

Committee	Audit Panel		Item No.	
Report Title	Head of Corporate Resources Draft - Annual Assurance Report for 2014/15			
Contributors	Head of Corporate Resources			
Class	Information	Date	18 June 2014	

Reasons for urgency and lateness

Urgency: While the internal audit year now ends in June and the final annual assurance statement will be presented to the Audit Panel in September, the audit work on the key financial controls areas is now complete and the conclusions therefore relevant to the financial statements being considered by the Audit Panel at this meeting before they are passed over for external audit.

Lateness: The report is late to allow the fullest position of work completed to date to be reflected in this update.

1. Purpose

- 1.1. The purpose of this report is to present members of the Audit Panel with the current position on the annual assurance opinion and statement on the effectiveness of the Council's system of internal control from the Head of Corporate Resources, in his capacity as Head of Internal Audit (HIA).

2. Recommendation

- 2.1. Members are asked to note this update in advance of the annual assurance opinion for the 2014/15 internal audit programme to June 2015 which will be presented in September.

3. Background

- 3.1. The Accounts and Audit (England) Regulations 2011 states, "A relevant body must undertake an adequate and effective Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". In addition, the Council, "must at least once in each year, conduct a review of the effectiveness of its Internal Audit".
- 3.2. This report details the Head of Internal Audit's annual assurance opinion on the adequacy and effectiveness of the London Borough of Lewisham's internal control arrangements for the year from April 2014 to May 2015. This opinion contributes to the Council's Annual Government Statement.
- 3.3. The contract with Baker Tilly ended in June 2014. As such, for 2014/15 the audits were conducted by an number of sources both internal, private and public internal audit services
- 3.4. The Council's Head of Internal Audit is the Head of Corporate Resources who is also responsible for managing the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health &

Safety, Strategic Finance, and Procurement teams and is also the deputy s151 officer.

4. Introduction

4.1. The PSIAS states that the Head of Internal Audit must deliver an Annual Assurance report that can feed into the Council's Annual Governance Statement. The annual report must provide an opinion on the overall adequacy and effectiveness of risk management and control. In addition, the report must also include:

- a summary of the work that supports the opinion,
- the timeframe to which the opinion relates to,
- statement on conformance with the PSIAS,
- any scope limitations,
- disclosure and details of any qualification/s,
- consideration of related projects and other assurances providers,
- the risk / control framework used for the basis of the opinion, and
- any other issues that they are relevant to the governance statement.

4.2. For 2014/15 it was agreed to extend the audit year to June. This report is based on core / key financial reports (at final or draft) and school audits. The final report will be presented to the Audit Panel in September to support the final Annual Governance Statement in the Financial Statements.

5. Opinion

5.1. The Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment, including any qualifications to that opinion, is as follows:

5.2. "I have considered all of the work undertaken and reported on by the Internal Audit Service and Anti-Fraud and Corruption Team for the audit year 2014/15 completed to date. In my opinion, based on those areas reviewed, **satisfactory assurance** can be placed on the adequacy and effectiveness of internal controls framework in place.

5.3. This is the same assurance level as last year. However, the assurance opinion this year, while Satisfactory, is closer to Limited. This negative direction of travel arises from the weaker assurance levels for some of the core financial audits. There are some one of mitigations for this (e.g. change of finance system, change of bank, organisation restructures etc..).

5.4. I have also considered the approach to risk management in operation throughout the organisation.

5.5. The Risk Management Working Party (RMWP), which consists of officers from each of the Directorates, meets quarterly to discuss the directorate and corporate risk registers. They make recommendations for the Executive Management Team (EMT) on which risks should be included in the corporate risk register. The risks are then reported to the Internal Control Board (ICB) quarterly.

5.6. Directorate Management Teams (DMT) and the EMT meet regularly to discuss risk, review the finances and monitor performance. Thereby enabling

urgent matters to be escalated for action promptly outside the formal risk reporting cycle. I am satisfied the Council had an established risk management process in operation for the financial year 2014/15.

- 5.7. I was part of the Annual Governance Statement (AGS) working party through 2014/15, a group of officers chaired by the Head of Law responsible for preparing and reviewing the Council's AGS.
- 5.8. The AGS has been updated and actions monitored through 2014/15 and I am satisfied that the content of the statement is accurate and its completion has complied with the relevant CIPFA guidance. Issues which I judged relevant to the preparation of the AGS have been considered by the group and, where necessary, included.

6. Qualifications to the opinion

Internal Audit

- 6.1. As reported to the Audit Panel in 2014/15 this year has been a transitional year for the internal audit service. The scope of the audit plan was reduced at the beginning of the year in line with reduced resources.
- 6.2. There was a change from the previous single outsourced service arrangements to a mixed provision model. In year internal audits were provided by:
 - The Royal Borough of Greenwich - who agreed to complete the schools audit plan from September 2014.
 - An independent auditor's services - who agreed to complete the majority of the IT audits from October 2014.
 - In-house team – who completed grants, follow-ups and an ad hoc review.
 - Croydon Internal Audit Framework (Mazars) – who were to complete the rest of the non-school audits.
- 6.3. Internal audit joined the Croydon Framework contract late in December which limited the time available to complete the plan. The focus has therefore been on completing the core financial audits. The remaining non-schools audit fieldwork are underway and will be completed in June and reported on to the September Audit Panel. At which stage the Audit Plan to June 2015 will have been delivered and the key risks reviewed.
- 6.4. This slippage and the reduced scale of internal audit work in 2014/15 are both areas for improvement in 2015/16 and the plans to improve this are reported to the Audit Panel in the separate quarterly up date report.

Risk Management

- 6.5. The work of the RMWP continued through the year. There were changes to some of the Directorate representatives and a degree of organisational knowledge lost. The Council has not undertaken a formal service planning exercise for 2015/16 which risks weakening the identification and monitoring of operational risk going forward. These circumstances are recognised by ICB and work to consider possible changes to the risk management approach to mitigate these impacts initiated.

Key Staff Resources

- 6.6. In 2014/15, a large number of staff left the Council through either the voluntary severance scheme or restructuring. There have also been a number of reorganisations with some activities moved or reallocated between teams. This has necessarily resulted in some officers taking on more responsibility and a number of processes becoming more self-service. While not in itself is not an issue, where officers have to take on more responsibility for key controls without clear process changes or sufficient training it has become apparent that some key controls were not always being adhered to.

For example:

- The number of recommendations and areas where reconciliations are either not done, not performed in a timely manner, or variances are not investigated has increased,
 - Areas where only one officer has the knowledge to complete a process, increasing the risk of delay or failure if they are absent, and
 - Systems slow down or workarounds are found that create additional manual work and risk of error where training in the right approach is not available.
- 6.7. These examples have contributed to the increase of negative assurance reports issued. For 2014/15, there were six key financial reports with a limited assurance opinion. Of the 17 key financial audits, ten audits have had their assurance level reduced from the previous year.

Finance System Upgrade

- 6.8. The Council's finance and transactions teams were restructured in June 2014, the finance system (shared with six other Councils) upgraded to OneOracle in August 2014, and the banking contract changed in February 2015. These changes have created a number of issues that have taken time to resolve. These include:

- Governance, Risk and Control (GRC) modules included in the upgrade not being made available at go live.
- Difficulties with the OBIEE (financial reporting tool) preventing the timely extraction of financial information from the OneOracle finance system.
- Previously individual cost codes lumped together in the new coding structure.

7. Summary of assurance work from which opinion is derived

Delivery of Audit Plan

- 7.1. The Internal Audit plan agreed for 2014/15 was to complete 70 pieces of audit work, (32 schools and 38 non-school), not including follow-up reviews. By the end of the year, this increased to 72 pieces of work.
- 7.2. Changes to the audit plan are expected throughout the year, as risks emerge or decrease within services areas. Additional reviews are requested or if applicable deferred or cancelled. The reasons for these changes are reported to the ICB and the Audit Panel throughout the year. The additional review agreed were:
- Troubled Families Claim 5 (Grant Certification)
 - Troubled Families Claim 7 (Grant Certification)

- Troubled Families Claim 8 (Grant Certification)
- Adoption Reform Grant (Grant Certification)
- Rogue Landlord Grant (Grant Certification)
- Rangefield School – Procurement Audit – Requested by Governors

The agreed deferred or cancelled reviews were:

- Forster Park School – deferred as full follow-up including testing undertaken following a limited review. Next audit now due in 2015/16.
- Pathway Training – cancelled as the contract was ended before the audit.
- Pathway Framework Assessment – cancelled as due after the training of officers but the training did not take place so unable to proceed.
- Chelwood Nursery – Deferred as both key members of the finance team were off at the time of the audit (February / March). Now set for September 2015.

7.3. The breakdown of the 72 reviews and the 632 productive days are as follows:

- 41 Non-School reviews with 481 days of internal audit work, and
- 31 School reviews with 151 days of internal audit work.

7.4. These audits were conducted by:

- The in-house team conducted 12, (six school and six non-school reviews).
- Baker Tilly conducted 7 school audits,
- RB of Greenwich conducted 18 school audits,
- IT Auditor conducted 4 audits, and
- Mazars are completing 31 audits.

7.5. In summary the:

- non-schools work position is that 15 reviews are finalised, 13 are at draft report (and will therefore be finalised within three weeks), and 13 reviews at fieldwork stage (all having been started).
- schools position is that the 30 planned reviews have been completed and the one additional piece of work requested is at draft report stage (pending completion of a separate investigation running in parallel).

7.6. In addition, due to restructures of service areas some reviews are transferred between directorates, and show as 'added' and 'cancelled'. These changes are reported to the ICB and Audit Panel during the year.

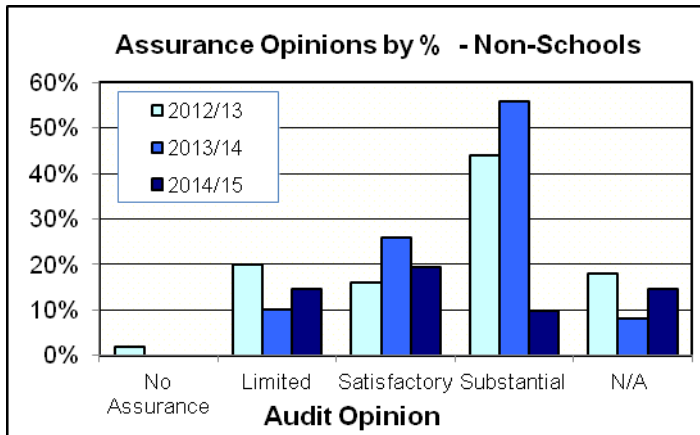
7.7. The 2014/15 audit plan, along with the opinion, number of recommendations made, final report date and the areas that were reviewed can be found in Appendix 1. For completeness, the table in the appendix includes those audits from the 2013/14 audit plan that were not finalised at the time of the last annual report.

7.8. For those reports with either a 'No Assurance' assurance, 'Limited' assurance opinion and consultancy reviews the executive summaries are presented to the Audit Panel throughout the year.

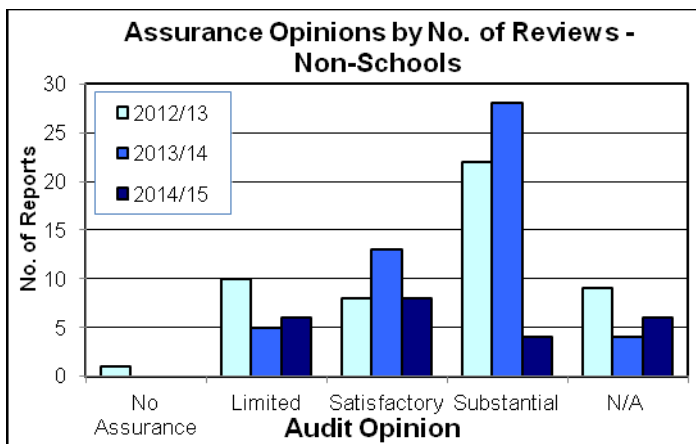
7.9. The graphs below present the comparison of audit opinions for the last three years, for non-school and school audits. The figures for 2014/15 present the position to date and will be updated for September. They show the number of audits with their opinions by both number and percentage.

Key - N/A reflects those reports that were consultancy or advisory work

Non-Schools

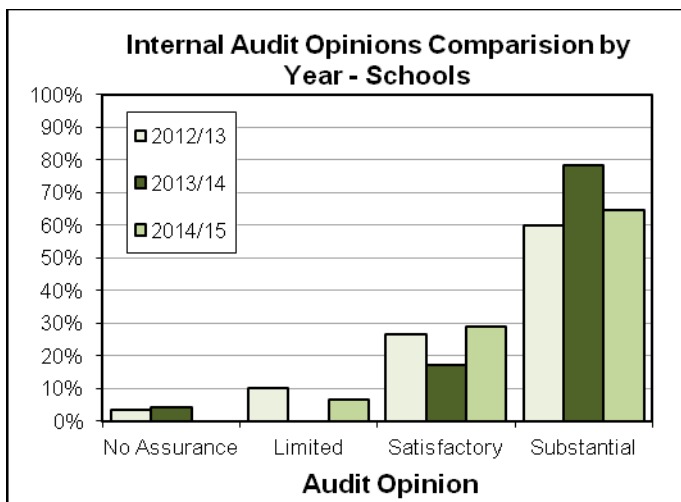


There has been a fall in the number of substantial opinions in 2014/15 and rise in the limited and N/A categories. The N/A reflect the additional grant claim work requiring internal audit certification in 2014/15.



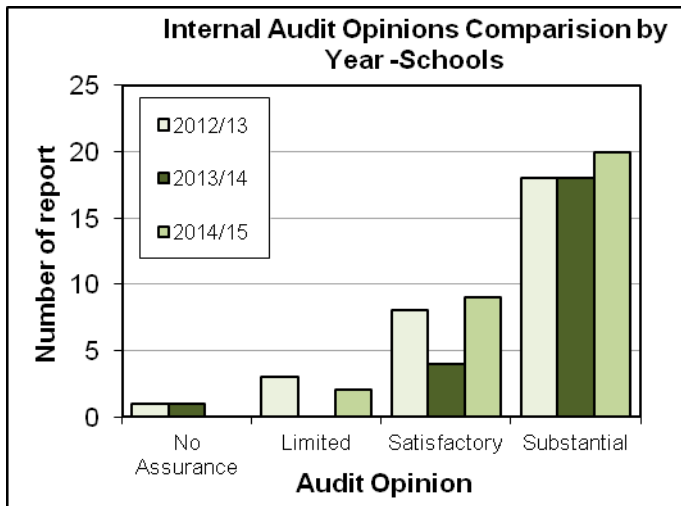
Overall the number of reports referenced here for 2014/15 is down on previous years pending completion of the non core financial non-school audits in the plan.

Schools



Although the percentage of 'Substantial' reports has decreased from the previous year, the percentage of positive opinion reports issued overall remains high.

For the first time in three years, there were no 'No Assurance' opinion reports issued.



2014/15 was a busier year on the schools audit from with 31 reviews completed compared to 23 in the prior year.

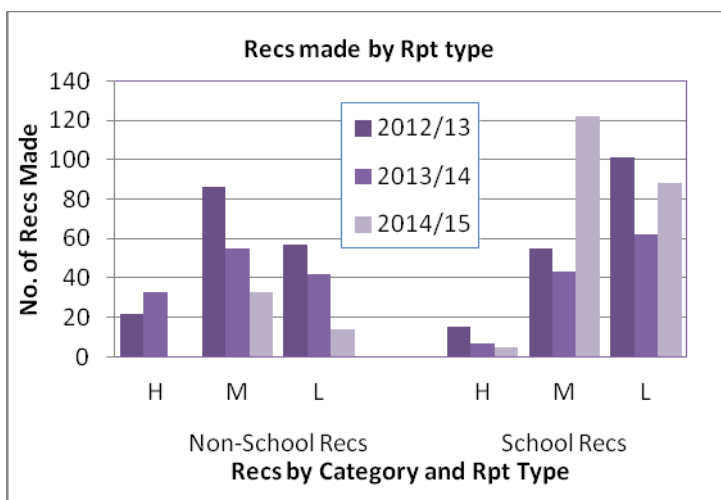
7.10. The definitions of the assurance opinions are in the table below.

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

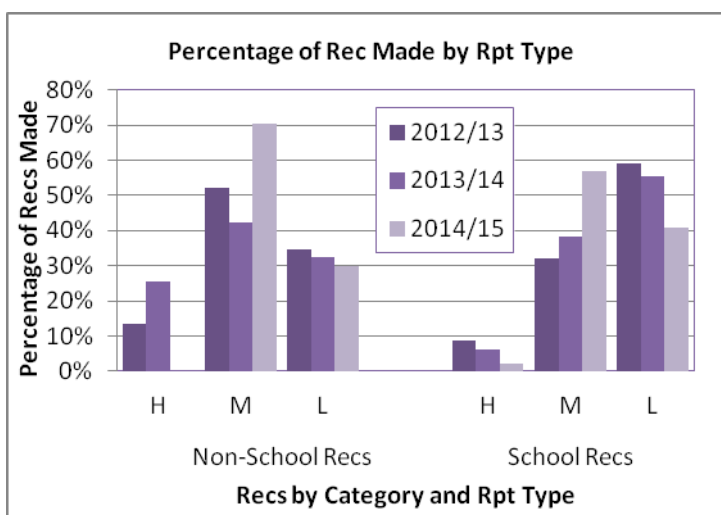
7.11. In addition to the assurance opinion, for each recommendation made a category of importance is given. The table below provides the definitions of these categories.

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

7.12. The graphs below show the number of recommendations made for non-schools and school audits for the last three years. The graph includes recommendations from consultancy reports.



For non-school audits there has been a steady rise in the proportion of medium recommendations, which while not business critical, does underline the direction of travel in respect of the internal control framework explained in the assurance opinion.



For schools recommendations, there was a marked increase in 2014/15 in the number of recommendations made, particularly medium and low.

Recommendations

7.13. Internal audit upload all High and Medium recommendations from internal audit reviews onto the Council's intranet site. Responsible officers can update the progress on implementation of their recommendations directly to this site (with the exception of school recommendations updated by the CYP directorate on the schools behalf).

7.14. As at the 31 May there are 148 open recommendations open (58 non-school and 91 school recommendations). Internal audit reports to the Audit Panel and the Internal Control Board (ICB) on the status of recommendations at each meeting. The status includes:

- No. of recommendations overdue,
- No. of recommendations with two or more changes of due date,
- No. of recommendations reopened at the follow-up review, and
- No. of recommendations closed since the final report.

7.15. If they have concerns about non-school audits, the Audit Panel call in the relevant audit sponsor for an update on progress with the implementation of the agreed internal audit recommendations. They did this in respect of two

areas in 2014/15 and have raised their concerns with the rise in schools audit recommendations remaining open and becoming overdue.

Follow-ups

- 7.16. Internal audit follow-up on all non-school High and Medium recommendations, normally nine months after the final report. The exceptions to this are for the core financial reviews (and annual reviews), which are reviewed at the next annual audit. For schools only those reports with a negative opinion (i.e. Limited or No Assurance) are followed-up. There were 23 non-school follow-up reviews completed for the period.
- 7.17. The table below shows the number of recommendations reviewed and their status at the time of the follow-up review.

Implemented	In Progress	Superseded	Not Implemented	Total Recs
55	15	5	3	78
71%	19%	6%	4%	100%

- 7.18. Internal Audit reports the progress of implementing these recommendations to the Audit Panel and the Internal Control Board (ICB) on a regular basis. A list of follow-up reviews can be found in Appendix 2. Overall the position is good and similar to that reported in previous years.

Core financial systems

- 7.19. Core financials systems are fundamental to the operation of the Council, so it is important that these systems have robust internal controls that are effective and complied with. The internal audit plan reviews these key core financial systems on an annual basis.
- 7.20. In 2014/15 sixteen core financial systems audits were completed. Below is a summary of this year's outcomes, with prior year comparisons, and direction of travel.

Core financial system	2014/15	2013/14	2012/13	DoT
1. Budget control and monitoring	Satisfactory	Substantial	Substantial	↘
2. Capital programme and expenditure	Satisfactory	Substantial	Satisfactory	↘
3. Banking	Limited	Substantial	Substantial	↘
4. Client contributions for residential & domiciliary care	Limited	Substantial	Substantial	↘
5. Council tax	Substantial	Substantial	Substantial	→
6. Accounts payable	Limited	Substantial	Substantial	↘
7. Accounts receivable	Limited	Substantial	Substantial	↘
8. Housing benefit	Satisfactory	Substantial	Substantial	↘

Core financial system	2014/15	2013/14	2012/13	DoT
9. Main accounting (general ledger)	Satisfactory	Substantial	Substantial	↘
10. NNDR (Business Rates)	Substantial	Substantial	Substantial	→
11. Non-current (fixed) assets	Limited	Limited	Limited	→
12. Payments for looked after children	Satisfactory	Substantial	Substantial	↘
13. Payments to residential & domiciliary care providers	Satisfactory	Substantial	Substantial	↘
14. Payroll	Satisfactory	Satisfactory	Substantial	→
15. Pensions	Satisfactory	Substantial	Substantial	↘
16. Treasury management	Substantial	Substantial	Substantial	→
17. Direct payments	Limited	Substantial	-	↘

Key – bold italic identifies those audits at draft at the time of this report and therefore indicative assurance opinions only.

Anti-fraud and corruption

- 7.21. Corporate Resources is responsible for managing fraud investigations across the Council. This work is conducted by the Anti-Fraud and Corruption Team (A-FACT) and reported to ICB and the Audit Panel quarterly through the year.
- 7.22. The anti-fraud work in the Council arises from the need for it to ensure confidence in the administration of public funds. This recognises that the undermining of public confidence that can result from the discovery of a fraudulent or corrupt act can inflict much greater and more widespread damage than just the act itself.
- 7.23. The proportion of investigations concluded resulting in action and number of tenancies recovered is summarised in the table below. The reasons for the changes identified are discussed regularly with the Internal Control Board and Audit Panel.

A-FACT	2014/15	2013/14	2012/13	DoT
Special	50%	35%	18%	↗
Benefits	15%*	42%	38%	↘
Housing	65%	47%	32%	↗
Tenancies recovered	38	33	26	↗

* at the end of 2014/15 the benefit investigation team transferred to the Department for Work and Pensions (DWP). This meant that an exercise was undertaken to clear down the number of open cases to effect a clean handover of staff and casework to DWP. Hence the fall in % with action.

Risk management

- 7.24. Corporate Resources is responsible for ensuring the Council has an effective risk management strategy and policy in place. The strategy and policy define the roles and responsibilities of individuals, directorates and groups, and sets out how the risk management process will be embedded. The strategy and policy were revised in 2013/14 and approved by the Internal Control Board and Audit Panel.
- 7.25. The Mayor and Cabinet and Members are appraised on risk management via the monthly management report. The monthly management report clearly maps risks to the Council's priorities and provides a narrative on changes to existing or emerging key (red) risks.
- 7.26. The Council continues to build on its approach to risk management, seeking to improve the quality of reporting on risks. In 2014/15 the requirement to identify key operational risks in all service business plans was continued and internal audit routinely assessed whether service procedures are complete and update to date.
- 7.27. Evidence for the effective mitigation of identified risks and related focus on improving the organisation's internal controls comes from a number of sources. In addition to the work of Internal Audit, these include:
- reports on the Council's services by other inspectorates (such as the Audit Commission, Care Quality Commission, OFSTED, Information Commissioners Office),
 - pieces of commissioned consultancy support, and
 - management assurances (using specialist skills such as those of the counter-fraud, health & safety and insurance teams as well as performance management and exception reporting on core activities).

8. Issues relevant to the Annual Governance Statement (AGS)

- 8.1. Progress in the seven areas of governance risk tracked by the AGS working party includes:
- 8.2. Legislative change
- new members inducted following May 2014 local elections.
 - individual election register went live on time for May 2015 general elections.
 - constitution comprehensively reviewed.
- 8.3. Procurement
- reinstated and refreshed corporate contract register.
 - Commissioning and Procurement Board focused on embedding three gate gateway process of challenge and monitoring.
- 8.4. Partnership working
- scaling up of work from pilot with Lambeth, Southwark and DWP to extend offering in respect of employment and skills.
 - undertook big budget challenge consultation with residents.
- 8.5. Internal control

- move to new finance system completed.
 - IT strategy launched.
 - Local Government Association Peer Review completed.
- 8.6. Performance management
- management report comprehensively reviewed with new administration.
- 8.7. Financial management
- work of Lewisham Future Programme Board continued with savings of £40m agreed for 2015/16 to 2017/18. The budget for 2015/16 was set using £5m of New Homes Bonus money and £5m from reserves.
 - unqualified external audit opinion on 2013/14 financial statements received.
- 8.8. Business as usual
- consultation on housing strategy 2015 to 2020 undertaken.
 - number of housing schemes progressed to deliver committed 500 new homes by 2018.
 - continued to meet pressure for more school places, bringing this to 4,300 additional places since 2008.
- 8.9. Looking forward, the Council again drew on reserves to set a balanced budget for 2015/16. The continuing requirement on management to identify and implement a further £45m of savings by 2017/18, and possibly more pending the July 2015 budget and 2015 Comprehensive Spending Review still to come will place a huge strain in all the Council's control frameworks. The AGS also highlights the some specific challenges for 2015/16. These are:
- further legislative change,
 - partnership working, and
 - new procurement regulations.
- 8.10. The above considerations have been discussed at the AGS working group and reported to the Internal Control Board. An area for continued improvement in the AGS action plan is reserved for internal control matters to which the Head of Internal Audit contributes. The performance of the internal audit service and delays in delivering planned audit work on time has been raised.
- 8.11. Work to continue to monitor assurances for the above areas of risk are included in the audit plan for 2015/16.

9. Statement of compliance with Public Sector Internal Audit Standards (PSIAS)

- 9.1. The standards require an external review of the services at least every five years. The Audit Panel have agreed this will take place in 2015/16 by the NHS Barts internal audit service. For 2014/15, the internal audit service is assessing itself against the standards.

- 9.2. In 2014/15 we have refreshed the internal audit charter to reflect the range of sources from which internal audit assurance is being obtained. However, overall there has been no change in the fundamentals in respect of providing independent professional assurance on the Council's internal controls.
- 9.3. As such the service, in my opinion, remains compliant with the PSIAS although there are, as reported last year and agreed by the Audit Panel, some areas where the standards are partially rather than fully met. They are:
- Independence of the HIA
 - Feedback from the Audit Panel Chair on the performance of the HIA
 - Audit Panel inclusion on the appointment / removal of the HIA
 - Conducting reviews where the HIA has operational responsibilities
 - External Assessments (by 2015/16 and at least every five years thereafter)
 - Risk communication (including available resources).
- 9.4. Appendix 3, shows these areas and the proposed mitigating actions taken.

10. Quality improvement Plan (QIP) for Internal Audit.

- 10.1. As the restructure is taking place, the QIP will remain focused on ensuring that the move to an in-house led service is fit for purpose. This will be assessed independently during 2015/16 and recommendations for improvement from that review will also help drive continuous improvement.

11. Legal Implications

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

12. Financial Implications

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

13. Equalities Implication

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

14. Crime and Disorder Implications

- 14.1. There are no specific Crime and Disorder implications arising directly from this report.

15. Environmental Implications

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

16. Background Papers

- 16.1. Internal Audit and A-FACT papers to the Audit Panel through 2014/15

For queries on this report please contact the Head of Corporate Resources on 020 8314 9114 or by email at david.austin@lewisham.gov.uk

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

Non-School- By Lead Directorate

Resources and Regeneration

Lead Dir.	Auditable area	Assurance level given	H	M	L	Risks / Area tested during the review	Date of final report
RRE	Non-Current Assets 14-15 (Core Financial Audit)	Limited	At draft				
RRE	Budget Monitoring 14-15 (Core Financial Audit)	Satisfactory	-	6	1	Budget Setting, Control and Variance Analysis, Loading and Virements and Management Reporting	29/04/15
RRE	Payroll 14-15 (Core Financial Audit)	Satisfactory	-	8	-	Legislation, Starters & Leavers, Payments and Deductions, Reconciliations and Exception Reporting	12/05/15
RRE	Pensions for LGPS and TPS 14-15 (Core Financial Audit)	Satisfactory	-	8	5	Regulatory, Contributions and Benefits,	31/03/15
RRE	Procurement Card	Satisfactory	-	5	1	Issuing and Use of Cards	05/03/15
RRE	Capital Expenditure 14-15 (Core Financial Audit)	Satisfactory	1	3	2	Maintenance of the register re additions, disposals, valuations and accounting treatment	10/06/15
RRE	Main Accounting 14-15 (Core Financial Audit)	Satisfactory	Draft				
RRE	Insurance - In house processes	Substantial	0	3	0	Policies & procedures, claims handling, payments	08/06/15
RRE	Treasury Management 14-15 (Core Financial Audit)	Substantial	Draft				
RRE	Procurement						
RRE	Programme and Project Management						
From 2013/14 audit plan but not finalised in the last annual assurance report							
RRE	Capital Programme, Monitoring and Expenditure 13-14	Substantial	-	1	-	Project management, capital expenditure, authorisation and management reporting,	09/07/14
RRE	Project Management	Satisfactory	-	5	2	Compliance with corporate project management approach, Project Review Group and use of previous lessons learnt.	16/07/14

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

Customer Services

Lead Dir.	Auditable area	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
CUS	Accounts Payable 14-15 (Core Financial Audit)	Limited	4	5	2	Supplier set up, processing payments, reconciliations, performance monitoring	09/06/15
CUS	Banking 14-15 (Core Financial Audit)	Limited	1	1	2	Processing controls, accurate financial records, reconciliations	10/06/15
CUS	Accounts Receivable 14-15 (Core Financial Audit)	Limited	Draft				
CUS	Housing Benefit 14-15 (Core Financial Audit)	Satisfactory	Draft				
CUS	Council Tax 14-15 (Core Financial Audit)	Substantial	0	0	2	Process controls, compliance with regulations, data security	08/06/15
CUS	NNDR 14-15 (Core Financial Audit)	Substantial	Draft				
CUS	Rogue Landlord Grant	Grant Claim	-	-	-	Certify Grant	08/12/14
CUS	IT Strategy	Consultancy	-	4	-	To advise on the IT Strategy	27/03/15
CUS	Business Continuity Plans						
CUS	Decent Homes Contractors / Fire / H&S - Client management						
CUS	Housing Grants / Council's Housing Assistance Policy						
CUS	Oracle12 Upgrade						
CUS	SharePoint 2010						
From 2013/14 audit plan but not finalised in the last annual assurance report							
CUS	Security and Access to LBL Servers	Limited	1	3	-	Security and access procedures to LBL servers.	17/06/14

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

CUS	Trade waste - contract review	Satisfactory	1	2	2	Performance Management & Reporting, Debt Management & Collection, Staff Behaviour, Communication, Education and Promotion	27/06/14
CUS	Capita IT Contract management 13-14	Substantial	-	-	1	Contract monitoring arrangements and contract design	27/06/14
CUS	Parking Contract	Substantial	-	2	-	Service Standards and Contract Design, Performance Management, Impact of retaining face to face	10/07/14

Lead Dir.	Auditable area	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
COM	Client Contribution for Care 14-15 (Core Financial Audit)	Limited		Draft			
COM	Direct Payments 14-15 (Core Financial Audit)	Limited		Draft			
COM	Payments to Adult Care Providers 14-15 (Core Financial Audit)	Satisfactory		Draft			
COM	Youth Offending	Satisfactory		Draft			
COM	Contract Management (COM / CUS)						
COM	Pathway framework						
COM	Public Health Contracts / SLA						
COM	Quality Assurance Training - Pathway						
COM	South London and Maudsley (SLAM)						
From 2013/14 audit plan but not finalised in the last annual assurance report							
COM	Ten Day Self-Assessment Cases	Satisfactory	-	3	1	Use of the Self-ten Say Case audit , management Oversight and Referrals	06/06/14

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

Lead Dir.	Auditable area	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
CYP	Troubled Families Programme 14-15	Substantial	-	2	7	Data Protection, Framework, and Claim Submissions	05/12/14
CYP	Payments to Care Provider and Foster Carers for Looked After Children 14-15 (Core Financial Audit)	Satisfactory	1	4	1	Allocation of placements, authorisation of spend, budget controls	09/06/15
CYP	Payments for 2 -4 year olds	Satisfactory	Draft				
CYP	Adoption Reform Grant 13-14	Grant Claim	-	-	-	DCLG requirement	01/07/15
CYP	Troubled Families Programme Claim 7 (Oct 14)	Grant Claim	-	-	-	DCLG requirement	30/10/14
CYP	Troubled Families Programme Claim 5 (May 14)	Grant Claim	-	-	-	DCLG requirement	15/05/14
CYP	Troubled Families Programme Claim 8 (Feb 15)	Grant Claim	-	-	-	DCLG requirement	17/02/15
CYP	Disclosure and Barring Service (DBS) PT 1						
CYP	No recourse to public funds (Pilot Scheme)						
CYP	Youth Service						
From 2013/14 audit plan but not finalised in the last annual assurance report							
CYP	Leaving Care	Substantial	-	1	1	Records for Statutory Compliance and Assessment of Pathway Plans	11/06/14
CYP	Payments to Children with Disabilities – Short Breaks	Substantial	-	2	-	Payments, Local Records, Set up and Cessations of Payments, Monitoring and Budget Monitoring	25/06/14
CYP	Schools' Catering Contract	Satisfactory	-	5	5	Contract monitoring and Management	09/07/14

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	Elfrida Primary 2014-15	Limited	1	13	2	Governance, Budget Monitoring, Procurement, Income, Banking, Asset Management, Recruitment, Payroll, and Data Protection	05/03/15
SCH	St Bartholomew's CE Primary 2014-15	Limited	1	14	6	As above	15/09/14
SCH	All Saints Primary 2014-15	Satisfactory	0	6	2	As above	11/03/15
SCH	Brent Knoll - Special - 2014-15	Satisfactory	1	8	10	As above	19/12/14
SCH	Christ Church CE Primary 2014-15	Satisfactory	0	10	5	As above	24/09/14
SCH	Grinling Gibbons Primary 2014-15	Satisfactory	1	3	5	As above	31/12/14
SCH	Haseltine Primary 2014-15	Satisfactory	0	8	2	As above	22/10/14
SCH	New Woodlands (inc Primary PRU) 2014-15	Satisfactory	0	10	7	As above	30/10/14
SCH	St James Hatcham CE Primary 2014-15	Satisfactory	1	8	3	As above	26/02/15
SCH	St Winifreds Catholic Infants 2014-15	Satisfactory	0	5	5	As above	24/02/15
SCH	Ashmead Primary 2014-15	Substantial	0	2	3	As above	24/11/14
SCH	Baring Primary 2014-15	Substantial	0	1	0	As above	11/06/14
SCH	Beecroft Garden Primary 2014-15	Substantial	0	0	1	As above	12/06/14
SCH	Brindishe Lee Primary 2014-15	Substantial	0	1	0	As above	08/12/14
SCH	Childeric Primary 2014-15	Substantial	0	2	5	As above	31/10/14
SCH	Coopers Lane Primary 2014-15	Substantial	0	3	2	As above	26/02/15
SCH	Downderry Primary 2014-15	Substantial	0	0	2	As above	23/05/14
SCH	Eliot Bank Primary 2014-15	Substantial	0	1	4	As above	01/04/15
SCH	Gordonbrock Primary 2014-15	Substantial	0	2	1	As above	01/04/15
SCH	Greenvale - Special 2014-15	Substantial	0	4	6	As above	04/03/15

Appendix 1 – Internal Audit Opinions, category of recommendations, and areas reviewed for 2014/15

Lead Dir.	School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
SCH	Holy Trinity CE Primary 2014-15	Substantial	0	3	2	As above	09/10/14
SCH	John Ball Primary 2014-15	Substantial	0	1	0	As above	18/06/14
SCH	Kelvin Grove Primary 2014-15	Substantial	0	3	2	As above	24/02/15
SCH	Perrymount Primary 2014-15	Substantial	0	5	2	As above	27/03/15
SCH	Sir Francis Drake Primary 2014-15	Substantial	0	1	0	As above	25/06/14
SCH	St John Baptist CE Primary 2014-15	Substantial	0	0	0	As above	27/06/14
SCH	St Margaret's Lee CE Primary 2014-15	Substantial	0	2	3	As above	19/12/14
SCH	St Saviours RC Primary 2014-15	Substantial	0	3	4	As above	24/04/15
SCH	St William of York RC Primary 2014-15	Substantial	0	2	3	As above	20/01/15
SCH	St Winifred's Catholic Junior 2014-15	Substantial	0	1	1	As above	21/05/14
SCH	Rangefield School - Procurement Audit	Satisfactory	Draft			Procurement, Governance and Budget Monitoring only	

Appendix 2 Follow up Reviews Conducted

Lead Dir	Audit Followed-up	Opinion	Final Rpt	F/up Rpt Date	Implemented	In Progress	Superseded	Not Implemented	Total
RRE	Budget Monitoring 13-14	Substantial	20/01/14	29/04/15	-	2	-	-	2
RRE	Highways Reactive Maintenance Contract	Satisfactory	18/03/14	22/12/14	3	-	1	-	4
RRE	Maintenance of Assets and Premises	Consultancy	06/11/14	30/09/14	11	2	2	-	15
RRE	Payroll 13-14	Satisfactory	17/06/14	12/05/15	4	-	-	-	4
RRE	Pensions 13-14	Substantial	07/01/14	31/03/15	0	1	-	-	1
RRE	Reconciliations of bank accounts	Consultancy	24/02/15	03/03/15	1	-	1	-	2
RRE	VAT	Substantial	18/12/13	03/10/14	1	-	-	-	1
CUS	Data Scanning and Storage	Limited	13/12/13	30/09/14	2	-	-	-	2
CUS	Housing Options Centre	Limited	13/12/13	02/10/14	3	-	-	-	3
CUS	Pensions System	Substantial	12/11/13	07/08/14	1	-	-	-	1
CUS	Security and access to LBL	Limited	17/06/14	23/04/15	-	1	-	3	4
CUS	Trade waste - contract review	Satisfactory	27/06/14	16/03/15	1	2	-	-	3
COM	Block Nursing Contract	Substantial	06/02/14	19/12/14	2	-	-	-	2
COM	CCTV Contract Management	Satisfactory	15/10/13	04/08/14	2	2	-	-	4
COM	Children Remanded in Custody	Substantial	27/03/14	10/12/14	1	1	-	-	2

Appendix 2 Follow up Reviews Conducted

Lead Dir	Audit Followed-up	Opinion	Final Rpt	F/up Rpt Date	Implemented	In Progress	Superseded	Not Implemented	Total
COM	Fusion Leisure Centre	Satisfactory	11/04/14	06/02/15	4	-	-	-	4
COM	Quality framework for day centres	Substantial	24/04/14	06/02/15	1	-	-	-	1
COM	Ten day self-assessment cases	Satisfactory	06/06/14	18/05/15	3	-	-	-	3
CYP	Estates Management	Satisfactory	06/12/13	30/09/14	3	2	-	-	5
CYP	Leaving Care	Substantial	11/06/14	20/03/15	4		1	-	5
CYP	Management of PbR Contracts	Satisfactory	11/11/13	11/09/14	3	1	-	-	4
CYP	Pathfinder SEND	Satisfactory	03/03/14	13/01/15	4	-	-	-	4
CYP	TFP Follow-up for 13-14	Substantial	25/03/14	05/12/14	1	1	-	-	4
Total					55	15	5	3	78

Appendix 3 - Improvements for the IA to fully comply with the code.

Improvement Required	Proposed Action
<p>1. Independence of the Head of Internal Audit (HIA). The HIA is the Head of Corporate Resources. As such has operational responsibilities, including as Deputy S151 officer, which could affect his independence.</p>	<p>To ensure as much independence as possible, the Internal Audit Contract Manager, will oversee all areas of internal audit work in areas that the HIA has responsibility for. In respect of this work, the internal audit contract manager has been given unfettered access to the CEO and Audit Panel Chair as detailed in the Internal Audit Charter.</p>
<p>2. The Board must be included in the appointment and removal of the HIA.</p>	<p>In 2014 the lead Cabinet member for Resources was on the recruitment panel for the post of Head of Corporate Resources. Going forward a member of the Audit Panel should also be considered for the recruitment panel when recruiting for the post of Head of Internal Audit.</p>
<p>3. The CEO and the Board should contribute to the appraisal of the HIA</p>	<p>This is currently done informally by the Executive Director for Resources and Regeneration who line manages the Head of Corporate Resources. Consideration will be given to incorporating this more formally through the revised performance management process for senior management being introduced and which includes 360 degree appraisals.</p>
<p>4. Assurance engagements for areas where the HIA is the responsible manager are conducted with independence.</p>	<p>See actions for 1 above.</p>
<p>5. The Quality Assurance and Improvement Programme includes both internal and external assessments.</p>	<p>A fully independent external assessment is arranged to take place 2015/16.</p>
<p>6. Risk Communication</p>	<p>Manual and working papers in place and will be assessed as part of independent external assessment in 2015/16.</p>

Appendix 3 - Improvements for the IA to fully comply with the code.

Improvement Required	Proposed Action
7. Internal Audit Resource	Less work planned for 2014/15 as resources reduced and resourcing issue addressed late in year which has resulted in later completion of work than planned.