

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 17 September 2015

1. Purpose of the report

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

- The progress of the 2014/15 and 2015/16 internal audit plans,
- Final Annual Assurance Report for 2014/15 , and
- Progress of implementation of internal audit recommendations.

2. Recommendations

2.1. It is recommended that the Audit Panel:

- note the content of this report, and
- approve the final Assurance Report at appendix 5.

3. Background

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

3.2. Currently, internal audit is resourced by both external private and public internal audit services. The in-house team restructure will be completed during 2015/16.

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

4. Executive Summary

Section 4 - Internal audit progress update for 2014/15 – the audit work for the year is essentially complete with two draft reports pending finalisation.

Section 5 - Final Annual Assurance Statement for 2014/15 - there is no change to the audit opinion and no other significant changes to the report presented in June.

Section 6 - Internal audit progress update for 2015/16 - the plan is underway with four non-schools audits started. There are five school audits finalised with four at draft or underway. There have been some tweaks to the plan with a net one cancelled audit. A further seven audits have been put on hold pending completion of core financial audits and monitoring of resourcing requirements/availability later in the year.

Section 7 - Limited, No Assurance and Consultancy reviews - There were six final 'Limited' reports issued from the 2014/15 plan (as discussed at the June Audit Panel when at draft) and two new school 'Limited' reports issued from the 2015/16 plan.

Section 8 - High and Medium recommendations not agreed - There has been an increase in the number of High and Medium recommendation not agreed by management. The Internal Control Board (ICB) has requested that this position be reviewed by the Executive Director for Resources & Regeneration. Therefore the actions agreed for these will be reported to the October ICB and next Audit Panel.

Section 9 - Progress on the implementation of recommendations. There are currently 32 non-school and 63 school recommendations overdue. This is high, possibly due to the summer holidays and high number of non-school audits finalised in June / July. Further reminders have been sent and the position monitored. Of the eight follow-up reviews completed, 89% of recommendations were either implemented or in progress.

Section 10 - Restructure of the internal audit service

The mixed economy arrangements of using the Royal Borough of Greenwich for schools audits and London Borough of Croydon contract with Mazars for non-school audits is working well. For this reason it has been extended into 2015/16 to give time to recruit and train the planned in-house team.

5. Internal audit progress update for the 2014/15 audit plan

- 5.1. This 2014/15 audit plan is essentially complete with two audits to be finalised. They are:
- Rangefield School - Procurement Audit (SCH) - as previously reported, the governors are waiting for an external report prior to finalisation.
 - SharePoint 2010 (CUS). Due to a late start and holiday commitments, this has been delayed. However it is expected to have an opinion of Satisfactory which is not expected to change to a negative opinion.
- 5.2. Since the last meeting, there were 27 final reports issued from the 2014/15 audit plan. Please see the table below.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Procurement	24/07/15	Satisfactory	-	3	2
RRE	Programme and Project Management	29/06/15	Satisfactory	-	4	1
RRE	Capital Expenditure 14-15	24/06/15	Satisfactory	-	5	-
RRE	Main Accounting 14-15	18/06/15	Satisfactory	-	3	4
RRE	Treasury Management 14-15	11/06/15	Substantial	-	2	1
RRE	Non-current Assets 14-15	10/06/15	Limited	1	3	2

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Insurance – In-house processes	08/06/15	Substantial	-	2	1
CUS	OneOracle ERP System	22/07/15	Satisfactory	1	1	1
CUS	Housing Grants / Council's Housing Assistance Policy	14/07/15	Satisfactory	-	2	4
CUS	Business Continuity Plans – (Telephony, IT Systems)	06/07/15	Satisfactory	-	5	-
CUS	Housing Benefit 14-15	30/06/15	Satisfactory	-	3	1
CUS	Accounts Receivable 14-15	18/06/15	Limited	1	6	2
CUS	NNDR 14-15	18/06/15	Substantial	-	-	1
CUS	Banking 14-15	10/06/15	Limited	1	1	2
CUS	Accounts Payable 14-15	09/06/15	Limited	4	5	1
CUS	Council Tax 14-15	08/06/15	Substantial	-	-	2
COM	South London and Maudsley (SLaM)	14/07/15	Satisfactory	2	1	2
COM	Direct Payments 14-15	15/07/15	Limited	-	8	2
COM	Youth Offending	02/07/15	Satisfactory	-	4	1
COM	Client Contributions for Adult Care 14-15	30/06/15	Limited	1	5	-
COM	Public Health Contracts / SLA	29/06/15	Satisfactory	-	4	1
COM	Payments to Adult Care Providers 14-15	18/06/15	Satisfactory	-	6	2
CYP	Family Intervention Project – Contract Management	14/07/15	Substantial	-	-	4
CYP	No Recourse to Public Funds Pilot	13/07/15	Substantial	-	1	3
CYP	Youth Service	01/07/15	Satisfactory	-	3	5
CYP	Payments for 2 to 4 Year olds	24/06/15	Substantial	-	2	2
CYP	Payments to Care Providers and Foster Carers 14-15	09/06/15	Satisfactory	1	4	1

6. Final annual assurance report

- 6.1. The final audit opinions reported above have not changed from the draft positions reported to the Audit Panel in June. As a result there are no significant changes to the annual assurance report. The overall internal audit opinion remains satisfactory and the qualification to the opinion remains the same. Please see Appendix 5 for the final Annual Assurance Report.
- 6.2. The material changes to the final Annual Assurance Report to note are:
- 6.3 - confirming that the majority of core financial audits were reported as draft in June now finalised.
 - 7.2 - additional audit - one contract audit split into two
 - 7.5 - finalisation of audits for schools and non-school. One from each still to be finalised (SharePoint and Rangefield School).
 - 7.9 - updated charts to reflect all audits issued
 - 7.12 - updated to charts to include all recommendations made
 - 7.20 - table confirming all core financial systems are finalised. No changes to any of the audit opinions.
 - Appendices - all updated to reflect the finalisation of reports.

7. Internal audit progress update - 2015/16 audit plan

7.1. The table below shows the number of audits and the status for 2015/16.

Lead Dir.	Original Plan	Addtnl. Audits	Dropped Audits	Current Plan	Final Reports	Reports at Draft	ToR* Issued	Not Started
RRE	16	1	(4)	13	-	-	2	11
CUS	17	1	-	18	-	-	1	17
COM	14	-	(4)	10	-	-	-	10
CYP	12	3	(3)	12	1	-	-	11
Sub	59	5	(11)	53	1	-	3	49
SCH	26	-	-	26	5	1	1	19
Total	85	5	(11)	79	6	1	4	68

*fieldwork started for schools.

7.2. The plan is now underway with the schools and non-schools audits starting. The core / key financial audits will start in October. The table below lists the audits finalised since the last meeting.

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
SCH	Adamsrill School	14/07/15	Limited	1	15	6

Dir.	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
SCH	Addey and Stanhope	19/08/15	Substantial	-	2	2
SCH	Watergate	11/08/15	Limited	1	12	10
SCH	Kender	06/07/15	Satisfactory	-	7	2
SCH	St Mary Magdalen's Catholic	02/07/15	Substantial	-	5	1

7.3. As expected, there are changes to the plan. The changes include additional audits, change of directorate and dropped or deferred audits.

7.4. The additional audits, including changes of directorate are:

- Arrangements for Children 18+ in care (CYP) - This was requested by the Head of Service.
- CYP review of the processes for payments to main providers (CYP) - The Head of Service requested a consultancy review of their processes.
- Troubled Families Last phase 1 grant claim (CYP) - requirement of the DCLG
- PFI Monitoring - (RRE) - change of directorate.
- Appointeeship, deputyships and safeguarding of client assets (CUS) - change of directorate.

7.5. The cancelled or deferred audits are:

- Safeguarding CYP Board (CYP) - agreed to defer until OFSTED have been and assessed it.
- Troubled Families Programme - annual review (CYP) - phase two of the programme no longer requires an annual audit, only grant certification.
- PFI Monitoring - (CYP) - change of directorate.
- Appointeeship, deputyships and safeguarding of client assets (COM) - change of directorate.

7.6. In addition internal audit has had to cancel or defer the audits listed below. The reason for this is that the original plan was based on an in-house team being up and running by July 15. As the restructure is yet to be finalised, more of the plan has had to be given to the contractors to perform. They are:

- Savings Proposals Vs Results (RRE) – monitored via quarterly reports to PASC and M&C
- Procurement Process and Contract Registers (RRE) – other procurement and contract audits in the plan
- Dedicated Transformation Team / Lewisham Future Board (RRE) – this was to be an advisory review
- Safeguarding and Assurance Adults - Proactive Monitoring of Referrals (COM) – safeguarding board in place and last audit substantial
- Cultural Change and Managing Resistance (RRE) – this was to be an advisory review

- Multi Agency Partnerships Working (COM) – monitored by the Internal Control Board via separate risk register for partnerships
- The Care Act 2014 - changes to Strategy and Processes (COM) – elements covered by annual core audits and some requirements have been deferred.

7.7. However, if the budget issue is resolved, some or all of these audits will be added back to the plan.

8. Limited , No Assurance and Consultancy reports

8.1. There were six 'Limited' core financial audits finalised since the last report from the 2014/15 plan. They were:

- Accounts Receivable 14/15 (CUS),
- Banking 14/15 (CUS),
- Accounts Payable 14/15 (CUS),
- Non-current Assets 14/15 (RRE)
- Directs Payment 14/15 (COM), and
- Client Contributions for Adult Care 14/15 (COM).

8.2. The opinion on the core financial audits did not change from the indicative opinions reported in the draft Annual Assurance Statement presented to members in June 2015 and the common issues identified form part of the annual assurance report (appendix 5).

8.3. From the 2015/16 audit plan, two limited reports for schools have been issued.

- Watergate School 15/16 (SCH)
- Adamsrill School 15/16 (SCH)

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

9. High or Medium recommendations not agreed

9.1. Since the last Audit Panel meeting there have been nine recommendations not agreed by management from five audits. This is an unexpected jump, in part potentially because, in respect of required controls, we have new auditors, processes have changed teams, and some have additional resource implications.

9.2. At their July meeting the Internal Control Board (ICB) asked that in this instance a review be conducted of these recommendations by the Executive Director for Resources and Regeneration first. This will be done in September and reported to the October ICB meeting. The results will therefore be presented to the next Audit Panel meeting with the actions agreed.

10. Progress on the implementation of recommendations.

Follow-ups

10.1. 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.

10.2. There were eight follow-up reviews completed since the last Audit Panel meeting (seven non-schools and one school). The summary status of the recommendations followed up since the last meeting to 30/08/15 is shown in the table below:

Implemented	In Progress	Superseded	Not Implemented	Total Recs
15	8	-	3	26
58%	31%	-	11%	100%

10.3. 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 4.

Superseded

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

Implementation of recommendations

10.5. The table below shows the status of high and medium recommendations made by Internal Audit as at the 31/08/15.

Lead Dir.	Previous o/due recs.	Current o/due recs at 31/08/15	Current recs with 2+ changes	Previous no. of open recs at 31/05/15	Recs re-opened since 31/05/15	New recs since 31/05/15	Rec closed since 31/05/15	Current open recs at 31/08/15
RRE	1	7	2	36	-	24	(36)	24
CUS	4	15	7	16	-	37	(9)	44
COM	-	6	-	1	-	31	(12)	20
CYP	1	4	1	4	-	10	(3)	11
Tot	6	32	10	57	-	102	(60)	99
SCH	47	63	2	91	-	43	(34)	100
Tot	53	95	12	148	-	145	(94)	200

10.6. Non-core / key financial recommendations will continue to be reopened as normal.

10.7. For both open school and non-school recommendations, the percentage of overdue recommendations to open ones is 48%, down from 60% in the last report. This is broken down by:

- Schools overdue to open recommendations - 63%. This is an improvement from the 86% reported last time and over the summer when few schools are available.
- Non-schools overdue to open recommendation - 32%. This is an increase on the 19% reported at the last meeting. In part due to the finalisation of a large number of audits in June / July.

10.8. A further round of reminders have been sent to Directorates and an update on this position will be reported to the next Audit Panel and for any persistent overdue audits the responsible officer asked to attend to update on progress with implementing their recommendations.

10.9. Since the changes were implemented, and up to the 31/08/15, there was one reoccurring recommendation.

- Non-Current Assets 14-15 – re-occurring from 2013/14.

11. Restructure of the Internal Audit Service

11.1. 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.

11.2. 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.

12. Legal Implications

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

13. Financial Implications

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

14. Equalities Implications

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

15. Crime and Disorder Implications

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

16. Environmental Implications

16.1. There are no 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

Appendix 1 -2015/16 Audit Plan Status

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
RRE	PFI monitoring	04/08/15						
RRE	Corporate Health and Safety audit framework	07/07/15						
RRE	Budget Monitoring 15-16 (Core Financial Audit)	Qrt 3						
RRE	Capital Expenditure 15-16 (Core Financial Audit)	Qrt 3						
RRE	Main Accounting 15-16 (Core Financial Audit)	Qrt 3						
RRE	Non-Current Assets 15-16 (Core Financial Audit)	Qrt 3						
RRE	Payroll 15-16 (Core Financial Audit)	Qrt 3						
RRE	Pensions for LGPS 15-16 (Core Financial Audit)	Qrt 3						
RRE	Treasury Management 15-16 (Core Financial)	Qrt 3						
RRE	Anti-fraud and Corruption Team (AFACT)	TBC						
RRE	Risk Management	TBC						
RRE	Adherence to the Local Government Transparency Code 2014	TBC						
CUS	Contract Management - Recycling & Incineration Arrangements	20/07/15						
CUS	Accounts Payable 15-16 (Core Financial Audit)	Qrt 3						
CUS	Accounts Receivable 15-16 (Core Financial)	Qrt 3						
CUS	Banking 15-16 (Core Financial Audit)	Qrt 3						

Appendix 1 -2015/16 Audit Plan Status

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
CUS	Council Tax 15-16 (Core Financial Audit)	Qrt 3						
CUS	Housing Benefit & CTRS 15-16 (Core Financial)	Qrt 3						
CUS	NNDR 15-16 (Core Financial Audit)	Qrt 3						
CUS	Mobile / home working access (IT audit)	TBC						
CUS	Monitoring of breaches, spam mail, malware and denial of service attacks(IT Audit)	TBC						
CUS	Registrars	TBC						
CUS	Housing Register and offers	TBC						
CUS	Private Sector Housing Agency (PHSA)	TBC						
CUS	Housing - Bed and Breakfast, Hostels and temporary accommodation	TBC						
CUS	DPA and FOI compliance audit	TBC						
CUS	Disaster Recovery / BCP	TBC						
CUS	Private Sector Network Compliance	TBC						
CUS	In-house bailiff service / Enforcement Agency	TBC						
CUS	Waste Recycling Contract and Landfill Arrangements	TBC						
CUS	Appointeeships, deputyships and safeguarding of clients assets (both physical and financial)	TBC						

Appendix 1 -2015/16 Audit Plan Status

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
COM	Client Contribution for Care Provision 15-16 (Core Financial)	Qrt 3						
COM	Direct Payments 15-16 (Core Financial Audit)	Qrt 3						
COM	Payments to Adult Care Providers 15-16 (Core Financial Audit)	Qrt 3						
COM	Public Health - Statutory services and providing services back to the NHS and CCG	TBC						
COM	Voluntary and Community Sector Contracts	TBC						
COM	Better Care Fund Framework	TBC						
COM	IT backup and BCP for Adult Social Care System	TBC						
COM	Anti-Social Behaviour service	TBC						
COM	Environmental Health	TBC						
CYP	Troubled Families Programme - Last claim for phase 1	N/A	N/A	22/05/15	Grant	N/A		
CYP	Payments to Care Provider and Foster Carers for Looked After Children 15-16 (Core Financial Audit)	Qrt 3						
CYP	Children's Social Care - Children Centre Contracts	TBC						
CYP	Troubled Families Programme - grant claims	TBC						
CYP	Monitoring of ad-hoc payments to children in care and providers (non-key controls)	TBC						
CYP	School Policies - thematic review	TBC						

Appendix 1 -2015/16 Audit Plan Status

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
CYP	Archiving	TBC						
CYP	Contract Management - CYP	TBC						
CYP	School Improvement Inspection Reports	TBC						
CYP	Special Educational Needs and Disability Service - post reorganisation	TBC						
CYP	Arrangements for 18+ Children in Care	TBC						
CYP	Review of Processes for Payment to Main Providers	TBC						
SCH	Addey and Stanhope Secondary	Jun 15	26/06/15	19/08/15	Substantial	-	2	2
SCH	Watergate	Jun 15	23/07/15	11/08/15	Limited	1	12	10
SCH	Kender Primary School	May 15	08/06/15	06/07/15	Satisfactory	-	7	2
SCH	St Mary Magdalen's Catholic	May 15	26/06/15	02/07/15	Substantial	-	5	1
SCH	Adamsrill Primary	Jun 15	14/07/15	26/08/15	Limited	1	15	6
SCH	Edmund Waller Primary	Jul 15	04/08/15					
SCH	Abbey Manor College	Jul 15						
SCH	Chelwood Nursery	Sep 15						
SCH	Conisborough College	Sep 15						
SCH	Deptford Green Secondary	Sep 15						

Appendix 1 -2015/16 Audit Plan Status

Lead Dir.	Name of Audit	Date Due / ToR Issued	Draft issued	Final Issued	Opinion	No. Recs H	No. Recs M	No. Recs L
SCH	Fairlawn Primary	Sep 15						
SCH	Holbeach Primary	Sep 15						
SCH	Kilmorie Primary	Oct 15						
SCH	Launcelot Primary	Oct 15						
SCH	St Michael's CE Primary	Oct 15						
SCH	Trinity CE Through School	Oct 15						
SCH	Athelney Primary	Nov 15						
SCH	Bonus Pastor Catholic College	Nov 15						
SCH	Sydenham Secondary	Nov 15						
SCH	Forster Park Primary	Dec 15						
SCH	Forest Hill Secondary	Jan 16						
SCH	St Joseph's Catholic Primary	Jan 16						
SCH	Prendergast Hilly Fields College (Secondary)	Jan 16						
SCH	Sedgehill Secondary	Feb 16						
SCH	Prendergast Ladywell Fields College (Secondary)	Feb 16						
SCH	Prendergast Vale College (Secondary)	Mar 16						

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

Executive Summary for Accounts Payable 2014-15



Internal Audit Assurance Opinion	▲ Limited	Direction of travel	↓
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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) 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

- Procedure notes have not been updated to reflect current practices and the changes brought about by the upgrade to ORACLE System or saved to SharePoint in all cases.
- Whilst examination of a sample of amendments to supplier standing data confirmed that appropriate supporting documents existed in all cases, there was no accounts payable management oversight of the processing of these amendments.
- The approved authority limit for a purchase order approver was not confirmed because their name was not on the Authorised Signatory List.
- Directorate Approval Forms for a number of individuals selected were not located with the forms stored on the Council's SharePoint site.
- The target for paying all undisputed invoices within 30 days of receipt of invoice was not documented and there is currently no facility within Oracle to enable the monitoring of performance against this target.
- There is no review of the invoices rejected and removed from the payment batch, so that any issues that cause these rejections, are removed from future payment batches.
- There have been no checks performed to ensure that payments made via alternative arrangements during the system down time in July and August 2014 have not been subsequently input and paid again.
- No duplicate payment reports are run and reviewed and there is no exception reporting to identify high value invoices, which a senior officer reviews and authorise before the payments are released.
- The monthly 'Reconciliations of AP and PO Accruals' examined did not reconcile and were not evidenced as independently checked.

Risk Headings		H	M	L
●	1 - Set Up of New Suppliers	-	2	1
▲	2 - Payments	3	2	1
▲	3 - Reconciliations	1	-	-
●	4 - Performance Indicators	-	1	-
Total		4	5	2

Areas where controls worked well

Based on control walkthrough performed by Internal Audit, it was noted that:

- Complaints Processes and Monitoring Controls are effective and will support account payable teams in resolving any formal complaint.

Follow-up

The follow up of this audit will be undertaken with the 2015/16 annual audit.

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

Executive Summary for Banking 2014-15



Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L	
Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions				★	1. Misappropriation of funds	-	-	1
Introduction The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 7. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.				●	2. Inaccuracy of Financial Records	-	1	-
Key findings that need attention (* identified in previous audit)				★	3. Mis-statement of Financial Records	-	-	1
1. Although a 'Contra Listing – History' report, which lists all contras in a period, is available, this is not being run to monitor and check that all contra postings are for valid reasons.				★	4. Fraud and Error	-	-	-
2. The payments account bank reconciliation had not been regularly conducted and the reconciliation for January 2015 had not been fully completed at the time of audit and neither the income nor the payments bank account reconciliations had been evidenced as checked by an officer independent of the preparer.				▲	5. Reconciliations	1	-	-
					Total	1	1	2

Areas that worked well

Based on testing conducted by Internal Audit, it was noted that:

1. Appropriate information was provided to the public on how to make payments.
2. Cheque printing can only be performed by authorised individuals.

Follow-up review

The follow up for this audit will take place at the next annual review.

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

Changes to the scope

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

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



Findings and Management Action Plan for Accounts Receivable 2014-15

Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L		
<p>Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions</p> <p>Introduction</p> <p>The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 11.</p> <p>The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p>Key findings that need attention</p> <ol style="list-style-type: none"> 1. There were no set Council wide targets to ensure that invoices were raised in a timely manner. 2. The suspense account had a credit balance of £1,461,308.72 as at 31st January 2015. These un-applied and un-identified receipts and un-applied receipts on account, (debtor known but invoice not) were impacting on debt recovery as it was difficult to identify where debts were overdue rather than receipts just not yet allocated. 3. Some of the procedure notes needed to be updated to reflect changes in working practices brought about by the migration to the new Oracle system. 4. Regular reports of invoices in dispute were not being produced and monitored. 5. Automatic debt reminder letters were not being generated and posted to the debtors. 6. There was no functionality to automatically notify staff when instalment payments are not received and, although these could be manually checked, manual checks to detect lapses in instalment payments were not being conducted. 7. Aged debt reports for each directorate and 'Debtors Collection Team Stats' reports could not be generated on the new Oracle system. <p>Areas that worked well</p> <p>Based on testing conducted by Internal Audit, it was noted that:</p> <ol style="list-style-type: none"> 1. Appropriate procedure notes were in place and available to staff. 				1	●	Completeness of Income	-	1	-
				2	★	Documentation and Authorisation	-	-	1
				3	▲	Income Recording	1	-	1
				4	●	Debt Recovery	-	5	-
						Total	1	6	2

Follow-up review

The follow up for this audit will take place at the next annual review.

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

Changes to the scope

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

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

Executive Summary for Non Current Assets 2014/15



Internal Audit Assurance Opinion	▲ Limited*	Direction of Travel	↓	Risk Headings	H	M	L	
Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions				▲	1. Asset Management	1	3	2
Introduction				N/a	2. Transfer of Assets	-	-	-
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 8.				N/a	3. Reconciliation	-	-	-
At the time of audit the processes relating to additions, depreciations, valuations, verification of assets and reconciliations were either incomplete or not started and thus no assurance can be provided on these.*					Total	1	3	2
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.								

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 8.

At the time of audit the processes relating to additions, depreciations, valuations, verification of assets and reconciliations were either incomplete or not started and thus no assurance can be provided on these.*

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

Based on testing conducted by Internal Audit, it was noted that:

- There are no procedure notes on the processes used each year to update the non-current asset register and the Accountant- Core Accounting team was the only staff member with access to the Series4000 system used to record the asset register.
- Seven of the eleven tasks on the '2014/15 Closing of Accounts – Timetable' relating to non-current assets, due as at 27 April 2015, had not yet been completed and were overdue.
- The contract with Wilks Head and Eve LLP 'for the provision of Asset Valuation' was signed after commencement date.
- The schedules detailing the assets held per cost centre circulated annually to the respective directorates seeking confirmation of the revenue cost centres were not returned in a timely manner.*

Areas that worked well

Based on testing conducted by Internal Audit, it was noted that:

- The assets register is properly protected from unauthorised alterations.

Follow-up review

The follow up for this audit will take place at the next annual review.

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

Changes to the scope

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

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

Executive Summary for Direct Payments 2014-15

Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L	
Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions				●	1. Legislation, Policies and Procedures	-	1	-
Introduction				▲	2. Assessments and Payments	-	4	-
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 16.				●	3. Utilisation Monitoring	-	3	1
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.				★	4. Budget Monitoring	-	-	1
					Total	-	8	2

Key findings that need attention

Based on testing conducted by Internal Audit, it was noted that:

- The procedure manuals in place only provided guidance on the set up of new service users and not all key direct payments tasks;
- The 'Direct Payments Personal Budget Agreements' did not include data protection or fraud declarations;
- Signed 'Direct Payments Personal Budget Agreements' were not held for 13 of the 15 service users sampled;
- Sample testing identified that financial assessments were not available for 2 service users. In addition, financial assessments for 5 users were completed between 5 and 9 months after the respective start dates. ;
- The spreadsheet to record the issue of prepayment cards noted 34 cards ordered but not received and 42 cards received but not issued to service users;
- The annual care review for 3 of the 5 service users sampled was overdue;
- Sample testing noted one user who had not submitted any financial monitoring return and another 4 where the returns were overdue; and
- 8 of the sample of 15 service users had relatively large balances of unused funds.

Areas where controls worked well

Based on testing conducted by Internal Audit, it was noted that:

- Staff have adequate knowledge of relevant legislation;
- Support plans and budgets are authorised by the Direct Payments Manager; and
- Identified variances are investigated.

Follow-up review

The follow up for this audit will take place at the next annual review.

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

Changes to the scope

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

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

Executive Summary for Client Contributions for Care Provision 2014-15



Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L		
Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions				1	●	Calculation	-	2	-
Introduction				2	★	Authorisation	-	-	-
The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 10.				3	▲	Processing	1	1	-
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.				4	●	Documentation and Annual Review	-	1	-
Key findings that need attention (* also identified in previous audit)				5	●	Debt Recovery and Write Off	-	1	-
						Total	1	5	-

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 10.

The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention (* also identified in previous audit)

1. One of the financial assessment forms sampled could not be located and another two of financial assessment forms sampled had not been signed by the clients as required.
2. The Financial Assessment Team does not directly enquire with the DWP (Department for Works and Pensions). about benefits being received by clients.
3. None of assessments for the 132 new clients due for assessment in the year 2014-15 had been completed.*
4. There are no regular reports produced of assessments / high priority re-assessments due and/or completed to assist with the monitoring of progress.
5. The records for three of the sample of clients selected had not been scanned to SharePoint as required. The explanation provided was that interface between the scanning multi-functional device (MFD) and SharePoint had not been working, but that this was being resolved.
6. For 5 of the sample of clients with outstanding debts tested, the notes facility on Orade did not detail the recovery actions being taken.

Follow-up review

The follow up for this audit will take place at the next annual review.

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

Changes to the scope

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

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

Executive Summary for Watergate Primary School 2015/16



Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L	
<p>Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions.</p> <p>Introduction</p> <p>The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 15</p> <p>The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p>Key findings that need attention(* identified in the previous audit)</p> <ul style="list-style-type: none"> • Eight payments were without Purchase Orders, one PO was dated after the invoice date • Three payments were made without any supporting evidence • A cheque for £500 worth of gift vouchers was awarded to a member of staff. The cheque was cancelled, payment made by the procurement card but no record of this was kept. • Self-employed status checks had not been conducted for three out of twenty payments. • A debt recovery / write off policy was not present. • There was no evidence that an inventory check had taken place within the last 12 months and assets were not security marked. • Register of Interest forms had not been completed by all Governors and members of staff with financial responsibilities, were not updated annually, or were incomplete. • The school voluntary fund account had not been audited in the last two years. • *The accuracy of staff salary payments could not be confirmed • Proof of right to work in the UK and photo identity was not available on all employee files. <p>Areas that worked well</p> <ul style="list-style-type: none"> • Budget monitoring was clear to follow and extensively covered in the minutes of the Governing Body meetings. • Banking reconciliations were completed in a timely manner and un-reconciled items are regularly investigated. 				▲	1. Procurement	-	6	4
				★	2. Income	-	1	-
				▲	3. Asset Security	-	2	2
				▲	4. Governance	-	2	2
				★	5. Budget Monitoring	-	-	-
				★	6. Banking	-	-	-
				●	7. Payroll	-	1	1
				●	8. Recruitment	1	-	1
				★	9. Data Security	-	-	-
				Total		1	12	10

Follow-up review

The follow up for this audit should take place within nine months of the date of issue of the final report.

The school should provide updates of the implementation of the recommendations when required.

Changes to the scope

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

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



Executive Summary for Adamsrill Primary School 2015/16

Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓	Risk Headings	H	M	L	
<p>Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. See glossary for definitions.</p> <p>Introduction</p> <p>The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 17.</p> <p>The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.</p> <p>Key findings that need attention (* identified in the previous audit)</p> <p>Procurement</p> <ul style="list-style-type: none"> PO's were not raised where expected. An invoice was paid that was not addressed to school. Procurement limits were not adhered to and applicable quotes were not obtained. Individuals had been paid with no evidence of self-employed status checks A tribunal settlement was paid out of the school bank account rather than checking if it should be paid through payroll. Cancelled cheques were not cross referenced to the reissued cheque Premises Officer had used the procurement card without pre authorisation <p>Income</p> <ul style="list-style-type: none"> Income was not banked weekly *The school does not have a debt recovery policy and the school meals debt was £7k <p>Asset Security</p> <ul style="list-style-type: none"> The school does not have a write off / disposal policy *A stock check had not been performed in the last year <p>Governance</p> <ul style="list-style-type: none"> Register of Interest forms were incomplete and had not been completed by all staff with financial responsibility A Governor did not declare details of work that they had invoiced the school for. <p>Banking</p> <ul style="list-style-type: none"> Bank statements for April and May 2015 were addressed to the previous HT who left in August 2014. No updated bank mandate was presented. 				▲	1. Procurement	-	7	-
				●	2. Income	-	2	1
				●	3. Asset Security	-	2	-
				▲	4. Governance	-	2	1
				★	5. Budget Monitoring	-	-	-
				●	6. Banking	-	1	1
				★	7. Payroll	-	-	1
				▲	8. Recruitment	1	1	1
				★	9. Data Security	-	-	1
				Total		1	15	6

Recruitment

- Employee files did not always have identity documents or proof of right to work in the UK
- Contract terms and conditions were absent on employee files who worked ad-hoc

Follow-up review

The follow up for this audit should take place within nine months of the date of issue of the final report.

The school should provide updates of the implementation of the recommendations when required.

Changes to the 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	Capital Expenditure 14-15	Satisfactory	24/06/15	1			
RRE	Procurement Card 14-15	Satisfactory	05/03/15	5			
RRE	Treasury Management 14-15	Substantial	11/06/15	1			
RRE	Project Management 14-15	Satisfactory	16/07/15	-	2		Due date changed twice.
CUS	Accounts Payable 14-15	Limited	11/06/15	4	2		
CUS	Banking 13-14	Substantial	28/05/14	1	1		Due date changed twice.
CUS	Banking 14-15	Limited	10/06/15	1			
CUS	Business Continuity Plans - ICT / Telephony	Satisfactory	06/07/15	1			
CUS	IT Strategy	Consultancy	27/03/15	4			
CUS	Security of File Sharing Servers	Limited	17/06/14	4			
CUS	Commercial Waste	Satisfactory	27/06/15	-	2		Due date changed five times
CUS	Parking Contract 2013/15	Substantial	10/07/15	-	1		Due date changed twice.
CUS	Payments Centre	Satisfactory	26/09/15	-	1		Due date changed four times
COM	Client Contributions for Res and Dom Care 14-15	Limited	30/06/15	1			
COM	Personal and Individual Budgets 13-14	Substantial	11/04/15	1			
COM	Public Health Contracts	Satisfactory	29/06/15	4			
CYP	Payments to Child Care Providers and Foster Parents	Satisfactory	09/06/15	1			

Appendix 3 - Status of recommendations

CYP	Youth Service	Satisfactory	01/07/15	3.			
CYP	Estate Management Statutory Maintenance	Satisfactory	06/12/13		1		Due date changed five times
CYP	Schools' Catering Contract	Satisfactory	09/07/14		1		Due date changed twice.
SCH	Adamsrill Primary School	Substantial	04/10/12	1	1		Due date changed twice.
SCH	Addey and Stanhope	Substantial	19/08/15	2			Reminders to update sent before final Rpt
SCH	Christ Church CE School	Substantial	29/04/15	1			
SCH	Elfrida Primary School	Limited	05/03/15	12			Follow-up due Dec 15.
SCH	Grinling Gibbons School	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	Kender Primary School	Satisfactory	06/07/15	1			
SCH	Lucas Vale School	Satisfactory	22/11/13	1			
SCH	New Woodlands Special School	Satisfactory	31/10/14	8			F-up due June 15
SCH	St Magdalen's Catholic School	Substantial	02/07/15	5			
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	Torridon Junior School	Substantial	07/04/14	1			
SCH	Turnham Primary School	No Assurance	31/07/14	9			
SCH	Watergate School	Limited	31/08/15	7			
Total				95	12	4	

Appendix 4 – Follow-up reviews conducted since the last meeting

Lead Dir.	Audit	Opinion	Final Rpt Date	F/up Rpt Date	Impl'd	In Progress	Supers'd	Not Impl'd	Total
RRE	Capital Expenditure 13-14 follow-up	Substantial	09/07/14	24/06/15		1			1
CUS	Housing Benefits and CTRS 13-14 Follow up	Substantial	10/01/14	30/06/15	2				2
CUS	NNDR 13-14 Follow up	Substantial	19/03/14	18/06/15	1				1
CUS	Banking 13-14 Follow up	Substantial	28/05/15	10/06/15		1			1
CUS	Security and access to LBL Servers follow up	Limited	17/06/14	23/04/15		1		3	4
COM	Client Contribution for Care Provision 13-14 follow up	Substantial	22/05/14	30/06/15	1				1
CYP	Looked After Children Payments to Providers 13-14 Follow up	Substantial	11/06/14	10/06/15	1				1
SCH	St Bartholomew's CE Primary School 14-15	Limited	15/09/15	02/07/15	10	5			15
Total					15	8	-	3	26

Appendix 5 - Annual Assurance Report

Committee	Audit Panel		Item No.	
Report Title	Head of Corporate Resources Final- Annual Assurance Report for 2014/15			
Contributors	Head of Corporate Resources			
Class	Information	Date	17 September 2014	

1. Purpose

- 1.1. The purpose of this report is to present members of the Audit Panel with 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 updated version of the annual assurance opinion for the 2014/15 that was initially presented to them in June 2015.**

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,

Appendix 5 - Annual Assurance Report

- 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.

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:

Appendix 5 - Annual Assurance Report

- 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 in full by June 15. The focus was to complete the core financial audit to at least draft report by June, which did happen in the most part.

6.4. .

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.

Appendix 5 - Annual Assurance Report

7. Summary of assurance work from which opinion is derived

Delivery of Audit Plan

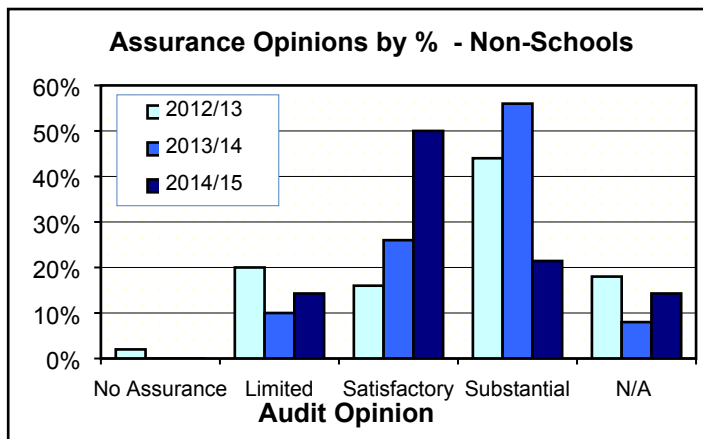
- 7.1. The Internal Audit plan agreed for 2014/15 was to complete 70 pieces of audit work, (32 schools and 38 non-school), not including follow-up reviews. By the end of the year, this increased to 73 pieces of work.
- 7.2. Changes to the audit plan are expected throughout the year, as risks emerge or 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
 - Translation, interpretation and Transcription Service - contract Management. This was part of the contract management audit, which was split into two separate audits for ease of reporting.
- 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 73 reviews and the 632 productive days are as follows:
- 42 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 all audits are finalised with the exception of SharePoint. It is however expected to have a final assurance opinion of Satisfactory.
 - schools position is that the 30 planned audits are finalised, with the additional piece of work requested still at draft report stage. This will not be (finalised until completion of a separate external 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.

Appendix 5 - Annual Assurance Report

- 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.

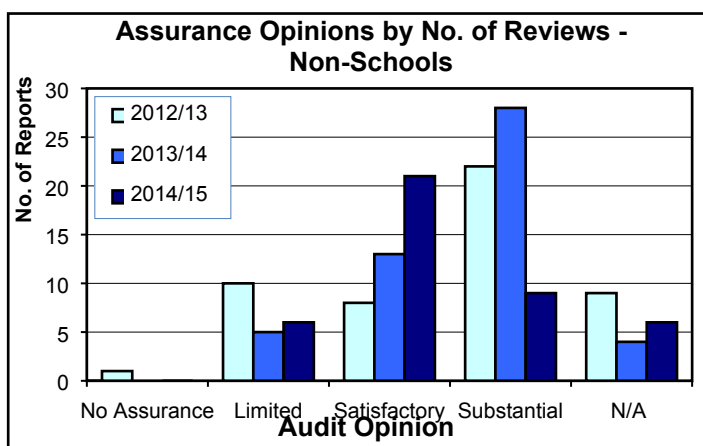
Key - N/A reflects those reports that were consultancy or advisory work

Non-Schools



There has been a fall in the number of substantial opinions in 2014/15 and rise in the limited and satisfactory categories.

The N/A includes the additional grant claim requiring internal audit certification, and consultancy work in 2014/15.

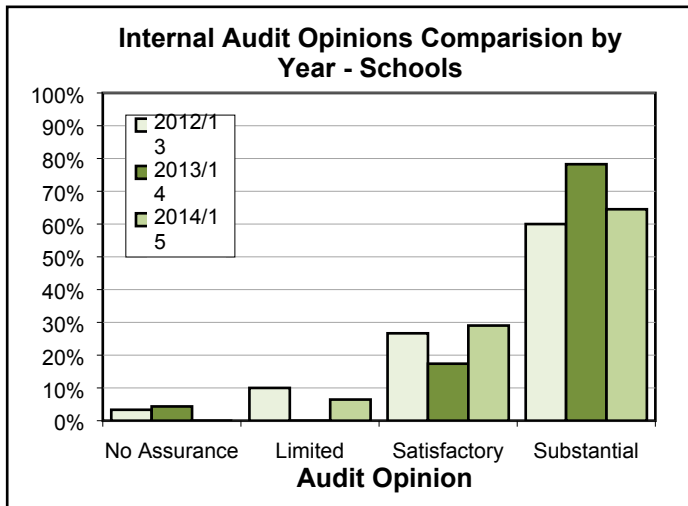


This chart reflects the percentage chart, indicating the rise in Limited and Satisfactory and decrease in Substantial opinion for non-schools.

The Limited audit reviews were made up of Core Financial audits. .

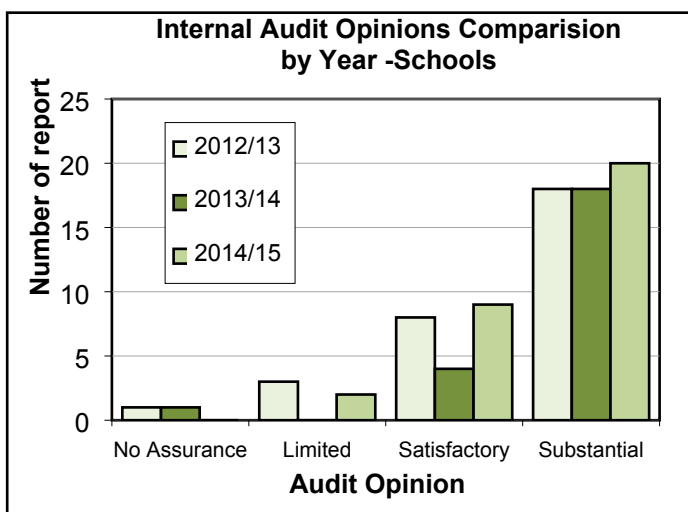
Schools

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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.

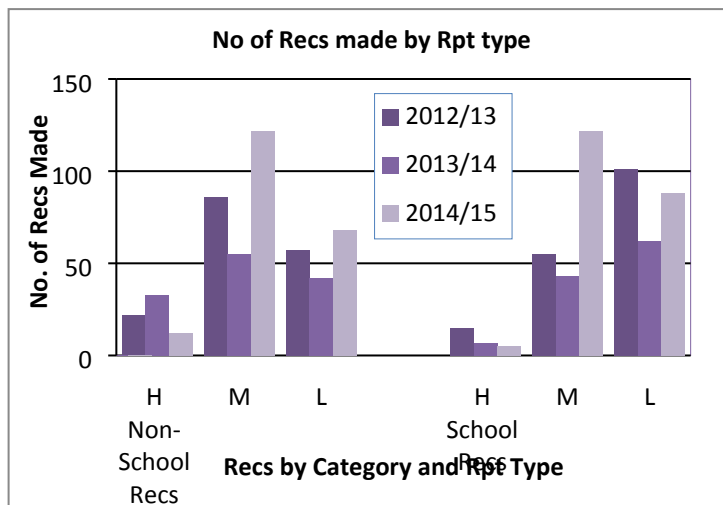
Level	Definition
Substantial Assurance ★	A strong framework of controls is in place to ensure that the service area is more likely to meet their objectives. In addition, the controls in place are continuously applied or with only minor lapses.
Satisfactory Assurance ●	A sufficient framework of controls 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.

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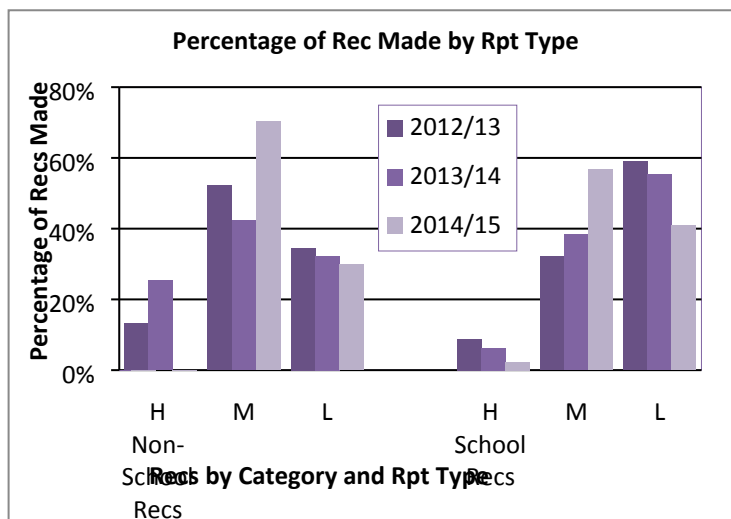
High	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
Medium	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting 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 made in consultancy reports.



For non-school audits there is a marked increase in the proportion of medium recommendations made.

This does support 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 SharePoint 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. 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,

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- 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 34 non-school and one 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
73	23	5	3	104
70%	22%	5%	3%	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, there were 17 core financial systems audited. 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	↘

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Core financial system	2014/15	2013/14	2012/13	DoT
8. Housing benefit	Satisfactory	Substantial	Substantial	↘
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	-	↘

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

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- 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

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- 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

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- 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

<i>Lead Dir.</i>	<i>Auditable area</i>	Assurance level given	H	M	L	Risks Headings / Area tested during the review	Date of final report
RRE	Non-Current Assets 14-15 (Core Financial Audit)	Limited	1	3	2	Asset management, Transfer of Assets, and Reconciliations	10/06/15
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	-	3	4	Financial Systems Admin, Feeder Systems, Journals and Reconciliations, Final Accounts and Training of staff	18/06/15
RRE	Procurement	Satisfactory	-	3	2	Procurement Procedures and Guidance, Value for Money and Non-compliance	24/07/15
RRE	Programme and Project Management	Satisfactory	-	4	1	Investments Decisions, Project Initiation, Project Implementation / delivery, Benefit Realisation and Project Governance	29/06/15
RRE	Insurance - In house processes	Substantial	-	3	-	Policies & procedures, claims handling, payments	08/06/15
RRE	Treasury Management 14-15 (Core Financial Audit)	Substantial	-	2	1	Policies and Procedures, Cash Flow Forecasting, Investments and Loans, and Performance Monitoring	11/06/15
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

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

<i>Lead Dir.</i>	<i>Auditable area</i>	Assurance level given	H	M	L	Risks Headings / Area tested during the review	Date of final report
RRE	Project Management	Satisfactory	-	5	2	Compliance with corporate project management approach, Project Review Group and use of previous lessons learnt.	16/07/14

Customer Services

<i>Lead Dir.</i>	<i>Auditable area</i>	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	1	6	2	Completeness of Income, Documentation and Authorisation, Income Recording and Debt Recovery	18/06/15
CUS	Housing Benefit 14-15 (Core Financial Audit)	Satisfactory	-	3	1	Compliance with Legislation, policies and Procedures, Assessments, and Payment and Reductions	30/06/15
CUS	Business Continuity Plans - IT and Telephony	Satisfactory	-	5	1	Data Recovery, Telephony Recovery and IT Service Recovery	06/07/15
CUS	Decent Homes Contractors / Fire / H&S - Client management	Satisfactory	-	2	-	Performance Management & Budgetary Control, Objectives, and Implementation of Recommendations from External Agencies	20/08/15
CUS	Housing Grants / Council's Housing Assistance Policy	Satisfactory	-	4	3	Eligibility, Authorisation, Processing, Payments and Service Delivery and Debt Recovery	20/07/15
CUS	Oracle12 Upgrade	Satisfactory	1	1	1	System Ownership and Data Classification, Licensing, Access Management, Segregation of Duties and Online Authorisation and SLA and Service Performance Monitoring and Reporting	22/07/15

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

CUS	Translation, Interpretation and Transcription Service - Contract Management	Satisfactory	-	2	4	Contract and Variations, Payments, Performance Management.	14/07/15
CUS	Council Tax 14-15 (Core Financial Audit)	Substantial	-	-	2	Process controls, compliance with regulations, data security	08/06/15
CUS	NNDR 14-15 (Core Financial Audit)	Substantial	-	-	1	Billing, Liability, Reliefs, Collections and Refunds, Recovery and DPA	18/06/15
CUS	No recourse to public funds (Pilot Scheme)	Substantial	-	1	3	Compliance with Legislation and Policies, Payments & Budgetary Control, Assessment & Reviews, and Performance Management	13/07/15
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	SharePoint 2010	Expected Opinion - Satisfactory				Work in Progress -	
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
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

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

<i>Lead Dir.</i>	<i>Auditable area</i>	<i>Assurance level given</i>	<i>H</i>	<i>M</i>	<i>L</i>	<i>Areas / Risks tested during the review</i>	<i>Date of final report</i>
COM	Client Contribution for Care 14-15 (Core Financial Audit)	Limited	1	5	-	Calculation, Authorisation, Processing, Documentation and Annual Review, and Debt Recovery and Write off	30/06/15
COM	Direct Payments 14-15 (Core Financial Audit)	Limited	-	8	2	Compliance with Legislation and Policies, Assessments and Payments, Utilisation Monitoring and Budget Monitoring	15/07/15
COM	Public Health Contracts / SLA	Satisfactory	-	4	1	Commissioning Strategy, Contracts and Variations to Contracts, Performance Management and Budgetary Controls	29/06/15
COM	South London and Maudsley (SLAM)	Satisfactory	2	1	2	Legal and Compliance, Performance Governance and Financial Governance and Budgetary Control	14/07/15
COM	Payments to Adult Care Providers 14-15 (Core Financial Audit)	Satisfactory	-	6	2	Compliance with Legislation, Set up of Client Payments, Payments and Budget Monitoring	18/06/15
COM	Youth Offending	Satisfactory	-	4	1	Budgets and Expenditure, Performance Management, Quality Assurance and Debt Recovery	02/07/15
<i>From 2013/14 audit plan but not finalised in the last annual assurance report</i>							
COM	Ten Day Self-Assessment Cases	Satisfactory	-	3	1	Use of the Self-ten Say Case audit , management Oversight and Referrals	06/06/14

<i>Lead Dir.</i>	<i>Auditable area</i>	<i>Assurance level given</i>	<i>H</i>	<i>M</i>	<i>L</i>	<i>Areas / Risks tested during the review</i>	<i>Date of final report</i>
CYP	Troubled Families Programme 14-15	Substantial	-	2	7	Data Protection, Framework, and Claim Submissions	05/12/14
CYP	Disclosure and Barring Service (DBS) PT 1	Substantial	-	-	2	Compliance with Policies and Procedures, DBS application process, Positive Disclosures, Renewals, Retention and Disposal of Records	20/08/15

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

CYP	Family Intervention Project - Contract Management	Substantial	-	-	4	Compliance with Policies and Procedures, Contract and variations, payments, and Performance Management	14/07/15
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	-	2	2	Monitoring of the Scheme, Late Payments, Payments to ineligible bodies and Budget Monitoring	24/06/15
CYP	Youth Service	Satisfactory	-	3	5	Plan and Objectives, Performance Management, Sustainability, Budget Monitoring, and Governance and Structure	01/07/15
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
<i>From 2013/14 audit plan but not finalised in the last annual assurance report</i>							
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
SCH	Holy Trinity CE Primary 2014-15	Substantial	0	3	2	As above	09/10/14

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	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 in 2014/15

Lead Dir	Audit Followed-up	Opinion	Final Rpt	F/up Rpt Date	Implemented	In Progress	Superseded	Not Implemented	Total
RRE	Non-Current Assets 13-14	Limited	26/06/14	10/06/15	-	1	-	-	1
RRE	Capital Expenditure 13-14	Substantial	09/07/14	24/06/15	-	1	-	-	1
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	Accounts Receivable 13-14	Substantial	08/05/15	18/06/15	1	-	-	-	1
CUS	Housing Benefit and CTRS	Substantial	10/04/14	30/06/15	2	-	-	-	2
CUS	Banking	Substantial	28/05/14	10/06/15	-	1	-	-	1
CUS	NNDR	Substantial	19/03/14	18/06/15	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

Appendix 2 Follow up Reviews Conducted in 2014/15

Lead Dir	Audit Followed-up	Opinion	Final Rpt	F/up Rpt Date	Implemented	In Progress	Superseded	Not Implemented	Total
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	Client Contributions 13-14	Substantial	22/05/15	30/06/15	1	-	-	-	1
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
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	Looked After Children Payments	Substantial	27/02/14	10/06/15	1	-	-	-	1
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

Appendix 2 Follow up Reviews Conducted in 2014/15

Lead Dir	Audit Followed-up	Opinion	Final Rpt	F/up Rpt Date	Implemented	In Progress	Superseded	Not Implemented	Total
CYP	TFP Follow-up for 13-14	Substantial	25/03/14	05/12/14	1	1	-	-	4
CYP	Payments for Children with Disabilities	Substantial	25/06/14	16/03/15	2				2
SCH	St Bartholomew's CE Primary School	Limited	15/09/14	02/07/14	10	5	-	-	15
Total					73	23	5	3	104

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>
<p>7. Internal Audit Resource</p>	<p>Less work planned for 2014/15 as resources reduced and resourcing issue addressed late in year. Resourcing for 2015/16 assurance work increased and work on audit plan started over the summer.</p>