

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 8
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 18 June 2015

### Reasons for urgency and lateness

Urgency: This is the regular quarterly update and, for this quarter, supports the draft Annual Assurance Opinion being presented to the Audit Panel and cannot therefore wait until the next meeting.

Lateness: The report is late as the Annual Assurance Opinion was delayed to allow the fullest position of work completed to date to be reflected in that update.

### 1. Purpose of the report

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

- The progress of the 2014/15 internal audit plan,
- The draft internal audit plan for 2015/16,
- The Internal Audit Charter, and
- Progress of implementation of internal audit recommendations.

### 2. Executive Summary

#### Section 5 - Internal audit progress update.

With the exception of one school report, the schools plan is now final. With the exception of two core financial audits, all are at least at draft report stage. All the remaining audits are on course to be completed to draft report by the end of June.

#### Section 6 - Limited, No Assurance and Consultancy reviews.

There was one Limited report (a school) and one consultancy report (IT Strategy) issued since the last meeting.

#### Section 7 - High and Medium recommendations not agreed.

A recommendation from the pensions report was not agreed. This was subsequently overturned by the Internal Control Board (ICB) and will now need to be implemented.

One school recommendation was not agreed. Governors confirmed that they are satisfied with the controls currently in place.

#### Section 8 - Progress on the implementation of recommendations.

The number of non-school recommendations overdue remains at a reasonable level. The number of overdue school recommendations is high and has increased.

The status of the recommendations from follow-ups remains good as the majority continue to be either implemented or in progress.

#### Section 9 – Draft internal audit plan for 2015/16

The draft audit plan is based on 978 days for 17 core financial, 41 audit, 26 school, and the follow-up reviews.

#### Section 10 - Restructure of the internal audit service

The preparations to strengthen the in-house team are underway and arrangements are in place to secure the necessary audit work and maintain delivery against the 2015/16 plan while this is being done.

#### Section 11 - Other business.

Picking up on the Panel's feedback, the Audit Charter is resubmitted with an Executive Summary included for Audit Panel to agree..

### **3. Recommendations**

- 3.1. It is recommended that the Audit Panel:
  - 3.1.1. note the content of this report,
  - 3.1.2. approve the 2015/16 audit plan at appendix 5, and
  - 3.1.3. agree the amended internal audit charter for 2015/16 at appendix 6.

### **4. Background**

- 4.1. Internal Audit is a statutory service that provides management and members with independent assurance on control environment within the council.
- 4.2. Currently, internal audit is resourced by both external private and public internal audit services. The in-house team restructure will be completed during 2015/16.
- 4.3. At the time of writing this report, the in-house team consisted of the Head of Corporate Resources and the Internal Audit Contract Manager.

### **5. Internal audit progress update (to the 31 May 2015)**

#### 2014/15

- 5.1. This 2014/15 audit plan is underway to be completed (to draft report stage at least) by the end of June 2015. The schools plan is finalised with the exception of one additional review. The Governors are awaiting an independent report and do not wish to finalise the internal audit report until that is complete.
- 5.2. The table below shows the status of the internal audit plan. Appendix 1, details the full 2014/15 internal audit plan.

Lead Dir.	Original Plan	Addtn. Audits	Dropped Audits	Current Plan	Final Reports	Reports at Draft	ToR* Issued	Not Started
RRE	13	-	(2)	11	4	2	5	-
CUS	10	3	-	13	2	6	5	-
COM	9	-	(2)	7	-	3	4	-
CYP	6	4	-	10	5	1	4	-
Sub	38	7	-	41	11	12	18	-
SCH	32	1	(2)	31	30	1	-	-
Total	70	8	(6)	72	41	13	18	-

\*Terms of Reference . Also includes internal audit work that does not require a ToR (i.e. grant claims)

- 5.3. The core financials are all at draft with the exception of two audits. The core financial reports will be finalised by the end of June.
- 5.4. The contractor has confirmed that they have the resources to complete the rest of the non-school audit plan and are currently working towards an end of June deadline to complete these reviews to draft report stage. The full position can then be reported to the September Audit Panel.
- 5.5. Since the last meeting, there were thirteen final reports issued. Please see the table below.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Payroll 2014-15	12/05/15	Satisfactory	-	8	-
RRE	Budget Monitoring 2014-15	29/04/15	Satisfactory	-	6	1
RRE	Pensions 2014-15	31/03/15	Satisfactory	-	8	5
RRE	Procurement Card	05/03/15	Satisfactory	-	5	1
CUS	IT Strategy	27/03/15	Consultancy	-	4	-
CYP	Troubled Families Programme Claim 8 (Feb 15)	30/10/14	Grant Claim	n/a		
SCH	St Saviour's RC Primary	24/04/15	Substantial	-	3	4
SCH	Gordonbrock Primary	01/04/15	Substantial	-	2	1
SCH	Eliot Bank Primary	01/04/15	Substantial	-	1	4
SCH	Perrymount Primary	27/03/15	Substantial	-	5	2

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
SCH	All Saints Primary	11/03/15	Satisfactory	-	6	2
SCH	Elfrida Primary	05/03/15	Limited	1	13	2
SCH	Greenvale Special School	04/03/15	Substantial	-	4	6

5.6. There were no additional or deferred audits since the last meeting.

## 6. Limited , No Assurance and Consultancy reports

6.1. There was one 'Limited' and one Consultancy report issued since the last meeting, see below.

- Elfrida Primary School.
- IT Strategy

6.2. The executive summary for these reports which highlight the key areas for improvement are provided at Appendix 2.

## 7. High or Medium recommendations not agreed

7.1. Since the last Audit Panel meeting, management have not agreed two medium recommendations, one from the Pensions Audit 2014/15 and the other from Gordonbrock School.

7.2. These were presented to the Internal Control Board, who subsequently agreed the Pensions audit recommendations should be implemented.

7.3. For the other, the School Governing Body chose not to implement the school recommendation. See details below.

Audit	Recommendation	Comments (IA and Management)
<b>Pensions 2014/15</b>	To maintain document integrity, security and ensure compliance with the Data Protection Act 1998, all documentation relating to pensions administration should be saved electronically with restricted access. The pensions department should intensify efforts to ensure that the faulty scanning machine is repaired and that the backlog of outstanding documents that have not been scanned is cleared.	<p><b>Management Comment:</b> Not Agreed. I do not think this should be on here as this is not an issue for pensions. I have escalated this as high as I can. This is beyond my control and an issue for the Council</p> <p><b>Internal Audit Comment</b> The recommendation remains as the risk of breach of the Data Protection Act 1998 as regards this area lies with the pensions</p>

Audit	Recommendation	Comments (IA and Management)
		team. The pensions team should intensify escalation efforts or seek alternative arrangements.
<b>Gordonbrock Primary School 2014/15</b>	Payments should not be authorised on the authority of a single signature. In the event that a PO has not been completed, a second signature should be added to the invoice when authorising payment.	<p><b>Management Comment</b></p> <p>The Governing Body did not agree to this. Where there is no PO, because of recurring items or SLAs, these have either been signed off by the Governors (SLAs) or are seen by the 2nd signatories before payment is made, as they have to sign the cheque or authorise the BACS when this system is introduced.</p> <p><b>Audit comment</b></p> <p>Separation of duties requires that at least 2 people should vet any item of expenditure. This was not evident in the testing. If items are already vetted by the 2nd signatories, this should be easy to record.</p> <p>The principle is important, it is up to the School to decide whether to accept the risk</p>

## 8. Progress on the implementation of recommendations.

### Follow-ups

- 8.1. Non-school reviews with High or Medium recommendations are followed-up within nine months of the final report. School audits with a negative assurance opinion (i.e. 'Limited' or 'No assurance') also receive a follow-up review.
- 8.2. There were seven follow-up reviews completed since the last Audit Panel meeting (all non-schools). The summary status of the recommendations followed up since the last meeting to 31/05/15 is shown in the table below:

Implemented	In Progress	Superseded	Not Implemented	Total Recs
10	5	1	-	<b>16</b>
<b>53%</b>	<b>31%</b>	<b>6%</b>	<b>0%</b>	<b>100%</b>

- 8.3. Those recommendations found to be 'In Progress' or 'Not Implemented' are held open or reopened. Management will continue to update the progress of implementation

and internal audit report on this progress. Details of the reviews followed-up are in Appendix 5.

#### Superseded

8.4. Since the last Audit Panel no recommendations have been superseded.

#### Implementation of recommendations

8.5. The table below shows the status of high and medium recommendations made by Internal Audit as at the 31/05/15.

Lead Dir.	Previous o/due recs.	Current o/due recs at 31/05/15	Current recs with 2+ changes	Previous no. of open recs at 28/02/15	Recs re-opened since 28/02/15	New recs since 28/02/15	Rec closed since 28/02/15	Current open recs at 31/05/15
RRE	1	7	2	7	4	39	(14)	36
CUS	4	-	5	12	-	4	-	16
COM	-	1	-	2	-	-	(1)	1
CYP	1	3	1	7	-	-	(3)	4
Tot	6	11	8	28	4	43	(18)	57
SCH	47	78	1	73	-	34	(16)	91
Tot	53	89	9	101	4	77	(34)	148

8.6. The percentage of overdue recommendations to open recommendations is 60%, up from 52%.

8.7. This position is driven by the schools overdue recommendations, where the percentage of overdue recommendations to open recommendations is 86%. This position continues to worsen.

8.8. The non-school percentage is 19%, which is a slight improvement from the 21% reported at the last meeting.

8.9. The number of recommendations with two or more changes to the due date continues to be low.

8.10. Details of those recommendations that are either overdue, have two or more implementation date changes or have been re-opened after the follow-up review are presented in Appendix 4

## 9. Draft Internal Audit Plan for 2015/16

9.1. The table below summarises the number of proposed internal audit plan by Directorate. This identifies the key financial audits, general audits (including IT), and follow up work. Please see Appendix 5 for the detail of the draft internal audit plan for

2015/16, including areas to be considered when audit scoped with the service manager.

Lead Dir.	Key Audit	General Audit (incl. IT)	Follow up audits	Total
RRE	7	10	2	19
CUS	6	12	2	20
COM	3	10	2	15
CYP	1	10	2	13
Sub	17	42	8	67
SCH	0	26	1	27
Total	17	68	9	94

- 9.2. The plan covers the annual key financial systems, with the remaining of the risk-based plan made up of the key risks and controls identified in the corporate and divisional risk registers. In addition, information on changes and risks from the budget savings for 15/16, star service plans, and known changes to legislation were also included.
- 9.3. The draft plan has been reviewed at the Internal Control Board and discussed at Departmental Management Teams. Progress and any changes to the plan will be reported on throughout the year to the Audit Panel.
- 9.4. In terms of resources to deliver the plan, the Royal Borough of Greenwich will continue to conduct the schools and the plan for 2015/16 has already started.
- 9.5. Mazars, via the London Borough of Greenwich framework contract, and the new in-house team will complete the non-school plan. Any contingency will be resourced from finance CIPFA trainees seconded to internal audit during the year.
- 9.6. Most of the audits in the plan are 'assurance' internal audit control focused pieces of work. However, some around the risks of managing change highlighted in the risk registers maybe better scoped as consultancy reviews. For these we will also assess the best way of approaching the resourcing of this work as the skills may lie outside of internal audit.
- 9.7. The plan consists of 978 productive days (excluding contingency). This includes the follow-up audits. The table below show how the plan will be resourced. This is based on the in-house team being fully resourced by September.
- 9.8. As the plan stands currently, the in-house team (when recruited) will resource 36% of the days / 31% of the audits, which is a significant increase of previous years.

Type of Resource	In-house	Mazars/ Other	RB of Greenwich
Percentage of resource by Days	36%	49%	15%
Percentage of resource by Audits	31%	45%	24%

9.9. There has been one piece of work completed for the 2015/16 plan, a grant certification. This is the last certification due for phase 1 of the programme.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
CYP	Troubled Families Programme – Final Claim for phase 1 (no.9)	22/05/15	Grant Claim	n/a		

## 10. Restructure of the Internal Audit Service

- 10.1. The provision of internal audit services is currently operating under a mixed model drawing on the Royal Borough of Greenwich, London Borough of Croydon internal audit framework, an independent IT auditor, and the in-house team.
- 10.2. With the exception of the IT audits which will be asked of the London Borough of Croydon framework auditors, these arrangements have been confirmed for 2015/16. It is still the intention to recruit and strengthen the in-house team and the preparations for this are underway. In the meantime, the service is in a position to continue the momentum now achieved into 2015/16 and cover delivery of the internal audit plan through these mixed supplier arrangements.

## 11. Other business

- 11.1. The draft Head of Audit Annual Assurance Report for 2014/15 is in a separate report to this Audit Panel. The final position will be reported to the September Audit Panel for the internal audit year ending June 2015.
- 11.2. At the March meeting the Audit Panel reviewed the draft Internal Audit Charter for 2015/16. This is not a strategy for internal audit but a statement of how internal audit will be approached by the Council. The Audit Panel requested that the Internal Audit Charter include an executive summary to the document. Appendix 6, shows the revised charter for the Audit Panel's approval.

## 12. Legal Implications

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

## 13. Financial Implications

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

## 14. Equalities Implications

- 14.1. The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

14.2. The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

## **15. Crime and Disorder Implications**

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

## **16. Environmental Implications**

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

## **17. Background Papers**

17.1. There are no background papers.

If there are any queries on this report, please contact David Austin, Head of Corporate Resources, on 020 8314 9114, or email him at: [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

**Appendix 1 - 2014/15 Audit Plan**

<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Date Due / ToR Issued</b>	<b>Date Audit Finalised</b>	<b>Opinion</b>
<b>RRE</b>	Payroll 14-15 (Core Financial Audit)	Key financial controls	Jan 15	12/05/15	Satisfactory
<b>RRE</b>	Budget Monitoring 14-15 (Core Financial Audit)	Key financial controls	Jan 15	29/04/15	Satisfactory
<b>RRE</b>	Pensions for LGPS -15 (Core Financial Audit)	Key financial controls	Jan 15	31/03/15	Satisfactory
<b>RRE</b>	Procurement Card (IT Audit)	Key financial controls	Oct 15	09/02/15	Satisfactory
<b>RRE</b>	Non-Current Assets 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
<b>RRE</b>	Main Accounting 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
<b>RRE</b>	Treasury Management 14-15 (Core Financial Audit)	Key financial controls	Apr 15		
<b>RRE</b>	Capital Expenditure 14-15 (Core Financial Audit)	Key financial controls	May 15		
<b>RRE</b>	Insurance – In house processes	To review the procedures for in-house claims handing process for efficiency and effectiveness.	May 15		
<b>RRE</b>	Procurement	Review the procurement process and monitoring of contracts, the governance and administration of the Commissioning and Procurement board. To include how the evaluation of business continuity plans at the award stage is conducted and approved. To include how the Public Services (Social Value) Act is enforced.	May 15		

## Appendix 1 - 2014/15 Audit Plan

Lead Dir.	Name of Audit	Scope	Date Due / ToR Issued	Date Audit Finalised	Opinion
RRE	Programme and Project Management	To review the programme management process to establish if they are fit for purpose. Also, look at PRG in COM, CYP, RRE to see if they comply with Council's management approach. To include a review of the processes relating to projects that has concerns.	Apr 15		
CUS	IT Strategy (IT Audit)	Review the IT strategy.	Nov 14	27/03/15	Consultancy
CUS	Rogue Landlord Grant	To review the adherence to the grant conditions	N/A	08/12/14	Grant Claim
CUS	Accounts Payable 14-15 (Core Financial Audit)	Key financial controls	Feb 15	At draft	
CUS	Accounts Receivable 14-15 (Core Financial Audit)	Key financial controls	Feb 15	At draft	
CUS	Banking 14-15 (Core Financial Audit)	Key financial controls	Feb 15	At draft	
CUS	Housing Benefit / Council Tax Reduction Scheme (CTRS) 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
CUS	Council Tax 14-15 (Core Financial Audit)	Key financial controls	Jan 15	At draft	
CUS	NNDR 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
CUS	Business Continuity Plans (IT Audit)	To review the council's continuity plans for: Telephony / IT Systems (including servers - corporate and local / 3rd party) to see if they are reviewed regularly, feasible and officers know where they are and what to do.	Mar 15		
CUS	SharePoint 2010 - (IT Audit)	Look at local security and usability.	Mar 15		

## Appendix 1 - 2014/15 Audit Plan

Lead Dir.	Name of Audit	Scope	Date Due / ToR Issued	Date Audit Finalised	Opinion
CUS	Decent Homes Contractors / Fire / H&S - Client management	To review the management of 'Decent Homes' expenditure, objectives and outcomes. To include the monitoring of recommendations from Fire Brigade and other agencies.	Apr 15		
CUS	Housing Grants / Council's Housing Assistance Policy	To review the controls surrounding the handy-person service and disabled facilities grants.	Apr 15		
CUS	Oracle12 Upgrade -(IT Audit)	Post implementation review of the new Oracle upgrades system	May 15		
COM	Payments to Care Providers for Older Adults 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
COM	Client Contribution for Care Provision 14-15 (Core Financial Audit)	Key financial controls	Mar 15	At draft	
COM	Direct Payments (Core Financial Audit)	Key financial controls	Mar 15	At draft	
COM	South London and Maudsley (SLAM)	Review the governance and operational management in respect of LBL interest in relation to SLAM	May 15		
COM	Public Health Contracts	To review the management of Public Health Contracts for general process, decision making, scrutiny, length of contracts / renewal monitoring etc	May 15		
COM	Contract Management (Specialist)	Review the monitoring of contracts within the Community and CYP directorate.	May 15		
COM	Youth Offending Service (YOS)	To review the objective and outcomes of the service	May 15		

## Appendix 1 - 2014/15 Audit Plan

Lead Dir.	Name of Audit	Scope	Date Due / ToR Issued	Date Audit Finalised	Opinion
CYP	Troubled Families Programme (TFP) Annual Review	To review of the new system for gathering information and submission.	05/09/14	05/12/14	Substantial
CYP	TFP - Claims submissions Check (non-assurance) claim 7	To review the criteria for the Troubled Families Programme for each claim. Expected 2-4 times a year.	n/a	30/10/14	Grant Claim
CYP	TFP - Claims submissions Check (non-assurance) claim 8	To review the criteria for the Troubled Families Programme for each claim. Expected 2-4 times a year.	n/a	17/02/15	Grant Claim
CYP	Adoption Reform Grant	To review the expenditure against the grant conditions	n/a	01/07/14	Grant Claim
CYP	TFP - Claims submissions Check (non-assurance) claim 5	To review the criteria for the Troubled Families Programme for each claim. Expected 2-4 times a year.	n/a	15/05/14	Grant Claim
CYP	Payments to Care Provider and Foster Carers for Looked After Children (Core Financial Audit) 14-15	Key financial controls	Mar 15		
CYP	Disclosure and Barring Service (DBS) PT 1	Review the framework of DBS in relation to schools / CYP. Review the DBS board and actions.	May 15		
CYP	Youth Service	Review the governance , procedures and processes, reporting and scheme of management	May 15		
CYP	Payments for 2 -4 year olds	Review the returns and payments to and from providers (private, voluntary and independent sectors). Potentially look at DBS compliance too.	May 15		
CYP	No recourse to public funds (Pilot Scheme)	Review the framework / guidance / policy on no recourse to public funds	May 15		
SCH	Brindishe Lee Primary	Standard School Programme	Nov 14	08/12/14	Substantial
SCH	Childeric Primary	Standard School Programme	Sep 14	31/10/14	Substantial

## Appendix 1 - 2014/15 Audit Plan

Lead Dir.	Name of Audit	Scope	Date Due / ToR Issued	Date Audit Finalised	Opinion
SCH	Ashmead Primary	Standard School Programme	Oct 14	24/11/14	Substantial
SCH	Eliot Bank Primary	Standard School Programme	Jan 15	01/04/15	Substantial
SCH	Gordonbrock Primary	Standard School Programme	Jan 15	01/04/15	Substantial
SCH	Perrymount Primary	Standard School Programme	Jan 15	27/03/15	Substantial
SCH	All Saints Primary	Standard School Programme	Feb 15	11/03/15	Satisfactory
SCH	Elfrida Primary	Standard School Programme	Feb 15	05/03/15	Limited
SCH	Greenvale - Special	Standard School Programme	Jan 15	04/03/15	Substantial
SCH	Coopers Lane Primary	Standard School Programme	Nov 14	26/02/15	Substantial
SCH	St James Hatcham CE Primary	Standard School Programme	Nov 14	26/02/15	Satisfactory
SCH	Kelvin Grove Primary	Standard School Programme	Dec 14	24/02/15	Substantial
SCH	St Winifreds Catholic Infants	Standard School Programme	Dec 14	24/02/15	Satisfactory
SCH	St William of York CE Primary	Standard School Programme	Dec 14	20/01/15	Substantial
SCH	Brent Knoll – Special	Standard School Programme	Nov 14	19/12/14	Satisfactory
SCH	St Margarets Lee CE Primary	Standard School Programme	Nov 14	19/12/14	Substantial
SCH	Grinling Gibbons Primary	Standard School Programme	Oct 14	31/12/14	Satisfactory
SCH	Christ Church CE Primary	Standard School Programme	Jul 14	24/09/14	Satisfactory
SCH	St Bartholomews CE Primary	Standard School Programme	Jun 14	07/08/14	Limited
SCH	St John Baptist CE Primary	Standard School Programme	Jun 14	27/06/14	Substantial
SCH	Sir Francis Drake Primary	Standard School Programme	Jun 14	27/06/14	Substantial

## Appendix 1 - 2014/15 Audit Plan

Lead Dir.	Name of Audit	Scope	Date Due / ToR Issued	Date Audit Finalised	Opinion
SCH	John Ball Primary	Standard School Programme	Jun 14	18/06/14	Substantial
SCH	Beecroft Garden Primary	Standard School Programme	May 14	12/06/14	Substantial
SCH	Baring Primary	Standard School Programme	Jun 14	11/06/14	Substantial
SCH	Downderry Primary	Standard School Programme	May 15	23/05/14	Substantial
SCH	St Winifreds Catholic Junior	Standard School Programme	Apr 14	21/05/14	Substantial
SCH	Holy Trinity CE Primary	Standard School Programme	Sep 14	09/10/14	Substantial
SCH	New Woodlands (inc PRU)	Standard School Programme	Sep 14	30/10/14	Satisfactory
SCH	Haseltine Primary	Standard School Programme	Sep 14	22/10/14	Satisfactory
SCH	St Saviours RC Primary	Standard School Programme	Feb 15	24/04/15	Substantial
SCH	Rangefield Primary School (Additional – requested by Governors)	Procurement, Budget Monitoring and Governance only	Dec 14	At draft	

## Appendix 2 – Executive Summary for Limited, No Assurance and Consultancy Reports

Executive Summary for Elfrida Primary School 2014/2015



<b>Internal Audit Assurance Opinion</b>	▲ Limited	<b>Direction of travel</b>	↘
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**Key** ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions

### Introduction

Elfrida Primary School came together with Athelney school to form the King Alfred Federation that formally began on 3<sup>rd</sup> June 2013. A Governing Body, an Executive Head Teacher and a Federation Business Manager work across both schools that have their own budgets. Elfrida Primary School does not yet have a comprehensive scheme of delegation or financial procedure manual that has been authorised by the Governing Body. Finance staff are doing their best to carry out day to day financial operations effectively but some key controls in relation to reconciliations of income and separation of duties were found to be lacking.

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 12. 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

- An amount in excess of £9,000 is owed for school dinner monies.
- The school has not yet adopted a Finance Manual or a Scheme of Delegation.
- The procedure for processing payments does not clearly evidence the authorisation of invoices prior to payment or separation of duties.
- A procedure is not in place to allow easy reconciliation of income received to records held, i.e. for dinner money and invoiced income.
- Reconciliation of monthly payroll charges was not evident from records held.
- The school does not currently hold a comprehensive asset register.
- Cheques raised in 2011 still appear on the un-reconciled items listing on the schools bank account with one item over £1,000.
- Personnel files are not all complete with document to support appointments, i.e. references.
- The cheque book was not kept in the safe, but in a public area.
- A comprehensive record of virements between budgets was not available.
- Orders were not consistently raised

Risk Headings		H	M	L
●	1 - Governance	-	1	-
▲	2 - Purchasing and Contracts	-	5	-
●	3 - Assets	-	1	1
●	4 - Banking	-	2	-
▲	5 - Income	1	1	1
●	6 - HR / Recruitment	-	1	-
●	7 - Payroll	-	1	-
★	8 - Data Security	-	-	-
●	9 - Budget Monitoring	-	1	-
Total		1	13	2

- An overpayment of an invoice was made and invoices were amended manually rather than sent back to the supplier to amend.
- The safe had cash in that was not accounted for.
- Payment had been made to an individual.

### Areas of where controls worked well

No weaknesses identified in the area of Data Security. It should be noted that the majority of control weaknesses that were identified during this review, had occurred due to a lack of agreed procedures.

### Follow-up Review

A follow up review will take place within nine months of the final report being issued.

### Changes to Scope

The internal audit review has been conducted in line with the ToR that Baker Tilly, the Council's former internal audit contractors, issued in March 2014. The audit review has been undertaken by the RB of Greenwich's in-house Internal Audit and Anti-Fraud Team.

## Appendix 2 – Executive Summary for Limited, No Assurance and Consultancy Reports

Executive Summary for IT Strategy – 2014/15



<b>Internal Audit Assurance Opinion</b>	N/A -Consultancy	<b>Direction of travel</b>	N/A
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**Key** ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions

### 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 07

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.

### Conclusion

It was found that since the previous internal audit of IT Strategy during 2012/13, management had formulated a strategy for future progress in this area. This included the modernisation of the IT infrastructure within the Council, the rationalisation of IT provision & support, the optimisation of channels of client interaction & communication and, the provision of tools for the analysis of corporate information.

### Key Findings that Need Attention

Management acknowledge substantial work is still required:

- to obtain a detailed understanding of the aspirational strategic direction of each of the council's significant business areas,
- in pulling together the various work strands of strategic thinking with respect to IT into a detailed, harmonised strategy,
- in defining and formalising the mechanisms for the ongoing engagement of the service areas and the management of their expectations,
- to produce a plan detailing how the strategy will be delivered within the desired timescales and costs including a clear statement of the assumptions being made and the perceived threats to effective implementation.

Risk Headings		H	M	L
★	1 – IT Strategy in place	-	-	-
★	2 - Corporate objectives	-	-	-
★	3 – Documentation	-	-	-
●	4 – How objectives are to be implemented	-	4	-
Total		-	4	-

### Changes to Scope

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

## Appendix 2 – Executive Summary for Limited, No Assurance and Consultancy Reports

### Key to Assurance Opinions and Recommendations Categories.

#### Explanations for Assurance Opinion

Each internal audit assurance review gives an opinion on the controls in place based on the fieldwork conducted. See table below to explaining these opinions.

Assurance Opinion	Definition
★ Substantial	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	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	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.

#### Definition of Category of Recommendation

Internal audit rates each recommendation made High, Medium or Low. This rating indicates to management the importance of implementing the recommendation.

	Definition
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.

### Appendix 3 - Status of recommendations

Dir.	Name of Audit	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
RRE	Budget Monitoring 12-13	Substantial	30/11/12	-	2	2	Reopened again due to same rec being made in 2014-15
RRE	Budget Setting 2014-15	Satisfactory	29/04/15	1			
RRE	Payroll 14-15	Satisfactory	12/05/15	1			
RRE	Pensions Fund 13-14	Substantial	07/01/14			1	
RRE	Pensions Fund 14-15	Satisfactory	31/03/15			1	(Reopened as ICB wanted not agreed rec implemented)
RRE	Project Management –Governance & Project Review Group	Satisfactory	16/07/14	5			
CUS	Banking	Substantial	28/05/14		1		
CUS	Commercial Waste Service	Satisfactory	27/06/14		2		Due date changed twice
CUS	Parking Contract	Substantial	10/07/14		1		Due date changed twice
CUS	Payment Centre	Satisfactory	26/09/13		1	1	Re-opened 12/06/14. Three changes to due date
COM	Personal and Individual Budgets 13/14	Substantial	11/04/14	1			No updates since August 14
CYP	Estate Management Statutory Maintenance	Satisfactory	06/12/13		1		Date changed four times.
CYP	School Catering Contract – Client Monitoring	Satisfactory	09/07/14	3			
SCH	Adamsrill Primary School	Substantial	04/10/12	1	1		Due date changed twice.
SCH	All Saints	Satisfactory	11/03/15	1			
SCH	Brent Knoll Special School	Satisfactory	19/12/14	5			

### Appendix 3 - Status of recommendations

Dir.	Name of Audit	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
SCH	Childeric Primary School	Substantial	31/10/14	2			
SCH	Christ Church CE School	Substantial	29/04/15	2			
SCH	Coopers Lane Primary School	Substantial	26/02/15	3			
SCH	Elfrida Primary School	Limited	05/03/15	12			Follow-up due Dec 15.
SCH	Greenvale Special School	Substantial	04/03/15	1			
SCH	Grinling Gibbons	Satisfactory	31/12/14	1			
SCH	Haseltine Primary School	Satisfactory	23/10/14	4			
SCH	Kelvin Grove Primary School	Substantial	25/02/15	1			
SCH	Lucas Vale School	Satisfactory	22/11/13	2			
SCH	New Woodlands Special School	Satisfactory	31/10/14	8			F-up due June 15
SCH	Perrymount Primary	Substantial	27/03/15	4			
SCH	St Bartholomew's CE School	Limited	15/09/14	10			F-up due June 15.
SCH	St Margret's Lee CE School	Substantial	19/12/14	2			
SCH	St Saviour's RC Primary	Substantial	30/04/15	2			
SCH	St William of York	Substantial	20/01/15	3			
SCH	St Winifred's Infant School	Satisfactory	24/02/15	4			
SCH	Torrison Junior School	Substantial	07/04/14	1			
SCH	Turnham Primary School	No Assurance	31/07/14	9			
<b>Total</b>				<b>89</b>	<b>9</b>	<b>5</b>	

#### Appendix 4 – Follow-up Reviews

Lead Dir.	Audit	Opinion	Final Rpt Date	F/up Rpt Date	Impl'd	In Progress	Supers'd	Not Impl'd	Total
RRE	Payroll F/up 2014/15	Satisfactory	17/06/15	12/05/15	4	-	-	-	4
RRE	Budget Monitoring	Substantial	30/11/12	29/04/15	-	2	-	-	2
RRE	Pensions F/up 2013/14	Substantial	07/01/14	31/03/15	-	1	-	-	1
RRE	Reconciliations of Bank Accounts	Consultancy	25/04/15	03/03/15	1	-	1	-	2
CUS	Trade Waste	Satisfactory	27/06/15	16/03/15	1	2	-	-	3
COM	Ten day Self-Assessment Cases	Satisfactory	06/06/14	19/05/15	3	-	-	-	3
CYP	Leaving Care	Substantial	11/06/14	20/03/15	1	-	-	-	1
<b>Total</b>					<b>10</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>16</b>

**Appendix – 5 Draft Internal audit Plan for 2015/16**

<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
<b>RRE</b>	Budget Monitoring 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Budget monitoring of individual budget holders</li> <li>•Virements</li> <li>•Budget setting</li> <li>•DEP / CEP Controls</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget
<b>RRE</b>	Capital Expenditure 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Project management of capital projects / programmes</li> <li>•Payments accuracy / authorisation etc</li> <li>•Budget monitoring</li> <li>•Governance of corporate project board,</li> <li>•Expenditure monitored for closed projects.</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget
<b>RRE</b>	Main Accounting 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•Feeder systems</li> <li>•Suspense / holding accounts</li> <li>•Access / separation / limits etc. of the financial system.</li> <li>•Journals</li> <li>•Changes to budgets</li> <li>•Exception reports</li> <li>•Virements</li> <li>•Final Accounts reconciliation</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget
<b>RRE</b>	Non-Current Assets 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•Additions, depreciations, valuation and Verification of assets</li> <li>•Right to buy and other disposals</li> <li>•Leases</li> <li>•Transfer of assets to community</li> </ul>	Qrt 3	15. Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition to include all horizontal and vertical assets.
<b>RRE</b>	Payroll 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•Benefits (maternity, paternity) entitlement, payments, sick</li> <li>•Statutory regulations (i.e. P60, P45)</li> <li>•Deductions from salaries for third parties, council purposes and statutory purposes.</li> <li>•Overpayments</li> <li>•Payments - including amendments, honorarium, petty cash claims</li> <li>•BACS and non-BACS payment controls</li> <li>•Starters / Leavers</li> <li>•Exception reports / Monitoring</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget

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Lead Dir.	Name of Audit	Scope	Qrt / Mth	Corporate Risk
RRE	Pensions for LGPS 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•Contributions (including AVC)</li> <li>•Benefits payable (including abroad and benefits paid to dependents)</li> <li>•Auto enrolment</li> <li>•Transfers in or out of the scheme</li> <li>•Investments</li> <li>•Management Fees</li> <li>•Governance of the Scheme (PSP Act 2013) including the pension board</li> <li>•DPA</li> </ul>	Qrt 3	8. Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.
RRE	Treasury Management 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations to GL</li> <li>•Review investment transactions for completeness, accuracy, compliance etc.</li> <li>•Forecasting</li> <li>•Cash flow</li> <li>•Borrowing</li> <li>•Investments</li> <li>•Performance monitoring</li> <li>•Monitoring of broker contract</li> <li>•Strategy</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget
RRE	Anti-fraud and Corruption Team (AFACT)	To review the fraud strategy, data security, reporting of cases (internally and externally), adherence to the public transparency act, PIs' / targets, RIPA use if applicable.	TBC	7 – Adequacy of Internal Control.
RRE	Risk Management	To review the risk framework for the council including the monitoring of corporate and director risks to establish if it is fit for purpose. To include partnership risk register.	TBC	7 – Adequacy of Internal Control.
RRE	Savings proposals v's results	<p>To review the savings proposals to establish if they are monitored, achievable, realistic, how they are calculated and can be traced back to the council plan / strategy.</p> <p>To include the monitoring of the statutory duties for CYP / COM (i.e. No Recourse, Section 17) to ensure that proposed savings are not adversely affecting these.</p>	TBC	8. Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.

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<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
RRE	Corporate Health and Safety audit framework	To review the audits and adherence to statutory regulations after the restructure of the corporate H&S after the budget cuts, including any training courses availability,	TBC	4. Non-compliance with Health & Safety Legislation
RRE	Cultural Change and Managing Resistance (Consultancy Review)	To look at the tone at the top to establish if the right tone to move the council forward, communication and general behaviours of the council.	TBC	30. Strategic programme to develop and implement transformational change does not deliver
RRE	Commissioning and Procurement Board	To review the governance of the board. To include review the reporting, monitoring and adhering on the OGC (Office of Government Commerce) gateway process, category and client management.	TBC	13. Failure to manage strategic suppliers and related procurement programmes.
RRE	Procurement Process and Contract Register	To review the new framework of procurement process from tendering notices to award, including adherence to the new framework for the new EU regs. To include a review the framework for the new contract register.	TBC	13. Failure to manage strategic suppliers and related procurement programmes.
RRE	Dedicated Transformation Team / Lewisham Future Board	To review the framework for the corporate dedicated transformation team to help support changes within the council, to include Lewisham's Futures Programme governance, targets, monitoring and outcomes.	TBC	24. Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformational changes.
RRE	Adherence to the Local Government Transparency Code 2014	To review how LBL adheres to the new GTC 2014	TBC	5. Failure to anticipate and respond appropriately to legislative change. For example: Localism Act, Public Services Act, Welfare Reform Bill, Health & Social Care Act.
RRE	PFI monitoring	To review the monitoring and framework of the PFI arrangements for Facilities Management, including H&S, complaints and issues solving.	TBC	6. Financial Failure and inability to maintain service delivery within a balanced budget
RRE	RRE – key financial 14/15 follow-ups	To follow-up the High & Medium recs from the key financial 14/15 audits	TBC	n/a

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<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
<b>RRE</b>	RRE non key follow-ups	To review any High & Medium recs made in non-key audits	TBC	n/a
<b>CUS</b>	Accounts Payable 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•New suppliers and bank amendments</li> <li>•Payment of invoices (both PO and Non PO)</li> <li>•Late interest payments</li> <li>•Monitoring of Pis</li> <li>•Exception Reports</li> <li>•Queries, complaints monitoring and processes</li> <li>•BACS and Non BACS payments</li> <li>•Authorisation / separation of duties / cash limits</li> <li>•DEP adherence (Local Expenditure Panel)</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget
<b>CUS</b>	Accounts Receivable 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliations</li> <li>•Raising of accounts / invoices</li> <li>•Recovery of debts, including debt collection agencies, legal process, charges, reminders,</li> <li>•Write off / statute of limitations use</li> <li>•Access to system</li> </ul>	Qrt 3	9. Loss of income to the Council
<b>CUS</b>	Banking 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Bank Reconciliations</li> <li>•Reconciliations of Paye.net, PayPoint, internet card payments, Bar-coded post office payments, SMS card payments and pre-paid cards.</li> <li>•Review process for non-cash payments coming in by post / in person</li> <li>•Suspense / holding accounts</li> <li>•Cheque printing and security</li> <li>•Access to the receipting / recording feeder system.</li> <li>•Direct Debit Payments and Authorisation</li> </ul>	Qrt 3	6 – Financial Failure and inability to maintain service delivery within a balanced budget

Appendix – 5 Draft Internal audit Plan for 2015/16

Lead Dir.	Name of Audit	Scope	Qrt / Mth	Corporate Risk
CUS	Council Tax 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Calculations of bills</li> <li>•Arrears procedures and adherence, including summons, arrears collections / arrangements, bailiff action and court processes, attachment of earnings, probate cases</li> <li>•Setting of the council tax</li> <li>•Discounts / Reductions / Disregards (if not included in HB &amp; CTRS audit)</li> <li>•Valuation Office List</li> <li>•Liability</li> <li>•Voids</li> <li>•DPA</li> <li>•Write offs and Refunds</li> </ul>	Qrt 3	9. Loss of income to the Council
CUS	Housing Benefit and CTRS 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Reconciliation</li> <li>•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</li> <li>•Monitoring of exception reports.</li> <li>•Separation of duties from assessing to approving and authorising payments.</li> <li>•Overpayment recovery.</li> <li>•Quality Assurance</li> <li>•Appeal Processes</li> <li>•Discretionary housing payments</li> <li>•DPA compliance</li> <li>•BACS - approving and amending bank details.</li> <li>•Amendments to local procedures etc.</li> </ul>	Qrt 3	8. Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.

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Lead Dir.	Name of Audit	Scope	Qrt / Mth	Corporate Risk
CUS	NNDR 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Calculations of bills</li> <li>•Arrears procedures and adherence, including summons, arrears collections / arrangements, bailiff action and court processes, etc</li> <li>•Setting of the NNDR rate</li> <li>•Exemptions / discounts / reductions / relief (including empty properties / charity / hardship / small business / community amateur sports clubs / )</li> <li>•Deferment</li> <li>•Valuation Office List</li> <li>•Liability</li> <li>•Voids</li> <li>•DPA</li> <li>•Write offs and Refunds</li> </ul>	Qrt 3	9. Loss of income to the Council
CUS	Mobile / home working access (IT audit)	To review the security of access to LBL via VPN and use of 2FA fobs. To include members connections via VPN	TBC	2. ICT infrastructure is not fit for purpose and/or does not meet business needs.
CUS	Monitoring of breaches, spam mail, malware and denial of service attacks (IT Audit)	To review the security arrangements when dealing with external breaches of data / IT system.	TBC	2. ICT infrastructure is not fit for purpose and/or does not meet business needs.
CUS	Registrars	Review adherence of the National Checking Service and Registration, income generation and promotion, Statutory returns, Pls. (Issuing of licences for marriage ceremonies if applicable), adherence to the death certification process and coroner reforms (medical examiner services)	TBC	5. Failure to anticipate and respond appropriately to legislative change. For example: Localism Act, Public Services Act, Welfare Reform Bill, Health & Social Care Act
CUS	Housing Register and offers	To review the process of applying to go on the register for all members of society, bidding process, and the controls in place to check the eligibility of potential new tenants / offers of housing.	TBC	5. Failure to anticipate and respond appropriately to legislative change. For example: Localism Act, Public Services Act, Welfare Reform Bill, Health & Social Care Act

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<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
<b>CUS</b>	Private Sector Housing Agency (PHSA)	To review monitoring of private landlords, providing advice to landlords, supporting vulnerable people, and enforcement action against persistent non-compliant landlords.	TBC	18. Failure of safeguarding arrangement.
<b>CUS</b>	Housing - Bed and Breakfast, Hostels and temporary accommodation	To review the processes including checks around allocation, charging and recovery or rents for tenant's and payments to landlords.	TBC	18. Failure of safeguarding arrangement.
<b>CUS</b>	DPA and FOI compliance audit	To review adherence to policies, progress on ICO recommendations, DPA requests, and Data quality (Branding / how to enter data consistently on major data bases). Review of the confidential bin contract. Adherence to the code of connection / PSN, relating to DBS or CRB clearance for use gcsx.	TBC	21. Information governance failure.
<b>CUS</b>	Disaster Recovery / BCP	To review the BCP returns from departments for completeness and general BCP / DR framework, property inspections including Wearside. Review lessons learnt from London wide EP exercise in Oct 14.	TBC	1. Failure to maintain minimum service continuity during and quickly recover from a disaster
<b>CUS</b>	Private Sector Network Compliance	To review the framework for PSN compliance.	TBC	2. ICT infrastructure is not fit for purpose and/or does not meet business needs.
<b>CUS</b>	In-house bailiff service / Enforcement Agency	To review the controls surrounding: transfer of debts to the team from ctax / NNDR / debtors / PCN. The recovery process. Transfer of cases to outside bailiffs (i.e. complex or difficult cases in-house team discover they can't deal with). DPA controls / access to data bases including licences / agreements. Complaints process, seizing and selling of goods Dealing with cash payments.	TBC	9. Loss of income to the Council
<b>CUS</b>	Waste Recycling Contract and Landfill Arrangements	To review the new contract if in place / tendering if in progress / or contract monitoring if applicable and compliance with the waste regs 2012 . To include a review of the landfill contract / in-house arrangements.	TBC	10. Failure to manage performance leads to service failure.

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Lead Dir.	Name of Audit	Scope	Qrt / Mth	Corporate Risk
CUS	CUS– key financial 14/15 follow-ups	To follow-up the High & Medium recs from the key financial 14/15 audits	TBC	n/a
CUS	CUS non key follow-ups	To review any High & Medium recs made in non-key audits	TBC	n/a
CUS	Appointeeships, deputyships and safeguarding of clients assets (both physical and financial)	Review the framework of Appointeeships, Deputyship and safeguarding clients' assets.	TBC	18. Failure of safeguarding arrangement.
COM	Client Contribution for Care Provision 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Calculations/ Assessment/ Authorisation / Recording / Amendments / Annual review / of contributions.</li> <li>•DPA compliance and Border Agency Checks. Evidence of Power of Attorney/ Third Party Agreements (or similar).</li> <li>•Recovery of Client contributions.</li> <li>•Information about help with contributions (i.e... Publications), how the resident is informed about the charges. Easiness of how to complete and read the form.</li> <li>•Deferred contribution scheme - how it is implemented and monitored (if applicable).</li> <li>•Legal Charges on Properties.</li> <li>•Access to system.</li> </ul>	Qrt 3	6. Financial Failure and inability to maintain service delivery within a balanced budget
COM	Direct Payments (was Personalisation) 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Review the assessing, monitoring, allocation of payments, recovery of overpayments, to clients for personalisation (personal / individual budget etc).</li> <li>•Review the monitoring by the council on behalf of clients who received personalisation (i.e. the cash part).</li> <li>•DPA compliance between the client and council.</li> <li>•Budget monitoring</li> </ul>	Qrt 3	6. Financial Failure and inability to maintain service delivery within a balanced budget

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<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
<b>COM</b>	Payments to Adult Care Providers 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•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.</li> <li>•DPA Compliance between the council and care providers</li> <li>•Monitoring of exception reports (invoices).</li> <li>•Budget monitoring</li> <li>•Information about help with payments to clients in homes.</li> </ul>	Qrt 3	6. Financial Failure and inability to maintain service delivery within a balanced budget
<b>COM</b>	Public Health - Statutory services and providing services back to the NHS and CCG	To review the provision of sexual health services (TBC), NHS Health Checks (adults), Child measuring programme (done via schools), health promotion and prevention, with Lambeth, Southwark and Greenwich (TBC). To include the statutory support to NHS and CCG to ensure data provided is accurate and strategies are in place.	TBC	6. Financial Failure and inability to maintain service delivery within a balanced budget
<b>COM</b>	Voluntary and Community Sector Contracts	To review the £20m contracts awarded to voluntary and community sectors, including youth activities, children's centres, supported housing and Public health initiatives.	TBC	13. Failure to manage strategic suppliers and related procurement programmes.
<b>COM</b>	Safeguarding and Assurance Adults - Proactive monitoring of referrals	To review the framework of the referral process in relation to institutional abuse (historic and present). To include linking back to the strategy, complaints process, assessment process of the referrals, monitoring of the referrals and action plans and complaints process.	TBC	18. Failure of safeguarding arrangement.
<b>COM</b>	Better Care Fund Framework	To review the pooled budget (with NHS) and how it has supported the integration of Health and Social Care services, including conditions of the fund.	TBC	6. Financial Failure and inability to maintain service delivery within a balanced budget
<b>COM</b>	Multi Agency Partnership Working	To review the controls and governance around working with external multiple agencies and internal departments (i.e. CYP) to confirm area / scope.	TBC	10. Failure to manage performance leads to service failure.
<b>COM</b>	BCP for Adult Social Care System	To review the BCP arrangements if the Adult Social Care goes down including backup of data and.	TBC	1. Failure to maintain minimum service continuity during and quickly recover from a disaster
<b>COM</b>	Contract Management - Community Services	Review contract management for both new and old contracts.	TBC	13. Failure to manage strategic suppliers and related procurement programmes.

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<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Corporate Risk</b>
<b>COM</b>	Anti-Social Behaviour service	To review the response to community triggers , working with charities / communities including retailers , multiagency working together (including DPA),	TBC	12. Multi-agency governance failure leads to ineffective partnership working
<b>COM</b>	Environmental Health	<ul style="list-style-type: none"> <li>• Food safety</li> <li>• Advice given to public / business on H&amp;S, food safety, air quality, noise matters</li> <li>• removal of vehicles - including selling.</li> <li>• relationship with Public Health,</li> <li>• Enforcement intervention</li> </ul>	TBC	4. Non-compliance with Health & Safety Legislation
<b>COM</b>	The Care Act 2014 - changes to strategy and processes	To review the changes and controls that the council has put into place to meet the requirements of The Care Act 2014. Including deferred payment scheme coming into place (if not included in the core financial audit).	TBC	5. Failure to anticipate and respond appropriately to legislative change. eg Localism Act, Public Services Act, Welfare Reform Bill, Health & Social Care Act.
<b>COM</b>	COM– key financial 14/15 follow-ups	To follow-up the High & Medium recs from the key financial 14/15 audits	TBC	n/a
<b>COM</b>	COM non-key follow ups	To review any High & Medium recs made in non-key audits	TBC	n/a
<b>CYP</b>	Payments to Care Provider and Foster Carers for Looked After Children 15-16 (Core Financial Audit)	<ul style="list-style-type: none"> <li>•Calculations/ Assessment/ Authorisation / Recording / Amendments / Annual review (if applicable) / of invoices - payments</li> <li>•Budget monitoring</li> <li>•DPA Compliance between the council and care providers (both foster parents and care providers in the framework.</li> <li>•Monitoring of exception reports (invoices).</li> </ul>	Qrt 3	6. Financial Failure and inability to maintain service delivery within a balanced budget
<b>CYP</b>	Children's Social Care - Children Centre Contracts	To review contract monitoring including any Pis. DBS checks for non LBL staff. DPA / transfer of data etc	TBC	13. Failure to manage strategic suppliers and related procurement programmes.
<b>CYP</b>	Troubled Families Programme - grant claims for phase 2	To review the claim prior to submission.	TBC	12. Multi-agency governance failure leads to ineffective partnership working

**Appendix – 5 Draft Internal audit Plan for 2015/16**

Lead Dir.	Name of Audit	Scope	Qrt / Mth	Corporate Risk
CYP	Monitoring of ad-hoc payments to children in care and providers (non-key controls)	Review ad hoc payments for consistency , and monitoring etc	TBC	9. Loss of income to the Council
CYP	School Policies - thematic review	To take a sample of school and sample and check whistleblowing , H&S and other high risk policies are in place, fit for purpose and are accessible to staff and governors have approved them.	TBC	19. Loss of Constructive employee relations
CYP	Safe guarding board - CYP - Serious case review framework	To review the framework for serious case reviews and the CYP safe guarding board monitoring of recommendations made.	TBC	18. Failure of safeguarding arrangement.
CYP	Archiving	To review the statutory requirement on archiving CYP historic data.	TBC	21. Information governance failure.
CYP	Contract Management - CYP	Review contract management for both new and old contracts, including the monitoring of safeguarding in contracts.	TBC	13. Failure to manage strategic suppliers and related procurement programmes.
CYP	School Improvement Inspection Reports	Review the framework, reports, recommendations and monitoring of recommendations relating to school inspections	TBC	10. Failure to manage performance leads to service failure.
CYP	Special Educational Needs and Disability Service - post reorganisation	To review the new framework that joins four old teams into one.	TBC	30. Strategic programme to develop and implement transformational change does not deliver
CYP	CYP– key financial 14/15 follow-ups	To follow-up the High & Medium recs from the key financial 14/15 audits	TBC	n/a
CYP	CYP non key follow-ups	To review any High & Medium recs made in non-key audits	TBC	n/a

Lead Dir.	Name of Audit	Scope	Qrt / Mth	Source (i.e. risk register)	Corporate Risk
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**Appendix – 5 Draft Internal audit Plan for 2015/16**

<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Source (i.e. risk register)</b>	<b>Corporate Risk</b>
SCH	Abbey Manor College	Standard School Programme	Qrt 2 - Jul	Rolling Schools' Programme.	Various.
SCH	Adamsrill Primary	Standard School Programme	Qrt 1 - Jun	Rolling Schools' programme.	Various.
SCH	Addey and Stanhope Secondary	Standard School Programme	Qrt 1 - Jun	Rolling Schools' programme.	Various.
SCH	Athelney Primary	Standard School Programme	Qrt 3 - Nov	Rolling Schools' programme.	Various.
SCH	Bonus Pastor Catholic College	Standard School Programme	Qrt 3 - Nov	Rolling Schools' programme.	Various.
SCH	Conisborough College	Standard School Programme	Qrt 2 - Sep	Rolling Schools' programme.	Various.
SCH	Deptford Green Secondary	Standard School Programme	Qrt 2 - Sep	Rolling Schools' programme.	Various.
SCH	Edmund Waller Primary	Standard School Programme	Qrt 2 - Sep	Rolling Schools' programme.	Various.
SCH	Fairlawn Primary	Standard School Programme	Qrt 2 - Jul	Rolling Schools' programme.	Various.
SCH	Forest Hill Secondary	Standard School Programme	Qrt 2 - Sep	Rolling Schools' programme.	Various.
SCH	Forster Park Primary	Standard School Programme	Qrt 4 - Jan	Rolling Schools' programme.	Various.
SCH	Holbeach Primary	Standard School Programme	Qrt 3 - Dec	Rolling Schools' programme.	Various.
SCH	Kender Primary	Standard School Programme	Qrt 2 - Sep	Rolling Schools' programme.	Various.
SCH	Kilmorie Primary	Standard School Programme	Qrt 1 - May	Rolling Schools' programme.	Various.
SCH	Launcelot Primary	Standard School Programme	Qrt 1 - Apr	Rolling Schools' programme.	Various.
SCH	Prendergast Hilly Fields College (Secondary)	Standard School Programme	Qrt 3 - Oct	Rolling Schools' programme.	Various.
SCH	Prendergast Ladywell Fields College (Secondary)	Standard School Programme	Qrt 4 - Jan	Rolling Schools' programme.	Various.

**Appendix – 5 Draft Internal audit Plan for 2015/16**

<b>Lead Dir.</b>	<b>Name of Audit</b>	<b>Scope</b>	<b>Qrt / Mth</b>	<b>Source (i.e. risk register)</b>	<b>Corporate Risk</b>
<b>SCH</b>	Prendergast Vale College (Secondary)	Standard School Programme	Qrt 4 - Feb	Rolling Schools' programme.	Various.
<b>SCH</b>	Sedgehill Secondary	Standard School Programme	Qrt 4 - Mar	Rolling Schools' programme.	Various.
<b>SCH</b>	St Joseph's Catholic Primary	Standard School Programme	Qrt 4 - Feb	Rolling Schools' programme.	Various.
<b>SCH</b>	St Mary Magdalen's Catholic	Standard School Programme	Qrt 4 - Jan	Rolling Schools' programme.	Various.
<b>SCH</b>	St Michael's CE Primary	Standard School Programme	Qrt 1 - May	Rolling Schools' programme.	Various.
<b>SCH</b>	Sydenham Secondary	Standard School Programme	Qrt 3 - Oct	Rolling Schools' programme.	Various.
<b>SCH</b>	Trinity CE Through School	Standard School Programme	Qrt 3 - Nov	Rolling Schools' programme.	Various.
<b>SCH</b>	Watergate Special	Standard School Programme	Qrt 3 - Oct	Rolling Schools' programme.	Various.
<b>SCH</b>	Chelwood Nursery	Standard School Programme	Qrt 1 - Jun	Rolling Schools' programme.	Various.
<b>SCH</b>	SCH follow up	To review the H & M recommendations in applicable school reports for 2014/15		Rolling Schools' programme.	Various.



# Internal Audit Charter

## 2015 - 2016

Last Reviewed: March 2015  
Next Review : March 2016  
V2

# Internal Audit Charter - 2015/16

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## Executive Summary

The main purpose of this charter is to set out for members and management how the internal audit service will function in the coming year. It includes the roles and responsibilities of internal audit, including members and management responsibilities in relation to the council's control environment. It is split into sections six sections.

### 1. Public Sector Internal Audit Standards (PSIAS)

This section explains how the PSIAS, which came in to force in April 14, evolved and what its objectives are. All public bodies' internal audit services have to adhere to these statutory set of standards. A definition of internal audit and the reason for the charter are also included.

### 2. Statutory Framework

Internal audit is a statutory function that all public bodies are required to have. It is supported by various legislation, which this section details.

### 3. Internal Audit Structure

For 2015/16, the internal audit structure will consist of an in-house team supported by the Head of Audit and an Internal Audit Manager. External resources will support the team. The Head of Audit (HIA) is the Head of Corporate Resources and forms of the Senior Management team.

### 4. Accountability

Internal audit are required to report their findings to individual managers, Internal Control Board (ICB) and the Audit Panel. The Audit Panel reports to the Public Select Accounts Committee, who in turn report to the Mayor and Cabinet and Full Council. This section also covers the current relationship between Internal Audit and External Audit.

### 5. Internal Audit Framework

Independence and Objectivity - Internal auditors are required to be independent and objective. The Internal Audit Manager monitors and controls the conflicts of interests of the team (including contractors) and those of the Head of Internal Audit who has other operational responsibilities.

Resourcing Internal Audit – this will be the first year where an in-house team will formally be resourced and form a significant part of the internal audit service. External resources, from both public and private internal audit sectors, will support them in the delivery of the internal audit plan. The productive days have also increased to around 950, up from 620 in 2014/15.

Types of Audit Reports – in addition to the individual audit reports, internal audit reports quarterly to the (ICB) and Audit Panel. The Schools Forum receives an annual report on the schools audited during the year. The HIA produces an annual assurance report that is presented to ICB and the Audit panel, which provides an opinion on the overall control environment.

Types of Work Conducted – Assurance work, which provides an opinion on the controls, is the most common type of work, with Consultancy (advisory) and grant certification taking a small part of the plan. Advice is provided to management when requested including attending project meetings.

Authorisation and Management Responsibilities – the Executive Director of Resources and Regeneration has given internal auditors and AFACT investigators the authority to access all council areas, including records and premises. Management are responsible for the control environment and have a duty to ensure that the audit process runs smoothly.

### 6. Professional Codes of Conduct and Whistleblowing

All internal auditors are required to adhere to their own professional body's code of conduct, including being mindful of the seven principles of public life. Internal audit annually review the compliance with the CIPFA guidance on the Role of the Head of Internal Audit.

The Whistleblowing policy and details on how to report fraud or suspected fraud are found in this section.

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## 1. The Charter and Public Sector Internal Audit Standards

### PSIAS

- 1.1. The Public Sector Internal Audit Standards (PSIAS), developed in collaboration by a number of bodies, including Chartered Institute of Internal Auditors and the Chartered Institute of Public Finance and Accounting (CIPFA), came into effect on the 1 April 2013. The statutory standards were developed to create consistency in the practice of internal audit and establish the basis for quality assurance across the public sector.
- 1.2. The objectives of the PSIAS are to:
  - Define the nature of internal auditing within the UK public sector;
  - Set basic principles for carrying out internal audit in the UK public sector;
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.3. The charter is one of the major changes from the 'CIPFA Code of Practice for Internal Audit', which previously internal audit was guided by. It requires that internal audit establish an audit charter to replace the Terms of Reference and the Strategy and combine into one document.
- 1.4. The PSIAS state that an independent external assessment of the Internal Audit Service is to be conducted at least every five years. However, an assessment (whether internal or review by a peer) should be done annually and results reported in the annual assurance report. Lewisham's first formal independent external assessment will take place in 2015/16.

### Internal Audit Definition

- 1.5. The Global Institute of Internal Auditors definition is "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

### Anti-Fraud and Corruption Team (A-FACT)

- 1.6. In Lewisham, A-FACT conduct the investigational side of Internal Audit. They are responsible for developing anti-fraud policies and procedures, promoting a counter fraud culture, and undertaking investigations of potential fraudulent activity committed against the Council. A-FACT also ensures that appropriate sanctions, including prosecution and the recovery of assets, are sought where fraud is proven. The Council's A-FACT policy and strategy is separate to this internal audit charter.

### Purpose of Internal Audit and A-FACT

- 1.7. Internal Audit and A-FACT are council resources that assist management in the achievement of the Council's corporate and service objectives. While management are responsible for risk management and the control environment, internal audit assists management in providing advice on how to mitigate these risks and how to improve the control environment.

## 2. Statutory Framework

- 2.1. As defined by the following acts and guidance listed below, Internal Audit is a statutory function of the Council (and other public bodies). This means that the Council is required to have an internal audit function, whether it is in-house, outsourced or a combination.

### The Accounts and Audit (England) Regulations 2011

- 2.2. This Act requires the Council to ‘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’.

### Local Audit and Accounts Act 2014 – Section 32 (g),

- 2.3. “The Secretary of State may by regulations applying to relevant authorities other than health service bodies make provision about— (g) the maintenance by relevant authorities of systems of internal control (including arrangements for the management of risk).

### Section 151 of the Local Government Act 1972

- 2.4. This act states that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

### The Council’s Chief Financial Officer (CFO)

- 2.5. This role is fulfilled by the Executive Director for Resources and Regeneration. The CIPFA Statement on the Role of the CFO in Local Government states that they “must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively”.

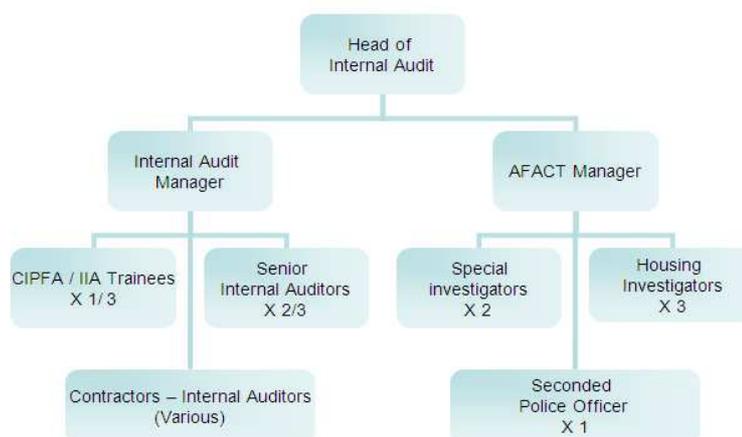
## 3. Internal Audit and Organisational Structures

- 3.1. Internal Audit and A-FACT are part of the Corporate Resources service area that sits within the Resources and Regeneration Directorate. The Head of Internal Audit (HIA) is also the Head of Corporate Resources. The HIA reports directly to the Executive Director of Resources and Regeneration, who is also the Section 151 officer and the CFO.

### Internal Audit Structure Chart

- 3.2. During 2014/15, the internal audit service went through a transition phase from being fully outsourced to building up an in-house team supported public and private sector internal audit services. The internal audit structure for 2015/16 will be similar to chart shown below.

Proposed Internal Audit and AFACT Structure Chart for 2015/16.



### Senior Management Structure

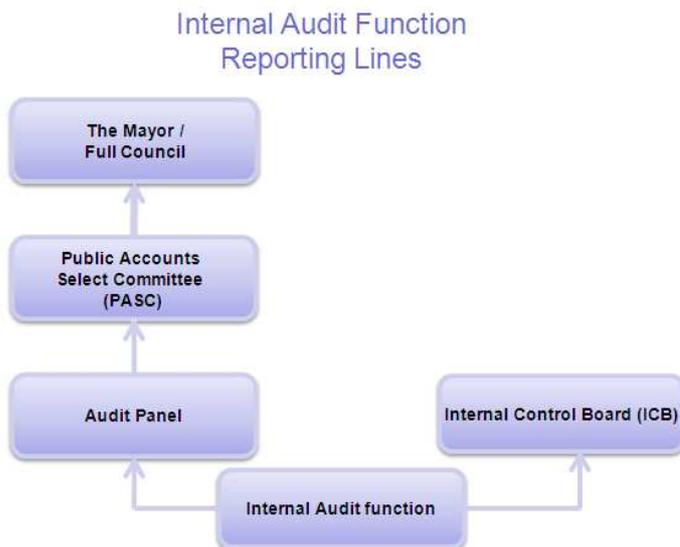
- 3.3. The top tier management for Resources and Regeneration chart shows where the HIA (Head of Corporate Resources) sits within the senior management structure of the Council. The Council’s senior management structure charts can be accessed via the link below.  
<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/council-structure/Pages/management-structure-charts.aspx>

### 4. Accountability

- 4.1. In addition to reporting to the Section 151 Officer, the HIA reports directly to the Internal Control Board (ICB) and the Audit Panel on a quarterly basis.

#### Internal Audit Reporting Lines

- 4.2. Please see a simple structure showing the reporting lines for internal audit in relation to management and members.



- 4.3. A link to Council's Constitution is provided below, which details the whole governance of the Council.

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Documents/TheConstitutionSeptember2014.pdf>

#### Internal Control Board (ICB).

- 4.4. The HIA reports to the ICB quarterly and reports on:
- Progress of the internal audit plan, including follow-up reports
  - Limited, No Assurance and Consultancy reports.
  - High and Medium Recommendations not agreed by management
  - Managements engagement with internal audit
  - Progress by management of the implementation of recommendations made  
And annually
  - Proposed annual audit plan
  - Annual Assurance report and
  - Audit Charter
- 4.5. Membership of this board consists of an Independent Non-Executive Chair (external person), the Executive Directors, the Chief Executive Officer, the Head of Law, and the Group Manager of Insurance and Risk. The HIA reports quarterly to ICB. These meetings, where possible, are held before the next Audit Panel Meeting. Please see Appendix 1 for the ICB terms of reference.

#### Audit Panel

- 4.6. The HIA also reports to the Audit Panel on a quarterly basis. The Audit Panel report has the same points as the ICB report. The Audit Panel consists of six Non-Executive Councillors, one of which serves as the Chair. In addition, there are up to four Independent Members.

## Internal Audit Charter - 2015/16

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- 4.7. In addition, the remit of the Audit Panel (in terms of internal audit), is to receive, review and, where appropriate, advise and make recommendations on the following:
- Review and approve the Internal Audit Strategy / Charter, Plans and Resources;
  - Review the progress reports on the Internal Audit Function;
  - Review the HIA Annual Assurance report;
  - Review the progress of implementation of recommendations; and
  - Monitor the effectiveness of Risk Management and associated Anti-Fraud and Corruption arrangements.

The Audit Panel reports to the Public Accounts Select Committee (PASC) where appropriate.

### Public Accounts Select Committee (PASC)

- 4.8. PASC consists of at least seven and no more than 11 non-Executive Councillors. The remit in terms of Internal Audit is to:
- Receive reports from the Audit Panel; and
  - Scrutinise the effectiveness of the Audit Panel.

For the full terms of references for the PASC and ICB, please refer to the link below to the Council's Constitution.

- 4.9. <http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Documents/TheConstitutionSeptember2014.pdf>.

### External Audit

- 4.10. Although external audit no longer place reliance on internal audits work, they still receive all final reports and where applicable. Internal audit working files are also available to view if required. Internal audit now meet with external audit on a quarterly basis.

## 5. Internal Audit Framework

### Independence and Objectivity

- 5.1. A definition of independence (in relation to Auditors') is, "The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner".
- 5.2. PSIAS definition of objectivity: "An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors to not subordinate their judgment on audit matters to others".
- 5.3. Internal auditors are mandated by the PSIAS to be independent and objective concerning the business activities they audit. The HIA and Internal Auditors, who may have conflicts of interests either real or perceived, must declare them to the Internal Audit Manager. This is in addition to any declarations that they council may require. The Internal Audit Manager will monitor these conflicts to ensure that they do no impact on the internal audit service.
- 5.4. The Internal Audit Manager will declare any interests to the HIA for him to monitor.
- 5.5. As the HIA has other operational activities, the HIA has delegated the responsibility for agreeing the scope of the audit to the operational manager with the Internal Audit Manager overseeing the work to ensure that it fulfils internal audit requirements.

### Resourcing Internal Audit

#### In-house Internal Audit Team

- 5.6. During this year, 2-3 permanent internal auditors will be recruited to form the new in-house team. CIPFA trainees will also be included in the in-house team throughout the year. The

Internal Audit Manager will manage the in-house team. The in-house team will be responsible for:

- Conducting internal audit and follow-up reviews;
- Monitoring any internal audit contracts and liaising with partners;
- Monitoring and reporting on the progress of management actions (recommendations) to ICB and Audit Panel;
- Assisting the HIA in the annual audit planning process;
- Providing management information as requested;
- Assisting the HIA in preparing the annual assurance report; and
- General management of the internal audit function.

### **Internal Auditors (Contractors / Outside partners)**

5.7. For 2015/16, the following will support the in-house team to complete the audit plan.

- Mazars – (under the London Borough of Croydon Framework)
- Royal Borough of Greenwich conducting the schools audits, and
- Pertinax Consulting Ltd (IT auditor) in reserve.

### **Head of Internal Audit (HIA)**

5.8. In addition to the internal audit and A-FACT, the HIA has operational responsibilities within the Council. They are:

- Insurance;
- Risk Management;
- Corporate Health & Safety;
- Procurement; and
- Strategic Finance, including Treasury and the Pension Fund investments and accounts.

5.9. Insurance, Corporate Health and Safety, and Risk Management have a three-year audit cycle. Procurement and Strategic Finance will continue to be audited on an annual audit basis.

### **Productive Days**

5.10. The restructuring of the internal audit function will be complete in 2015/16. As already stated, the proposed restructure is to have an in-house team, instead of a fully outsourced service, with external contractors supporting the service. The proposed structure is set out at 3.2. When the new structure is in place, the productive internal audit days will increase from 620 to around 950.

5.11. The HIA must ensure that there are enough resources and qualified staff to provide the annual opinion on the control environment of the Council. Where the HIA believes that there are insufficient resources, the HIA will bring this to the attention of the Section 151 officer and the Audit Panel, and a qualification to the annual assurance report may be required.

### **Anti-Fraud and Corruption Team (A-FACT)**

5.12. The team this year is made up of four full time permanent staff, one temporary full time staff, one agency staff and a seconded police officer. The team has two main areas of work:

- Housing, and
- Special Investigations.

5.13. In addition, AFACT are the main point of contact for the National Fraud Initiative (NFI) that is run every two years by the Cabinet Office (previously overseen by the Audit Commission).

### **Types of Audit Reports**

#### **Quarterly and Other Annual Reports**

5.14. Internal audit reports to ICB and the Audit Panel on a quarterly basis.

## Internal Audit Charter - 2015/16

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- 5.15. Annually, internal audit reports to the Schools' Forum on the schools' audit plan and control issues found during the year.

### Annual Assurance Report

- 5.16. The HIA issues an annual assurance report to the Audit Panel. This informs the Annual Governance Statement (AGS) which incorporates the Statement of Internal Control. The HIA annual assurance report includes:
- An opinion on the overall adequacy and effectiveness of the Council's control environment;
  - Any qualifications to the opinion;
  - Summary of audit work completed that helped form the opinion;
  - Summary of reliance placed on the work by other assurance bodies;
  - Confirmation on compliance with the PSIAS (including role of HIA if applicable); and
  - Internal Audit's quality assurance and improvement plan.

### Individual Audit Reports

- 5.17. For each individual review, (whether assurance or consultancy), management receive a report with the following information.
- Audit opinion of the controls in place (for assurance reviews only);
  - Executive Summary;
  - Agreed ToR, including any changes to the original scope;
  - Auditor findings;
  - Recommendations made (ranked high, medium or low) and
  - Management comments made, including the expected date of implementation of recommendations and officer responsible for implementing them.

### Types of Work Conducted

#### Assurance Review

- 5.18. An Assurance review is an objective assessment that provides an opinion on the effectiveness of the controls in place. In addition, internal auditors will recommend actions to management on how to improve controls in their area. Internal audit follows-up on any audits with High or Medium recommendations made, normally after nine months from the final report. For Assurance reviews, internal audit report by exception, which means we only detail those areas where controls need to be improved. This type of review should form the majority of the work in the internal audit plan.

#### Consultancy Review

- 5.19. A consultancy review is an advisory review that intends to add value and improve the Council's governance, risk management and controls processes. Management agree the scope of the review. Internal audit does not provide an opinion on the effectiveness of the controls in place but does provide recommendations to management to improve the processes. Internal audit follows-up on any audits with High or Medium recommendations made, normally after nine months from the final report.
- 5.20. Consultancy reviews make up a small part of the audit plan. Where management request a large consultancy review the Audit Panel would need to approve the request before the work is committed to.

#### Advice

- 5.21. It is not always appropriate to conduct an assurance or consultancy review when management just require help and advice. Where internal audit provides advice to management or attends a project meeting to give advice, management will receive an informal memo detailing any advice or recommendations made. An opinion is not provided in these memos and any recommendations made to management are not monitored or followed-up by internal audit.

- 5.22. Where an auditor has provided significant advice to management, they will be prevented from auditing that area for the next 12 months (or longer if applicable), so that internal audit independence and objectivity is retained.

### Grant Claims

- 5.23. Central Government Bodies sometime require internal audit to certify a grant claim. In these instances, internal audit will confirm if management have met the qualifying criteria of the grant. A memo type report is issued to management certifying the grant. Any recommendations to management are not normally monitored or followed-up by internal audit.

### Authorisation and Management Responsibilities

#### Authorisation

- 5.24. Both the HIA and the Internal Audit Manager have unrestricted access to the:
- Chief Executive Officer;
  - Executive Director of Resources and Regeneration (Section 151 officer/ CFO); and
  - The Chair of the Audit Panel.
- 5.25. The CFO has given authorisation to all Internal Auditors (both in-house and contractor) and A-FACT staff to:
- Enter Council premises at all reasonable times;
  - Have access to and remove as necessary Council records (paper or electronic);
  - Require explanations from Council officers as necessary; and
  - Require any person holding Council property to produce it for examination.

#### Responsibility of Management

- 5.26. Management are responsible for the control environment. They also have a responsibility to assist internal audit in the audit process to ensure it runs as smoothly as possible. They should ensure that they:
- Respond to any requests for information promptly;
  - Do not cancel meetings with auditors unnecessarily;
  - Query any findings or recommendations prior to the finalisation of the audit.
  - Update the progress of implementation of their recommendations when required.

Management may be required to attend the Audit Panel to explain to members if they do not comply with any of these requirements.

## 6. Professional Codes of Conduct and Whistleblowing.

- 6.1. Internal Auditors (both in-house and contractors) must adhere to their professional bodies codes of conduct. In addition, they should adopt the CIIA Code of Ethics, and Seven Principles of Public Life.

### IIA Code of Ethics

- 6.2. The CIIA Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing.
- Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- Objectivity - Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency - Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

### Seven Principles of Public life

- 6.3. The 'seven principles of public life' apply to anyone who holds a public office or works in the public sector. Internal auditors have adopted these principles in addition to adhering to internal code of conduct. They are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

### Role of Head of Internal Audit

- 6.4. CIPFA issued the statement on the role of the Head of Internal Audit in December 2010. Although not a mandatory like the PSIAS, the statement provides the framework to ensure that the HIA role is up to the required standard to run the statutory internal audit function. The framework consists of five principles. The Role of the HIA is reviewed annually and is reported in the Annual Assurance Report. The main principals are:  
Principle 1 – Championing best practice in governance,  
Principle 2 – Objectivity,  
Principle 3 – Governance,  
Principle 4 – Leadership, and  
Principle 5 – Qualification and Experience.

### Whistleblowing Policy

- 6.5. The Whistleblowing policy (see link below) is overseen by Legal, but any fraud or concerns about fraud can also be reported to A-FACT.

#### Whistleblowing Policy

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Documents/Whistleblowing%20Policy%20Final%202014.pdf>

#### How to report fraud

Telephone 24hr: 0800 0850 119

Email: [reportfraud@lewisham.gov.uk](mailto:reportfraud@lewisham.gov.uk)

Website detailing the types of fraud the A-FACT can investigate:

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/fraud/Pages/default.aspx>

## 7. Approval and Contacts

- 7.1. Main Contacts for Internal Audit and A-FACT

Head of Internal Audit – [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

Internal Contract Audit Manager – [julie.hetherington@lewisham.gov.uk](mailto:julie.hetherington@lewisham.gov.uk)

A-FACT Manager – [carol.owen@lewisham.gov.uk](mailto:carol.owen@lewisham.gov.uk)

- 7.2. Charter Approved by Audit Panel on : June 15 (TBC)

- 7.3. Next Review : March 2016

## **Corporate Internal Control Board**

### **Membership**

- Independent non-executive Chair
- Chief Executive
- Executive Director for Resources & Regeneration
- Executive Director for Children & Young Persons
- Executive Director for Community Services
- Executive Director to Customer Services
- Head of Law
- Group Manager Insurance & Risk
- Head of Corporate Resources (for monitoring and control)

### **Terms of Reference**

1. To identify and manage key strategic risks that could prevent the Council from meeting its objectives
2. To link risks to the corporate priorities and assess the likely impact and consequences of those risks
3. To allocate responsibilities for controlling identified risks
4. To complete the Corporate Risk Register, reviewing and monitoring this on a quarterly basis
5. To receive and review quarterly reports from the Risk Management Working Party (RMWP)
6. To receive regular reports on Internal Control within the Authority
7. To ensure a corporate approach to the management of risk, health and safety and emergency planning
8. To approve the Risk Management Policy and Risk Management Strategy
9. To support the risk management reporting and review framework, detailed in the Risk Management Strategy
10. To oversee the annual review of the System of Internal Control and Annual Governance Statement