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: 13 September 2016**

1. Purpose of the report

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

- Progress against the internal audit plan;
- Progress of implementation of internal audit recommendations; and
- Final annual assurance report for 2015/16

2. Recommendations

2.1. It is recommended that the Audit Panel:

- Note the content of this report;
- Agree to complete an effectiveness self-assessment; and
- Approve the final annual assurance report.

3. Background

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

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

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

4. Executive Summary

4.1. Internal audit progress update - 2015/16 - All outstanding audits (12 corporate and four school) from the 15/16 audit plan are now final with no changes to the draft assurances reported in June.

4.2. Internal audit progress update - 2016/17 - the corporate part of the audit plan is now underway with 13 out of the 67 corporate to the issue of the 'Terms of Reference' stage or work in progress. There were three dropped audits and two new audits added to the plan since the last meeting.

The schools' audit plan is also underway with two finalised, two at draft and one at the report review stage.

4.3. Limited, No Assurance and Consultancy reports - there was one 'No Assurance' audit and three 'Limited' reports issued. These were all from the 2015/16 audit plan.

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

4.5. Follow up reviews - There were 13 corporate follow-up reviews completed since the last meeting.   Of the 67 recommendations reviewed, 79% were either implemented or in progress. This is lower than usual, usually above 90%, and is an area for management action and continued monitoring.

4.6. Mid-year review of core financial (key) audits - Due to some of the core financials having negative assurance opinions in 2015/16, members requested an additional mid-year review be conducted on Accounts Payable, Accounts Receivable and Banking. While not all actions are yet completed this is broadly in line with the original planned completion dates. A further update will be provided at the next meeting.

4.7. Management progress against recommendations made - there were 17 re-occurring recommendations from core financial audits. The percentage of overdue to open recommendations for corporate reports is 32%, practically the same amount as reported last time (31%).

    The schools percentage of overdue recs to open recs is 43% which is an improvement from the 72% reported last time.

4.8. Final annual assurance Report - the draft assurance report presented in June is now finalised. The only amendments to the draft to note are; the draft audit opinions are now final, and updates to the recommendations from the Public Sector Internal Audit Standards (PSIAS) external assessment following the Panel's decisions in June.

4.9. Any other business - The new in-house team is working on the 2016/17 plan with one further member due to start in September.

    Members are to agree their one outstanding recommendation from the PSIAS assessment – whether to undertake an effectiveness self-assessment.

5. **Progress against the internal audit plan for 2015/16.**

    Corporate Audits

5.1. The corporate part of the audit plan is also now complete with all 12 remaining audits finalised.   There were no changes to the draft assurance levels reported in June.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
PFI Monitoring	13/08/16	Satisfactory	-	2	1
Anti-fraud and Corruption Team (AFACT)	15/06/16	Satisfactory	-	5	-
Non-current Assets 15-16 (Core Financial Audit)	15/05/16	Satisfactory	-	5	-
Appointeeships, deputyships and safeguarding of clients assets (both physical and financial)	07/06/16	Satisfactory	1	3	1
Accounts Payable 15-16 (Core Financial Audit)	07/06/16	No Assurance	6	4	-
Disaster Recovery / BCP	06/06/16	Satisfactory	1	2	-

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Housing - Bed and Breakfast, Hostels and temporary accommodation	06/06/16	Limited	1	5	1
Public Health - Statutory services and providing services back to the NHS and CCG	06/06/16	Satisfactory	1	4	-
Environmental Health - Food Safety, Hygiene and Standards	27/05/16	Satisfactory	1	4	-
Payments to Adult Care Providers 15-16 (Core Financial Audit)	27/05/16	Limited	-	9	1
Better Care Fund Framework	25/05/16	Limited	-	10	1
Direct Payments (was Personalisation) 15-16	24/05/16	Satisfactory	-	4	1

School Audits

5.2. The schools' part of the audit plan for 2015/16 is now complete with all four school reports now finalised.

Audit (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Prendergast Hilly Fields College (Secondary)	29/07/16	Satisfactory	1	9	-
Prendergast Ladywell Fields College (Secondary)	29/07/16	Satisfactory	1	9	1
Prendagast Vale College (Secondary)	29/07/16	Substantial	-	3	1
Kilmorie Primary	22/04/16	Satisfactory	-	4	1

6.   Progress against the audit plan for 2016/17

Corporate audits

6.1. The table below provides a summary of the status of the corporate part of the internal audit plan. It shows at least 19% of the plan is underway.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Yet Started	ToR / Field-Workstage	Reports at Draft	Final Reports
68	2	(3)	67	54	12	-	1

6.2. The reports issued since the last meeting are listed below.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Risk Maturity	28/07/16	Risk Managed	-	5	1

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

Additional audits

- Street Licencing - management suggestion
- Better Care Fund - requested by the Executive Director for Resources.

Cancelled audits

- Broadway Theatre – due to reduction is activities, recent health and safety work and pending progress on Catford Town centre regeneration work
- Private Sector Licencing - scope to be covered in another audit
- General Election Preparation - deferred to another year given three successful elections run in 2016

6.4. School Audits

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

Original Plan	Extra Audits	Dropped Audits	Current Plan		Not Started	Field-Work stage	Draft Reports	Final Report
27	-	-	27		25	1	2	2

6.5. There were two school reports issued since the last meeting, both with a positive opinion.

Audit (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Rushey Green Primary	22/07/16	Satisfactory	-	10	5
Holy Cross Catholic Primary	07/07/16	Substantial	-	3	2

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

7. Limited , No Assurance and Consultancy reports

Corporate Audits

7.1. There were three corporate 'Limited' opinion reports issued since the last meeting. All of them were from the 2015/16 audit plan:

- Housing - B&B, Hostels and Temporary Accommodation
- Payments to Adult Care Providers 15-16 (core financial) and
- Better Care Fund

7.2. In addition, there was one 'No Assurance' corporate report issued, again from the 2015/16 audit plan.

- Accounts Payable 15-16 (core financial)

7.3. The executive summaries for these reports, which the Panel have already seen in draft at the June meeting, are in appendix 2.

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

8. High or Medium recommendations not agreed

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

9. Follow up reviews

Corporate follow-up reviews

9.1. Corporate audits with High or Medium recommendations are normally followed-up within nine months of the final report. The exception to this is core financials that are follow up at the next annual audit.

9.2. There were 13 corporate follow up reviews completed since the last report. The summary of the status of the recommendations are in the table below. Of the recommendations followed up, 79% were implemented or in progress. This is less than previously reported, typically above 90%, but still in the 80/20 acceptable split. This is an area for management action and continued monitoring by internal audit.

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

Implemented	In Progress	Superseded	Not Implemented	Total Recs
23	30	-	14	67
34%	**45%**	**-**	**21%**	**100%**

School follow up reviews

9.4. School audits with a negative assurance opinion (i.e. 'Limited' or 'No assurance') also receive a follow-up review. There were no school follow up reviews completed in this period.

10. Mid-year follow up reports on Core Financial Audits

10.1. The audit panel requested a midyear follow up on the key core financial audit due to the limited assurances in the last two years. The focus was on Accounts Payable, Accounts Receivable and Banking. This mid-year follow up is in addition to the normal follow up reviews that take place on an annual basis.

Audit	Implemented	In progress	Not implemented	Total no of recs
Accounts Payable	3	4	3	10
Accounts Receivable	-	2	4	6
Banking	2	2	-	4

10.2. It should be noted that some of these recommendation were not due to be completed until a later date than the mid-year review, so it is to be expected that some are currently not implemented or in progress.

10.3. A consolidation report on these follow-ups is presented at Appendix 5. It lists the issues, recommendations relating to the issues, and the progress at the time of the follow-up review. The actions for these audits is a priority for management to ensure controls are operating effectively in these key systems. Progress will be checked again in October with the annual audits of these core systems and progress reported to the next Audit Panel.

11. Management progress against recommendations made

Corporate Recommendations

11.1. The table below shows the status of the High and Medium recommendations as at the 26/08/16 for corporate recommendations.

11.2. The percentage of overdue to open recommendations is 32%, which is of the same order as the 31% reported at the last meeting. However, it should be noted that this snapshot of the status is during the summer holidays and taken when many officers are on leave and a rise in late updates often occurs.

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

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

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

11.4. The audits listed below detail the 17 recommendations that are re-occurring from the five recently issued core financial audits.

Accounts Payable - (5)

- To update procedure notes
- Briefing note to officers on paying suppliers to be created and available to all staff
- Report of amendments to supplier details should be run and reviewed regularly
- Reports for duplicate and high value payments should be run and reviewed.
- Approval forms should be held for all staff

Direct Payments - (2)

- Personal budget agreements should be held for each user
- Pre-payment card spreadsheet should include user start date issue of card

Non-current assets - (1)

- Software licencing support agreement to be signed

Payments to Adult Care Providers (5)

- Discharge notification forms should be sent to payments team prior to placement date
- Funding assessment forms to be processed prior to making payments.
- Payments to providers should be made within the council's authorised signatory limits
- Notifications of clients' deaths to be dealt with in a timely manner.
- Budget holders should review, sign and date monthly control reports in a timely manner.

Payments to Care Providers and Foster Carers - (4)

- Procedure notes should be annually reviewed and evidenced as such
- Preferred providers should submit the required documentation to the council by the agreed deadlines. Officers to meet with the providers to discuss the contracts.
- A review of the policy on charging for parental contributions towards the cost of looked after children (follow up on another borough's pilot scheme).
- Volume discounts for 13/14 and 14/15 to be invoiced and sequentially recovered. The 2012/13 cost volume discounts should be investigated and accounted for.

11.5. There were no corporate superseded recommendations since the last meeting.

School Recommendations

11.6. The table below shows the status of open High and Medium school recommendations as at the 26/08/16. The percentage of overdue to open recommendations is 43%. This is an improvement from the 72% reported last time. The detail is reported in appendix 4.

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

12. Final Annual Assurance Report.

12.1. The final annual assurance report is now presented for members' formal approval at appendix 6. There were only two changes from the draft report that was presented in June to the final. They were:

- Updates to the table showing work completed for the year from draft to final.
- The other was to Appendix 3, to update the completed dates to the Improvement Plan from the Public Sector Internal Audit Standards (PSIAS)

13. Any other business

13.1. The new in-house team is up and running. Two of the principal auditors started in July and the third is due to start in September. Internal audit continue to make use of the Croydon Framework (Mazars) and have attended a users forum to support the work to re-procure the framework from 2018. Mazars are conducting the core financial and

IT audits for 2016/17, along with some of the general audits in the plan. The Royal Borough of Greenwich is also conducting some of the school audits, but this will be the last year they will be able to assist us.

13.2. There is one recommendation that members need to agree that came out of the PSIAS assessment. "The Audit Panel should consider annually completing an effectiveness assessment ".

13.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a guide called "Audit Committees - Practical Guidance for Local Authorities and Police". In this guidance (appendix D), there is a self-assessment of 'good practice for audit committees'. This self-assessment can be found in appendix 7.

13.4. The National Audit Officer has a more comprehensive checklist that would complement CIPFA's self-assessment of good practice. It can be found at the link to their website:

https://www.nao.org.uk/report/audit-committee-self-assessment-checklist-2-2/

14. Legal implications

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

15. Financial implications

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

16. Equalities implications

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

17. Crime and disorder implications

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

18. Environmental implications

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

19. Background papers

19.1. There are no background papers.

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

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

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

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

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

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

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

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

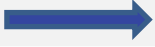| Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Business Continuity Plans for Adult Social Care Providers										
GN	Community Budget with Southwark and Lambeth										
GN	Expenses reimbursed by payroll and Procurement card.										
GN	Financial Regulations / Constitution	──────→									
GN	General Election Preparation										
GN	Gifts and Hospitality and Declaration of Interests - Officers and Members	──────→									
GN	Home Care Provision										
GN	House in Multiple Occupation (HMO)										
GN	Income Generation Scheme / Project										
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.										
GN	Lewisham Website and Intranet Content Usability	──────→									
GN	Licensing	──────────────────→									
GN	Local Support Scheme										

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

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DOLS)										
GN	Monitoring of Child Care Providers										
GN	Monitoring of Lewisham Homes Management Agreement										
GN	No Recourse to Public Funds (NRPF) Case Framework	→									
GN	Ofsted Framework Rolling Plan - Children looked after and achieving permanence (Adoption / Experiences and progress of care leavers) -										
GN	Ofsted Framework - Rolling Plan Leadership Management and Governance -										
GN	Ofsted Framework Rolling Plan - Children who need help and protection -										
GN	Private Rented Sector Licensing Scheme.										
GN	Procurement Card Expenditure										
GN	Project Management Review Framework and Training										
GN	Risk Maturity Review	⟶					28/07/16	Risk Managed	-	6	-
GN	Safe Guarding and Assurance Adults -										

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
	Proactive Monitoring of Referrals										
GN	Sundry Debtor System and Suspense Controls										
GN	Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside	→——→									
GT	Troubled Families Programme Grant Submission	→——→									

School audits sorted by name

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Brindishe Green Primary	→————→						
Brindishe Manor	→————→						
Clyde Nursery	→—→						
Dalmain Primary							
Deptford Park Primary							
Drumbeat School (Special)							
Good Shepherd Catholic School							
Holy Cross Catholic Primary	→————→		07/07/16	Substantial	-	3	2
Horniman Primary							

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

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

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

Executive Summary for Payments to Adult Care Providers 2015/16

Internal Audit Assurance Opinion	▲ Limited	Direction of Travel	↓

	Risk Headings	H	M	L
★	1. DPA and statutory requirements	-	1	-
●	2. Set up of provider for payments	-	2	-
▲	3. Payments	-	3	1
▲	4. Budgetary Control	-	3	
	Total	-	9	1

★Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 13.

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 (**identified in previous audit)

- There is no evidence that the Payments team have undertaken the mandatory data protection course or any training log to confirm any training received;

- **4 of the sample of 10 discharge notifications from the Brokerage Team to the Payment Team were not evidenced as processed in a timely manner;

- **7 of the sample of 10 discharge notifications from the Brokerage Team to the Payment Team did not detail the funding status of the clients;

- Two out of the 27 payments examined were not approved in line with the Council's authorised signatory limit;

- Payments are not processed in a timely manner;

- **The Payments Team were not always notified of client deaths in a timely manner with 9 of the 20 deaths sampled being notified after 3 weeks of the death dates;

- **Budget monitoring reports sampled were not dated or signed;

- The reasons for identified variances were not stated in the budget monitoring reports sampled; and

- **the 'Older Adults Residential' and 'Older Adults Home Care' budget monitoring reports for March 2016 reported adverse £1.110m and £3.218m end of year positions respectively; however, expenditure values were in line with that of 2014/15 indicating that the budget setting process needs to be critically reviewed.

Follow up status of previous High & Medium recommendations			
Implemented	In Progress	Superseded	Not Implemented
-	4	-	2

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. (or note changes)

Executive Summary for Housing – B&B, Hostels and Temporary Accommodation 2015-16

Internal Audit Assurance Opinion	▲ Limited

★Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 11.

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

- There are no Council specific procedure notes for processing temporary accommodation;

- While occupancy checks for nightly paid accommodation are undertaken on an ad-hoc basis, there is no overarching formal plan for these checks;

- There is no robust monitoring mechanism for occupancy checks on other temporary accommodation;

- Former tenant arrears increased from week 2 to week 47 by £386k (i.e. by 48%) for nightly paid accommodation;

- Private sector leased and hostel accommodation current and former tenant arrears increased from April 2015 to February 2016 (£1.66m to £1.74m); and

- Sample testing of nightly paid accommodation tenant payments identified a discrepancy between an invoice and Council records, which resulted in an overpayment of £1,581.

	Risk Headings	H	M	L
●	1. Allocation of Accommodation	-	3	1
▲	2. Charging and Collection of Rents and Rates	1	1	-
●	3. Payments	-	1	-
	Total	1	5	1

Follow-up

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

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

Changes to the scope

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

Areas that worked well

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

- There are agreements in place between the Council and Providers of temporary accommodation;
- Individual rent accounts are set up in a timely manner; and
- Payments to landlords are correctly processed.

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

Executive Summary for Better care Fund Framework 2015-16

Internal Audit Assurance Opinion	▲ Limited

★Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR) which can be found on page 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

- The Section 75 Agreement was signed 8 months after commencement of the Better Care Fund (BCF) programme;
- The Section 75 agreement does not contain some required schedules;
- There are no terms of reference for the BCF core governance groups;
- There is no Issues Risk Register/ Risk Log for the BCF;
- The BCF core governance groups – the Partnership Board, the Adult Integrated Care Programme Board and the Operational Working Group do not have regular meetings;
- It is not evidenced that the Partnership Board reviews the Better Care Fund performance targets and progress against National Conditions;
- The arrangements and responsibility for management information, including data quality and information governance are not defined;
- There are no arrangements in place for the audit of the accounts of the Better Care Fund Pooled Fund;
- The financial performance of the BCF is not evidenced as being regularly reviewed; and
- The quarterly BCF returns are submitted late.

Risk Headings	H	M	L
● 1. Governance and Risk Management	–	4	1
▲ 2. Performance Management and Data Quality	–	3	–
● 3. Financial Structure	–	3	–
Total	–	**10**	**1**

Follow-up

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

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

Changes to the scope

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

Appendix 3 - Follow up results

Audit Followed Up (Corporate)	Opinion	Final Rpt Date	F/up Rpt Date	Impl'd	In Progress	Supers'd	Not Impl'd	Total
Procurement	Satisfactory	24/07/16	18/07/16	-	-	-	4	**4**
Corporate Health and Safety	Satisfactory	23/09/15	16/06/16	3	1	-	-	**4**
Non-Current Assets 14-15	Limited	10/06/15	20/05/16	3	1	-	-	**4**
Procurement Card	Satisfactory	05/03/15	18/08/16	5	-	-	-	**5**
SharePoint	Satisfactory	13/10/15	16/08/16	1	5	-	-	**6**
Housing Grants and Housing Assistance Policy	Substantial	27/07/16	16/06/16	2	2	-	-	**4**
Accounts Payable 14-15	Limited	09/06/15	07/06/16	3	3	-	3	**9**
Youth Offending	Satisfactory	02/07/15	17/06/16	2	1	-	1	**4**
South London and Maudsley (SLAM)	Satisfactory	18/06/15	27/05/16	-	4	-	2	**6**
Payments to Adult Care Providers 14-15	Satisfactory	18/06/15	27/05/16	-	4	-	2	**6**
Direct Payments 14-15	Limited	15/07/15	24/05/16	2	5	-	-	**7**
Youth Service	Satisfactory	01/07/16	17/06/16	1	2	-	-	**3**
Payments to Care Providers and Foster Carers 14-15	Satisfactory	09/06/16	06/06/16	1	2	-	2	**5**
			Total	**23**	**30**	**-**	**14**	**67**

Appendix 4 – Status of Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Capital Expenditure 15-16	Satisfactory	22/03/16	1				
Corporate Health and Safety	Satisfactory	23/09/15	1	1			Changed 2 times
Main Accounting 14-15	Satisfactory	18/06/15		1			Changed 4 times
Non-Current Assets 15-16	Satisfactory	20/05/16	2			1	
Pensions 2015/16	Satisfactory	01/04/16	2	1		2	Changed 2 times
Procurement 14-15	Satisfactory	24/07/15	3				
Accounts Payable 15-16	No Assurance	11/06/15	2		1	3	
Accounts Receivable 15-16	Limited	15/01/16	1	1		2	Changed 2 times
Banking 15/16	Limited	07/03/16		1		1	Changed 2 times
Business Continuity Plans - ICT and Telephony	Satisfactory	06/07/15		3			Changed 2, 3 and 4 times
Client Contributions for Care Provisions 15-16	Limited	01/04/16				2	
Disaster Recovery / Business Continuity Planning 15-16	Satisfactory	06/06/16	3				
Disaster Recovery for ICT Infrastructure	Limited	19/04/16		3			Changed 3 and 4 times

Appendix 4 – Status of Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Payments Centre	Satisfactory	26/09/13		1	1		Changed 5 times
Registrars 15-16	Satisfactory	30/06/16		1			Changed 4 times
SharePoint 14-15	Satisfactory	13/10/15			2		
Direct Payments 15-16	Satisfactory	24/05/16	2			1	
Domiciliary Care Agencies	Satisfactory	22/02/16	1				
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	4				
Learning Disability Respite - Contract Management	Limited	14/03/16	1				
Payments to Adult Care Providers 15-16	Limited	27/05/16	1			2	
Public Heath - Statutory Services	Satisfactory	06/06/16	5				
Public Health Contracts	Satisfactory	29/06/15	3		3		
South London and Maudsley NHS (SLaM)	Satisfactory	14/07/15	3				
Youth Offending	Satisfactory	02/07/15		1	3		Changed 2 times
Children's Centres Contract Management	Limited	14/04/16	5				

Appendix 4 – Status of Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Payments for 2-4 year olds	Substantial	24/06/15		1			Changed 3 times
Payments to Care Providers and Foster Carers 15-16	Limit	27/05/16	2			4	
School Catering Contract - Client Monitoring	Satisfactory	09/07/14		1			Changed 5 times
Speech and Language Therapy	Substantial	20/05/16	1				
Youth Service	Satisfactory	01/07/15	1		1		Changed 2 times
		Total	**44**	**16**	**11**	**18**	

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Adamsrill Primary School 15/16	Limited	26/08/15	1		6	Follow up complete
All Saints Primary 14-15	Satisfactory	11/03/15	1			
Althelney Primary 15/16	Satisfactory	10/03/16	4			
Brent Knoll Special 14/15	Satisfactory	19/12/14	1	1		Changed 2 times
Chelwood Nursery 15-16	Satisfactory	22/10/15	3	1		Changed 2 times
Coopers Lane Primary 14-15	Substantial	26/02/15	1			
Elfrida Primary School 14-15	Limited	05/03/15		1	1	

Appendix 4 – Status of Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Forster Park Primary	Substantial	27/01/16	5			
Holbeach School 15-16	Satisfactory	03/02/16	10			
Kender School 15-16	Satisfactory	06/07/15	1			
Launcelot Primary	Satisfactory	23/02/16	6			1 - Changed 2 times 1 - Changed 3 times
Our Lady and St Philip Neri 15-16	Satisfactory	04/02/15	10			
Sedgehill 15-16	Satisfactory	30/04/16	1			
St James Hatcham 14-15	Satisfactory	26/02/15	9			
St Mary Magdalen's Catholic Primary 15-16	Satisfactory	02/07/15	2			
St Michael's Cof E Primary School	Substantial	30/11/15	3			
St Saviours RC Primary School 14-15	Substantial	30/04/15	2			
Sydenham Schools 15-16	Substantial	27/11/15	2			
Torridon Junior School 13-14	Substantial	07/04/14	1			
Trinity Through School 15-16	Satisfactory	13/11/15	6			
Turnham Primary School 13-14	No Assurance	31/07/14	9			
Watergate School 15-16	Limited	11/08/15	6			
			84	**3**	**7**	

Appendix 5 – Mid Year Follow up Progress Report

1.   Introduction / Background

1.1.   The audit panel request a midyear follow up progress report on the audits listed below. This was due to the continuing negative assurance reports issued to core financial audits.

- Accounts Payable
- Accounts Receivable and
- Banking.

1.2.   This mid-year follow up progress report will be in addition to the normal annual follow up reviews.   Internal audit formally followed up on the progress of the high and medium recommendations in the reports listed above.

2.   Findings

2.1.   <u>**Accounts Payable - issued 7 June 2016 - No Assurance**</u>

Issues and Recommendation (Rec) - Accounts Payable	Progress to date
1 - Issue - Lack of procedures notes and no update to the existing ones that take account of changes to oracle upgrade. **Rec** - Procedure notes to be reviewed and updated to include the changes brought about by the Oracle upgrade. (Re-occurring recommendation)	Not implemented – due October 2016 (one date change) Since the completion of the audit in June, there has been no further progress on updating procedure notes.
2 - Issue - Poor performance with paying invoices within the 30 days target. A suggestion back in Jan 16 to provide managers with a briefing note on how to managers had not been acted upon and notes on how to process not put in place **Rec** - A briefing note relating to 'Paying an Invoice' should be issued to all managers within the council. (Re-occurring recommendation)	Implemented The council now has a dedicated SharePoint site (which is accessed via the MySite page), that provides guidance to all officers.
3 - Issue - There was no monitoring mechanism for changes to supplier accounts. (This was to be a compensating control re lack of access control on supplier details - see rec 4). **Rec -** An exception report that details amendments to supplier details needs	In Progress – due November 2016 A report is now generated detailing changes to supplier. Officers informed internal audit that management sample a number of the amendments on a monthly basis.

Issues and Recommendation (Rec) - Accounts Payable	Progress to date
to be generated and reviewed by a manager on a regular basis. Management should have oversight of these amendments to ensure they are valid, correct and completed in a timely manner. (Re-occurring recommendation)	However, there was no evidence of a review and therefore internal audit could not confirm if the level of monitoring was sufficient.
4 - Issue - There is no segregation of duties for those who are involved in amending supplier details. One officer is allowed to process a change without any approval on the Oracle system **Rec -** To review the workflow process on changes to supplier details. To liaise with Oracle Partnership / Cap Gemini to help with implementation of the separation of duties.	Not Implemented – due September 2016 The proposed changes to the amendment to supplier workflow has not been implemented. This has been escalated by the OneOracle partnership
5 - Issue - Reports to identify duplicate payments were not being used **Rec** - To progress the use of Fiscal or IDEA to produce reports to enable management to identify and duplicate payments. (Re-occurring recommendation)	In Progress – due November 2016 (re-opened) Progress is being made to use 'Fiscal' which would alert managers to possible duplications prior to payment. There is a delay in auctioning this due to confirmation of information sharing agreement.
6 - Issue - Invoices were paid without a purchase order (PO) being raised where a PO should have been made. **Rec** - Ensure officers are aware that all PO should be raised in all circumstances unless they are agreed exceptions.	Implemented The council now has a dedicated SharePoint site (which is accessed via the MySite page), that provides guidance to all officers.
7 - Issue - there are duplicate supplier details on the Oracle system. This could lead to a supplier being paid twice. **Rec -** To progress the date cleansing of the supplier details.	Not Implemented – due July 2016 (now implemented and work ongoing) While internal audit was informed that creating a supplier data care is undertaken, there is no arrangement in place for data cleansing of data already on the system. NB - it should be noted that to cleanse current supplier data needs to be done in conjunction with the other partners due to the setup of Oracle partnership.
8 - Issue - Approval forms were not available to view and as such unable to confirm if the person authorising the payment had the right permission levels.	In Progress – September 2016 The project to implement an electronic process for authorised signatories is due to go live at the end of August.

Appendix 5 – Mid Year Follow up Progress Report

Issues and Recommendation (Rec) - Accounts Payable	Progress to date
Rec - Progress the review into directorate approval forms held for all staff (Re-occurring recommendation)	
9 - Issue - No evidence of authorisation for some payments processed via the feeder system Tribal. Current practice is that a manual signature is used as approval for payment. At the time of the audit, Tribal did not have authorisation process built in. **Rec -** All invoices must be evidenced as appropriately authorised. Management to liaise with IMT re the Tribal system, or put in place an alternative, manual arrangement.	In Progress – August 2016 This recommendation has been escalated to IMT for resolution.
10 - Issue - There were invoices that were not paid within the 30 days requirement. None of those identified had been on hold. **Rec -** Consider the following when critically reviewing the underlying reason for the delays: • Public Contract Regulations 2015 • Produce reports for un-receipted invoices • Produce report for late paid invoices • Target managers who do not comply with escalation process	Implemented The council now has a dedicated SharePoint site (which is accessed via the MySite page), that provides guidance to all officers.

2.2. **Accounts Receivable - issued 15 January 2016 - Limited**

Issues and Recommendation (Rec) - Accounts Receivable	Progress to date
1 - Issue - There is no separation of duties for staff members who raise invoices and who process write offs and credit notes. **Rec** - Access permissions should be restricted to ensure an officer is not able to raise, cancel or write off without additional approval.	Not Implemented. – due October 2016 To include a separation of duties in Oracle would require a customisation of forms and a cost from Cap Gemini. Management should continue to explore this way this option or put in place a compensating control.
2 - Issue - At the time of the audit, the suspense account had a large backlog (£1.5m) unapplied, unidentified and unapplied receipts in the	In progress – due October 2016

Appendix 5 – Mid Year Follow up Progress Report

Issues and Recommendation (Rec) - Accounts Receivable	Progress to date
account. **Rec** - continue to work urgently to clear the suspense account. (Re-occurring recommendation)	Work in clearing the account is underway with good progress made. At the time of the review the total was just over £633k.
3 - Issue - there is no validation of account numbers when input. This leads to an increase of items in suspense. **Rec - A** functionality to validate customer account numbers should be investigated.	Not Implemented. – due October 2016 Oracle does not currently allow reference numbers to be validated. Invoices raised do contain a barcode that validates the account when paid at the Post officer / PayPoint. Similar controls around Debit / Credit card payments, BACS and DD are in place. However, payments paid via a bank to not currently have a giro / barcode.
4 - Issue - There is no report to identify when an instalment plan is not being adhered to. A manual process to check instalment plans was put in place, but at the time of the audit was not being done. **Rec -** Continue to progress the testing and implementation of the system generated report (Re-occurring recommendation)	Not Implemented – due September 2016 There is no system in Oracle to automatically generate notification of a break in an instalment plan. As such, this recommendation will not be able to be implemented. In addition, there is no a report that generates this information either.
5 - Issue - Debtor collection team stats reports are unable to be generated from Oracle since the upgrade. **Rec** - Continue to progress the implementation of the debtors collection team stats using the OBIEE (Oracle report bolt on). (Re-occurring recommendation)	Not Implemented – due September 2016 No progress to date.
6 - Issue - Recovery action can be suppressed during the debt recovery process (dunning), so that reminder letters can be removed. A report that details those accounts where removal / stopping of recovery action is stopped, are only produced on an ad-hoc basis (3-4 months). **Rec -** Report of the reminder letters taking out of the dunning process should be produced and monitored on a regular basis.	In Progress – due September 2016 The process of checking the accounts that were removed from the dunning process is ongoing. A the time of this review, 797 out of 1508 had been excluded from the dunning process, had been checked.

Appendix 5 – Mid Year Follow up Progress Report

2.3. **Banking - issued 7th March 2016 - Limited**

Issues and Recommendation (Rec) - Banking	Progress to date
1 - Issue - Procedure notes needed updating, linked to the SharePoint site or removed to reflect current practices. **Rec** - Procedure notes should be periodically reviewed and amended where applicable. Version control should also be put in place. (Re-occurring recommendation)	In Progress – November 2016 (two date changes) Procedure notes are now in place for some, but did not detail the version control information.
2 - Issue - Cash receipts that are not automatically allocated to an account are held in exceptions in the Account Income Management System (AIMS) (i.e. prior to going to the suspense account). These have to be manually allocated to the accounts. Receipts were held in the AIMS system for more than six months prior to being transferred to the general suspense account. **Rec** - Critically review the period that any un-allocated items in the exceptions account on AIMS is kept.	Implemented The oldest receipt on the AIMS exceptions account was dated 1s June 2016.
3 - Issue -.There are a large amount of cash receipts (£1.7M) that were not manually allocated from the exceptions list in AIMS, transferred to the suspense account. **Rec -** The core financial team and the financial transaction team should continue to liaise with each other to help clear unidentified income accounts.	In progress – April 2016 As at the 31/07/16- the unidentified income account was £290k. Reconciliation of this account is on-going.
4 - Issue - No reconciliation of the 'AIMS Daily Balancing Summary' was being produced. The bank reconciliation process is dependent on this summary and was several months behind. **Rec -** To keep the AIM Daily Balancing Summary up to date.	Implemented The summaries were completed to the end of July 2016.

Appendix 5 – Mid Year Follow up Progress Report

Appendix 6 – Final annual assurance report

1.   Purpose

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

2.   Recommendation

2.1.   Members are asked to note the final annual assurance report for 2015/16.

3.   Executive summary

Background

3.1.   This is a statutory report to be made annually by the Council's Head of Internal Audit.

Introduction

3.2.   The Public Statutory Internal Audit Standards (PSIAS) define the required contents of this Annual Assurance Report.

Opinion

3.3.   The opinion of the Head of Corporate Resources on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment during 2015/16 is Limited (this is down from Satisfactory in 2014/15). The Schools opinion remains Satisfactory.

Qualifications to the opinion

3.4.   Sets out the circumstances to help place this opinion in the appropriate context. There are two qualifications to the opinion, the higher than usual number of changes to the Internal Audit plan and some weaknesses in Risk Management practices through the year.

Summary of work assurance work completed which the opinion is derived

3.5.   The internal audit plan 2015/16 initially had 85 pieces of audit work (59 Corporate and 26 Schools), not including follow-up reviews. By the end of the year this had decreased to 71 pieces of work (45 Corporate and 26 Schools).

3.6.   In respect of the corporate audits 13 of the 41 reports issued (32%) were with a negative opinion; split core 5 of 17 (29%) and non-core 8 of 24 (33%). The schools audits were 2 of 26 reports (8%) with a negative opinion.

3.7.   In addition, there were 16 corporate and two school follow-up reviews completed for the period.

Issues relating to the Annual Governance Statement

3.8.   One of the three improvement areas noted in the AGS is in respect of internal control. From the internal audit recommendations in 2015/16 the common or more significant areas noted for improvement were: Budget Pressures; ICT Infrastructure; Contract Management; Human Capital; and Financial Control.

Statement of compliance with the PSIAS

3.9.   The independent external review conducted in February 2016 confirmed that the Internal Audit Service complies with the Public Sector Internal Audit Standards.

Appendix 6 – Final annual assurance report

<u>Quality Improvement Programme for Internal Audit</u>

3.10. The focus for 2016/17 is to embed the newly recruited internal audit team to deliver a value for money service, maintain quality, and improve the service impact with better knowledge and understanding of the Council's operations.

4. Background

4.1. The Accounts and Audit (England) Regulations 2015 states, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

4.2. 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 2015 to May 2016. This opinion and report contributes to the Council's Annual Government Statement (AGS).

4.3. The Council's Head of Internal Audit is the Head of Corporate Resources who has operational responsibility for the in-house Anti-Fraud and Corruption Team (A-FACT), Insurance and Risk Management, Corporate Health & Safety, Procurement Support, Strategic Finance, Pension Fund, and Treasury Management. He is also the Deputy Section 151 Officer.

5. Introduction

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

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

6. Opinion

6.1. 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:

6.2. "I have considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team and other sources of assurance available to the Council for the audit year 2015/16. In my opinion, **Limited** assurance can be placed on the adequacy and effectiveness of Council's corporate internal controls framework in place and **Satisfactory** assurance can be placed on the Schools internal controls framework".

Appendix 6 – Final annual assurance report

6.3.   This opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Satisfactory, through to Limited and No Assurance. Definitions are provided at Appendix 4.   The opinion for the 2015/16 corporate audits continues the direction of travel noted in 2014/15 and is down from last year's Satisfactory opinion.

6.4.   I was part of the Annual Governance Statement (AGS) working party through 2015/16. The working party comprises a group of senior officers, chaired by the Head of Law, responsible for preparing and reviewing the Council's AGS.

6.5.   The AGS has been updated and actions mentioned throughout the year. I am satisfied that the content of the statement is accurate and its completion has complied with the relevant CIPFA guidance. Issues that I judged relevant, such as the effectiveness of internal control, have been considered by the group and included where necessary.

7.   Qualifications to the opinion

Internal Audit

7.1.   Work continues to stabilise and improve the Internal Audit Service to deliver value for money for the Council. The plan for 2015/16 was mainly delivered by contractors; via the London Borough of Croydon framework with Mazars for corporate audits; and a service level agreement with the Royal Borough of Greenwich for school audits.

7.2.   These arrangements have put a cost pressure on delivery of the plan. This, combined with reorganisations and the state of continuous change for a number of key services across the Council, has made the audit planning more difficult. And resulted in several changes to the plan and more audits than usual being cancelled or deferred than usual through the year.

7.3.   For example; when it was announced that Children's Services were to be inspected by OFSTED a number of planned audits in this area were deferred to avoid duplication; and pending the move to the new IT shared service with Brent limited IT audits were undertaken as the results for 2015/16 were already known based on 2014/15 work.

Risk Management

7.4.   There was an audit of Risk Management during 2015/16, which resulted in a satisfactory opinion for the process. However, as noted by the Internal Control Board (ICB); there were some weaknesses and delays through the year in management's updating of risk registers, completing service plans and undertaking appraisals with staff. Work is underway to address these challenges with a new 360 degree appraisal process for senior managers introduced for 2015/16 and a refreshed corporate focus on setting, communicating and monitoring objectives for 2016/17.

7.5.   The risk of not being able to fully rely on the service plan objectives and risk register assessments is that internal audit reviews may not be directed where most needed and of most potential value to the Council.

7.6.   The mitigation actions in 2015/16 have included; having the Head of Corporate Resources involved in a range of senior management functions so aware of the strategic direction for the Council; planning meetings with Heads of Services; monitoring sector and professional horizon-scanning reports; experienced auditor

knowledge; reviewing committee reports; and keeping up to date with events / legislation that affect Local Government.

8.   Summary of assurance work from which opinion is derived

Delivery of the Audit Plan

8.1.   The internal audit plan 2015/16 initially had 85 pieces of audit work (59 Corporate and 26 Schools), not including follow-up reviews. By the end of the year this had decreased to 71 pieces of work (45 Corporate and 26 Schools).

8.2.   The changes to the plan during the year were as follows:

8.3.   Additional Audits - New

- Arrangement for 18+ Children in Care – Requested by Head of Service
- Processes for Payment to Main Providers
- Troubled Families Claim (Last one of Phase 1)
- Section 47 Referrals and Data Quality (see also cancelled / deferred)

8.4.   Additional Audits – Split

- COM / CYP Contract Management Audits split from two to four audits
    - Learning and Disability Respite
    - Employer Agents – Pupil Placements
    - Speech Language and Therapy
    - Domiciliary Care Agencies

- Data Protection Act / Freedom of Information Act (DPA / FOIA) - split into two
    - Data Protection Act Compliance
    - Public Access to Information

8.5.   Cancelled / Deferred

- Audits cancelled due to internal audit resources
    - Archiving
    - Cultural Change and Managing Resistance
    - Dedicated Transformation Team / Lewisham Future Board
    - Monitoring of ad-hoc payments to children in care and providers (non-key controls)
    - Multi Agency Partnership Working
    - Private Sector Housing Agency (PHSA)
    - Procurement Process and Contract Register
    - Safeguarding Board – CYP – Serious Case Review Framework
    - Safeguarding and Assurance Adults – Proactive monitoring of referrals
    - Savings Proposals v's Results
    - School Policies – Thematic Review
    - School Improvement Inspections Reports
    - Special Educational Needs (SEN) Service – Post reorganisation
    - The Care Act 2014 – Changes to Strategy and Processes
    - Voluntary and Community Sector Contracts

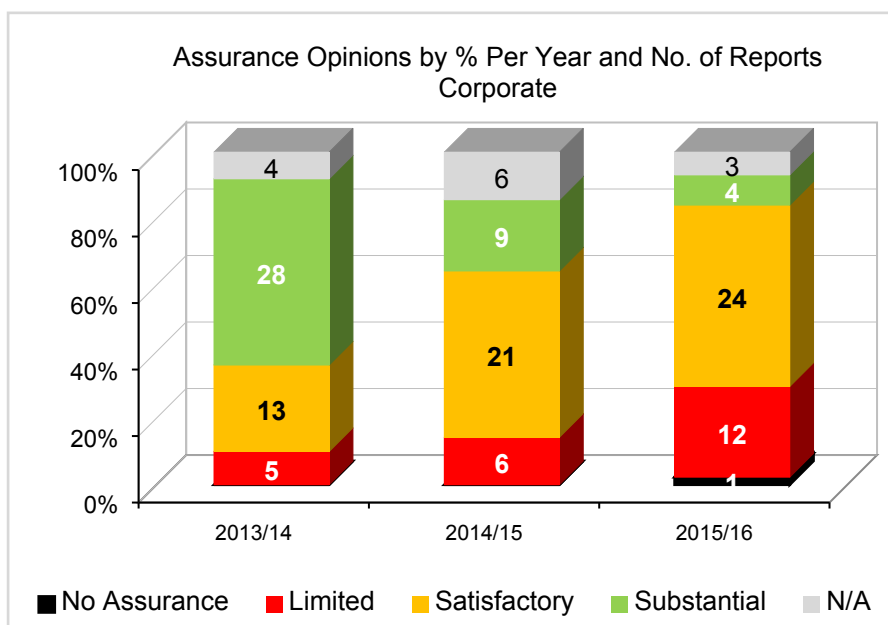**Appendix 6 – Final annual assurance report**

- Audits no longer required

    o Anti-Social Behaviour Service (no longer a single service)
    o Troubled Families Programme – Annual Grant Framework no longer a requirement to perform an annual audit.

- IT Audits – Cancelled due to timing and contractor resources

    o Mobile / Home Working Access
    o Monitoring of Breaches, Spam Mail, Malware and Denial of Service Attacks
    o Public Sector Network Compliance (PSN)

- Section 47 Referrals and Data Quality – cancelled from the 15/16 audit plan as key staff not available.

8.6.   The graph below represents the percentage of audit assurance opinions (with the number of reports issued) for corporate audits issued. The definitions of assurance opinions – Substantial, Satisfactory, Limited and No Assurance – can be found at Appendix 4. N/A is for non-assurance work such as grants or consultancy reviews.

8.7.   While some work is still at draft report stage, with the exception of one corporate audit, all audit assurance opinions are reported and have therefore been considered in preparing this report. It is not expected that on completion of the final audits that there will be any material changes to impact the assurance opinion as presented.

8.8.   The results of the corporate internal audit work for 2015/16 has seen the number and proportion of Limited assurance reports issued continue to increase. This is in line with the previous Head of Audit assurance opinion, which stated last year overall opinion was satisfactory, and heading towards a Limited opinion.

8.9.   In respect of the corporate audits 13 of the 41 reports issued (32%) were with a negative opinion; split core 5 of 17 (29%) and non-core 8 of 24 (33%). The schools audits were 2 of 26 reports (8%) with a negative opinion.

Assurance Opinions by % Per Year and No. of Reports
Corporate

8.10.   The graph below is the same as the above, but presents the school audit position.

Appendix 6 – Final annual assurance report

8.11.   The number of Limited / No Assurance school reports remain low. The number and percentage of satisfactory assurance reports issued has increased since last year, but this is still a positive overall assurance position.
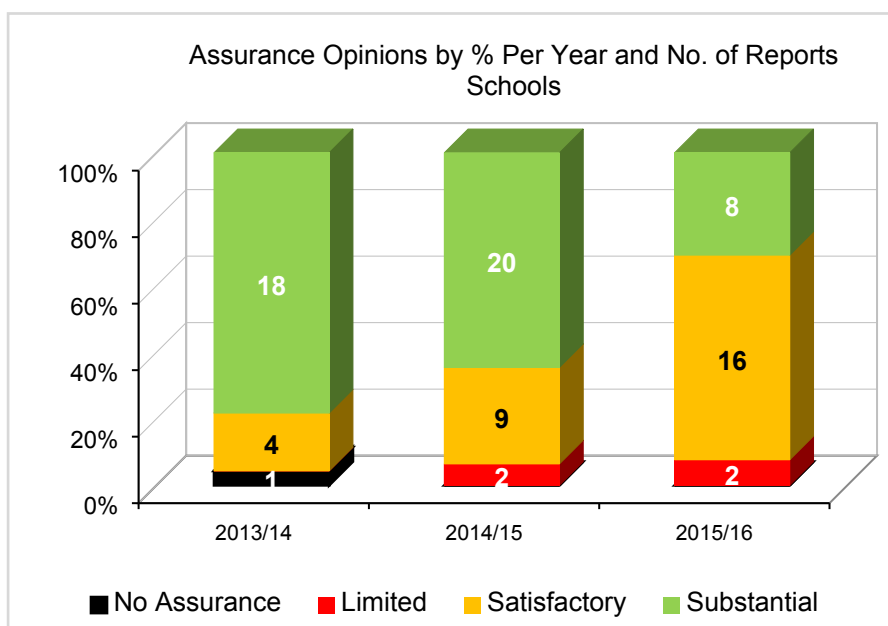
Core Financial Systems

8.12.   Core financial systems are the key financial areas within the council. They are audited on an annual basis. The table below shows a comparison of assurance opinions for the last three years.

Key

SUB	Substantial	SAT	Satisfactory	LTD	Limited	NAS	No Assurance

⤴	Improved since last year	⇔	Same as previous year	⬊	Deteriorated since last year

Table

Core financial system	2013/14	2014/15	2015/16	DoT
1. Accounts payable	SUB	LTD	NAS	⬊
2. Accounts receivable	SUB	LTD	LTD	⇔
3. Banking	SUB	LTD	LTD	⇔
4. Client contributions for residential & domiciliary care	SUB	LTD	LTD	⇔

Appendix 6 – Final annual assurance report

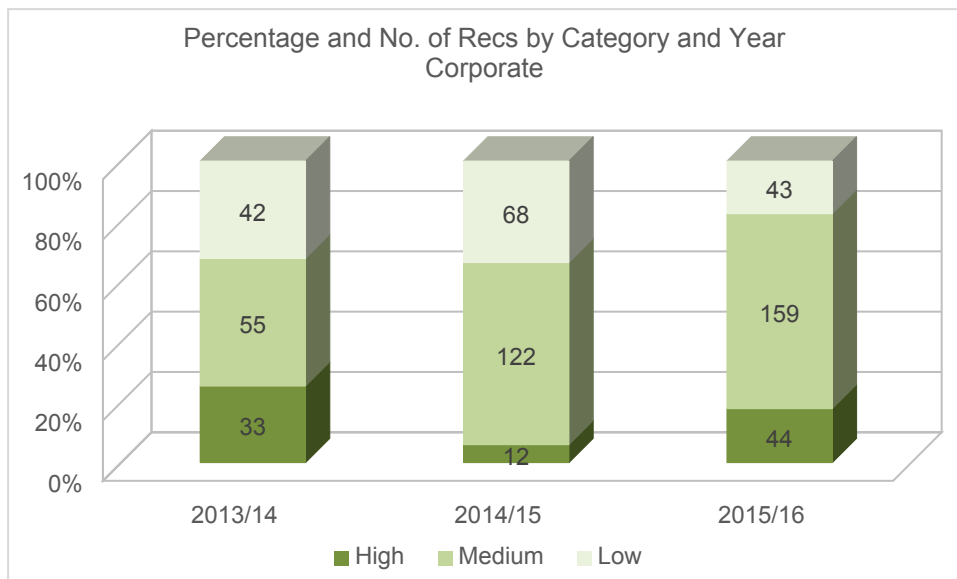| Core financial system	2013/14	2014/15	2015/16	DoT
5. Payments to Adult care providers	SUB	SAT	LTD	⇘
6. Main accounting	SUB	SAT	SAT	⇔
7. Capital programme and expenditure	SUB	SAT	SAT	⇔
8. Budget control and monitoring	SUB	SAT	SAT	⇔
9. Business rates (NNDR)	SUB	SUB	SAT	⇘
10. Council tax	SUB	SUB	SAT	⇘
11. Direct payments	SUB	LTD	SAT	⇗
12. Housing benefit and CTRS	SUB	SAT	SAT	⇔
13. Looked after children payments	SUB	SAT	SAT	⇔
14. Non-current (fixed) assets	LTD	LTD	SAT	⇗
15. Pensions	SUB	SAT	SAT	⇔
16. Payroll	SAT	SAT	SUB	⇗
17. Treasury management	SUB	SUB	SUB	⇔

8.13. The 'No Assurance' audit opinion for a core financial audit is still at draft, and maybe subject to change.

8.14. There were five rather than six core financial audits with Negative audit opinions in 2015/16. However, these include the key core financial areas (Accounts Payable, Accounts Receivable and Banking) with negative opinions for the second year in a row.

Recommendations

8.15. When internal audit make recommendations to management, they are categorised as 'High', 'Medium' or 'Low'. Definitions of these categories are provided at Appendix 4.

8.16. Officers are responsible for updating the progress on implementation of their Corporate High and Medium recommendations to an internal SharePoint site.

8.17. Schools are unable to use this internal site and have to provide updates manually to the Children and Young People (CYP) directorate.

8.18. Internal audit reports are given quarterly to the Audit Panel and the Internal Control Board (ICB) on the status of recommendations. The status includes:

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

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8.19.   The graph below presents the percentage (and number) of recommendations made by category for all corporate internal audits. It shows that there is an increase in percentage of High and Medium recommendations made during 2015/16.

Percentage and No. of Recs by Category and Year Corporate

Year	High	Medium	Low
2013/14	33	55	42
2014/15	12	122	68
2015/16	44	159	43

■ High ■ Medium ■ Low

8.20.   The graph below is the same as the above, but for schools. This shows that percentage has remained pretty even for the last two years.

Percentage (and No.) of Recs by Category and Year Schools

Year	High	Medium	Low
2013/14	7	43	62
2014/15	5	122	88
2015/16	26	197	124

■ High ■ Medium ■ Low
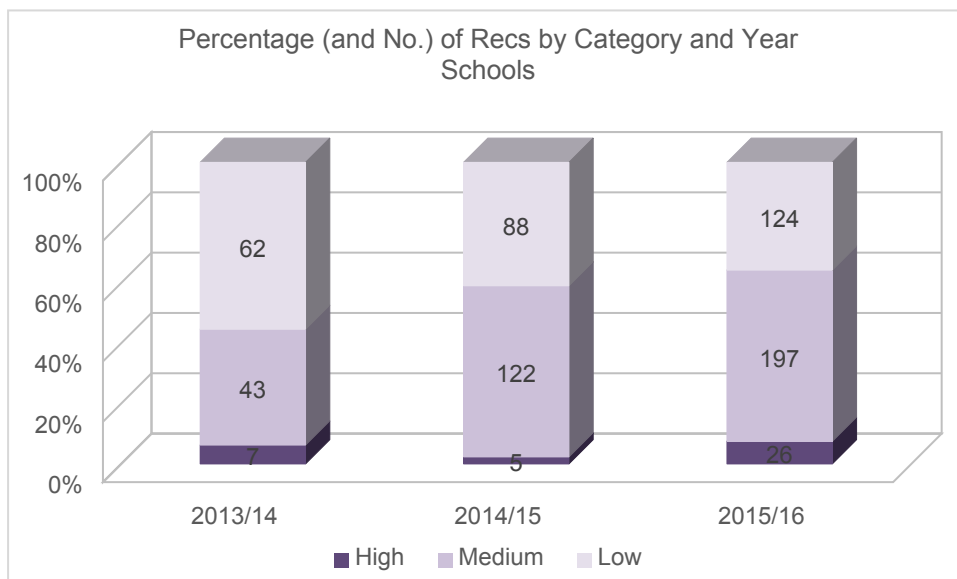
Follow-ups

8.21.   Internal audit follow-up on all Corporate High and Medium recommendations, normally nine months after the final report. The exceptions to this are for the core financial reviews, which are reviewed at the next annual audit.

8.22.   For schools, only those audits with a Limited or No Assurance opinion are followed-up. There were 16 corporate and two school follow-up reviews completed for the period.

8.23.   The table below shows the number of recommendations reviewed and their status at the time of the follow-up review.

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Implemented	In Progress	Superseded	Not Implemented	Total Recs
64	29	-	8	**101**
63%	29%	-	8%	**%**

8.24.   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 conducted can be found in Appendix 2.

Anti-Fraud and Corruption Team (AFACT)

8.25.   AFACT is responsible for conducting and managing fraud investigations internally and of those using Council services. This work is conducted with support from the Council's Human Resources and Legal Services teams. This work arises from the need for the Council to ensure confidence in the administration of public funds.

8.26.   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.

8.27.   The number and nature of investigations concluded in the year and actions taken are reported to the ICB and Audit Panel quarterly in the year. In 2015/16 the Council was also independently inspected and was given a positive opinion for its arrangements for conducting surveillance work under the RIPA powers.

Risk Management

8.28.   Corporate Resources is responsible for ensuring the Council has an effective risk management strategy and policy in place. These were reviewed at ICB in 2015/16 in light of some of the challenges to maintaining risk registers reported by the Risk Management Working Party (RMWP). In addition, Directorate Management Teams (DMT) and the Executive Management Team (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.

8.29.   A more streamlined and structured approach was agreed for service plans and Directorate registers for which templates have been designed for use in 2016/17. The strategy and policy documents will now be updated to reflect these changes and put to ICB and Audit Panel for member approval in 2016/17.

8.30.   In addition to the risk registers for management purposes, the Mayor and Cabinet and Members are appraised on risk management via the monthly management report which clearly maps risks to the Council's priorities and provides a narrative on changes to existing or emerging key risks.

8.31.   Through the actions note above the Council continues to adjust its approach to risk management, seeking to maintain the quality of risk reporting in a manner that is proportionate to the management time available to sustain this work. In addition to the internal audit of the risk management process in 2015/16 a risk management maturity audit is in the plan for 2016/17 to assess the new arrangements.

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<u>Other sources of assurance</u>

8.32. Evidence for the effective mitigation of risk and focus on improving internal control comes from other sources than the work of internal audit. These are taken into consideration for preparing the annual assurance opinion and planning the work of internal audit for future years. For example:

8.33. Internally service planning, performance reporting and financial monitoring are tools available to management. In 2015/16, as noted by ICB, the approach to service planning was not consistent across services, budget monitoring had some re-occurring audit recommendations and the CYP OFSTED inspection made recommendations in respect of performance management. In addition the level of H&S incidents reported and motor vehicle insurance claims have been higher than usual. These are all areas for management attention and improvement going forward.

8.34. Externally inspections and accreditation reviews and statutory transparency reporting requirements are helpful measures to assess the effectiveness of service practice and performance. In 2015/16, from the relevant bodies, the Council received positive results from its legal services accreditation, RIPA inspection, and an extension to its Public Sector Network certificate. However, the OFSTED review of children's services concluded with 'needs improvement', the Council chose to allow its Investors in People accreditation to lapse, and performance around timely Freedom of Information and handling of complaints fell off considerably at the turn of the year (although now returning to be back on track).

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

9.1. From a review of the internal audit recommendations made in 2015/16 some common areas for improvement around internal controls were noted. This does not mean they are wrong all of the time everywhere. However, these points were noted through more than one audit or source of assurance during the year.

<u>Budget Pressures</u>

9.2. Across the Council, services are continuing to work to find ways of operating with reduced budgets. This has resulted in controls being either:

- reduced, e.g. checks being done quarterly rather than monthly;
- transferred e.g. contracted out but with insufficient contract monitoring over finances or outputs/outcomes; or
- non-compliance e.g. purchasing without obtaining correct quotes / tendering.

<u>ICT Infrastructure</u>

9.3. The ICT infrastructure during 2015/16 was not always fit for purpose. This resulted in:

- Software applications suffering considerable downtime;
- Inability to reconfigure or procure digital ways of working to help with control improvements or efficiencies;
- Antivirus / cyber security not up to date or not in place thereby putting the Council at risk from outside threats; or
- ICT kit not being refreshed and therefore operating very slowly resulting in considerable loss of productivity.

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<u>Contract Management</u>

9.4.   The Council does not always prioritise the resources to ensure effective contract management arrangements are in place and value for money is being achieved. While the contracting out services may appear to be a budget / cost saving decision, without proper monitoring of the contract and retained risks it can end up being more costly in the long run.

<u>Human Capital</u>

9.5.   The Council in 2015/16 completed its third voluntary severance scheme in five years and continues to implement a high number of service reorganisations associated with savings proposals. This continues to throw up gaps in the effective operation of controls where key experienced and knowledgeable members of staff leave.

9.6.   This situation is exacerbated where internal audit is routinely identifying procedures and processes not being updated to reflect new ways of working and to help the transfer of knowledge and learning.

<u>Financial control</u>

9.7.   From a core financial perspective, Accounts Payable and Accounts Receivable are the main transaction areas and impact all parts of the Council operating efficiently.

- Accounts Receivable – findings included the suspense account not cleared in a timely manner. Officers are able to raise and cancel invoices without a segregation of duties control. There is no automatic notification of breaks in instalments and the removal of reminder letters (dunning process) is not monitored to ensure prompt collection of debts.

- Accounts Payable – findings included changes to suppliers are not being reviewed or there is no audit trail to identify what changes have been made. There is no dual control in the changes to supplier details. Exception reports on duplicate payments or high value payments are not run. There is not always approval for payment evidenced from a feeder system or manual payments. Some payments where there should be a purchase order are being processed as non-purchase orders (i.e. not shown as a commitment to spend). Delays in paying suppliers (i.e. over the 30 days threshold). Absence of routine data cleansing work, e.g. to review for duplicate suppliers.

9.8.   The key risks being uncollected income or payment of monies not due, abuse of public funds, poor decision making based on weak budget forecasting and monitoring information, and reputational harm with suppliers and customers.

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

10.1.   The standards require an external independent review of the internal audit service at least every five years. The internal audit service's external review took place in February 2016 by NHS Bart's internal audit service, London Audit Consortium (LAC).

10.2.   LAC confirmed that the Internal Audit Service complied with the PSIAS. Recommendations made by LAC were made on how to improve the service, but the implementation of these are not mandatory to comply with the PSIAS. The detailed recommendations and proposed actions in response are set out at Appendix 3 to this report.

10.3.   The recommendations, where relevant, are also included in the Quality Improvement Plan (Section 11).

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

11.1.   Taking the recommendations made during the PSIAS assessment into account, the Internal Audit Service is pressing ahead with a restructure to recruit more in-house resource. This is partly a cost saving measure and a means to ensure better retained organisational knowledge to help support and contribute to the on-going change being driven through by management.

11.2.   The emphasis for 2016/17 is to embed the team, updated working papers, and set revised key performance indicators before considering introducing trainee positions in 2017/18.

12.   Role of the Head of Internal Audit

12.1.   CIPFA Statement on "The role of the Head of Internal Audit in public service organisations, 2010" state that the Head of Internal Audit role in a public service organisation is based on five principles:

1) Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

2) Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

3) Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;

4) Must lead and direct an internal audit service that is resourced to be fit for purpose; and

5) Must be professionally qualified and suitably experienced

12.2.   The annual review of the Head of Internal Audit concluded that all of the above principles were met.

13.   Background Papers

13.1.   Internal Audit and A-FACT papers to the Audit Panel throughout 2015/16.

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 2015/16

Corporate Audits

Lead Dir.	Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
CUS	Accounts Payable 2015/16 **(Core Financial Audit)**	**No Assurance**	6	4	-	Set up of new suppliers, Payments, Reconciliations, and Performance Indicators	07/06/16
CUS	Accounts Receivable 15-16 **(Core Financial Audit)**	**Limited**	2	4	1	Completeness of income, Documentation and Authorisation, Income recording and Debt Recovery	15/01/16
CUS	Banking 15/16 **(Core Financial Audit)**	**Limited**	1	3	1	Payments, Cheque Printing and Security, Feeder systems (access) and Reconciliations	07/03/16
CUS	Client Contributions for Care Provision 15/16 **(Core Financial Audit)**	**Limited**	2	8	1	Eligibility and Financial Assessments, Recovery of Client contributions and Deferred Contribution Scheme	01/04/16
CUS	Backup and BCP for Adult Social Care System	**Limited**	2	1	-	Backups and Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP)	04/04/16
COM	Learning and Disability Respite – Contract Management	**Limited**	-	8	-	Contract and Contract Variations, Payments, Contract Monitoring and Management Reporting.	14/03/16
CYP	Children's Centres – Contract Management	**Limited**	1	5	2	Contract and Contact Variation, Payments, Monitoring and Reporting	14/04/16
RRE	Commissioning and Procurement Board	**Limited**	1	6	-	Governance, Reporting, Monitoring and Adherence to the OGC gateway process,	04/05/16
RRE	Adherence to the Local Transparency code 2014	**Limited**	1	2	-	Publishing and Verification of Data	03/05/16
COM	Public Health – Statutory Services	**Limited**	2	4	-	Contract Formalities, Budgetary Control, Management Information and Reporting	06/06/16
COM	Better Care Fund	**Limited**	-	10	1	Governance and Risk Management, Performance Management and Data Quality, Financial Structure	27/05/16

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2015/16

Lead Dir.	Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
COM	Payment to Adult Care Providers **(Core Financial Audit)**	Limited	-	10	2	DPA and Statutory Requirements, Set up of provider payments, Payments, Budgetary Control	27/05/16
CUS	Housing – Bed and Breakfast, Hostels and Temporary Accommodation	Limited	1	5	1	Allocation of temporary Accommodation, Charging and collection of rents and rates, Payments to Landlords	06/06/16
RRE	Budget Monitoring 15/16 **(Core Financial Audit)**	Satisfactory	-	3	1	Budget Setting, Loading and Virements, Budgetary Controls, and Management Reporting	01/03/16
CUS	Business Rates (NNDR) 15/16 **(Core Financial Audit)**	Satisfactory	1	-	2	Setting of the Business rates, Billing, Liabilities, Discounts, Reliefs and Collection Recovery and Enforcement	07/03/16
RRE	Capital Expenditure 15/16 **(Core Financial Audit)**	Satisfactory	-	1	-	Project Governance and Management, Payments, and Programme Budget and Expenditure Monitoring	22/03/16
CUS	Council Tax 15/16 **(Core Financial Audit)**	Satisfactory	1	-	2	Setting of the Council Tax, Billing inc, Write offs, Refunds, Discounts, Reductions, Disregards and Liabilities, Valuation Office List and Data Protection	07/03/16
CUS	Housing Benefit and Council Tax Reduction Scheme **(Core Financial Audit)**	Satisfactory	-	4	2	Applications, Payments, Overpayment, Debt Recovery, System Reconciliation and Exception Reporting	21/04/16
RRE	Main Accounting **(Core Financial Audit)**	Satisfactory	-	2	3	Financial Systems Administration, Feeder Systems, Journals and Reconciliations and Final Accounts	16/02/16
RRE	Non-Current Assets 15/16 **(Core Financial Audit)**	Satisfactory	-	2	2	Asset Management, Transfer of assets, and Reconciliation	25/04/16
COM	Direct Payments 15/16 **(Core Financial Audit)**	Satisfactory	-	4	1	Assessment and Payments, Utilisation Monitoring, and Budget Monitoring	24/05/16

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2015/16

Lead Dir.	Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
CYP	Payments to Child Care Providers and Foster Carers (**Core Financial Audit**)	**Satisfactory**	1	5	1	Payments, Budgetary Control, Exception Reporting	07/06/16
RRE	Pensions 15/16 (**Core Financial Audit**)	**Satisfactory**	-	4	-	Governance Arrangements, Contributions and Payables, Investments and Management Fees and Reconciliation	01/04/16
RRE	Corporate Health and Safety Framework	**Satisfactory**	-	4	5	Training and Communication, Risk Mapping, Audits and Inspections and Management Reporting	23/09/16
RRE	Risk Management	**Satisfactory**	-	3	1	Risk Identification and Evaluation Process, and Risk Monitoring and Management Reporting	17/02/16
CUS	Housing Register and Offers	**Satisfactory**	1	2	1	Housing applications, Bidding process and Offers	11/04/16
CUS	Recycling and Incineration Arrangements – Contract Monitoring	**Satisfactory**	-	3	1	Contract and Contact Variation, Payments, Monitoring and Reporting	10/11/15
CUS	Registrars	**Satisfactory**	-	3	1	Income and Reconciliations, Stock Control, Performance Monitoring and Customer Satisfaction	16/10/15
COM	Domiciliary Care Agencies – Contract Monitoring	**Satisfactory**	-	5	1	Contract and Contact Variation, Payments, Monitoring and Reporting	22/02/16
CUS	Public Access to Information (inc Freedom of Information	**Satisfactory**	-	7	1	FOIA / EIR requirements and ICO recommendations, Access to information and exemptions and ICO codes of practice	04/05/16
CUS	Data Protection Act – Compliance	**Satisfactory**	-	6	-	DPA and ICO recommendations and DPA requests	04/05/16
CYP	Leaving Care (18+ Arrangements)	**Satisfactory**	1	3	1	Assessment of Needs and Pathway plan, placement for housing, Monitoring of aftercare support	07/06/16
CYP	Employer Agents- Pupils Places Programme – Contract Monitoring	**Satisfactory**	1	4	2	Contract and Contact Variation, Payments, Monitoring and Reporting	20/05/16
COM	Food Safety, Hygiene and Standards	**Satisfactory**	1	2	-	Food Safety, Hygiene and Standards arrangements, Enforcement of the Food Safety Act, Budget and Performance Reviews	27/05/16

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2015/16

Lead Dir.	Auditable Area	Assurance Level Given	H	M	L	Risk Headings / Area Tested During the Review	Date of final Report
RRE	Anti-Fraud and Corruption Team (AFACT)	Satisfactory	-	2	3	Fraud strategy, Reporting and processing of cases, and Data security	15/06/16
CUS	Appointeeships, Deputyships and Safeguarding of Client Assets	Satisfactory	1	3	1	Application and eligibility of appointeeships and Deputyship, income and expenditure, safeguarding of client assets	27/05/16
CUS	Disaster Recovery and Business Continuity Plans	Satisfactory	1	2	-	DR / BCP planning, BCP returns, Property Inspections, Emergency Planning Exercise	07/06/16
RRE	PFI Monitoring	Satisfactory	-	2	1	Contracts, Variations and Additions, Governance arrangement, Contract monitoring and report and payments	15/08/16
RRE	Payroll 15/16 **(Core Financial Audit)**	Substantial	-	1	1	Starters and Leavers, Benefits, Deductions, Amendments and Payments	11/04/16
RRE	Treasury Management 15/16 **(Core Financial Audit)**	Substantial	-	2	-	Cash Flow Forecasting, Investments and Loans Recording, Unauthorised Access and Performance Monitoring and Reporting	09/02/16
CUS	In-house Bailiff Service / Enforcement Agency	Substantial	-	1	-	Recovery process including Seizing and Selling of Goods and Cash Payments, Transfer of Cases to External Bailiffs and Complaints Process	01/03/16
CYP	Speech and Language Therapy – Contract Management	Substantial	-	2	-	Contract and Contact Variation, Payments, Monitoring and Reporting	20/05/16
CYP	Troubled Families Programme – Claim Submissions (Phase 1 last claim)	Grant	-	-	-	DCLG require internal audit to sample check the grant claim	Throughout the year
CYP	Troubled Families Programme – Claim Submissions (Phase 2 claims for year)	Grant	-	-	-	DCLG require internal audit to sample check the grant claim	Throughout the year
CYP	Processes for Payments to Main Care Providers	Consultancy	2	4	-	Compliance with Organisational and Management requirements, Set up and termination of commitments	14/06/16

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2015/16

School Audits

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

Appendix 1 – Internal Audit opinions, category of recommendations, and areas reviewed for 2015/16

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

Appendix 2 – Follow up Review Conducted in 2015/16

Lead Dir.	Audit Followed –Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Supers-eded	Not Implem-ented	Total
RRE	Insurance -In house Processes 14/15	Substantial	08/06/15	19/01/16	1	1	-	-	2
RRE	Project Management 13/14	Satisfactory	16/07/15	26/02/16	-	3	-	2	5
RRE	Budget Setting and Monitoring 14/16	Satisfactory	29/04/15	01/03/16	3	3	-	-	6
RRE	Main Accounting 14/15	Satisfactory	18/06/15	16/02/16	2	1	-	-	3
RRE	Treasury Management 14/15	Substantial	11/06/15	09/02/16	1	1	-	-	2
RRE	Capital Expenditure 14/15	Satisfactory	24/06/16	22/03/16	4	1	-	-	5
RRE	Pensions 14/15	Satisfactory	31/03/16	01/04/16	7	1	-	1	9
RRE	Payroll 14/15	Satisfactory	12/05/16	11/04/16	7	1	-	-	8
RRE	Programme and Project Management 14-15	Satisfactory	29/06/15	11/04/16	3	1	-	-	4
CUS	Accounts Receivable 14/15	Limited	18/06/15	15/01/16	3	3	-	1	7
CUS	Housing Benefit and CTRS 14/15	Satisfactory	30/06/15	21/04/16	1	1	-	1	3
CUS	Banking 14/15	Limited	10/06/15	07/03/16	2	-	-	-	2
CYP	School Catering Contract 13/14	Satisfactory	09/07/14	11/02/16	4	1	-	-	5
CYP	Payments for 2 to 4 Year Olds 14/15	Substantial	24/06/15	07/03/16	-	1	-	1	2
COM	Public Health Contracts	Satisfactory	26/05/15	14/04/16	1	2	-	1	4

Appendix 2 – Follow up Review Conducted in 2015/16

Lead Dir.	Audit Followed –Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implem-ented	In Progress	Supers-eded	Not Implem-ented	Total
COM	Client Contributions for Care Provision 14/15	Limited	30/06/15	01/04/16	2	2	-	1	5
SCH	Elfrida Primary School 2014/15	Limited	05/03/15	14/12/15	13	1	-	-	14
SCH	St Bartholomew's CE Primary 2014/15	Limited	15/09/14	02/07/15	10	5	-	-	15

Appendix 3 – Action Plan for Improvements for the Internal Audit Service

Recommendation	Action Plan	Responsible Officer	Due by
1. Mazars to share declarations of interest with LBL or complete LBL pro-formas	Agreed. All current contractor staff who work on a regular from 2016 on the LBL basis will complete	Internal Audit Contract Manager	Completed.
2. Mazars should provide details of their internal and external quality review audits that presently demonstrate compliance with their ISO9001 quality system and through this, compliance with IA standards.	Agreed. Mazars have provided evidence of the compliance with ISO9001 since the external assessment took place	Internal Audit Contract Manager	Completed
3. Mazars should be asked to either share their gifts/ hospitality register or be required to participate in the LBL system.	Not agreed. Until Mazars procures services on our behalf, the need for a gifts and hospitality register is not required.	n/a	n/a
4. So as to improve clarity, paragraph 5.5 of the Audit Charter 2015/16, it should be reworded thus: *As the HIA has line management responsibility for a number of operational activities not relating to internal audit, to safeguard audit objectivity whenever these systems are audited by the internal audit team, the IACM will operate independently of the HIA and will for these matters report directly to the CFO*	Agreed A review of the Charter for 2016/17 has taken place, and wording amended to reflect this recommendation.	Internal Audit Contract Manager	Completed
5. Consideration should be given to renaming the Internal Audit Contract Manager post as Operational HIA to make clearer the remit of the post. The job description could also state:	The restructure will make the internal audit contractor manager's role redundant, therefore a new Job Description will be created and these points will be taken into consideration.	Head of Corporate Resources	December 16

Appendix 3 – Action Plan for Improvements for the Internal Audit Service

Recommendation	Action Plan	Responsible Officer	Due by
• the post holder's authority to act independently of the HIA in regard to audits of systems managed by the HIA and the reporting line directly to the CFO in such instances; • that the IACM will deputise for the HIA in regard to internal audit matters only			
6. Consider introducing a standard paragraph into project ToRs and audit reports stating that the auditor has no conflict of interests. This will demonstrate that independence is considered as part of project planning. It will therefore strengthen the assurance presently made in the Audit Charter and the Annual Assurance Report that the internal audit service complies with the PSIAS (and therefore operates with appropriate independence	Agreed. A standard statement has been put into the Terms of Reference for 2016/17 audits , declaring that relating to that particular audit, they have no know impairment to their independence, will remain impartial throughout the review and have no conflict of interests to declare	Internal Audit Contract Manager	Completed.
7. The Audit Panel and the Internal Control Board (ICB) should consider holding in-camera meetings with the Internal Audit Contract manager to ascertain if this manager has any concerns as to the independence of the present arrangements. This should be done at least annually in general terms and whenever an audit of a system managed by the HIA is undertaken. The CFO should provide similar support to the IA Contract Manager in regard to the audit of	Agreement to be confirmed by Audit Pane, ICB and CFO. HIA comment: While in principle this is a good idea, there may be an easier way to implement this. Audit Panel – an annual meeting / or email from the chair to the Internal Audit Contract Manager should suffice. ICB – TBC CFO – TBC	TBC	**TBC**

Appendix 3 – Action Plan for Improvements for the Internal Audit Service

Recommendation	Action Plan	Responsible Officer	Due by
any system managed by the HIA			
8. The Audit Panel should consider annually completing an effectiveness assessment that includes an assessment of the effectiveness of the internal audit service and HIA. A number of assessment templates exist. The NHS typically uses one prepared by the Healthcare Financial Management Association (HFMA).	To be agreed with the Audit Panel. Self-assessment of the audit panel (or committee) are available.	TBC	**TBC**
9. LBL should consider asking Mazars to periodically declare compliance with their staff appraisal and training systems (note: the need to conduct appraisals and operate training programmes for staff seem not to be in the scope of the ISO9001 system and therefore independent inspections by BSI cannot be relied upon for this purpose)	The Internal Audit Contract Manager will request A statement by Mazars when they complete their register of interests forms.	Internal Audit Contract Manager	Completed.
10. When submitting draft reports to the IACM Mazars should provide written confirmation that the working papers and draft report have been subject to their normal quality assurance process and all review points have been addressed.).	Not agreed as felt it is an over control. However, the IACM will put in the protocol that this a requirement, but report to the IACM if there is a break with the protocol.	Internal Audit Contract Manager	Completed.
11. Liaison with external audit should be strengthened.	Agreed Although the HIA meets with them on a regular basis this is in relation to his other activities (i.e pensions). Discussion	HIA and External Audit	June 16

Appendix 3 – Action Plan for Improvements for the Internal Audit Service

Recommendation	Action Plan	Responsible Officer	Due by
	with External Audit will take place to see how it can be improved		
12. Performance management systems are a key component of internal control. Consideration should be given to cyclically auditing the performance management arrangements of individual directorates, if an overall review is considered too large an undertaking. A risk based approach to determining the most suitable areas for review should be adopted	Agreed in principal. The HIA and IACM will consider this during the next round of planning.	Head of Audit / Internal Audit Manager (new post)	December 2016
13. ASQs are valuable in measuring the effectiveness of the service and motivating IA staff. Efforts should be made to improve the current level of client feedback by adopting the following strategies: • following up promptly where returns have not been made, • responding to replies very promptly to demonstrate that feedback is valued	Agreed When the in-house team is in place, this will form part of their PI.	Internal Audit Contract Management	Completed

Appendix 6 – Final Assurance Report

Assurance Opinion Definitions

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

Definitions of Category of recommendations.

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.