action and court processes, attachment of earnings, probate cases •Setting of the council tax •Discounts / Reductions / Disregards •Valuation Office List •Liability •Voids •DPA •Write offs and Refunds
Housing Benefit 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Review applications and assessments in relation to, calculating to agreed rates, evidence / ID obtained, general compliance with legislation / Local procedures and approving payments. To include, claimants who work, self employed, students with dependents or are on benefits •Monitoring of exception reports. •Separation of duties from assessing to approving and authorising payments. •Overpayment recovery. •Reconciliation •Quality Assurance •Appeal Processes •Discretionary housing payments •DPA compliance •BACS - approving and amending bank details. •Amendments to local procedures etc.
NNDR 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> • - NEW - check for discounts re living wage business owners as per committee report for 17/18

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
	<ul style="list-style-type: none"> •Calculations of bills •Arrears procedures and adherence, including summons, arrears collections / arrangements, bailiff action and court processes, etc •Setting of the NNDR rate •Exemptions / discounts / reductions / relief (including empty properties / charity / hardship / small business / community amateur sports clubs /) •Deferment - in 12-13 could defer 3.2% of bill to 50% in 13/14 and 50% 14/15 •Valuation Office List •Liability •Voids •DPA •Write offs and Refunds
Direct Payments (Core Financial Audit) 17-18	<ul style="list-style-type: none"> •Review the assessing, monitoring, allocation of payments, recovery of overpayments, to clients for personalisation (personal / individual budget etc). •Review the monitoring by the council on behalf of clients who received personalisation (i.e. the cash part). •DPA compliance between the client and council. •Budget monitoring
Payments to Adult Care Providers 17-18 (Core Financial Audit)	<ul style="list-style-type: none"> •Processing of invoices - ensuring calculations/ Annual assessments of clients reflects invoices / Authorisation / Recording / Amendments / are correct and have taken place and invoices are paid in time. •DPA Compliance between the council and care providers •Monitoring of exception reports (invoices). •Budget monitoring •Information about help with payments to clients in homes.
Catford regeneration programme -	To review the budget intervention agreement, including planning, reporting and monitoring of priorities / objectives.
Community Building Maintenance	To review the framework / contract for reactive maintenance
Oracle - Financial Replacement System	To have a pre- implementation review of the IT system. To include checks and balances from the old to the new system.
New HR / Payroll IT systems	To have a pre implementation audit on the two IT systems that will be linked to the new oracle system.

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
Aims upgrade	To review the upgrade to the AIMS feeder system
IR35 - off payroll engagements	To review the framework, including identifying off payroll engagements. To include sample of schools
Advice and support of HR / Recruitment process	To review the HR / Recruitment process to establish if controls are in place, or can be used more effectively.
Procurement Arrangements	To review the new arrangement in procurement
Reed Agency	To review the monitoring of agency staff company. Including how Reed report / check on DBS / references / right to work in the uk ETC.
Insurance	To review the insurance framework.
Facilities Management (FM?) - Contract management	To review the contract management of the new Kier FM contract started in Jan 17.
Learning and Development Training / CPD requirements.	To review the CPD / management training framework.
Grants (Large)	To review grant (large) application, approval, monitoring of conditions and reporting.
Grants (Small)	To review grant (small) application, approval, monitoring of conditions and reporting.
VAT Audit	To review the framework for VAT.
Procurement Cards	To review spend and card control
General Data Protection Regulation Preparation	To review the project and its progress in relation to the ne GDPR due to come into force. To review current and new electronic data bases (finance / HR / CYP / COM etc) to ensure that are compliant (or plan to be) with the regs.
Deptford Reach Project	To review the project in relation to the funding, procuring, monitoring and reporting of this housing project.

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
Ash (Debt recovery) Feeder System	To review the GRC within the new debt recovery system. To include how it feeds into the Oracle system
New CaseWork System	To review the new / upgraded Casework system
Complaints and FOI / DPA	To review the policies, procedures and adherence to any statutory or local requirements
Parking Contract	To review the contract management of Parking. Including, on and off street parking, permits, appeals and general contract management.
Compliance team	To review the framework of the new compliance team. To include policy, reporting and potentially security of the compliance on line system (4policies / 4action).
Rogue Landlords	To review the framework of Rogue landlord. Including how to identify them, process of resolving issues including any legal action.
Landlord Contracts	To review the monitoring of landlord contracts
Decant processes	To review the framework of the decanting of council (LH) properties. To includes checks and allocation.
Disability Facilities Grant	To review the process of the grant from initial application to approval / monitoring of spend.
Door2Door	To review the Door2Door function.
Garden waste service	To review the garden waste service, including applications, collection, income, and dispute resolution.
IT Helpdesk - Monitoring and escalation	To review the Hornbill set up including, BCP for reporting IT issues, monitoring of PIs, Quality control.
Homelessness	To review the framework of dealing with homeless applicants.
Adult Social Care Peer review action plan	To review the progress of the management action plan from the peer review.

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
Libraries	To review how LBL are monitoring and supporting the new owners / responsible group for running the libraries.
Health Visitor Contract	To review the tendering arrangements for health visitor. / or monitoring (dependent on timing).
Hand over from Hospital Discharge Neighbourhood team.	To review process, including payments and how it will feed into the pathway digital project.
Assessment and Care Management	To review / feed into the design on objectives, Pos, reporting (ie. right information / consistency / useful etc)
Community Health Care Pathway	To review the new team processes including the delays of transfer of care.
MASH (Multi Agency Safeguarding Hub)	To review the structure / Governance and information sharing protocols in the newly formed adult MASH team
Controcc System	To review the feeder system and controls surrounding the system
Homecare Service	To review payments, monitoring of outcomes and performance indicators.
Youth offending	To review the progress of any management action plan from the recent government report on the service.
SEN Process	To provide advice on the SEN processes in Q1.
Tribal System	To review the upgrade to the Tribal system (feeder into Oracle).
Early Years 30hrs +	To review the implementation and monitoring of the changes to the early years increase in hours.
Private Fostering Arrangements	To review the informal fostering arrangements. Including how the council promotes awareness and deals with the notifications
Unaccompanied Asylum Seeking Children	To review the framework of processing unaccompanied children.
Fostering Arrangements	Audit review to provide assurance surrounding the processes and controls for recruitment checks and payments.

Appendix 5 - Audit Plan

Name of Audit Corporate	Scope (or potential scopes)
Section 47 Referrals and Data Quality	To review reliability of data entered and for use in management reporting.
Children Looked After and Achieving Permanence (Adoption and Care Leavers experiences)	Audit review to provide independent assurance to support areas considered to be working well. Quality of files, data management, management reporting, follow up actions, timescales, etc.
Progress against OFSTED improvement plan	Review the CYP self-assessment/audit process and progress against the Ofsted Improvement Plan – full year of improvement complete as at March 2017. Collect evidence to independently substantiate improvements and revised procedures. Consider issues identified around “front door”, Multi-Agency Safeguarding Hub (MASH), Section 17 and Early Help, etc.
Archived records - CYP	To review the arrangements for storing, logging and retrieving statutory archived records.
Monitoring of BCP in schools	To review the monitoring of BCP in schools.
Adoption Process	To review the adoption process from start to finish.
Hospital and Home Tuition	To review the controls including DBS, any booking and paying of teachers.
Governors Support	To review the support to governors, including training, and clerking activities.
Risk Framework	To review the framework of Risk monitoring within the council.

Appendix 5 - Audit Plan

Name of Audit Corporate (Schools)	Scope (or potential scopes)
1. All Saints CE Primary	Standard Schools Work Programme.
2. Baring Primary	Standard Schools Work Programme.
3. Beecroft Garden Primary	Standard Schools Work Programme.
4. Brent Knoll School	Standard Schools Work Programme.
5. Brindishe Lee Primary	Standard Schools Work Programme.
6. Childeric Primary	Standard Schools Work Programme.
7. St George's (was Christ Church CE Primary)	Standard Schools Work Programme.
8. Coopers Lane Primary	Standard Schools Work Programme.
9. Downderry Primary	Standard Schools Work Programme.
10. Elfrida Primary	Standard Schools Work Programme.
11. Eliot Bank Primary	Standard Schools Work Programme.
12. Gordonbrock Primary	Standard Schools Work Programme.
13. Greenvale Special	Standard Schools Work Programme.
14. Grinling Gibbons Primary	Standard Schools Work Programme.
15. Haseltine Primary	Standard Schools Work Programme.
16. Holy Trinity CE Primary	Standard Schools Work Programme.

Appendix 5 - Audit Plan

Name of Audit Corporate (Schools)	Scope (or potential scopes)
17. John Ball Primary	Standard Schools Work Programme.
18. Kelvin Grove Primary	Standard Schools Work Programme.
19. New Woodlands	Standard Schools Work Programme.
20. Perrymount Primary	Standard Schools Work Programme.
21. Sir Francis Drake Primary	Standard Schools Work Programme.
22. St Bartholomew's CE Primary	Standard Schools Work Programme.
23. St James' Hatcham CE Primary	Standard Schools Work Programme.
24. St John Baptist CE Primary	Standard Schools Work Programme.
25. St Saviour's RC Primary	Standard Schools Work Programme.
26. St William of York Catholic Primary	Standard Schools Work Programme.
27. St Winifred's Inf Catholic Primary	Standard Schools Work Programme.
28. St Winifred's Jnr Catholic Primary	Standard Schools Work Programme.